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EDITOR`S NOTE

The role of *Entrepreneurship* and entrepreneurial culture in economic and social development has often been underestimated. Over the years, however, it has become increasingly apparent that entrepreneurship does indeed contribute to economic development. Transforming ideas into economic opportunities is the crux of entrepreneurship. History shows that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks. In order to be competitive in the globalizing knowledge economy, the overcoming barriers to promoting innovation with entrepreneurial focus countries need to invest in their innovation systems at national and regional levels. As entrepreneurship is closely associated with change, creativity, knowledge, innovation and flexibility-factors that are increasingly important sources of competitiveness in an increasingly globalized world economy, thus, fostering entrepreneurship means promoting the competitiveness of businesses. As countries are turning their production towards value-added segments and knowledge-intensive products and services, there is greater dependency on access to new technologies, knowledge and skills. And, with the parallel processes of globalization and localization, the local availability of knowledge and skills is becoming increasingly important.

Researchers deal directly or indirectly in these papers, case studies, published in the Book of Proceedings with: *Entrepreneurship Education, Individual Entrepreneurship, Women and Minority Entrepreneurship, Small Business and SME's in Developing Economies, Public Policy, Technology and Entrepreneurship, Corporate Entrepreneurship, Social Entrepreneurship, Entrepreneurship Across the Curriculum, Innovative financing, Facilitating entry and exit, Fostering entrepreneurial traits*, The macroeconomic and business ambient which occurs entrepreneurial process in the context of a set of framework conditions. The main findings of the research published in this Book can be pointed as some of further initiatives:

As key sources of knowledge and innovation is higher education. Countries in transition, as Serbia is, have to be well on their way to becoming a modern economy and developing its high growth potential. Start-ups and young businesses have become key contributors to the region's growth due to their dynamics and their capacity to renew the local knowledge base. In the context of a global economic crisis, we need to reflect upon the role of start-ups and their capacity to contribute to local economic development. The entrepreneurial potential however, especially amongst the highly qualified, is far from being exhausted. Findings written in the papers, show that in addition to the entrepreneurial culture, education also plays a considerable role in developing entrepreneurial activity, as well as the presentation of good practice initiatives and helps us understand - how science can support the business-creation process: How many men and women can be identified as potential entrepreneurs? What contributions can be made by universities? What are the links between business creation, university activities and urban and regional economic development policies? Individual capacities, including personality traits, are often

considered to be the key drivers of success for business start-ups. These capacities often refer to the entrepreneur's creativity, motivation and persuasion capacities. However, as shown by the initiatives presented in the Book of Proceedings, providing the necessary start-up support infrastructure is also a key element to creating successful businesses. The Government can and have the more manifested need to contribute to this field by improving the policy framework, through the EXIST support programme which promotes the creation of university spin-offs, provides valuable support by offering financial assistance to young entrepreneurs and by supporting the integration of entrepreneurship education into study programs. In regional engagement much depends on the institutional leadership and entrepreneurialism of HEIs. The Design and deliver the provision of robust data and information on entrepreneurship and self-employment activities, new innovative tools for better access to finance, as one of the most significant challenges for entrepreneurs and for the creation, survival and growth of small businesses is also the topic of the works published in the Book.

Small and medium-sized enterprises are key sources of dynamism, innovation, and flexibility. They account for over 95 percent of enterprises, generate two-thirds of employment and are one of the main sources of new jobs in most of the countries of transition. SMEs are key economic actors in resource allocation and industrial restructuring processes. They provide economic benefits, such as experimentation and adaptability to economic change and the growth of human capital. Private sector development and entrepreneurship development are essential ingredients for achieving the Millennium Development Goal of reducing poverty. But for many developing countries, private sector development has not yet a powerful engine of economic growth and wealth creation, and crucial for improving the quality, number and variety of employment opportunities for the poor.

Economically, entrepreneurship invigorates markets. The formation of new business leads to job creation and has a multiplying effect on the economy. Socially, entrepreneurship empowers citizens, generates innovation and changes mindsets. These changes have the potential to integrate developing countries into the global world.

December, 2012.

Belgrade, Serbia

Editor

*Professor Radmila Grozdanic PhD
Academician*

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PART ONE

***ENTREPRENEURSHIP
IN SOCIAL AND ECONOMIC
DEVELOPMENT - POLICY DEVELOPMENTS***



ENTREPRENEURSHIP: A NECESSITY OR OPPORTUNITY IN TRANSITIONAL SERBIA?

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Abstract

The success of Serbian economy is closely associated with entrepreneurial activity. Entrepreneurial activity has deteriorated over the last few years as a result of combined crisis (global + transition). Current economic situation in Serbia, exit strategy, as well as opportunities for the development of dynamic entrepreneurship are examined in the first part of this work. In the second part, global trends in entrepreneurship education and training are presented, as well as the contribution of intellectual capital to the results of operations of the real sector of Serbian economy. In the third and last part of the work, it is pointed out that building the strategy for entrepreneurship education is no longer an option, but a necessity for Serbia. Progression in the construction of such a strategy should be based on the experience of the EU.

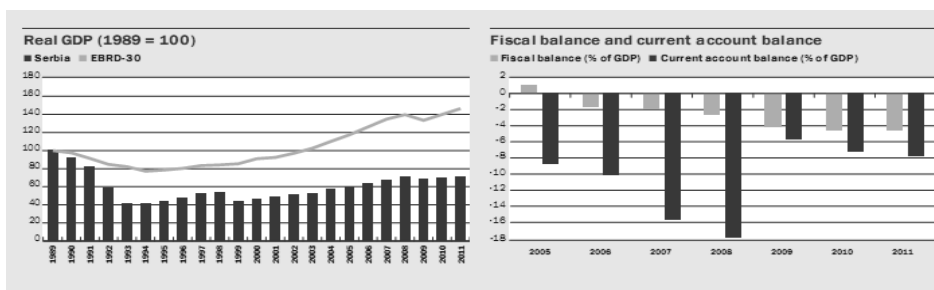
Key Words: *crisis, entrepreneurial activity, intellectual capital, strategy for entrepreneurship education*

COMBINED CRISIS, EXIT STRATEGY AND DEVELOPMENT OF ENTREPRENEURSHIP IN SERBIA

Combined crisis

Serbia belongs to a group of countries that have initiated economic transition in 1989. Progress in transition can be expressed by using synthetic indicators such as real GDP. In 2011, almost two and a half decades since the beginning of transition, Serbia's GDP is 78 percent higher than the initial level. While other transition economies on average progressed, Serbia obviously regressed. Macroeconomic situation in Serbia is also not great. It is characterized by a double imbalance, budget deficit and current account deficit (Figure 1).

Figure 1: Macroeconomic indicators of development in Serbia



Source: (IBRD / The World Bank, 2011)

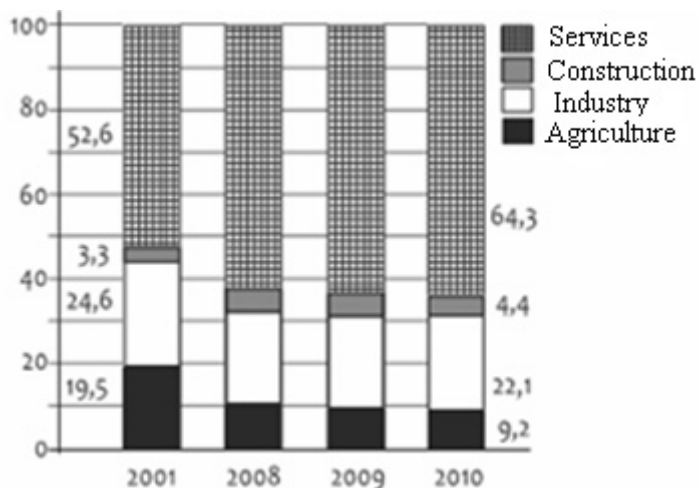
Serbia does not provide good conditions for doing business. According to (Doing Business, 2012), Serbia is ranked at 92 place out of 182 countries in the world, which is a worse position for four places compared to the previous year 2011. The position of "golden mean" is not a big consolation for Serbia. Countries from the environment are much better placed in the world rankings, with the exception of Bosnia and Herzegovina (Table 1). Especially critical areas for doing business in Serbia are: dealing with construction permits (rank 175), paying taxes (143), enforcing contracts (104) and solving insolvency problems (113).

Table 1: International rankings of Serbia according to Terms and Conditions

Country	Rank	
	2012	2011
Macedonia, FYR	22	34
Slovenia	37	37
Hungary	51	46
Montenegro	56	56
Bulgaria	59	57
Romania	72	65
Croatia	80	79
Albania	82	77
Serbia	92	88
Bosnia and Herzegovina	125	127

Source: (IBRD / The World Bank, 2012)

Global crisis has only intensified transitional crisis and showed that the previous model of economic development is practically unsustainable. Key structural imbalance of Serbian economy is a change of share of added value for the benefit of non-tradable goods sector. When it comes to developed countries, reducing the share of industry in GDP is not a new phenomenon. In all transition economies, however, the share of industry in GDP is quite high, except in Serbia and Croatia (Figure 2).

Figure 2: Sectoral dynamics of gross value added

Source: (Jakopin, 2012)

The sectoral structure of GDP in Serbia could be changed in favor of tradable products if the results of operations of the real sector of the economy are improved. To achieve this, the real sector has to increase competitiveness. Increasing competitiveness requires investments and stable sources of funding. Financing of investments is a difficult task for the sector whose financial problems the state "shoved under the rug" a few decades ago.

Why is the real sector of economy important? Among other things, because it is inextricably linked to the entrepreneurship sector. Financially healthy and competitive real sector puts "wind in the sails" of entrepreneurship. In contrast, financially troubled and uncompetitive real sector threatens to "sink" entrepreneurship in Serbia.

In this work, the financial position of real sector of the Serbian economy is analyzed in a sample of several branches. Starting from the official classification of activities, six branches are selected, and those are: agriculture, forestry, fisheries, mining, manufacturing, construction, and electricity, gas and water vapor production. Selected branches include 28,000 companies and nearly 600 thousand employees. The characteristic of the pattern is that most companies and employees belong to the manufacturing industry (> 60%). The analysis is based on the financial reports of companies that belong to the above branches, in the four-year period from 2007 to 2010. (Malinić, Milicevic, 2011, pp.335-351).

In accordance with good practice of analysis of financial reports, three key aspects are being discussed, and those are: (1) analysis of short-term financial risk, or liquidity analysis, (2) analysis of long-term financial risks, and (3) profitability analysis. The data are presented in Table 2.

Analysis of short-term financial risk, or liquidity analysis, is based on indicators of liquidity and trades, cash cycle and cash flow. Indicators of liquidity-current and high-ratio have unusually low values in all analyzed years. More specifically, the values of these indicators are almost twice less than the liquidity standards that apply to developed market economies. The cash cycle is presented by the turnover of means in customers' claims, supplies and obligations towards suppliers. The most important feature of the cash cycle of real sector is a spectacular extension of deadlines for payment of obligations towards suppliers (from "only" 107 days in 2007 to 224 days in 2010). Liquidity analysis concludes with examining the cash flows. Cash flows from operations are especially important, because cash surplus in this segment should ensure the company's liquidity over the long term. Unfortunately, cash flows from operations were negative in nearly all observed years. Based on the data presented, it can be concluded that the liquidity of real sector of economy is at a disturbingly low level. A negative circumstance is also that this sector is not able to finance its activities from internal sources.

Analysis of long-term financial risk indicator is based on the net working capital. In Table 2, one can notice that the real sector of Serbian economy has no own net working capital I, which is negative in all analyzed years.

Table 2: Selected indicators of financial operations of the real sector of Serbian economy in the period from 2007 to 2010

	Indicators	31.12.2007	31.12.2008	31.12.2009	31.12.2010
I	SHORT-TERM FINANCIAL RISKS				
	1.1. Current Ratio	1,00	0,97	0,97	0,95
	1.2. Quick ratio	0,60	0,60	0,63	0,61
	1.3.1. Average No. Days Inventories in Stock	80	83	103	96
	1.3.2. Average No. Days Receivables Outstanding	90	92	113	105
	1.3.3. Average No. Days Payables Outstanding	145	216	210	224
	1.3. Cash cycles, No. Days (1.3.1+1.3.2-1.3.3)	25	-39	6	-23
	1.4.1. Cash flow from operations, millions RSD	-30.867	-67.314	723	-66.633
	1.4.2. Cash flow from investing activities	-385.569	-251.327	-184.454	-586.327
	1.4.3. Cash flow from financing activities	435.807	313.144	205.317	663.052
	1.4. Net cash Flow (1.4.1.+1.4.2+1.4.3), Millions RSD	19.371	-5.498	21.585	10.092
II	LONG-TERM FINANCIAL RISKS				
	2.1.1. Own Net Working Capital-NWC I	-589.275	-751.581	-882.261	-1.152.279
	2.1.2. Long-term Provisions and Liabilities	583.469	708.462	837.144	1.050.525
	2.1. Net Working Capital-NWC II (2.1.1+2.1.2), Millions RSD	-5.806	-43.119	-45.117	-101.754
	2.2. Inventories and similar current assets, Millions RSD	572.877	685.239	702.836	844.424
	2.3. Excess (deficiency) NWC III (2.1-2.2)	-578.683	-728.358	-747.953	-946.178
III	PROFITABILITY				
	3.1. Return on Assets-ROA	1,18	4,42	1,66	4,09
	3.2. Return on Equity-ROE	-3,52	-2,23	-6,59	-3,16

Source: (According to Malinić, Milićević, 2011)

Total net working capital deficit III is huge 946.1 billion dinars at the end of 2010. Long-term financial position is such that the real sector of Serbian economy cannot count on internally generated funds to increase production until the accumulated debt repayment.

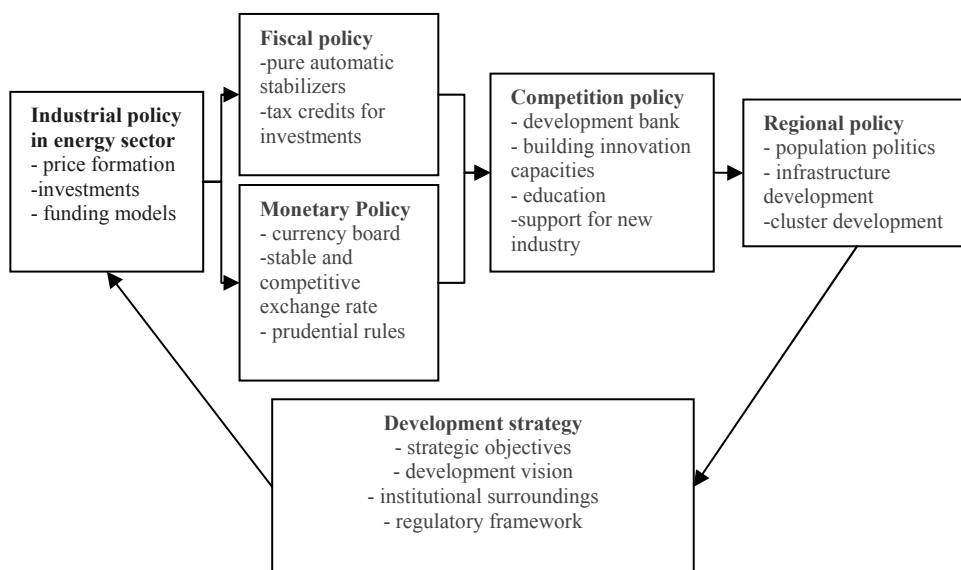
Profitability analysis is based on two standard indicators: return on equity (ROE) and return on assets (ROA). In Table 2, return on assets (ROA) has small but positive values in all analyzed years. On the other hand, the return on equity (ROE) records a negative value for the entire period from 2007 to 2010. Negative impact of financial leverage is present.

The real sector of Serbian economy is in a kind of vicious circle. It is a capital-intensive sector, whose growth can not be imagined without investment in fixed assets of a larger scale. Since the investments in fixed assets are financed from long term sources, in order to maintain long-term financial balance, it is imperative that these sources are of a high quality. In other words, internally generated funds are needed, i.e. profits that could be partially retained for internal funding. Since the generated profit in real sector is small, it is necessary to turn to external sources of financing. These funding sources are very expensive, which is why the real sector accumulates losses and comes to even worse situation. Sustainable growth is not possible in such circumstances.

Exit strategy

Economic development of Serbia is stuck in a combined crisis (global + transition). This crisis requires a new model of economic development, because the former one has exhausted its possibilities. The point of the new model should be sustainability of economic development in post-crisis period. The new model should include short-term measures or so called anti-crisis program, which will be aligned with long-term measures, or development strategy (DJurićin, 2011, p.16-20). Since such coordinated strategy aims to extract Serbian economy from combined crisis, it can rightly be called an exit strategy. The essence of exit strategy can best be described with the help of the flowchart (Figure 3).

Figure 3: Flowchart for an exit strategy



Source: (DJurićin, 2011, p. 331)

The exit strategy is based on three types of policies. Industrial policy is the first in a flowchart, and it not by chance. The focus must be on the shift of services towards the real economy, private and public one. Industrial policies are based on sectors such as energy, agriculture, food processing, infrastructure, telecommunications etc. Another type is macroeconomic policy and it represents a combination of fiscal and monetary policy. Finally, the third type of policy includes competition policy and regional policy as support policies. Development strategy is a conceptual basis for all three of these policies (DJurićin, 2011, pp. 330-334).

The exit strategy is intended to enable the sustainable development of Serbia in the post-crisis period. Reindustrialization is a necessary condition to achieve that goal. A starter of reindustrialization should be a state, as an initiative. Specifically, these are three major strategic initiatives in this area (DJurićin, 2011, pp.16-20).

The first initiative relates to investments in strategic sectors. These are networking technologies with high exchangeability of products, such as energy and telecommunications. The second initiative is related to investments in agriculture and selective parts of the food industry. The third initiative relates to investments in infrastructure.

Reindustrialization concept should also include solving the issues of asymmetric regional allocation of investments. Transition in Serbia has had as a consequence that one number of local governments, which have spawned once-great industrial systems, turned into devastated areas (Jakopin, Bajec, 2012, pp.90-91). Entrepreneurial activity in Serbia

The success of the transition economies is closely associated with entrepreneurial activity. In economies that are in the early stages of transition, entrepreneurship is an important part of structural changes. In more advanced transition economies, entrepreneurship is intrinsically linked to sustainable growth model. This model is based on knowledge and innovation, rather than on the growth of consumption and investments in sectors with non-tradable products.

Knowledge and innovation are most present in the fast-growing small and medium-sized enterprises, or so-called "gazelles". Gazelles continuously increase employment and improve their financial position. Problem with gazelles is their low participation in the economic structure. Even in the most developed economies, gazelles do not make more than 5 percent of the company.

In 2010 in Serbia there were 538 so-called dynamic enterprises and 54 most dynamic gazelles. Research shows that in 2008 the number of dynamic companies in Serbia increased 2.5 times and the number of employees doubled compared to 1998. In the period from 2006 to 2010, dynamic enterprises employed a total of 47,000 workers. (Jakopin, Bajec, 2012, p. 89-90):

Stimulation of the development of dynamic entrepreneurship and gazelles is a chance for Serbia. Previous presentations have shown that the real sector for a long time will not be able to be the pillar of sustainable development of Serbian economy. The main reason is a difficult financial situation in the form of short-term and long-term financial imbalance and lack of profitability. On the other hand, launching of reindustrialization would create space for the development of dynamic entrepreneurship. How much this chance is real or not depends on the level of entrepreneurial activity in Serbia.

Entrepreneurial activity can be measured using various indicators. In this regard, data published by the Global Entrepreneurship Monitor (GEM) are significant. It is an international consortium that studies the relationship between entrepreneurship and economic development. Annual reports of the consortium are based on interviews with more than 140,000 entrepreneurs in 54 countries from different geographical areas and which are at different stages of economic development. In this work, attention is focused on three indicators of entrepreneurial activity and those are (GEM, 2011):

1. TEA index- percentage of population aged between 18-64, who belong to a group of start-up and new entrepreneurs.
2. TEA index of opportunities-the start-ups who saw the business opportunity and the main motive for entrepreneurship for them is in financial independence and higher income.
3. TEA index of necessity-the start-ups who are in entrepreneurship because they are forced by life circumstances.

Figure 4 shows the values of TEA index for Serbia and two former Yugoslav republics, Slovenia and Croatia. TEA index for Serbia exists for the period 2007-2009. During that short period TEA index of our country was drastically reduced from 9 percent to 5 percent. That means that on 100 adults number of active entrepreneurs was

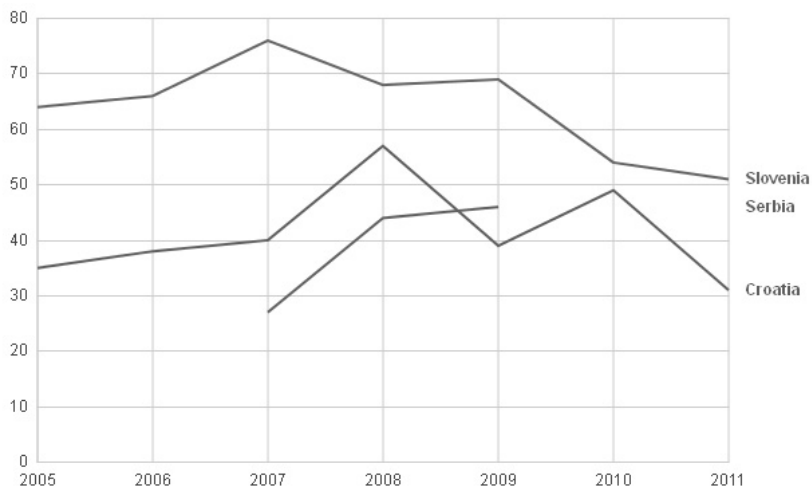
reduced from 9 to only 5. These data show deterioration of entrepreneurial climate, especially in 2008, which coincides with negative influence of global crises. Entrepreneurial climate is also deteriorated in Slovenia and Croatia.

Figure 4: Total Early-Stage Entrepreneurial Activity (TEA)



In figure 5 we see that TEA index of chances in Serbia is lower than in Croatia and especially in Slovenia. The thing that encourages is that number of people in Serbia who see business opportunity in entrepreneurship and want to take it is growing. In consideration of the fact that Serbia is included in economies that are led by efficiency, this conclusion is logical.

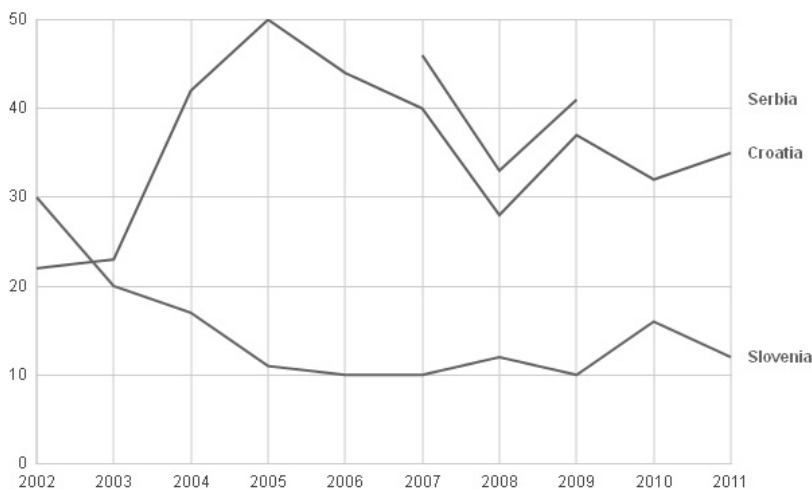
Figure 5: Improvement-driven Entrepreneurial Activity



Source: (GEM, 2011)

In figure 6 , the percentage of adult persons who are in entrepreneurship because life circumstances force them to that is the highest in Serbia, over 40% in 2009. The most important reasons for that are difficult conditions for starting and maintaining of business, as because of global crises and decreasing of exporting and domestic demands as for narrowed possibilities for future investments.

Figure 6: Necessity-Driven Entrepreneurial Activity



Source : (GEM, 2011)

Negative tendencies in the field of early entrepreneurial activity and motivation in Serbia were continued in 2010 as well. Relation between number of founded and number of estinguished companies was 1:1 in 2010, which was drastically worse than in 2009 (2,8:1)⁵.

TRENDS IN ENTREPRENEURS' EDUCATION AND TRAINING AND USE OF INTELLECTUAL CAPITAL IN SERBIA

Knowledge and innovations have to become key pillars of future economic growth of the countries who are members of EU. This attitude is included in the document of the European Commission named "Europe 2020-European strategy for smart, viable and inclusive growth". The strategy in the best way takes into consideration empirical evidences about the fact that intellectual capital is the most important factor of economical growth. Even in the conditions of economic crises, investment in intellectual capital represents the best way to fight against its consequences.

The development of dynamic entrepreneurial business in Serbia has to be based on knowledge and innovations. Still, the number of dynamic companies is very small. Indicators of entrepreneurial activity speak about that the interest for being in entrepreneurship is decreasing and that the number of those who decided to make discontinuity in business is growing. Entrepreneurship in Serbia is based more on necessity than on expired chances. The essential question is how much entrepreneurs' education and training contribute to such state? Does intellectual capital have any influence on results of company business in Serbia?

Surveys in transit economies show that education enlarges the probability of attempts to become an entrepreneur. Still, it does not influence the probability that the beginning of business will be successful. Education is in certain sense the representative of certain individual characteristics which are important for encouragement of entrepreneurial attempts, such as higher self-confidence, noticeable abilities and the like. Education does not have to teach people how to achieve success. For some jobs education is not necessary. For example, an entrepreneur who wants to open a beauty shop does not need to have either secondary or college education in order to start business successfully (Transition Report, 2011, pp. 78-87).

Global Entrepreneurship Monitor in a special report brings up several most important conclusions in connection with entrepreneurs' training, on the basis of the survey which was carried out in 38 countries all over the world in 2010. Entrepreneurial education and training got the worst grades in primary and secondary school levels. 21% of adults went through the training for starting business. Deviations from this average are big and they go from 10 to 30 percents, observed through countries. Exceptions are not connected with the degree of economic development of monitored countries.

The training enlarges conscientiousness about entrepreneurship, self-efficiency and it places aims on a higher level. However, the training has less influence on identification of opportunities and fear of failure. The greatest profit from the training have the entrepreneurs in the economies that are led by innovations. Such economies have favourable institutional environments which enable that knowledge and skills, which are acquired through training, easily transform in action. Entrepreneurial training is especially efficient in Western economies in which there is low rate of early entrepreneurial activity. For example, in Belgium, France, Germany, Great Britain and the like. (GEM, 2010).

Intellectual capital is not valued in Serbia, even when it comes to the most successful companies. One survey was carried out on the specimen of 100 companies from the real sector which made the highest profits in 2010. The analyzed companies have different legal forms and size.

The most important aim of the survey was to establish if there was interdependence between the amount of intellectual capital and financial results of chosen companies from the real sector. Efficiency of using invested capital (both intellectual and physical) is qualified through Value Added Intellectual Coefficient (VAIC).

The analysis has shown that there are no evidences about any statistically significant correlation between VAIC as physical measure of efficient use of capital and selected measures of performances. That means that intellectual capital did not have influence on the results of 100 Serbian companies that made the highest net profits in 2010. The results of analysis are logical and does not represent a surprise, when we take into consideration low competitiveness of Serbian economy in the terms of combined crisis. (Janosevic, Dzenopoljac, 2011, pp. 352-366).

TOWARDS THE STRATEGY OF ENTPRENEURIAL EDUCATION

Viable economic development of Serbia is not possible with uncompetitive real sector and entrepreneurship based on necessity. Enlargement of competitiveness of real sector demands new investments. For new investments quality source of funding, such as internal generated profits, are necessary. Because of low profitability and high rate of indebtedness of the real sector, such means are insufficient. For a long term, economic development of Serbia will be dependent on external sources of funding.

The alternative which costs less and gives better results in shorter terms is the development of entrepreneurship. Dynamizing of Serbian economy demands higher number of young people who would be willing and capable to become entrepreneurs. Transformation of entrepreneurship from necessity to entrepreneurship that sees and uses opportunities, demands active role of the state.

Republic of Serbia adopted the Strategy of Development of competitive and innovative small and medium companies for the period 2008-2013. The main aim of the strategy was the development of entrepreneurial economy which was based on knowledge and innovations. Such economy would contribute to a strong, competitive and exporting oriented sector of small and medium companies. (Mijacic, 2008).

The strategy of development of competitive and innovative small and medium companies was based on several pillars. One of the pillars, which refers to the development of human resources, states that entrepreneurs in Serbia are conscious that there is a shortage of necessary knowledge and skills. Nevertheless, entrepreneurs do not use possibilities for additional qualifying in sufficient measure. The entrepreneurs' attitude is that creation and development of small companies more depends on outer factors, such as fiscal policy, bank system and others, than on education.

Entrepreneurial education is not completely integrated in the system of formal education in Republic of Serbia, from primary to secondary, even up to college education and the level of Phd studies. Still, in a greater number of secondary schools many projects of pupils' entrepreneurship have been started recently. These

projects are realised through donations. Entrepreneurs' trainings were also developed in the unformal sector. These activities were conducted through the net of regional agencies and centres for supporting small and medium companies, National Employment Bureau, chamber of economy and specialized unformal educational institutions. The greatest weakness of informal entrepreneurial education was uneven quality of educational programme.

Operational plan for conducting this strategy contained several activities in the field of human resources. Two activities are especially important for the aims of this work and they are: (a) defining the strategy of entrepreneurial education and (b) integration and improvement of entrepreneurial education on all levels and forms (Government of Republic of Serbia, 2008). These two activities have not been realised in Serbia yet.

Nowadays in most EU countries there is political will on the highest level to promote entrepreneurial education in educational systems (European Commission, 2002). The best approach for promotion of entrepreneurial education is strategic approach. Progress in forming the strategy of entrepreneurial business is different from country to country. For example, about half of EU countries included the aims which are related to entrepreneurial education into wider strategies, such as lifelong learning, education and youngs etc. Several countries from North Europe started specific strategies of entrepreneurial education (European Commission, 2012). Other countries are still in the phase of forming plans.

What experience from EU can Serbia use for defining its own strategy of entrepreneurial education? The first step would be to formulate general strategic aim- system which would make it possible to acquire high-quality entrepreneurial education on all levels of educational process (Ecotec, 2010).

To accomplish this aim, it is necessary to make changes of context and practice of entrepreneurial education. As for the change of context, it is necessary to make a twist from educating entrepreneurs for needs of "leading business" to wider definition of educating people who will be entrepreneurs in all aspects of life.

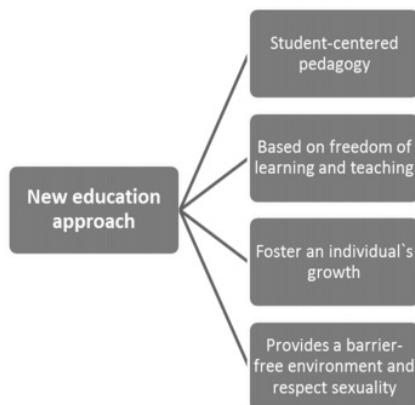
The change of contexts draws some other significant changes. For example, the method of lecturing, developing independence in studying, opening of educational authorities towards outer influence of business world and the like. The greatest weakness of traditional way of education is in the fact that it makes passive and insufficiently creative participants on all educational levels. Critical way of thinking is not represented, too. The new approach to education puts in focus individuals and encourages independence and freedom of studying and lecturing. In the environment in which obstructions will not exist, individuals can realize all their potentials (figure 7).

The change of practice means that entrepreneurial education will not be "addition" to courses of study any more. It has to become integral part of courses of study on all educational levels.

The formation of strategy for entrepreneurial education in Serbia needs to lean on positive experiences that exist in EU countries. Such experiences tell that only

Government can realize all the activities which are related to defining the strategy of entrepreneurial education. Government should form a team which will be composed of key stakeholders. Ministry of Education should take over the highest responsibility and obligation in this team, but some other Ministries should also have a significant part, for example, Ministry of Finance and Economics, Ministry of Trade, Ministry of Regional Development etc.

Figure 7: the suggestion for new education approach



Source: (Radović, Grozdanić, Kvrđić, Marković, Vujičić, 2012)

Good interministry coordination is understood. The team of stakeholders needs to be complemented with:

- Representatives of educational institutions from all levels;
- Representatives of economic chambers;
- Organizations which are included in informal education of entrepreneurs;
- Representatives of small and medium business and their unions;
- Representatives of local and regional government

Teaching staff is extremely important for conducting the strategy of entrepreneurial education in Serbia. Therefore teaching staff needs help. First of all different approaches and conceptions that teachers use in entrepreneurial education have to be explored. Further steps include initial, but also continual training of teachers, development of teaching contents banks, accessibility of modern teaching tools and resources etc. Teachers should take the role of coaches/moderators; they should apply teaching based on experience and help attendants to acquire higher independence and initiative in their education.

CONCLUSION

Serbian economy is in the state of unfinished transition. That state is characterized by outer unbalance (balance of payments deficit) and internal unbalance (budget deficit, inflation and unemployment). Economic and structural reforms are conducted slowly, because of that Serbia is not suitable destination for investments. Real sector of economy is faced with short-termed and long-termed financial unbalance. Global crisis has only intensified negative effects of transitional crisis in Serbia.

The way out from combined crisis is in new industrial politics that should be based on reindustrialization. The agitator of strategic initiatives connected to reindustrialization should be the state. Strategic initiatives are directed to sectors with tradable products, agriculture and investments in infrastructure.

Realization of strategic initiatives is a chance for entrepreneurship generally, and especially for dynamic small and medium companies. Dynamic companies and “gazelles” base their growth on knowledge and innovations. There is a small number of dynamic companies in Serbia. Their contribution to employment and newly made value on the level of the whole economy is also modest.

Can the entrepreneurship in Serbia use a chance that reindustrialization offers? Is it realistic that number of dynamic companies and “gazelles” significantly enlarges in the following period? The answers depend on the condition of entrepreneurial activity in Serbia today. That condition is characterized by deterioration of entrepreneurial climate. In such climate it is bigger number of those who are in entrepreneurship for necessity and not for noted chances. Entrepreneurship from necessity is not “the wrong” kind of entrepreneurship. Analysis shows that this kind of entrepreneurship has positive influence on economic growth and employment. Still, ranges are limited; there are less innovations and transfer of knowledge. Conversely, those who see an opportunity in entrepreneurship demand the higher level of education and investments.

How much education and training of entrepreneurs have effects on entrepreneurial activity? More general question is how much of intellectual capital is used in Serbian economy. Education and training enlarge the probability of attempts to become an entrepreneur. It is of no avail for the probability that the beginning of business will be successful. Education and training have a little influence on fear from failure, and also on the identification of opportunities. On the other hand, education and training contribute to the biggest profits in economies that have favourable institutional environments. Intellectual capital is not valued enough in Serbia. Analysis of 100 most successful companies from the regional sector showed that there is no statistically significant connection between intellectual capital and the results of running a business of these companies.

In Serbia there is the Strategy of development of competitive and innovative small and medium companies for the period 2008-2013. The important part of this

document, the one about forming strategy of entrepreneurial education, is not realized. It is time that the state undertakes the forgotten business. The strategy of entrepreneurial education is not an option any more, it is a necessity. Positive experiences from EU countries in that field can be useful for the Government of Republic of Serbia.

Unfavorable economic situation is a necessary but not sufficient condition for the formulation of entrepreneurial education strategy in Serbia. The missing link is a systematic approach to this problem. A systematic approach can be provided by using the so-called. progression model. The European Commission supports this model. The basic idea of the Commission is that the quality and availability of entrepreneurial education should be equalized and improved among EU members.

Progression model presents a conceptual framework that can be used to define priority actions in any segment of entrepreneurship education. These segments can be: national strategies, teachers, schools, businesses and private associations, organizations, etc. Each country chooses its priorities depending on the actual situation in the field of entrepreneurship education. Progression model consists of four phases: (I) pre-strategic phase, (II) the development of the initial strategy, (III) implementation and consolidation of strategy and practice development and (IV) mainstreaming. Each stage has a time frame for implementation, which is indicative but not binding.

Pre-strategic phase contains a snapshot of entrepreneurial education and training. All the countries of the EU, as well as Serbia, are familiarized with the snapshot which is more or less precise. The development of initial strategy includes a period of up to two years. At this stage, and at national levels, some important activities should be carried out such as:

- formulating and public presentation of a strategy;
- identification and agreement on the key objectives of entrepreneurship education;
- defined competencies, roles and responsibilities of stakeholders;
- establishing mechanisms for inter-ministerial coordination, etc.

The third phase should be carried out in the period from the second to the fifth year. Major activities in this phase are:

- determining learning outcomes, objectives, indicators and specific goals, or targets;
- development of methods for the assessment of learning outcomes;
- development and allocation of financial resources;
- implementation of support mechanisms (teaching material banks, dissemination and application of effective teaching methods, etc.)
- developed research base.

The last phase should be implemented after the fifth year from the start of progression. At this stage, the important activities are:

- review and regular evaluation of the quality of entrepreneurial education;
- continuous use and improvement of teaching methods;
- the establishment of strong financial mechanisms, etc.

What can Serbia expect from the application of the progression model? The biggest benefit would be the change of unfavorable entrepreneurial climate. The agents of change would be young people who have acquired a quality entrepreneurial knowledge and skills at all levels of education. Such people would not be engaged in entrepreneurship out of necessity, but it would be a chance to see the realization of their own ideas. In the context of Serbian economic conditions, improvement of the entrepreneurial climate would contribute to a faster exit from the transition crisis and it would reduce the pressure on unemployment.

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IMPORTANCE OF SMALL AND MEDIUM- SIZED ENTERPRISES FOR THE DEVELOPMENT OF SERBIA DURING THE ECONOMIC CRISIS

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Abstract

Small and medium- sized enterprises represent a good basis for the development of new ideas and innovation. As drivers of economic growth in of a country, small and medium-sized enterprises are very important for increasing employment as well as reducing regional disparities. The sector of small and medium-sized enterprises in developed market economies encourages innovation, stimulates initiative and helps the development of entrepreneurial spirit. The fact is that in most countries, SMEs account for 99% of the total number of registered companies. The importance of small and medium- sized enterprises in Serbia is also confirmed by the fact that these enterprises are involved in all economic indicators (number of enterprises, import and export of Serbian economy, the share in the total turnover, etc.).

The authors state the SMEs as a development opportunity for Serbia in next period. Through this sector, it is possible to develop a competitive economy based on knowledge, new technologies and innovations.

This work will emphasize the role of small and medium-sized enterprises in the development of the Republic of Serbia and opportunities for their better development.

Key words: *Small and Medium-Sized Enterprises, Economic Development, Clusters*

INTRODUCTION

The development of small and medium-sized enterprises (SMEs) has experienced its growth in the last decades of the twentieth century. The growth of market economies is based on the SME sector because it achieves the highest level of employment and has a great share in the GDP formation. If we analyze the statistical data on the economic importance of this sector, they clearly indicate that it is a key economic segment which is necessary to be developed (*Birovljev, Davidovic & Petrovic, 2011, p. 295*).

Small and medium- sized enterprises have numerous advantages compared to large enterprises, because of the possession of a high level of flexibility, developed entrepreneurial spirit, precisely defined core of competencies (*Grozđanić, et., all., 2012*). These companies can easily adapt to changes in their environment (react to changes in technological processes, changes of production programs and respond to market demands more quickly), have greater competitiveness in domestic and foreign markets, contribute to job creation and reducing unemployment, achieve better utilization of material and human resources.

However, SMEs have a problem with access to major markets as well as with providing necessary financial means. The economic crisis has also affected the operations of small and medium- sized enterprises in the Republic of Serbia - a drop in demand, problems with collection of overdue receivables, reduced lending capacity are just some of the problems which small and medium- sized enterprises face.

THE ECONOMIC CRISIS IMPACT ON SERBIAN ECONOMY

According to the report of the World Economic Forum (The Global Competitiveness Report 2011-2012) on the competitiveness of 142 countries in the world, Serbia is ranked 95th place with an overall score of 3.9 through 12 indicators. By the definition of the World Economic Forum, competitiveness is defined as a set of institutions, regulations, and other factors that determine the level of productivity of a country. The GCI is more concerned with the measurement of microeconomic and macroeconomic components, which are measured on a scale from 1 to 7. The indicators are grouped into twelve columns and reflect various aspects of economic reality.

In the "Report on Doing Business 2013" (Doing Business 2013), the International Finance Corporation (IFC) and the World Bank aligned Serbia the 86th place out of 185 countries. Serbia has made a jump from last year's 95th to 86th place and found itself a place among the top ten economies that have implemented most of the reforms, where the position of our country is improved thanks to the progress in the areas of starting a business, enforcing contracts and resolving insolvency.

Table 1: Serbian Ranks in Doing Business in 2012

Topic Rankings	DB 2013 Rank	DB 2012 Rank	Change in Rank
Starting a Business	42	91	49
Dealing with Construction Permits	179	178	-1
Getting Electricity	76	77	1
Registering Property	41	40	-1
Getting Credit	40	38	-2
Protecting Investors	82	79	-3
Paying Taxes	149	145	-4
Trading Across Borders	94	92	-2
Enforcing Contracts	103	102	-1
Resolving Insolvency	103	120	17

Source: World Bank, (2013)

Serbia had the highest GCI in 2008, but in the very next 2009, the consequences of the crisis led to the index fall (3.77). If we look at the table no.2 in which the data on the value of the competitiveness index rank of Serbia and its surrounding countries are given for the period from 2007 to 2012, we can see that Serbia had a higher index than Macedonia, Bosnia and Albania only in 2007 and 2008. In 2009, there was an index increase in Macedonia, so that year Serbia had higher index than Bosnia and Albania only.

Table 2: Global Competitiveness Index of WB countries, (2007-2012)

Year	Hungary	Macedonia	Montenegro	Romania	Serbia	Slovenia	Albania	Bosnia and Herzegovina	Croatia	Greece
2007	4.35	3.73	3.91	3.97	3.78	4.48	3.48	3.55	4.20	4.08
2008	4.22	3.87	4.11	4.10	3.90	4.50	3.55	3.56	4.22	4.11
2009	4.22	3.95	4.16	4.11	3.77	4.55	3.72	3.53	4.03	4.04
2010	4.33	4.02	4.36	4.16	3.84	4.42	3.94	3.70	4.04	3.99
2011	4.36	4.05	4.27	4.08	3.88	4.30	4.06	3.83	4.08	3.92
2012	4.30	4.04	4.14	4.07	3.87	4.34	3.91	3.93	4.04	3.86

Source: WEF (2007, 2008, 2009, 2010, 2011, 2012)

In the following table we can see which place observed neighboring countries took in the period from 2007 to 2012.

Table 3: Ranking of WB countries according to the Global Competitiveness Sub-Index (2007-2012)

	Hungary	Macedon	Mont	Rom	Serbia	Slovenia	Alba	B&H	Croatia	Greece
2007	47	94	82	74	91	39	109	106	57	65
2008	62	89	65	68	85	42	108	107	61	67
2009	58	84	62	64	93	37	96	109	72	71
2010	52	79	49	67	96	45	88	102	77	83
2011	48	79	60	77	95	57	78	100	76	90
2012	60	80	72	78	95	56	89	88	81	96

Source: WEF (2007, 2008, 2009, 2010, 2011, 2012)

In the above table, the observation was performed in 131 countries in 2007, in 134 countries in 2008, 133 countries were observed in 2009, 139 countries in 2010, and 144 countries in 2011. Data which refer to Serbia show us that, in the period from 2007 to 2012, Serbia was best positioned in 2008 when it was on the 85th place. If we have a look at Table 3, we can conclude that, in 2011, Serbia was quoted lower than most countries in the region and the EU, with the exception of Bosnia and Herzegovina, which was on the 100th place. Serbia is very poorly positioned when it comes to the development of institutions, the quality of public administration and government institutions, infrastructure, availability of new technology, brain drain.

Table 4: Ranking of the Western Balkan countries (non-EU members) according to the Growth Competitiveness Index (GCI- shown in brackets) in 2010-2011

	Serbia	Croatia	BIH	Montenegro	Macedonia	Albania
Subindex : Basic conditions	93 (4.15)	50 (4.78)	98 (4.05)	45 (4.90)	70 (4.45)	75 (4.38)
- Institutions	120 (3.19)	86 (3.65)	126 (3.13)	45 (4.46)	80 (3.75)	63 (3.96)
- Infrastructure	93 (3.39)	41 (4.63)	98 (3.16)	67 (3.85)	91 (3.45)	89 (3.46)
- Macroeconomic stability	109 (4.05)	51 (4.82)	81 (4.48)	37 (5.09)	47 (4.91)	101 (4.21)
- Health and primary	50 (5.95)	48 (6.02)	89 (5.43)	33 (6.19)	69 (5.67)	56 (5.87)
Subindex: Ways to improve	93 (3.75)	76 (3.97)	100 (3.57)	64 (4.08)	83 (3.84)	89 (3.77)
- Education and training	74 (4.01)	56 (4.35)	88 (3.80)	52 (4.51)	72 (4.04)	84 (3.86)
- Goods market efficiency	125 (3.57)	110 (3.78)	127 (3.56)	44 (4.39)	57 (4.24)	63 (4.19)
- Labor market efficiency	102 (4.06)	113 (3.90)	94 (4.17)	39 (4.69)	71 (4.38)	63 (4.46)
- Financial market	94 (3.84)	88 (3.96)	113 (3.47)	28 (4.68)	87 (3.97)	100 (3.74)
- Technological capability	80 (3.41)	39 (4.23)	85 (3.36)	44 (4.09)	64 (3.60)	72 (3.53)
- The market size	72 (3,60)	70 (3.62)	93 (3.10)	129 (2,10)	106 (2.80)	103 (2.84)
Subindex: Innovations and	107 (3.04)	85 (3.32)	120 (2.93)	56 (3.67)	97 (3.20)	104 (3.09)
- Business sophistication	125 (3.15)	92 (3.56)	115 (3.27)	70 (3.86)	96 (3.52)	87 (3.61)
- Innovations	88 (2.93)	70 (3.08)	120 (2.59)	45 (3.48)	97 (2.88)	121 (2.57)
Rank among 139 countries	96 (3.84)	77 (4.04)	102 (3.70)	49 (4.36)	79 (4.02)	88 (3.94)

Source: Source: World Economic Forum, (2011)

Table 5: The Serbian economy competitiveness indicators

Index	Indicator	Rank
Institutions	Protection of small shareholders	137
	Efficiency of corporate management	134
	Efficiency of legal framework in settling disputes	132
	Burden of government regulations	131
	Efficiency of legal framework	125
	Favoritism in government officials' decisions	125
	Wastefulness of government spending	124
	Independence of the judiciary	124
	Property rights	122
	Ethical behavior of companies	120
	Protection of intellectual property	111
	Organized crime	111
	Strengthening revision and reporting standards	115
	Infrastructure	Quality of ports
Quality of air transport		124
Quality of roads		123
Quality of overall infrastructure		122
Macroeconomic stability	National savings rate	131
	Inflation	115
	Public debt	106
Education and training	The training level of staff	130
	Management quality in schools	101
	Local availability of research and training services	100
Goods market efficiency	The degree of market dominance	138
	Efficiency of anti-monopoly policy	137
	Intensity of local competition	131
	Sophistication of customers	131
	Impact of business regulations on attracting foreign	123
	Degree of orientation towards a customer	120
	Prevalence of foreign ownership	119
	Agricultural policy	103
Burden of customs procedures	101	
Labor market efficiency	Brain drain	128
	Cooperation between employees and employers	135
	Payments and productivity	128
Financial market sophistication	Bank security	115
	Regulations on exchange protection	115
	Access to financial services	111
	The existence of risk capital	102
	Financing through local share market	101
Technological capability	The level of technology adoption	134
	The availability of modern technology	117
	Foreign direct investments and technology transfer	113

Business sophistication	Character of competitive advantage	133
	Willingness to entrusting supervision	127
	Sophistication of manufacturing process	125
	Scope of marketing	122
	Cluster development	122
	Control of international distribution	120
	Evaluation of the width of networks	116
	Quality of local suppliers	107
	Investments of companies in research and development	104

Source: World Economic Forum, (2011)

Institutions are very important for countries in transition because they are responsible for the economic environment which should be created and customized to business circumstances that are very different from those that existed under socialism.

The poor overall position of this indicator (120) suggests that institutions, even after ten years of intensive movement through transition, are not at a level that represents a suitable environment for more intensive growth and development. Economic system, compared to the state at the time of entering into the transition process, requires a certain level of deregulation of economic business conditions in which the essence should be given priority over form. Preponderance of substantial over formal is still far in the work of our institutions, which is discussed by a sub-indicator of "Government regulation" (131st place). Extremely poorly ranked sub-indicators are also: "Protecting interests of small shareholders", "Property Rights", "Intellectual Property Rights", which indicates that the area of property is solved in an inappropriate way. Rank of sub-indicator "Favoritism by government officials" (125th place) indicates that even democratic representatives, after the political changes in 2000, haven't liberated from the powerful role ascribed to a socialist system. The position of sub-indicator "Independence of the judiciary" is also worrying. Education and training are areas which should be given special attention in the future, considering the significance and importance which knowledge has for economic growth and development of the national economy. Extremely poor indicator is "The training level of staff" (130th place), and also a significant number of young people complete their education with primary school.

The indicators also show that the market is underdeveloped, that it is a market where there is no significant competition which is necessary for a different way of thinking about your own quality. Inefficiency or lack of competition policy, weak presence of foreign capital and business regulations, which does not apply instruments to attract foreign investment enough, indicate that the relevant factors, that is, the state must take urgent measures - in order to prevent further deterioration of economy. Small and medium-sized enterprises in the Republic of Serbia are gaining in importance in the policy of national economy development, but there are obstacles to their development so that they still cannot meet the market competition. Although the data show the great importance of the SME

sector, a comparison with the EU countries shows that there are still a lot of possibilities for increasing the share of this sector in the overall economy of Serbia. The growth of small and medium-sized enterprises sector and increase of their share in total number of employees and value added are some of the factors which economic growth of Serbia should be based on (*Grozđanić, et., all.,2012*).

In 2011a slight recovery of domestic economy was registered in Republic of Serbia, so that the total economic activity of Serbia, which was measured in gross domestic product, registered growth in relation to 2010 for 1.6%. The Sector for supply of electric power, gas and steam, mining industry, information and communication are sectors in which the biggest growth of gross domestic product was registered (Announcement about economy business in Republic of Serbia in 2011- paralleled data from financial reports for 2010 and 2011).

Table 9: Serbian Macroeconomic Indicators, 2010-2011

DESCRIPTION	2011	2010
Gross domestic product (in millions of dinars-constant prices, ref.2005)	1.888.704.8	1.859.303.7
The growth rate of gross domestic product	1.6	1.0
Industrial production	102.1	102.9
Annual rate of inflation(index of consumer's prices)	7.0	10,2
Export (in millions of euros)	8.439.4	7.393.4
Import (in millions of euros)	14.449.7	12.621,9
Foreign trade deficit (in millions of euros)	6.010.3	5.228.5
Number of employees (in thousands)	1.735	1.771
Gross incomes (in dinars)	52.733	47.450
Net incomes (in dinars)	37.976	34.142
The worth of euro in relation to dinar(on 31 st December)	104.64	105.50

Source: Source: Ministry of Economy, (2011)

THE CHARACTERISTICS OF SMEs SECTOR OF SERBIA IN THE CRISIS PERIOD

If we have a look at the enterprises according to their size which were registered in Serbia in 2011, and if they are classified according to international recommendations 0-9 employees (micro), 10-49 employees (small), 50-249 employees (medium-sized), 250 or more employees (large) and realize: the number of enterprises, the number of employees, the turnover and the gross value added, we can see that from a total of 91 262 enterprises in the Republic of Serbia in 2011, there were: 78 890 micro, 9 656 small, 2 218 medium-sized enterprises and 498 large enterprises.

Table 6: Enterprises by size in Serbia, 2010 -2011

	Total		Micro enterprises (1-9)		Small enterprises (10-49)		Medium sized enterprises (50-249)		Large enterprises (>250)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Number of enterprises in Serbia	91262	90364	78890	77989	9656	9614	2218	2257	498	504
Number of employees in Serbia	1001757	995375	155472	153264	195602	194450	232279	234695	418404	412966
Turnover in Serbia (in mil. of dinars)	7130873	6355195	1241198	1074186	1591890	1396636	1559035	1401972	2738749	2482401
Gross value added in Serbia (in mil. of dinars)	1398398	1277427	145711	136832	254516	234073	285687	261213	712483	645309

Source: Statistical Office of Serbia, (2011)

The number of newly established companies in 2011 decreased for 13.1%. The number of newly established companies in 2011 is 7130, which is 7.8%. Reduction of staff in newly established companies is notable as compared to 2010 (14.8%).

Table 7: *The Serbian SMEs demography, 2007-2010*

	Number of enterprises		Number of stores	
	Established	Closed	Established	Closed
2006	11.536	1.528	45.693	27.010
2007	11.902	2.027	47.951	31.619
2008	11.248	3.068	43.375	34.572
2009	10.014	3.597	39.365	36.445
2010	9.469	9.340	35.036	37.168

Source: Serbian Business Register Agency, (2011)

If we compare the formation rates and closing rates of companies for the period from 2006 to 2010, lower formation rate and greater closing rate of enterprises and stores is noticeable.

Table 8: *Survival rates of SMEE in Serbia, 2006-2010, (in %)*

	Enterprises		Stores		Total	
	Formati on rate	Closing rate	Formati on rate	Closing rate	Formati on rate	Closing rate
2006	18,9	1,9	23,7	14,0	22,3	10,6
2007	16,2	5,0	22,6	14,9	20,7	12,1
2008	12,8	6,4	20,2	16,1	18,0	13,2
2009	11,3	4,1	17,4	16,1	15,7	12,7
2010	10,7	10,5	15,6	16,6	14,2	14,9

Source: Source: Ministry of Economy, (2011)

According to Agency for Business Registers data, and on the basis of data taken from financial reports for 2011, total income of business associations in Serbia were 8.065.283 dinars, which represents, in relation to 2010, and increase of 11.1%. Expenses of business associations for 2011 also show growth for 8.3% in relation to 2010, and they were 7.945.082 dinars.

Positive results that are showed, give an optimistic impression because the economy on the whole level did business with profit after a long time of negative business. The fact is that in 2011, 106.537 business associations did business in Republic of Serbia – from that number 92.974 (or 87.3) business associations gave financial reports to the Agency for Business Registers, and those reports were

processed for 91.901 society (Announcement about economy business in Republic of Serbia in 2011- paralleled data from financial reports for 2010 and 2011).

Table 10: *The structure of total income and expenses of business associations (in mill. RSD)*

Description	2011		2010	
	Amount	Share (%)	Amount	Share(%)
Total income	8.065.283	100%	7.260.114	100%
Total expenses	7.945.082	100%	7.339.319	100%
1. Business income	7.444.882	92.3	6.773.627	93.3
2. Business expenses	7.148.380	90.0	6.491.454	88.4
I Business profit	296.502	-	282.173	-
Financial income	278.933	3.5	241.661	3.3
Financial expenses	420.169	5.3	533.349	7.3
II Financial loss	141.236	-	291.688	-
Other income	341.468	4.2	244.826	3.4
Other expenses	376.533	4.7	314.516	4.3
III Other losses	35.065	-	69.690	-

Source: Ministry of Economy, (2011)

Business associations in Republic of Serbia in 2011 have expressed, on the whole level, a positive net financial result which amounts 84.838 million dinars. Thereby, net profit was expressed by 53.496 business associations, and net expenses 31.338 associations.

Table 11: *The Results of business operations of Serbian companies, 2010-2011*

DESCRIPTION	2011		2010	
	Amount	Number of companies	Amount	Number of companies
Net profit	458.565	53.496	322.217	53.746
Net loss	373.727	31.338	423.692	33.269
Net financial result	84.838		-101.475	

Source: Serbian Business Register Agency, (2011)

On the basis of financial reports data for 2011 total incomes of business associations in Serbia were 8.065.283 dinars, which in relation to 2010 represents increase of 11.1%. Expenses of business associations for 2011 also show growth for 8.3% in relation to 2010, and they were 7.945.082 dinars.

Table 12: *The Structure of business income of Serbian companies, 2010-2011*

	Business income				
	Total	Income from sales of goods, products and services	Income from activating the output and goods	Income from premiums, subsidies, grants etc.	Other business income
I quarter	100.0	97.5	0.6	0.6	1.3
II quarter	100.0	97.7	0.6	0.6	1.1
III quarter	100.0	97.5	0.7	0.6	1.1
IV quarter	100.0	97.1	0.9	0.6	1.2

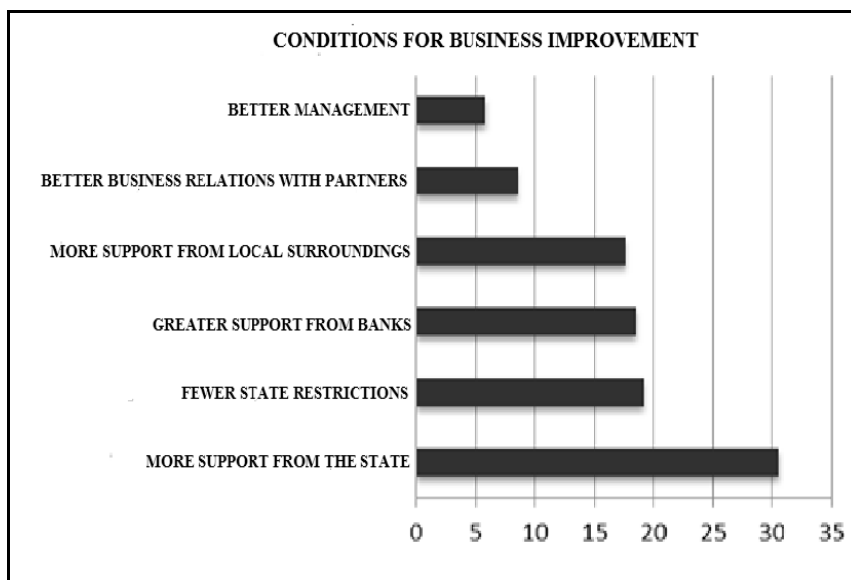
Source: Statistical Office, (2011)

If we observe the structure of business incomes by elements and quarters we can see that the biggest share have incomes from selling goods, products and services- on an average 97.5% (this share goes from 97.1% in the fourth quarter to 97.7% in the second quarter). Other business incomes (those that are realized from rents, membership fees, license benefits etc.) participate in total incomes 1.2% on an average (this share goes from 1.1% in the second and third quarter to 1.3% in the first quarter), while the income share from bonuses, subventions and donations as well as the income share from goods effect activation are 0.7% on an average.

THE DEVELOPMENT OPSTICALS OF SMEs

The most number of small and medium enterprises in Republic of Serbia have some difficulties in their business. A survey that was taken by the National Agency for Regional Development about the condition, needs and problems of small and medium enterprises and entrepreneurship in 2010 was taken on the specimen of 3000 reported units and it showed that good business of economy subjects is influenced by exterior environment, and the most important influence comes from the state.

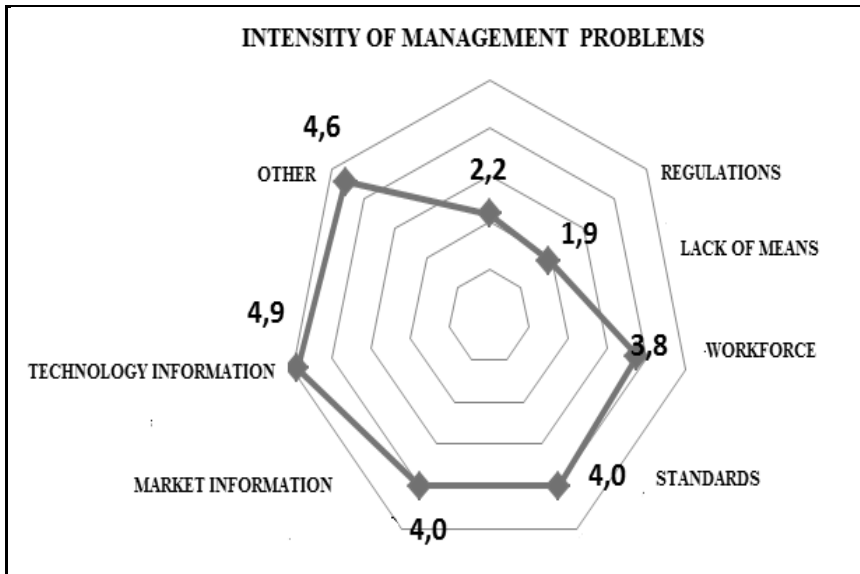
Figure 1: Conditions for business improvement in Serbia



Source: Source: National Agency for Regional Development, (2010)

As obstructions for business development surveyed enterprises mentioned the shortage of favorable financing sources and unfavorable legislative ambience (Grozđanić, et., all.,2012). If we look at average estimates of intensity restriction, in the range from 1 to 7, the strongest intensity restriction has the shortage of means, and then comes legal regulations. The shortage of workers with specific qualifications, lack of coordination between business and demands of standard quality, shortage of information, more difficult claim payment, and disloyal competence are only some restrictions for development of small and medium enterprises.

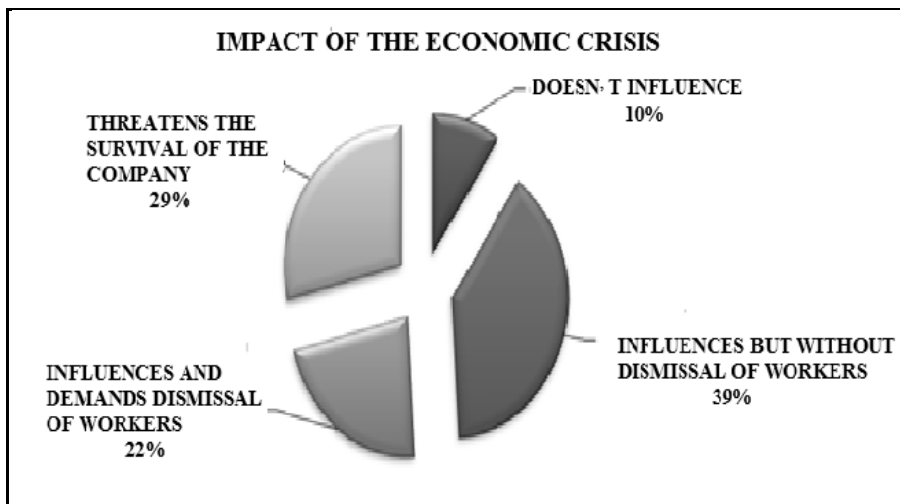
Figure 2: Intensity of management problems in business operation



Source: Source: Source: National Agency for Regional Development, (2010)

Economic crisis has brought to worsening of environment for entrepreneurship development, because it conditioned reduction of consumer's demands, loss of business trust which had negative effects on accessibility of financial support and altogether it limited opening of new and development of existing enterprises.

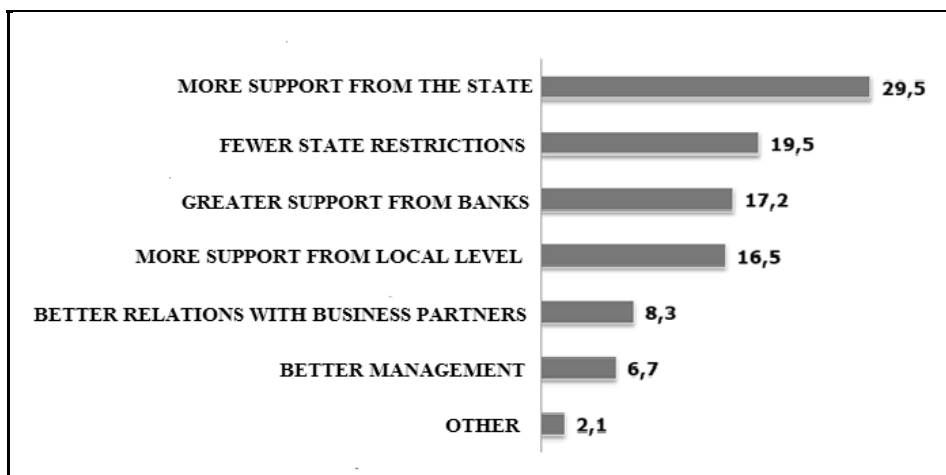
Figure 3: The Impact of economic crises on business operations in Serbia



Source: Source: National Agency for Regional Development, (2010)

National Agency for Regional Development (NARD) took a survey, on the specimen of 3500 reported units (realization of specimen was 88.5%, that is 3.096 SMEE), about condition, needs and problems of entrepreneurs in Serbia in 2011, and in its report about a survey research on small and medium enterprises and entrepreneurs in Serbia it made a conclusion that as a precondition for business improvement, respondents expect the support from the state. Bigger support from business banks would be also (without any doubt) very efficient. Respondents estimated that external factors, or the factors that function out of business subject, determine the successfulness of their business.

Figure 4: *The fields of business operations improvement, (in%)*



Source: National Agency for Regional Development, (2011)

In order that the sector of small and medium enterprises could be developed it is necessary to improve competitiveness that is currently very low.

One of the ways for raising business efficiency and efficiency for development of small and medium enterprises, and by that, their competitiveness and competitiveness of whole economy, is stimulation of cluster development. Such way of connecting enterprises, especially in the area of industry (as the first among equal activities in the area of material production) contributes not only to more harmonious regional development, but it also represents the key for total economic development (*Boskovic & Kostadinovic, 2011, p. 54*).

THE DEVELOPMENT OPPORTUNITIES OF SMEs

In the previous decade in Serbia came to a significant growth of MSP sector, so that in 2010 about 92% of all enterprises, in which is employed about 55% of all employees and in which is created about 43% of additional value, belonged to MSP group (*European Movement, 2012*).

Development of SME sector significantly influences improvement of competitive ability of the national economy. For the sector of small and medium enterprises and entrepreneurs (SMEE), we can say that it has become the most efficient segment of Serbian economy, the carrier of growth and employment, and in 2009 it provided 66.7% of financial transactions and 57.4% of gross additional value of non-financial sector of Serbian economy.

Business of enterprises in current conditions is based, besides flexibility, on quality, innovations, speed and connection. This new style of business requires a team work on local level, the so called cluster approach (*Boskovic & Kostadinovic, 2011, p. 59*).

Ministry of Economy and Regional Development in the period from 2006 to 2011 conducted the programme for support of cluster development. The programme had the goal to motivate business development, growth of employment and export through enterprises networking, research and development institutions and business associations into clusters (*Grozdanić, et., all., 2006*).

Placement of means with which Ministry of Economy and Regional Development supports clusters, is based on the selection of the best projects by which enterprises and institutions apply for irrevocable means intended for co-financing up to 50% of cluster activities cost in different development phases:

- starting initiatives for connecting by cluster concept (the first phase);
- cluster work in the starting period of organized work (the second phase);
- growth and commercialization of clusters (the third phase);
- viability of clusters (the fourth phase).

Connection of enterprises into clusters is accepted as efficient instrument for strengthening of their competitiveness, enabling them to produce goods and services of higher modification rate by which they will create a fortune on domestic and international market.

If we look at the basic data of some clusters we can see that inside a cluster operates a large number of enterprises with a large number of employees. So in the "Automotive Cluster of Serbia", in which 40 enterprises and 5 scientific institutions run their business and there are 1200 employees, achieves total financial transaction of 280 million of euros inside the cluster (*Ministry of Economy, 2012*).

The cluster “Sumadija Flower” has 134 enterprises in it, 10 scientific-research and supporting institutions, 780 employees and total financial transaction of 3,7million of euros by enterprises inside the cluster.

Wood agency – the cluster of wood-processing workers in Serbia with 130 enterprises, 11 scientific and research institutions, 5500 employees, achieved the financial transaction of 90 million of euros (*Ministry of Economy, 2012*).

By connecting enterprises into clusters it is enabled both for enterprises and the cluster as a whole to achieve the effect of economy range. Clusters can also influence local and regional authorities with the aim of improving work conditions for small and medium enterprises. Experience from European Union countries show that by connecting into clusters we can significantly enlarge competitiveness of the whole economy, especially in those branches which are traditional and mature. To develop competitiveness in the right way there has to be cluster members’ readiness to cooperate, exchange their knowledge, information that are important for development. Clusters are just one of the possibilities for development of small and medium enterprises in crisis conditions. Clusters encourage competitiveness of industry on international market in three ways: by productivity growth, innovation and forming new companies. For initiative of establishing and development of clusters, besides the private sector, the role of the state must also be important, that is its activities in the field of direct and indirect size of their development. In the process of establishing and strengthening of clusters the standards of industrial policy, regional development policy, SDI policy, innovational and development policy are especially important (*Micic, 2010, p. 73*).

CONCLUSION

The sector of small and medium enterprises is extremely important for economy development of Serbia. The importance of small and medium enterprises in Serbia is illustrated by basic indicators – these enterprises make 99.8% of all enterprises from non-financial sector. The number of employees, accomplished turn-over, gross additional value are only some of the facts that show how big is the role of small and medium enterprises in the state.

Capital shortage, high business risk, bad tax policy, shortage of workers with necessary qualifications, lack of coordination between business and demands for standard quality, lack of information, more difficult payment of active debts, disloyal competition are only some of the restrictions for development of small and medium enterprises. In order for this sector to develop in the right way it is necessary to provide favorable ambience for its growth and development.

If we want strong and stable enterprises the priority in SME development strategy should be development of innovative business approach, connection of education and business, introduction of tax facilities, easier approach to financial sources, and creation of the ambience for connection of enterprises for more efficient business

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INSTRUMENTS OF BUSINESS SUPPORT OF SMALL AND MEDIUM ENTERPRISES IN SERBIA

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Abstract

The purpose of this paper is:

- To point out capabilities of small enterprises and the private sector into the national economy, and the role and importance of business incubators in the promotion of entrepreneurial initiative and entrepreneurship development,*
- To provide useful suggestions about what should be done to establish an adequate business infrastructure, and create a favorable business climate and an environment that will allow to intensify the work on the improvement of entrepreneurship and starting new business ventures;*

By analyzing the relevant data, factors and processes in the theory and practice of entrepreneurship, as well as the situation, needs and problems of SMEs and entrepreneurs in Serbia, the paper considers possibilities of developing private sector and small companies in the initial periods of their business, as well as mechanisms to help companies and entrepreneurs in starting new businesses. The specific objective is to highlight the role and importance of the establishment of business incubators to encourage entrepreneurial activities and local economic development in the Republic of Serbia.

Key words: *entrepreneurship, entrepreneurs, SMEs, business, economic development, business incubators.*

INTRODUCTION

The SME sector in the Republic of Serbia, stores, small and medium enterprises, are facing with a very complex processes and procedures in the start-up phase, daily operations and in the event of termination of operations. Respect of such regulations and procedures represents a significant burden and cost for limited financial, management and human resources in the SME sector. In that sense, the creation of a safe, ordered and stimulative legal and administrative framework for business - is one of the main goals of the Republic of Serbia in the future. (Strategy of development of the small and medium sized enterprises in the Republic of Serbia, Ministry of Economy and Regional Development)

Most of the new jobs are created and opened in new small businesses, which specialize in the production of new goods and services. Small businesses are vital to a healthy economy, because they provide employment and income. Small businesses are also the reality of global economy - in which individual creativity and flexibility play a much larger role than in the past. Therefore, it is important to take actions to encourage the creation of new and stimulating the growth of existing small businesses. To set up and maintain the business infrastructure, and create an appropriate business environment, contemporary forms of business may provide a significant contribution, such as business incubators, free zones, industrial and technological parks, thereby intensifying the work on the improvement of entrepreneurship, business activities and job creation.

Necessities of contemporary business environment in about past ten years have created sudden expansion of business incubators and other modern forms of running business in the world. They could be differentiated by types and structure, but all have common mission – speeding up of the development of small and medium sized enterprises and improvement of the entire business environment of the country where they exist. Experiences of developed economies, as well as countries in transition, justify the fact that the private entrepreneurship is of great importance for the economic development and that it represents an essential part of the process of economic reform. In our country these forms of running business are still at the beginning, however considering the possibilities they offer in the encouragement of local economic development, their progressive increase will be expected in the following years.

SMALL AND MEDIUM SIZED ENTERPRISES

SMEs exist in almost all economic sectors. These companies, according to economic parameters, have a small volume of business, small equity and few employees. They structurally fit into the economic space that is not covered by the large and medium-sized enterprises and perform tasks that are not interesting, or not profitable for larger firms. (Zivkovic, M., 2007.)

The main factors determining whether a company is an SME are (European Commission, 2012):

1. Number of employees and
2. Either turnover or balance sheet total.

Table 1. Criteria for the classification of enterprises by size

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

These ceilings apply to the figures for individual firms only. A firm which is part of larger grouping may need to include employee/turnover/balance sheet data from that grouping too.

SMEs increase the degree and extent of use of new resources of an economy with a high degree of flexibility and adaptability to new market and other conditions. Small businesses typically, establishes an individual entrepreneur, who is the owner and manager of the company. He alone makes all decisions relating to the business and bears the risk of business enterprises.

Small business is characterized by a relatively low degree of specialization of operations, management and business functions. Jobs of a small company, as a rule, have a local character from the perspective of the market and employment. Number of employees in a small business varies from one area to another. In the world, the small company is considered one that employs up to 200 workers in the industry, for example, while in the store market its annual turnover size.

Most small businesses are operating in the area of retail, wholesale and service sectors. In the area of production, they are generally in cooperation with medium and large companies in the areas that require rapid adaptation or have seasonal character (eg fashion clothing and footwear, etc..).

The high degree of market flexibility and low fixed costs represent a significant determinant of comparative advantage for small businesses. They are often the source of innovation and as such contributes to accelerate economic development. These companies prominent entrepreneurial initiative, the profitability of capital investment, innovation and creativity.

The small company has acquired special importance in countries that achieved rapid technological development, because the transfer of modern technology is easier through small businesses. These enterprises have a very important role in local and regional development in a country. They are often the main source of new employment. Small businesses can also have a significant role in the foreign trade of a country, as subcontractors of multinational enterprises and companies.

Small and Medium-sized Enterprises (SMEs) form the backbone of the EU economy – accounting for 99.8 per cent of non-financial enterprises in 2012, which equates to 20.7 million businesses. The overwhelming majority (92.2 per cent) are micro-enterprises, defined as those with fewer than ten employees. Some 6.5 per cent of SMEs in the EU are classified as small enterprises (employing between 10 and 49 people) and 1.1 per cent are medium-sized (50-249 employees). Large businesses, with more than 250 employees, account for just 0.2 of enterprises in the EU's non-financial sector. In employment terms, SMEs provided an estimated 67.4 per cent of jobs in the non-financial business economy in 2012, almost identical to 2011 (67.4 per cent) but up from 66.9 per cent in 2010, although SMEs provided a slightly smaller share of GVA in the EU in 2011 and 2012 (58.1 per cent). (European Commission, 2012)

Table 2. *Number of enterprises, employment and gross value added in EU-27, by size-class, 2012 (estimates)*

	Micro	Small	Medium	SMEs	Large	Total
Number of enterprises						
Number	19,143,521	1,357,533	226,573	20,727,627	43,654	20,771,281
%	92.2	6,5	1,1	99.8	0,2	100
Employment						
Number	38395819	26771287	22310205	87477311	42318854	129796165
%	29,6	20,6	17,2	67,4	32,6	100
Gross value added						
EUR millions	1307360,7	1143935,7	1136243,5	3587540	2591731,5	6179271,4
%	21,2	18,5	18,4	58,1	41,9	100

Source: Eurostat/National Statistics Offices of Member States/Cambridge Econometrics/Ecorys

Given the primary importance of SME sector, authorities in Serbia take a number of steps to transform the sector into a dynamic and market-oriented part of the economy, which now operates under conditions of significant limitations and economic crisis. Detailed statistical survey of small businesses could reveal areas where it is necessary to adapt the national and local policies in order to achieve the overall objective. Official statistics show relatively low employment and production in this sector, together with the stagnation of those companies.

The most important difficulty in the operations of small businesses, according to a study of the economic sector and the OECD are: lack of consumer purchasing power, increase input costs, lack of working capital, unfavorable credit, intense competition, high taxes, etc..

SME SECTOR IN SERBIA - A COMPARISON WITH THE SME SECTOR IN THE EU

In 2010, from the total of 319,044 companies, the entrepreneurial sector accounts for 99.8% (318,540 companies). SMEs generated 66.4% of employees (814,585), 65.3% of turnover (4,678 billion RSD) and 55.9% of GDP (817.4 billion RSD) of non-financial sector in 2010. year. SMEs employ 45.4% of total employment, exports achieved 44.5%, imports 52.3%, generating 63.3% of the trade deficit of the Serbian economy and accounts for about 33% of GDP.

The effects of the economic crisis on the development of the SME sector in 2010. compared to 2009. year are (*The Ministry of Economy and Regional Development, 2011*):

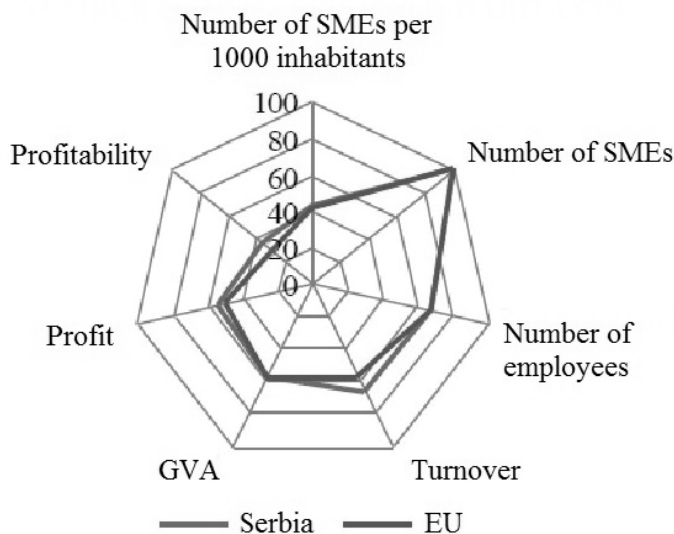
- Increased number of SMEs (for 3713) is the result of an increase in the number of entrepreneurs (to 2,439) and micro companies (the 1,746), while the number of small businesses fell by 259, and medium sized by 213 - an indicator of weak economic power of the sector;
- A continued trend of decreasing net effect (the ratio of the number of established and closed enterprises and shops) – while 10 companies were established 10 were closed (28 in 2009), and while 10 shops ceased operations 9 new were established (11 in 2008);
- Reducing the number of employees by 57,955 people (or 6.6%) is 71.8% decrease in employment of non-financial sector - continued downward trend in the importance of SMEs to the overall mitigation of total unemployment in the country;
- Below-average growth in business activities (0.3% versus 12.2% for large companies and 4.1% in non-financial sector), contributed to the decline in the gross value added of 1.4% (an increase in GVA of large enterprises by 12.2% and in the non-financial sector of 3.6%);
- Lower productivity growth, measured by value added per employee, compared to the non-financial sector (5.7% vs 7.4%, respectively), despite a higher rate of employment reduction (-6.6% to -6.2%, respectively);
- It is still the most unprofitable part of the economy (IRR is 36.1% in comparison with 43.0% in large companies and 39.2% in the non-financial sector) despite the fact that in comparison to 2009. year real profit of SMEs raised by 8.6%, with a profit rate of 10.1%. Small businesses have the highest profitability rate (45.9%);
- The concentration of SME Sector is unchanged - Manufacturing, Wholesale, Construction, scientific and technical activities;
- Unchanged regional disparities; The level of development of the SME sector in Serbia by area, indicator measured by GVA per employee, indicates that the ratio of the area with the most (City of Belgrade) and the least developed sector of SME (Péinjaska) is 2.4:1 (2.3:1 in 2009.), and the profitability 2,1:1 in 2010. to 2,9:1 in 2009.

In recent years, some progress has been made in creating the institutional and legal framework of business, so that Serbia has managed to compensate for the lag in the development of SMEs as compared to other countries in transition, and that in certain segments become better than some of the countries - members of the EU. Number of companies and businesses has continually been increasing, while increasing the number of employees, so it came that the number of jobs created in the SME sector since 2005. is greater than the number of jobs lost in restructuring of large companies, which provided a significant contribution to reducing social tensions. However, the dynamics of employment in SMEs is not sufficient to absorb the available labor force.

It is noteworthy that most of the transition countries, including Serbia, adopted the European Charter for Small Enterprises. This charter is a very important aspect of the development of entrepreneurship and SME development and harmonization with EU standards, and thus needed to join the Union. The Charter is based on the definition of SMEs in each country where it was designed. This is important because the mechanical copying of criteria for the classification of enterprises (number of employees, balance sheet items and an annual turnover) is not acceptable in all cases, due to the diversity of the national economy. For this reason, the EU Charter is adapted separately to each economy.

Comparative analyzes of the development of the SME sector in Serbia and the EU, shows that the share in the number of enterprises and employment, as well as by revenue and GDP, SME sector in Serbia belongs to the EU average. However, there is a big gap in the Serbian SME sector compared to the EU average if you look at sales per employee, GVA per employee and profit per employee. Comparative analysis of investment per employee and investment per company, in the neighboring countries and the EU-27, indicating a significantly lower level of these indicators in Serbia, in the SME sector and the overall economy. Investment per employee in the SME sector amounted to EUR 3,000 (the EU average is 7,700 USD) and the investments by the company 9.200 EUR (the EU's € 33,400).

Figure 1. Comparative indicators of the SME sector in Serbia and the European Union.



Source: Report on SMEs, the Ministry of Economy and Regional Development, Institute for Development, the National Agency for Regional Development, Belgrade, November 2010.

The relatively high share of SMEs in basic indicators of economic activities, indicating a slower pace of structural reforms in the country. The global economic crisis has only deepened the existing development problems, first of all, big companies undergoing restructuring.

The World Bank and the International Finance Corporation (IFC) announced "Annual Report 2013" on October 23rd, 2012. On the global list, which measures the ease of doing business in 185 countries, Serbia has made a jump from last year's 95th to 86 place, finding themselves among the top ten economies that have implemented most of the reforms. Serbia's position has improved by 9 because of the shift in three areas: starting a business, enforcing contracts and resolving insolvency issues. (Ministry of Economy and Regional Development, 2012)

The report states that Serbia allow easier incorporation eliminating obligation to pay the minimum amount. In addition, the process of resolving insolvency strengthened by the introduction of private enforcement, reducing the initial price for the sale of assets, the abolition of appeals, procedures and speeding up the introduction of an electronic register of the injunction to allow public access to all the restrictions concerning the management or ownership of movable and immovable property. It was noted that the enforcement system also allow easier implementation of the contract.

Table 3. Ranking of countries according to criteria - Starting a Business (Doing Business 2013 Report)

Economy Name	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
New Zealand	1	1	1	0.4	0
Australia	2	2	2	0.7	0
Canada	3	1	5	0.4	0
Singapore	4	3	3	0.6	0
Macedonia, FYR	5	2	2	1.9	0
Serbia	42	6	12	7.7	0

The greatest improvement of 49 places, was noted in the area starting businesses, in which Serbia is ranked 42nd place, thanks to the implemented reforms which abolished the minimum capital. The report said that the business start-up companies need to implement 6 procedures, which lasts 12 days in total, of which the registration procedure in the BRA takes up to 3 days.

OBSTACLES IN THE INITIATION AND IMPLEMENTATION OF BUSINESS ACTIVITIES - ANALYSIS OF THE SITUATION, NEEDS AND PROBLEMS OF SMALL AND MEDIUM ENTERPRISES AND ENTREPRENEURS IN SERBIA

The SME sector in Serbia, shops, small and medium enterprises are faced with very complex procedures and regulations in the start-up phase, day to day operations, and at the event of termination. Respect these rules and procedures is a significant burden and cost to the limited financial, managerial and human resources in the SME sector. In this sense, the creation of a safe, ordered and stimulative legal and administrative framework for the business, should be one of the main goals of the Republic of Serbia in the future.

To review the current status, needs and problems of small and medium enterprises and entrepreneurs, there has been conducted a field survey from 20 May to 20 June in the year 2009. The sample size was 3000 SME (98.8% of the sample realization). Surveyed units are economically active small and medium enterprises and entrepreneurs and businesses who submitted the APR, or NBS, the annual financial statements for the year 2008, as well as entrepreneurs who are in the VAT system.

Surveyed businesses are classified by size into the following categories (The Republic Agency for SME development, 2009):

- Micro enterprises - employing up to 10 employees,
- Small business - up to 49 employees,
- Medium enterprise - from 50 to 249 employees,
- Stores.

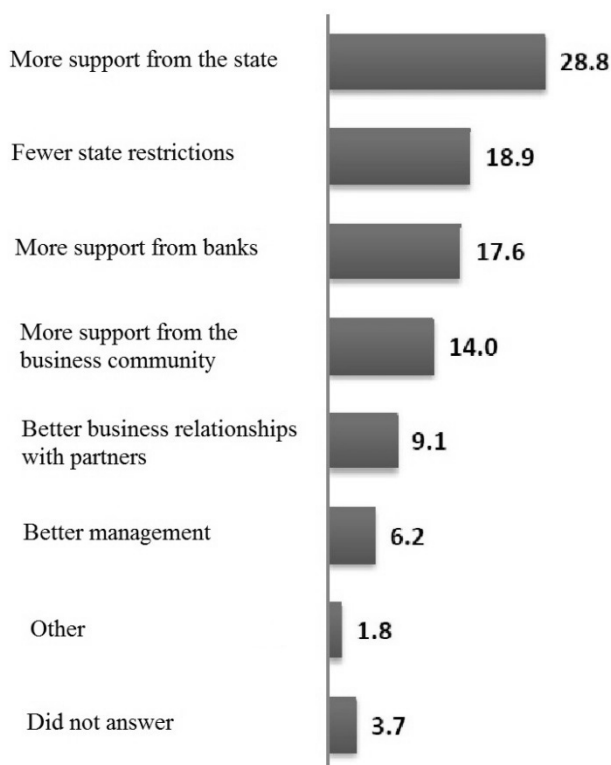
The questionnaire consists of ten sections and includes questions that cover all relevant aspects of business (financial, technical, technological, market, innovation, common problems and obstacles), including a profile of the entrepreneur and the need for education. The aim is to assess the real situation, the problems and needs of the SME sector, in order to make appropriate measures for its growth and development.

Profile of entrepreneurs

- Most owners belong to a mature age - 64.7% of respondents aged between 36 and 55 years, while 15.6% were younger than 35 years,
- At the time of starting a business, two-thirds of respondents were under 35, and about a quarter under 25,
- Starting a business is predominantly based on their own decision on the opening of the company / business,
- On the top of the management / ownership hierarchy of every fifth company is a woman. Entrepreneurs are usually at the forefront of actions or micro enterprises, which specializes in providing health care or beauty care and recreation,
- The majority, 47% had vocational education, while 44% have college or university degrees,
- Slightly more than half of respondents have adjusted to the needs of professional qualifications arising from the activities of the company, with a more vocational-technical (40%), less economic and managerial profiles,
- Most current entrepreneurs are recruited from working class families, 49%,
- The motivation for starting a business, entrepreneurs base on stable settings, such as identify business opportunities, the desire for independence ("I am my own boss") and self-perceived ability in business scope of the company in which they have previously been employed,
- Many years of entrepreneurial experience is a feature of the majority of respondents - 57% are occupied with their own business for more than 11 years, the longest operating small and medium-sized enterprises,
- 66.5% before starting the current business had previous entrepreneurial experience,
- About 80% work more than 40 hours of work stipulated in the week.

The following charts show the factors which, in the opinion of surveyed business subjects, have the greatest impact on the success of the business, as well as the improvement of business conditions (Status, needs and problems of small and medium enterprises and entrepreneurs, the Republic Agency for SME development, 2009):

Figure 2. Requirements for business improvement.

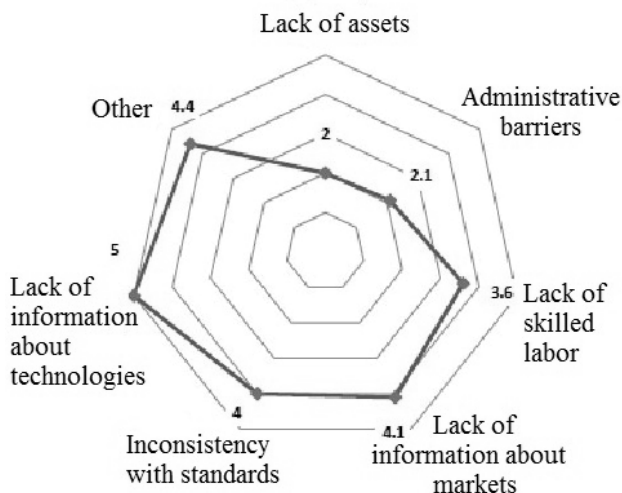


Source: Status, needs and problems of small and medium enterprises and entrepreneurs, the Republic Agency for SME development, the Ministry of Economy and Regional Development, November 2009.

As the most important factors that influence the performance of the business, listed above all are hard work, personal initiative, motivation, work experience, business skills, family support, and then both the business and personal relationships, the willingness to take risks, educational background, etc. When it comes to improving business conditions, subjects surveyed believe that they are most dependent on greater support from the government (28.8%), fewer state restrictions (18.9%), greater support from banks (17.6%), more support from the local environment (14%), better business relationships with partners (9.1%), better control (6.2%), and so on.

The graph shows that, in the opinion of the surveyed enterprises and entrepreneurs, the main problems in business are:

Figure 3. Main problems in business



Source: Status, needs and problems of small and medium enterprises and entrepreneurs, the Republic Agency for SME development, the Ministry of Economy and Regional Development, November 2009.

Respondents ranked the problems from grade one to eight, where one has the greatest intensity. Average values are shown. Based on the data presented, it is evident that the major problems are lack of resources (weight 2), administrative barriers (2.1), lack of qualified labor force (3.6), non-compliance with standards (4), the lack of information on markets, technologies, etc. Among the administrative obstacles, there are quoted tax regulations and procedures (weight 2.6), obtaining building permits for renovations (2.7), the work of inspection authorities (3.2), registering property (3.6), registration fee for employees (3.7), the registration of business (3.8) etc.

Among the many barriers to SMEs, most of them are referred to:

- Unresolved issues: administrative barriers, gray economy, relatively high tax burden, unreliable and slow legal procedure for debt collection and bankruptcy,
- Lack of finance - in the opinion of the SME owners, is a major problem in the sector,
- Credit financing is still the only solution for the vast majority of SMEs (in addition to personal savings), and interest rates and credit conditions are not favorable for SMEs,
- Other issues: poor functioning of insurance claims and billing, lack of collateral and unsettled state of the land registries, which limits the possibility of using a mortgage, etc.

SME business, in the opinion of their respective owners, is also burdened with (The working group Small and medium enterprises and entrepreneurship, 2009):

- Payment of advance tax, high tax rate and taxes, as well as unfavorable tariffing costs of electricity, telephone, etc.,
- Pending legal aspects, the slow process of obtaining the necessary permits and long-term legalization,
- Tariff barriers.

INSTRUMENTS OF ECONOMIC DEVELOPMENT AND THE DEVELOPMENT OF MODERN FORMS OF BUSINESS IN ORDER TO PROVIDE BUSINESS SUPPORT

Economic development tools are a set of measures, activities and tools provided to help to achieve the objectives of economic development, primarily by improving the business environment for business development. They are used for regulating policies - through fees and charges, issuance of building permits, to the credit line. The basic element of economic instruments is that they operate in a decentralized level, affecting the market. Economic instruments have a number of advantages and, if implemented properly, lead to the creation of better conditions for competition among enterprises, improve the business climate, and thereby to the achievement of the goals of economic development. Developing a practical approach to specific economic problems is done through precisely defined instruments. (Quick Impact Facility, BH)

However, when it comes to the choice of instruments for achieving the goals of economic development among decision makers, that often leads to division. One of the key indicators by which a rationale for consensus on this issue can be provided, are changes in the number and size of companies and the number of new jobs, which provide clues as to the state of environment for business development. Very important, if not equally important criterion is the choice of those instruments that will have the greatest effect on the development of competition, at least cost, the choice of instruments that are based on their cost and duration of its effects.

One of the major problems are certainly differences in the needs and the current state of the local infrastructure. This is a problem encountered in numerous municipalities. Small businesses and entrepreneurs often think something is missing or they need more, better, or cheaper. Regardless of the state in creating instruments of this category, you should not rely too much on the assessment of the efficiency of the existing infrastructure. Primarily, the observation should be from the perspective of the real analysis of problems in the field of infrastructure in the municipality, and what could be improved with investments of money, labor investment, other forms of engagement in order to eliminate identified deficiencies (eg, minor repairs of infrastructure, creating a better environment , new procedures, etc).

Work on the infrastructure includes the following activities:

- Development of land conversion - from agricultural land into construction, improving the commercial environment to conduct business - including the construction and repair of roads, transportation, industrial and drinking water, energy and telecommunications systems, etc,
- Support the construction of technology parks and business premises, provide and manage housing for the company (eg business incubators), and so on. Therefore, the objectives can be: functional master plan, new offices, the establishment of GIS (geographic - IT) systems.

Such activities on the development of infrastructure directly affect economic development. Working with real estate and infrastructure aims to offer local government property and land for business projects under favorable conditions. Without a real estate, investor and entrepreneur will hardly accept to start a business.

The next issue is to create a stimulating business environment and ambience appropriate to developed economies. The instruments with which to improve the business climate promote economic development through:

- Involvement of all stakeholders in the business,
- Enable the use of all available resources for doing business,
- Maximizing entrepreneurs focus on doing their own work and to minimize the negative effects of bureaucracy.

Using these instruments it is possible to create a higher level of competition among local entrepreneurs, creating conditions for the survival of competitive businesses, as well as strengthening the entrepreneurial and creative skills of local businesses. Promotion of SMEs primarily involve creating environments to support SMEs, which includes the provision of services and lobbying for SMEs. This includes promotion of both existing and new businesses, providing advice, support and resources of local government. Legal requirements are often barriers to SMEs, so the activities that a municipality may take are working to improve procedures and processes that companies must go to register. (ALDI - Association for Local Development Initiatives)

The areas in which legislation can affect the performance of the company are:

- Business registration procedures: taking the necessary actions in order to shorten the time required to process applications, reduce the intricacies of regulations on businesses, reduce the number of forms,
- Municipal taxes: reduction of fees and charges to a minimum.

At the local and regional level, there is a great demand for companies that can provide employment, production based on technology, and having a successful business prospects. Simply, it is far less successful companies than local communities. Therefore, over the past ten years or more municipalities in their competition with each other have developed this specific instrument, to encourage the development of private businesses.

The instruments which directly support the private sector, promote economic development through:

- Enable dealing with new business activity,
- Facilitating entry into business to new entrepreneurs,
- Directly stimulating job creation.

Using these tools enables companies to improve to competitive position by reducing the competitive differences compared to other local communities. Some examples of the direct support instruments are provision of the land at favorable conditions for the construction of buildings, public subsidies for the necessary infrastructure for the company, cutting company's costs for connection to the electricity and water supply, helping them to find required labor, training workers for new businesses, etc.

BUSINESS INCUBATORS AS ECONOMIC DEVELOPMENT TOOLS TO SUPPORT START-UPS AND ENTREPRENEURS

The study showed that among the many instruments of economic development, **business incubators** are the most effective means of helping entrepreneurs and companies in starting new businesses, supporting start-ups and providing a variety of assistance in order to survive during the initial operating period. As a flexible organizational forms, which are able to effectively adapt to the needs and changes in the environment, business incubators are trying to activate all of the company's resources, putting them in the function of the realization of entrepreneur and small business development. Way of doing business in the business incubator represents a reform of private businesses, contributing to the strengthening of small and medium-sized enterprises, but also easier access to modern technology.

Many companies and entrepreneurs in the beginning are facing the problem of lack of capital, lack of experience in managing the company, and the lack of the market, both in terms of demand for the products offered, as well as in terms of new, unfamiliar markets. The result is a very small number of newly established companies and, indirectly, fewer new jobs at a local level.

Term incubation involves ensuring good conditions for starting new businesses and achievement of business ideas, innovation in stimulating the entrepreneurial spirit, as well as taking concrete steps to preserve such conditions and resources required for the survival, growth and development. **Business incubators** are businesses whose goal is to create favorable conditions to enable interested entrepreneurs starting their own businesses, establishing, maintaining stable performance in several years, and train them to leave the incubator and perform independently on the market after few years. (the Ministry of Economy and Regional Development)

The goals of creating a business incubator are: creating jobs, reducing the number of failed SMEs, strengthen SMEs in the region (local development), retention of young people in local communities, supporting the process of privatization and restructuring, connecting enterprises in the region and beyond with large enterprises. Business incubators provide opportunities for the development of new services, implement new technologies, and new business, technical, organizational structures and marketing methods.

The first step is to finance infrastructure by state and local governments, and later continued with entry of private investment (donors, other economic organizations, profit organizations, academic institutions). After the construction is done, there comes the phase of filling incubator with tenants (enterprises) with predefined criteria for their selection, and defined criteria for getting out of incubation.

Business Incubators appears as an increasingly popular way of encouraging entrepreneurship and reduce unemployment in Serbia. The purpose of business incubators as a business association is to provide good conditions for starting new businesses and translating business ideas into practice, and to prevent the departure of educated young people abroad due to lack of conditions. Some of the problems newcomers to the business are faced with are initial lack of capital, lack of experience in managing the company and lack of markets.

In Serbia, there are title business incubators such as incubator of engineering faculties in Belgrade, business incubator Knjazevac, Nis, Krusevac, Uzice, Prokuplje, Bor, Senta, Subotica, Zrenjanin, Pančevo, Beočin and Rača. Services that business incubators provide are usage of incubator space, shared services such as common secretary, office equipment, networking - commercial space at subsidized prices, counseling and mentoring.

PERFORMANCE INDICATORS OF BUSINESS INCUBATORS

Most of the studies dealing with the analysis of the success of business incubators were used as an indicator of the success of its impact survival rates in the initial stages of development of the company, while it is located in the incubator, and their survival rate after leaving the incubator. Studies show that about 90% of companies that have started operating in the business incubator, do business 3 years after that. The data confirm validity of the constitution of business incubators as a form of organizing social protection entrepreneurial ventures.

1. In evaluating the success of the incubator were used various criteria, among which the following are the most common (Tables 4 and 5) (Stikić D, 2008):
 - The number of newly established enterprises - who survived the critical period of 3 years,
 - The number of newly created permanent jobs - where the indicator of "permanence" take into account the companies that have crossed the limit of 6 years of existence,

- The economic activity of companies - members (evaluated using a variety of indicators, depending on the type of activity - usually a total revenue),
- Number of implemented and market-acclaimed innovation,
- Answers of surveyed companies about the impact of business incubators on their development and competitiveness.

Tables 4 and 5. Performance indicators of business incubators

Performance indicator	Total	Average value
Number of start-ups and other entrepreneurial projects during the year	7891	75
Number of business plans implemented during the year	7468	74.68
Number of start-ups created during the year	2678	26
Companies survivability	/	87.55%
Number of companies (tenants) in an incubator	2916	29.76
Number of employees in enterprises tenants	17940	188.84
Number of new jobs	5909	79.85
Number of participants in the various events aimed at encouraging entrepreneurship	69131	652.18
Number of participants in training programs for the improvement of business skills	51930	570.66

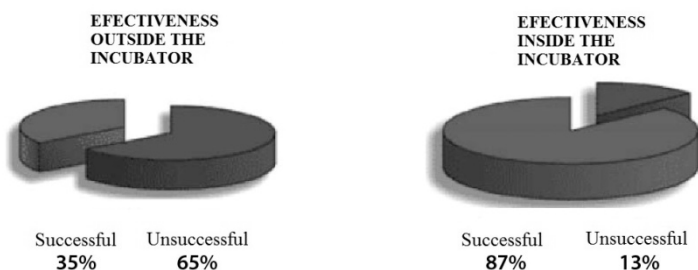
Process indicator	Total (Network)	Average value
Number of existing companies	15244	148
Number of projects based on technological innovation expressed as a percentage	54.01%	/
Number of events organized to promote entrepreneurship	1884	17.61
Number of organized business skills training during the year	10567	114
Number of employees in a business incubator	/	7-9

Source: Stikić D., Business incubators as a tool to support the development of innovative enterprises, 35th National Conference on Quality, Kragujevac, 2008.

THE EFFECTS OF THE ESTABLISHMENT OF BUSINESS INCUBATORS AND THEIR IMPACT ON THE PERFORMANCE OF THE NEWLY-ESTABLISHED ENTERPRISES AND LOCAL ECONOMIC DEVELOPMENT

Business incubators have a direct impact on the local and wider community. It is reflected, above all, in increase of employment, restructuring, growth in production and an increase in GDP. Using the "input-output" method for measuring the total income and the impact on employment, research has shown that business incubators increase employment and income in greater amount than the number of directly employed and paid workforce within the incubator. For example, research conducted in one region showed that employment and income increase, on average, with a coefficient of 1.35 to 1.43, compared to the direct effects produced by companies within the incubator. This means that in addition to direct effects, indirect employment and income grow at the rate of 35% to 43%. (www.celce.edu)

Figure 4. Comparison of effectiveness of the companies inside and outside the incubator



Source: National Business Incubation Association, www.nbia.org

The most important segment of the support that business incubators provide, is access to start-up capital needed to start and grow new businesses. When a company finds itself in an incubator, the way to potential investors is more accessible and direct, due to a fact that free capital looking for profitable investment opportunity, can recognize new entrepreneurial initiatives more easily. Simply belonging to a business incubator is a favorable sign for potential investors, as they are considered that members of the business incubators already passed the conformance test of business ideas when entering the incubator. With good price lease, joint service service, providing professional business support and training at subsidized prices, investors get a sense of security and a sense of equity significantly less risky than would be the case in a pure market business environment. Statistical reports provide confirmation of this view, by showing that business incubators increase the degree of success of the company from 20% to as much as 87%. (Avlijas, R, 2010)

Business incubators are associated with the growth of state and local revenues. Taking into account the increased state and local tax revenues at the same rate as personal income, can be accomplished by increasing estimates of tax revenue caused by the existence of a business incubator. There was also evidence that the social costs of job creation, support for start-up businesses through business incubators, are much lower than those needed to implement various other programs to create new jobs.

Research, which was conducted within the European Union, showed that 900 existing business incubator helps in opening productive 40,000 new jobs each year in companies that are more stable than those arising out of business incubators.

However, one should keep in mind - business incubators must be viewed in the broader context of economic development, and must be an integral part of the overall strategy for economic development. As such, they can not afford to contribute to local economic development itself, and can only support the development of entrepreneurship and job creation in a particular union, by systematic provision of the office space at subsidized prices, technical assistance, counseling and mentoring.

CONCLUSION

Obviously, the possibilities of development of private sector and small companies in the initial periods of their business, as well as mechanisms to help companies and entrepreneurs in starting new businesses, are not yet sufficiently developed and efficient. In this regard, it is necessary first of all to raise awareness locally of the need for the establishment of business incubators, industrial zones and parks, as well as tools to support the creation of new businesses and new jobs, as well as the implementation teams on a local level, composed of relevant and interested partners.

The process of entrepreneurship development, small and medium-sized enterprises and new forms of business in the Republic of Serbia in the last three years has significantly accelerated, but the structure of the activities of our small and medium-sized enterprises is inconsistent with the real development needs of Serbia, and the state in developed countries. Due to the uncontrolled establishment, no systemic guidance in certain activities, entrepreneurs are deciding to less capital-intensive activities, primarily the service sector, and a far less productive.

In addition, there are insufficiently developed mechanisms of financial support, lack of guarantee schemes, and it is necessary to simplify the complicated procedure of withdrawal of the assets from credit lines granted by the state institutions. The development of different organizations that provide services to small businesses is uneven both regionally and from the standpoint of quality of service (regional agencies and centers, business incubators..). Since the

competitiveness of our economy is one of the main factors in our development, and therefore a successful entry into the EU, and innovation are the essential element of competitiveness, it is more than necessary to work on *innovation support measures*.

In the coming period, the biggest challenge for SMEs will be the integration of our country into the EU and the internationalization of business. The problems that will occur in this period relate primarily to comply with the operating standards within the EU. For this reason it is essential that government institutions are active, in order to SME sector in Serbia reach equal status with small and medium-sized enterprises in the European Union.

It is necessary to establish the appropriate regulatory frameworks and new mechanisms to facilitate the flow of private investment in small and medium-sized enterprises, and for the needs of entrepreneurs. That process can be helped with a changes of the laws, the creation of conditions for the micro-lending, and establishment of independent guarantee funds with a fair and transparent competition. Equally important is to improve the efficiency of public administration. Research shows that the administrative procedures for businesses to open and full activation requires a relatively long period of time, which discourages potential entrepreneurs and investors.

Business incubators are among the most important instruments that can help the development of new, sustainable enterprises at the local level. Many companies and entrepreneurs are at the very beginning faced with the problem of lack of seed capital, lack of experience in company management and lack of knowledge of the market, both in terms of demand for the products offered, as well as in terms of new, unfamiliar markets. As a result, there is a very small number of newly established companies and, indirectly, fewer new jobs at a local level. Business incubators are one of the solutions to this problem in the sense that support start-ups in all aspects of their business.

The main income of the local and social community from the business incubators are healthy companies. The companies that emerge from the business incubators are often on the leading line of the development of new, innovative technologies, which will progressively affect the environment, especially the quality of its products and services. For these reasons, in the last 3-4 years in our country there is a growing awareness that business incubators can make a significant contribution to the development of entrepreneurship of small and medium enterprises. Using already developed models and their adaptation to the existing conditions in the country, provides us the opportunity to catch up with developed countries.

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DEVELOPMENT OF ENTREPRENEURSHIP IN CONDITIONS OF THE TRANSITION PROCESS IN REPUBLIC OF SERBIA

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Abstract

This work initiates the necessity to unmask and remove various mystifications which are connected to transition process in Serbia, and to understand the essence of development of entrepreneurship which is an important segment of the wider strategy and programme of economic development of Serbia, but also comparative advantage in conditions of transition process and economic crisis. The work surveys the essence of entrepreneurship, difficulties in development of entrepreneurship and implementation of innovations. It is quite certain that our state is not in the sign of transition but, primarily, interaction of many global and local processes, but it also failed in creation of appropriate climate which supports entrepreneurial values. The paper points out the limitations and obstacles that entrepreneurs confront and which determine and impede the construction of a positive entrepreneurial environment and entrepreneurial economy, as a necessary factor in overcoming the economic crisis and transition.

Keywords: *transition, strategy, entrepreneurial economy, entrepreneurship, entrepreneurial spirit, entrepreneurial culture, innovations, flexibility and adaptability and economic development.*

INTRODUCTION

After more than two decades of transition, Serbia is today beyond the end of the transition process than before the global crisis.

A low level of economic activity that follows the Serbian economy since the beginning of the transition is only aggravated by the global economic crisis that is now already clear, cyclical and long-term work.

This requires that policies and strategies at the micro and macro level review and adapt, and to use all available, particularly domestic resources, pay due attention, with the efficiency of their use becomes imperative.

Entrepreneurship, primarily through innovative activity in Serbian economic reality has a very important task, which is to raise the efficiency of companies, which ultimately should yield a result at the macro level and lead to increased efficiency of the whole economy.

ENTREPRENEURSHIP IN REPUBLIC OF SERBIA

For years we have been living in conviction that the question of transition is the biggest challenge for Serbia, and that from the way it will be realized to a large extent depends destiny of our society, our children, and the belief that privatization will automatically solve everything.

However, modern society is reflected in the paradigm of two groups of institutions which supplement and build on each other. These are institutions that regulate public and private sphere, in other words legal and market institutions.

The first type of institutions gives general norms or rules on how decisions of general importance are made, sanctions contractual obligations, provides individual and collective rights.

Market institutions should provide conditions for economic business in the most rational way, in other words for maximal use of available economic resources.

Competition and private initiative have showed themselves as mechanisms that supply this rationality, of course, but only on condition that there are suitable legal and institutional regulations, or the frame.

The formation of modern society fundamentally supposes political and economic stability, or at least real assumptions that it can be acquired through functioning of political and economic systems.

These assumptions repose on political consensus that this is the goal we should aim for, as well as on an agreement on basic strategic moves and priorities.

When it comes to Serbia it is obvious that there is a big deficit of assumptions for fitting into mentioned paradigm. In any case in order to understand this big

deficit it is necessary to take into consideration the circumstances which influenced falling behind of Serbia in the transition process which left many negative consequences in economy business, in the rate of unemployment, in the sense of efficient use of available resources, drain of highly-qualified workmen from the country, all bigger technical and technological falling behind and big social problems and riots.

The state still does a big rate of regulation in economy business. The excess of regulation from the state is showed in issuing a great number of permissions and licenses which have, as a result, the flight of capital, high rate of corruption and discouragement of private entrepreneurship.

All of this says that we have expensive, inflexible, rigid and massive state machinery, which puts itself above the economy which is not cheap and efficient service of the state and its citizens. Is this love for global management, for creating one center of global management, in other words for planning of economy resulted from excessive state consumption and strong bureaucracy, which overcame not only the state but also big organizations, primarily public companies.

Did this big bureaucracy darken the mental level and the way of thinking at our people?

The fact is that economic crisis becomes a favourable ambience for revitalization of political interventionism and it is not a surprise that we have not gone out of economic crisis for years. We are entrapped to such measure by organizational instruments of false comfort, that their overcoming is a task of huge proportions. Besides, we have risen generations of "big business managers" who lost the sense for global business aspect, economic and social responsibility.

We should also add a number of various special social classes that articulate politically, or first of all politically, and in that way economic reality is similar to political reality.

If you take all of these into consideration, than a gloomy picture of our reality is pretty clear- some ray of light but all in all a lot of trouble. This is because crisis of our country is a reflection of a willful state staff which is free from democratic control and which has imposed itself to society through different forms (legal and illegal) of expropriation and thefts. It restricted and tied economic work, deformed system of economy etc. The proof, for the above mentioned, is the rank of the biggest obstacles for business in Serbia in the period 2008-2012.

Table 1: The rank of the biggest obstacles for business in Serbia in the period 2008-2012

	2008-2009	2009-2010	2010-2011	2011-2012
Corruption	2	1	1	2
Inefficiency of administration	3	4	2	1
Political instability	1	2	3	3
Approach to finance	6	3	4	4

The source: World Economic Forum, Global Competitiveness Report 2011-2012, Global Competitiveness Report 2010-2011, Global Competitiveness Report 2009-2010, Global Competitiveness Report 2008-2009

The price of transition process is unacceptably high.

One of the key problems that Serbia has been facing for years is the absence of conceived transition strategy or the strategy for development of society as a whole. We also do not have the answer how to avoid negative consequences that globalization brings.

When transition is in question, we should start from clear questions that ask for the clear answer.

What is more important the present, the future or the past?

It seems that we move out the present into the future by the system of aims. How much is the past in every moment somebody's present, somebody's future?

In which dimension of time we notice the present, interpret it, and have influence on it?

The answers to these questions and dilemmas are found in the facts that reveal many contradictions, and first of all in the quality of living and viable development of Serbia. The state becomes unconcealed tool of interest, acquiring and keeping privileges, concealing the character of those processes, volume and depth of declining and elementary existential endanger of the huge majority of society.

It is necessary to take off masks and remove various mystifications that are connected to the concept of transition and development of entrepreneurship. In our country the concept of transition is degraded to a mere term, and partial changes in entrepreneurial economy do not give adequate results, but they more express gradation of difficulties in creating better society, free from political and proprietary dictatorship of the proprietors' class.

It is quite certain that our country is not in the sign of transition but primarily in the inter-reaction of many global and local processes.

Namely, it starts from the illusion that it is all clear when it comes to the transition goals, that it is capitalistic society with modern economy and civil

democracy. As if such society, such economy and democracy do not contain serious restrictions even in more suitable historical conditions.

In particular circumstances of our society, realization of these goals, unfortunately, results in their caricature shapes, caused by bad solutions in realization goal-means, but also in shortage of knowledge in recognizing entrepreneurial initiatives of the present and future events in social reality in these areas.

Transition is a complicated social process. It is, primarily, destruction of one and then creation of another system.

Transition as any other social transformation contains positive and negative sides, affirmative and degrading codex, comprehensiveness but also defectiveness. And it is just that effect in understanding transition that contributes that people accept it skeptically and insecurely.

It is in the nature of our men easily to accept something familiar and it is harder for them to accept something unfamiliar.

It is unbelievable how much people are capable to keep intact certain assumptions, understandings and habits, even if there are convincing evidences that tell the opposite. That is the style:” Do not confuse me with facts, I have already made up my mind”, and of course it does not leave the space for interactions. It is the style which is a huge obstacle in the transition process.

The transition is a process which is global in its dimensions, strategic in its importance, deep in economic, social and political consequences. It does not have only a face and a back side but it has more faces and back sides.

Hope is only for those who have a strong instinct for maintenance, who estimate the present realistically, who look up in the future and work hard on acquiring new, while indifference is the name for powerful in their arrogant experience of eternity.

Besides, there is a danger in international economy itself, in which the countries in transition are at the same time stretched between economic raising and very possible destructive crash.

It is a strong enough warning that we must not shorten the way or go along the shortcut, especially when our hopes, that the western countries will help the development of our society, dissipated.

If we take into account the above mentioned, it is necessary to make decisions in the transition process, and the essence of each decision lies in its independence. Namely, the essence of economic activity is in investing the present available resources in future expectations, which means their depositing to uncertainty and risk.

Transition is economic and social necessity of Serbia.

The system that existed experienced internal degradation, i.e. rotting, and a crash after that, primarily because of institutionalized political monopoly, ideological and economic power, drawbacks of innovative and transformational abilities and it was able to fulfill neither civilizational and developing nor

democratic, national and state question successfully. It was the system of blocked modernization. The consciousness about that had to reach to some essential flows of changes and to determine general social events.

Avoiding engagement in these problems is not only hiding behind the partition of the theme of “universal importance” but also the sign of avoiding to confront with some of the most important and vital questions of the society and it is the sign of gradation of difficulties in the transition process of passing over to a country of democracy, market economy and civil society.

The transition involves the integrity of structural changes, regardless of their orientation, but it is important to identify the main flow and the content of that transitoriness.

When it comes to an attempt to understand what is going on as a historic flow, it is important to start from unpredictable horizon of an epoch which is thought to have already been the past in conditions in which is the society that objectively pulls it back and not forth. What today is called “the transition” in our country is much more a return to capitalism of the original accumulation and European (half) outskirts in its various shapes and levels.

The transition of our society happens by intercession of the whole range of paradox.

The first of them could be called the paradox of historic subject of transition. The essence is overcoming the nomenclature of privatization, as one of important marks of transition that one part of politocratic class is changing rapidly into new capitalistic class. However, it does not have the important elements of modern capitalistic class, entrepreneurial spirit, ethic of responsibility, professionalism and savings, or necessary knowledge in order to fulfill modernization. Because of that the changes that happen under the pressure of its interests are not, generally looking, the step forward. The figure of kleptocratic state is clearly outlined.

The second paradox is that we occupy ourselves with the break of political regime and social system while the real danger of the destruction of the society itself, the destruction of the state that results from the entire social antagonisms and from the state of authorities without authority, threaten us.

Ultimately, the main problem is in the question if there is politically articulated, convincing alternative of better in relation to the existing state and if there are sociostructural and political subjects strong enough and capable to realize it. Even more, because all the paradoxes of transition result from antagonism of the real and promised social system, since the real system does not make it possible the realization of interests and expectations of the majority of classes, but it makes a selection of the existing interests in the society and realizes primarily the interests of the ruling class.

The conflicts and confusions of the goals of change and the means of their realization are much expressed. Also there is the drawback of interest of political elite to take control of the crisis. They are caught with the depth of the crisis and their inability to keep up with life when necessary changes of reality are faster than reflex thoughts and at the same time they are burdened with the surplus of expectations for reduction of inequality in the conditions of life and people's life chances.

The question of signification of changes is the question of life quality.

However, enough experience is accumulated, and it shows many dark sides and serious internal and outer boundaries made by transition process in our country.

The answer to these questions, theoretically and practically, is the task for the present and not for some abstract future. It may be late tomorrow.

The main question is the relation between universal and specific, global and local.

Even more, our society entered the changes through political changes, and the found reality is that we are more or less agrarian and underdeveloped society.

It is exactly in that starting point, in the very concept of change and its main driving force that lays its essential inner boundaries which in time transformed into the system blockade.

Namely, the basic elements which strengthen the society such is ours in the civilization circle of modern societies are:

- Adopting rationalistic idea of progress, turning towards technical civilization and the strategy of social development, science as “production force”, urbanization, education etc. which are followed by necessary institutional, political and economic changes. That includes relative independence and elastic coordination between spheres of social life.
- On the other hand, in our society, the basic principle is the principle of hierarchy of spheres and almost total submission of economic and other fields of social life to politics.
- Because of that, one very unstable and conflict social and economic structure is created- the antagonism of the rich people’s world and the poor people’s world, collisions of change strategies, development and values of orientation, “rush” towards the conquering the state as the means of domination and providing the privileges, “melting” of medium social classes as social “shock-absorbers”.
- A certain “state of spirit” is present. It, on the one hand, is marked by entrepreneurial initiative and business inventiveness, and on the other hand, by unscrupulousness- “furry” of egoistic interest, and as the third, the crisis of hope and perspective of the most parts of society. It is also marked by fear of half-freedom and nostalgia for the time of social security. The spreading between progressive and regressive effects of transition has behind and before itself its political and social protagonists, its institutional and social, political and cultural points of support.

The thing that is completely neglected is the fact that the most important role in the transition has the group of experts. It consists of intellectual elite that is capable to formulate adequate strategy of general social development, of innovative class of experts and managers, entrepreneurs, the category of new working class, productively the most progressive part of farmers, democratically oriented and managerially complete part of political class.

One of the most noticeable marks of the present moment of the transition is in the fact that there is a huge number of experts of different profiles, but they have, more or less, lost their social and expert identity, and they start new professions, in the first place because of their social impoverishment, and that is why they objectively do not have a position in the society as they should have.

On its side, this encourages degenerative marks of social structure, its polarization and high conflicts and instability.

Accordingly, bigger injustices in society are made, society enters the so called robbing capitalism and in its own peculiar social structure, with a crowd of socially desperate people, who are ready to do anything in order to survive in the conditions of social endanger.

The fact that there are no stronger social and political subjects of democratic outcome of the crisis, is not the product of accidental concurrence of events but is caused, primarily, by the lack of "critical mass", because the protagonists of changes cannot "leap over" the boundaries of existing class and total social structure.

Such characteristics of social structure are followed by autocratic and subjected mentality of social majority, which all result in phenomena of "the dead sea" of social inertia that absorbs every serious attempt to break the boundaries of the existing state.

In the team spirit of the majority of Serbian people strong freedom-loving line is interwoven with subjected mentality, with its characteristic "reconciliation with destiny", as well as elemental rebellion without hope that dissatisfaction is articulated in the progressive direction.

In the regard to this, a logical question is imposed: what else should happen in order to revive the society, to crystalize the subjects, the energy and the content of positive changes and to create political consciousness and stubbornness which would replace the "gloomy transition" in which social development goes from one to another extreme.

Today's society is missing team carriers, suitable social, political, institutional and cultural infrastructure, systematic and assumption values, absolutely necessary modernization and structural changes as overcoming type of transition and tendency of development which are the expression of its being.

In the near and foreseeable future there is nothing that could be seen as "solid" or at least familiar, and social, economic and other waters are very rolling and full of uncertainty.

Perceiving the whole problem area that we are facing today, one can come to a conclusion that the mistakes, which were made in the previous period, have to be corrected, lost time and money have to be compensated and the reform flows have to be speeded up.

Reforms are concessions to the spontaneity of organic development, natural flows in economy, and they are even wider understood- freedom of creation, until, in basis, we do not change the essence and the core.

Complex, as it is, the transition process has to contain all important dimensions of economic, social, political, legal and social-psychological repositioning of society on all levels.

Overcoming such state is a long-lasting process in which the main role have innovative and entrepreneurial forces (political forces and forces of knowledge and expertise), ready to take over on themselves the risk of many resistances and defeats in order to make a step forward in the direction of necessary social changes and modernization.

For such deep changes, with optimal use of determination, or in other words motivation of all subjects in that process, time and especially strategy are necessary.

For that it is necessary to form and start institutions for organization and development that actively participate in this process by operative functioning and controlling it.

Back or forth the distance is the same. The one who does not move forward he deteriorates. Who deteriorates he disappears.

Entrepreneurial economy and development of entrepreneurship could be an answer to transition and economic crisis in Serbia, but there are clear questions that look for the clear answer.

The fact is that there has been a financial crisis, but without it, there has been a long-time economic crisis in Serbia, the suitable ambience for revitalization of political interventionism, but at the same time the cause of continuation of great depression and fear of entrepreneurial class-fear of private capital to invest into development in conditions of threats for security of own proprietor's rights and strong fiscal restrictions of their profits.

The experience can be a sign for understanding the way for coming out of the crisis, without the way of economic freedom- the way of entrepreneurship, business, and protection of property rights. Of course, economic crisis shows the sterility of those who do not make extra value. In that way, there is not a serious economic concept for managing crisis, but only stories "expertly established" on unreliable predictions and narrowed consciousness, which is the proof of non-existence of consistent programme for coming out of crisis and complete programme idea. Namely, when you do not have a vision, then everything can be your programme, even though the signs by the road along which developed countries go show you that money is made in business and by conquering the market, and that the courage of entrepreneurs and innovators pulls the society forward. The state does not have to work for business, but it has to create conditions, by using legal protection, for entrepreneurs to work for themselves and for the society.

What is exactly entrepreneurship and which challenges and risk does it face in Serbia?

Economic crisis speeds up interest for the place and the role of a private sector in development of national economy of every country. The private sector which is implemented in small and medium enterprises starts developing possibilities by involving through entrepreneurship and in that way reduces social tensions which

are unavoidable in transition economies, but they are also comparative advantage in conditions of economic crisis.

Entrepreneurship strongly stimulates opening of new possibilities for development of new regions and the whole national economy. For development of entrepreneurship planned and coordinated approach of all subjects is necessary, and first of all the support of republic and local authorities. According to former experiences, entrepreneurship completed its function most successfully in developing the sector of small business (small and medium enterprises).

Development of entrepreneurship and development of small and medium enterprises is significant part of a wider strategy and programme of economic development and it does not have an alternative in the actual reality of our country. However, an important function of entrepreneurship will be showed by starting economic activities and making the ambience in which the existence will be directly dependent on economic efficiency, in other words on accepting responsibility for own material status.

In the last few years people in our country are more and more conscious about the fact that entrepreneurship and entrepreneurs give an important contribution to the transition of our social and economic system and they are an important part for renewal of our economy.

Decades-long functioning of entrepreneurship all over the world represents a treasury of valuable experiences, which can be used and adjusted to the present moment of development in our country.

Our social and economic situation orders that we hurriedly invest in development of entrepreneurship, and to create possibilities for the support to each entrepreneur in the sense of skilled and timely advices and good ideas in the starting, but for the beginners often risky, phase when the help is most needed.

By using more developed entrepreneurial models and by adapting them to the existing conditions in our country, the possibility to catch step with other developed countries is made. In the countries in which models for support and stimulus of entrepreneurship are applied, the key role had governments of these countries.

The most important effect and the main profit that social community realizes by activities in entrepreneurship are healthy companies which are in leading positions in developing of new, innovative technologies, which, primarily by the quality of its products and services, progressively influence the social community.

Development of small and medium business and its involvement in the wider net of creating values will be difficult and insufficiently operative unless distinction between those who know the secrets of business and those who only have a good initiative is not big.

In our area it is important to connect theory and practice and in that way create theoreticians of applicable abilities. For years the entrepreneurial spirit is on the top of collective values in societies of the main industrial countries.

Entrepreneurship is neither science nor art. It is, primarily, practice, or in other words practical usage of knowledge, ability and skillfulness from the mentioned area, with a high dosage of individual personality.

While in many debates the function of entrepreneurship is interpreted as a gift, talent, inspiration or “the flash of genius”, science represents innovations and entrepreneurship as purposeful tasks which can be done in organized way, i.e. they have to be organized and done systematically in order to represent a part of regular and current business activities and tasks of entrepreneurs. Entrepreneurship is very heterogeneous and complex union of intuition, ability to predict or even to have a presentiment of future events, readiness to accept unconventional ideas, courage, stubbornness and other natural gifts, and on the other hand, it is the product of favourable ambient circumstances, which are connected to factors and constellation which reduce the uncertainty and risk. According to that, it is necessary to answer these questions: what, when and why, but also to recognize material facts, such as: politics and making decisions, possibilities and risks, structures and strategies, forming of managerial team, substitutes and rewards etc.

That farther means a specific “distillation” of years of observation, studying and practice of innovations, of entrepreneurship and entrepreneurial spirit.

Innovations represent purpose-serving activity, but also a science discipline, which firstly show where and how an entrepreneur looks for innovative possibilities, and after that it is discussed about arguments for and against development of innovational idea into suitable economic activity (production or service).

According to that, it is necessary to observe what the obstacles, disturbances, traps, usual mistakes, concept and ideas, politics and practice are that should be overcome in order that entrepreneurs become successful in their operative.

Finally, entrepreneurial strategies are decisive for successful introduction of innovations on the market. Before all, because the real test for every innovation is not in its novelty, in its content and smartness, but in its success on the market, in other words in ability and persistency of entrepreneurs to place and stay competitive on the market.

We live in the time of changes, in the time of big economic crisis, and changes have become a life-style.

According to that, complete changes of economic philosophy are expected, that is adequate behavior of the state in economic area. The state has to stop to influence the outcomes of economic functioning of business and to restrict itself on the role of creating institutional frames, and to be the protector of the play rules. This should be particularly actualized because a little space is left for the development of real entrepreneurial initiative, which is the sign of recognition of market economies, and that is inadequate space for real market economies that should be based on the rule of rights and respect of lawfulness and rules.

Entrepreneurship that has been developing for all these years in our country (in quality sense) has been reduced on the amplitude below real possibilities and in high rate deformed and turned to socially non-productive alternatives.

The biggest part of their economic initiatives and entrepreneurial energy businessmen have more directed on overcoming administrative obstacles and on forming good relations with the state than on development of new technologies, conquering new markets and enlargement of work productiveness. All senses of these completely atypical entrepreneurs were directed not only on collecting signals from the market, but primarily on collecting messages from the administrative decision and centers of political power.

The result of the above mentioned are the following data (indicators):

Table 2: The place (rank) of Serbia

Indicator	2008/2009 (134)			2009/2010 (133)			2010/2011 (139)			2011/2012(142)			movement dk		
	rank	dk	pk	rank	dk	pk	rank	dk	pk	rank	dk	pk			
Real ownership	108	3,6	4,7	111	3,4	4,5	122	3,2	4,4	126	3,1	4,3	↓	↓	↓
Protection of intellectual ownership	105	2,8	3,8	101	2,8	3,8	111	2,6	3,7	107	2,7	3,7	-	↓	↑
Independence of judicature	106	3	4,1	110	2,8	4,1	124	2,5	4	128	2,4	3,9	↓	↓	↓
The government regulations	132	1,9	3,3	129	2,2	3,3	131	2,3	3,3	134	2,3	3,3	↑	↑	-
Efficiency of legal frames in solving disputes	102	3	3,8	124	2,6	3,8	132	2,6	3,8	137	2,5	3,8	↓	-	↓
Efficiency of legal frame I reexamination of regulations	-	-	-	115	2,6	3,7	125	2,7	3,7	127	2,6	3,6	↑	-	↓
Strengthening of revision and standards of reporting	96	4,1	4,7	99	4	4,7	115	3,8	4,7	114	4,0	4,7	↓	↓	↑
Efficiency of corporative management	119	4	4,7	120	3,9	4,6	134	3,7	4,6	136	3,7	4,5	↓	↓	-
Protection of minority shareholders	132	3,2	4,6	128	3,1	4,4	137	2,9	4,3	140	2,8	4,3	↓	↓	↓
Local availability of research and training services	74	3,8	4	90	3,6	4,1	100	3,5	4,1	113	3,2	4,1	↓	↓	↓
The frame of personnel training	121	2,9	4	120	3	4,1	130	3	4	132	2,9	4,0	↑	-	↓
Influence of business regulations on direct sides of investments	128	3,8	4,9	120	4	4,9	131	3,8	4,8	125	3,5	4,5	↑	↓	↓
Intensity of local competition	131	2,6	3,9	131	2,7	3,9	138	2,5	3,8	136	3,6	4,8	↑	↓	↑
The rate of market domination	129	2,6	4	130	2,7	4	137	2,8	4,1	139	2,5	3,8	↑	↑	↓
Effects of antimonopoly policy	73	3,4	3,8	97	3,7	3,6	120	2,8	3,6	137	2,8	4,0	↓	↓	-
The rate and effects of taxation	112	4,4	5	106	4,2	4,8	123	3,7	4,6	118	2,9	3,6	↓	↓	↓
The outflow of intellectuals	111	3,8	4,5	113	3,8	4,5	135	3,4	4,4	139	1,8	3,5	-	↓	↓
Relaying on professional management	118	3,6	4,6	118	3,5	4,5	128	3,3	4,4	133	3,3	4,3	↓	↓	-
Cooperation between employees and employers	131	1,9	3,5	132	1,9	3,5	136	2	3,5	136	3,6	4,4	-	↑	↑

Direct sides of investment and transfer of technology	74	5,5	4,8	81	4,7	4,7	113	4	4,6	110	4,0	4,6	↓	↓	-
The development state of cluster	104	2,9	3,6	117	2,7	3,6	122	2,6	3,6	128	2,5	3,6	↓	↓	↓
Character of competitive advantage	110	2,9	3,7	111	2,7	3,6	133	2,4	3,6	136	2,4	3,6	↓	↓	-
Readiness to confide supervision	94	3,6	4,1	101	3,2	3,8	127	2,7	3,7	136	2,6	3,7	↓	↓	↓
Consumption of companies on research and development	97	2,7	3,4	110	2,6	3,3	108	2,6	3,2	130	2,4	3,2	↓	-	↓
Cooperation between universities and industry in the area of research and development	62	3,3	3,4	81	3,3	3,6	71	3,5	3,7	81	3,6	3,7	-	↑	↑
Availability of scientists and engineers	50	4,5	4,2	77	4	4,1	92	3,7	4,1	83	3,9	4,1	↓	↓	↑

Source: World Economic Forum, Global Competitiveness Report 2011-2012, Global Competitiveness Report 2010-2011, Global Competitiveness Report 2009-2010, Global Competitiveness Report 2008-2009

The use of economic philosophy is a necessity in the development of entrepreneurial economy because it provides harder connection between economic participants and work results, which is a mechanism without which it is not possible to have stimulating economic ambience and healthy entrepreneurship.

According to this, total liberalization and deregulation of economic life of economic organizations is necessary. It is necessary to come to restructuring of economy in the sense of relocation of financial, physical and human potentials. The aim of this is exploiting of unused economic resources and reduction of a huge gap between real and optimal utilization of potentials in the country, and that can be done by development of entrepreneurship.

It is necessary to recognize long-term tendencies and key demands and devote them knowledge and abilities for one's own success.

One of the most difficult problems in economic regrouping in our country is inertness and paternalism, which remained as legacy from past times. Entrepreneurship demands serious approach, responsibility, hard work, initiative, and we are not used to all that, so we will have to get into shape in that field.

Namely, entrepreneurship demands adequate knowledge, inventiveness and a lot of work, as well as establishing the management system, based on principles and demands of entrepreneurship and market business activity.

The principal task of entrepreneurs is intensive research in different fields of work, generating of ideas, improvement of evaluating methods, selection and choice of ideas, shortening the way from an idea to its realization, and also development of methods and techniques of solving problems in practice with

characteristics of high efficiency which, in modern conditions, includes speed, optimal costs and innovativeness.

Effective management supposes strategic orientation, adequate structuring and good means of business policy. That efficiency can be identified in several ways.

Firstly, the subject under discussion is about dislocated efficiency that supposes the use of means in the way which brings the best effects of all alternative uses.

Secondly, there is production efficiency which supposes minimization of production costs and maximization of production output.

Thirdly, there is so called “h-efficiency”, defined as efficiency of organization and management, enlargement of work motivation, reduction of bureaucratic personnel etc.

Thanks to ability to take into consideration, in analytical sense, a great number of factors, the mentioned also supposes high rate of creativity, and the way to find itself in the function of widened memory.

New market realities demand flexibility and speed. Today only small, well-organized economic societies, led by the idea of entrepreneurship and entrepreneurs, with highly qualified and motivated working class and good vertical mobility, can sustain in market and make positive progress in the near future.

Small companies are not instantaneous saving for current economic problems and difficulties, but they are a big chance for our politics to lean on its own forces. This is the way for every economic activity to achieve and earn money on small capital funds, with high productivity of work, good quality of products, services and incomes. In this way with development of entrepreneurship of small enterprises, closely specialized and complementary, we connect economic, social, environmental, technological and other factors of work.

The change in the organization of business in one company is connected to changes in people’s attitudes towards business and entrepreneurship (changes in motivation, knowledge and criteria, changes in individual’s and group behavior or in the behavior of the company). To successful transformation of organization less and less contribute formalized rules and procedures, and more and more people - entrepreneurs with their working potentials- knowledge, abilities and other personnel characteristics.

The process of development of entrepreneurship initiates and intensifies actions and a line of factors of organizational culture, and these are: people, aims, strategy, action, technology, tradition, size, ownership and environment. That means, organizational culture is conditioned by a range of heterogenic factors of different intensity. From this point of view, it is important role of entrepreneurs whose orientation and preferences have a decisive influence on dominant organization of a company, which is realized through a set of factors that encourage tendencies towards a type of a team and a type of organizational culture of entrepreneurship.

However, our society and its structure and orientation are extremely unfavourable for development of entrepreneurship. If important decisions are in the hands of the state, politics and administration and if they drastically narrow the space for making autonomous business decisions, then a little possibility is left for developing entrepreneurship. Our country had discouraging influence on entrepreneurship.

Besides, psychology that comes from the time of self-management socialism has been awoken, and that is psychology of “taking care of a man”, psychology of binding to state managers, psychology that has a hard position in something that could be qualified as a deficit of entrepreneurial culture. This state of consciousness is emphasized characteristic of our society. This mental deviation can be destroyed neither easily nor quickly, but it will work as a strong limitation factor when it comes to development of entrepreneurship and recognition of its social role.

Our businessmen have learnt a lot about overcoming administrative problems, about communication with administration and about lobbying around the ministries and other state agencies. These skills are intellectually equally demanding as those that are connected to technological improvement and raising of work productivity. However, the skills turned towards productive work directed on creation of new values are not established enough. Under the wing of the state something that looks like entrepreneurship is made, but that is far away from the real entrepreneurship. It is also the question in what measure will businessmen, who are used to the support of state organs and administrative bodies, be able to reorient on productive projects turned towards raising of technology and enlargement of production.

Entrepreneurship is by definition an activity that comes to close quarters with uncertainty. The situation is, from this point of view, extremely unfavourable in our country, because of that chaotic and emphasized disfunctionality of legal system which should provide natural ambience, protection to entrepreneurial activities, it should be a solid support for conditions in which decisions are made and their consequences are borne, in other words their effects are collected.

The entrepreneurial energy is logically being redirected on already mentioned destructive and redistributive actions: their fancifulness and initiative entrepreneurs will direct on building relationship with the government and on supplying privileges, through which they will lay claim to already made, and from someone else's work and entrepreneurship resulted income. Defeating unfavourable influence on entrepreneurship is more than obvious. Firstly, because of extinguishing financial savings number of potential entrepreneurs has been reduced, it is the number of those who would go into new, unrestrained projects with their own saved means. Secondly, the possibility of concentrating bigger financial means necessary for big projects has been reduced. And finally, thirdly, destroyed confidence crucially reduces and almost totally cancels readiness to put means on disposal of entrepreneurs-even when they are in some way provided, for example, from foreign inflow.

It is expected that basic institutional disturbances for mobilizing and developing entrepreneurship will be removed, and parallel with that as a part of the unique process, institutional conditions for strengthening of entrepreneurship will

be finally created, especially for its engagement on socially productive alternatives. Guarantee of individual and group freedom is an assumption for strengthening and demonstrating all valuable potentials of widely understood entrepreneurship. An important question is the one that concerns social groups and classes from which, in foreseeable future, entrepreneurs could be recruited. The answer to this question has at its disposal pretty insufficient and unverified empirical knowledge.

New entrepreneurs could be identified from several social groups. They are, at first place, those who developed the ability for solving very complicated and very risky problems, although appreciation of moral norms was not, and neither is it now, their strongest side. In this group there will be members of existing private sector, then people from grey economy, additional group of unwillingly created entrepreneurs from abundantly dosed lines of unemployed and by no means negligible number of subjects from social, and even from state sector of economy. Farther groups from which future entrepreneurs could come are farmers who has always been in the position of authentic entrepreneurs, although because of their humble resources they could not expose themselves to big risks, and after them there are intellectuals whose material position in the transition process is tragically worsen, so in that way some of them will certainly look for a shelter in entrepreneurial exertion, far away from their original vocation.

Difficult economic conditions made an enormous number of individuals from the lines of employed and unemployed, both from private and collective sectors, from agriculture and non-agriculture areas, to start some unusual activities in order to survive, they made them to get involved in something that in steady circumstances has the aspect and character of economic adventure, and in a certain way, they are a metaphor of entrepreneurship.

In Serbian economy a significant and valuable entrepreneurial charge has been accumulated. The basic positive characteristic of this entrepreneurship is exactly that accumulated energy. The negative thing is wrong and unproductive direction of that energy.

But, it is one thing to conclude these facts, and even to understand them, and the other is to do something about that. The task of people who are in economics is to, at least hypothetically, on the basis of relevant indicators of the current condition and perspectives of development of observed visions in the future, try to conceive the most realistic forecast and projection of development.

We have to change our habits which have been acquired for decades. This is also because economic policy does not have any space to widen even short-terms recovery of economy and its come-back on the market by using its methods.

The biggest economic and development techniques should be expected from economy entities that have individual motives, knowledge and organization.

The crucial step has to be made: liberate from those specially gifted people who can "foresee the future". There were a lot of them in this area in the past few years; inspiration was pretty rich, and there was not the lack of customers, too.

We should stop and think for a moment: where were we and where are we going?

On the one hand the imperative is- considering of daring goals, really daring goals. On the other hand, it is also important to determine certain goals for “the next 24 hours”- i.e. to make a move.

Ideas are absurd until they are used in practice, until you develop your entrepreneurial skills for management and until you become aware of your own possibilities.

That farther means years of observation and practice, means for realization of some goals, successful confirmation on the market, and other facts such as possibilities and risks, structures and strategies, economic effects and profit as well as the business goal.

Concepts and ideas have to be tested in the practice, valorized, enriched gradually and revised.

The Chinese proverb says: “It is not going to fail the one who knows his own strength!”

We should turn our wishes, ideas and instincts into actions, directed towards clear cause. We need enthusiasm, limitless energy, the sense for aims and direction in order to do that.

Critical factor for success of every programme are people, so the answer for various aspects of people’s reactions to changes has to be found.

Changes demand hard and team work, economic realism and scientific founds, because these processes are not only long-lasting and complex, but also very painful. As K.Manhaim said:“It is not possible to leap over bulwark of history overnight.”

Social-economic growth and development of Serbia in the transition process lacks collective incumbents of these processes, adequate social, political, institutional and cultural infrastructure, systematical and valuable assumptions, absolutely necessary modernization and structural changes as basic tendencies for development of the society.

CONCLUSION

Transition processes speed up interest for the place and role of private sector in development of national economy. Entrepreneurial economy and development of entrepreneurship could be the answer.

Overcoming of transition stumbling gait and problems that were made in that process is a long-lasting process, not an act, in which the main role have to have innovative and entrepreneurial forces, forces of knowledge and science, in order to make a step in the direction of necessary changes and modernization of our economy.

Entrepreneurship strongly encourages opening of new possibilities for development, both for particular regions and the whole national economy. For development of entrepreneurship planned and coordinated approach of all subjects is necessary, and primarily, the support of republic and local authorities.

Development of entrepreneurship and development of small and medium economic societies is an important segment of wider strategy and programme for economic development and it has no alternative in actual reality of our society. The important function of entrepreneurship will be showed with starting economic activities and making an ambience in which the existence will directly depend on economic efficiency, in other words on accepting responsibilities for own material status.

Development of entrepreneurship and its stimulus could be the bridge for transferring parts of problems which the society in transition encounters.

It is important to decide on sequence of moves, but it is also important always to return on things that you have already done, in order to explain your own way of thinking and to identify key decisions as a regular part of business activities and tasks.

A wise saying of a scientist and philosopher Susan Jefferson contributes to encouraging of new social flows:” In order to change your world, it is only necessary to change the way in which you think about it!”

We hope that this will happen before “the emperor stays without his clothes”, and before grasshoppers eat a few more years of our lives.

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ATTACHMENT TO THE DEBATE REGARDING THE IMPACT OF THE PUBLIC SECTOR ON THE REAL SECTOR IN SERBIA

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Abstract

The public sector is the part of the economy of a country that is in the public or state ownership and is disposing of public funds and public property. The public sector in Serbia is excessive and too big, and as such, produces very negative aspects of the overall economy. Due to heavy and excessive public sector, the budget deficit is about 60% of GDP. The number of employees in the public sector amounts to a third of total employment. Earnings in the public sector are much higher than in the real sector. Public workers are quite protected from the possibility of termination of employment, and if it does happen, the severance is several times higher than the legal minimum. All this resulted in high motivation to work in the public sector and complete lack of motivation to work in the private sector. High public spending, excessive public sector and the absence of any rationality and public sector reform resulted in endangering work and the business of the private sector, fiscal and other levies that are not set aside and had long term predicament to of the destruction of the real sector.

Key words: *public sector, excessive, budget deficit, employment, motivation, feudal order, reform.*

INTRODUCTION

The public sector is a part of the economy of a country that is in the public or state ownership and it possesses public funds and public, i.e. state property. The public sector includes all government or state authorities, and all public agencies and all public, i.e. state businesses (state authorities – state management, judiciary, military, police, part of the education, Central Bank, local government, independent regulators and other subjects where the state has ownership majority).

The public sector is in fact the state sector in which the state has jurisdiction over a part of the economy (public or state economy) over which it exerts its economic function. The existence of public sector is not related to profit or gain, but to meet the general social needs, and those needs that can not meet the private sector or the private economy, which is in its function profit-oriented.

The International Accounting tandards and the public sector are considered as national government, regional government, local government (city and town) and other government entities, such as agencies, boards, commissions, etc.. Thus, according to the International Accounting Standards public sector is consisted of:

1. All users of public funds,
2. territorial and local authorities,
3. organisations for mandatory social insurance
4. public budget funds,
5. National Bank (in the part related to the use of public funds),
6. Public companies established by user of public funds,
7. A user of public funds ..
8. Public companies that the state established
9. Entities engaged in accepting and issuing and use of public reserves,
10. Other entities that use funds and property under state management and its territorial autonomies, local authorities or social security organisations.

The main function of the public sector is supplying the citizens with public good, and the basic characteristics of the public sector is a centralized sisstem of supplying public goods, inefficiency in managing structures and a lack of transparency.

The emergence of the public sector is linked to the development of the state. The state was created in a particular historical moment when the collapse of the original community lead to the development of productive forces, the division of labor, trade and disintegration of tribe communities.

For the modern era, the expansion of the public sector was characteristic. Causes of the expansion of the public sector are different, ranging from the desire of the state to influence the economic mainstream, creating a country,' welfare', but also increasing unemployment, recessions, expansion of social transfers, etc.

Given the importance of the public sector for the national economy and the course of reproduction, this work deals with issues related to the public sector in Serbia now and its impact on the real sector.

PUBLIC SECTOR IN SERBIA

Size of the public sector in Serbia is caused by partly historical events in the last twenty years or so. The disintegration of the former Yugoslavia and its transformation to FRY, then the new state of Serbia and Montenegro, then the independence of Montenegro, Serbia was left with the public sector that has been sized (and oversized) for a much larger territory, and larger population. The development of political pluralism, i.e. the introduction of a multiparty political system and the establishment of a government based on a broad coalition are additional causes of an large and excessive public sector in Serbia.

In addition to the broad coalition, a characteristic of state administration over the last ten years or so is the 'feudal' government organization. The ministries and public enterprises are literally divided between the parties, and after the division nobody has the right to interfere in the work of the assigned public affairs or in the work undertaken in 'the property' of public companies.

Despite the fact that Serbia has a negative growth rate of GDP, even though the process of joining the EU and the EU requires restructuring and reforming the public sector to the EU standards, it is not happening. Once received power results in employment of 'verified' party personnel in all levels without solving the problem of redundancy and thus leads to overstaffing in the public sector at the expense of taxpayers. The political will of the ruling party in power, although in the past ten or more years in virtually all major political parties changed, characterized by the lack of will to reform the public sector, i.e. their will and actions are aimed at preserving the status quo.

Public companies abuse the Public Procurement Law in the most brutal manner, which is structured in a way that allows non-transparent and privileged procurements without competition, which it is a great opportunity for crime and corruption. The European Union estimates that through public procurement more than 600 million euros 'disappeared'.

The vastness of the public sector in Serbia is visible if we take a look at just some of the elements such as the size of the territory, population, and number of ministries and GDP per capita in Serbia and some countries with similar and different territories and population.

Table 1. Summary of population, area, GDP per capita and the number of ministries for selected countries

Number	Country	Population	Area and square miles	GDP per capita PPP in US \$	Number of ministries
1.	France	65.397.915	543.965	35.680	13
2.	Austria	8.443.018	83.879	42.400	12
3.	Switzerland	7.954.662	41.285	43.900	8
4.	Serbia	7.241.295	77.474	10.800	19 +2
5.	Croatia	4.398.150	56.594	18.400	21

Source: Eurostat Population at 1 January 2012. (France, Austria, Switzerland, Croatia), Republic Institute for Statistics (Serbia).

The we analysis these data, it's noticeable that the surface of France is 7 times bigger than Serbia, and 8.26 times more inhabited. At the same time France has 13 ministries, while Serbia has 19 ministries and two government offices which basically means 21 ministry. From these data it can be concluded that the French government cannot satisfy the needs of all citizens, because there are not enough people who need to work for the benefit of citizens. However, if we look at the data on GDP per capita, such a conclusion can not be drawn. GDP per capita of PPP France is 36.680 US \$, and GDP per cappita PPP Serbia is 10.800 US \$ 3.39, which means 3.39 times more.

If we analyze and compare the data between Serbia and Switzerland, which have almost identical population and if GDP per capita PPP is compared then Switzerland with 8 ministries - almost three times less than Serbia achieves four times the GDP per capita PPP.

Furthermore, if we analyze and compare the data of Croatia and Serbia, it can be inferred that these countries have the same number of ministries, but the population of Croatia is almost half the size of the population of Serbia. At the same time Croatia gains a 1.7 times higher GDP per cappita PPP than Serbia.

All this leads to a conclusion that the public government in Serbia is **oversized, too big and very inefficient.**

THE REFORM OF THE PUBLIC SECTOR

Status of the Serbian economy, the size and inefficiency of the public sector calls for a reform of the public sector. ***Public sector reform in Serbia means that they need to reform the reformers.*** Is this possible, and when? Given the manner of preparation of the parliamentary majority, the composition of the government and local governments (all on the same principle under parliamentary majority at the national level, despite the expressed will of the population, especially at the local level) , the reform of the public sector cannot be expected that in the near future.

Public sector reform necessarily increases unemployment in the short term. But, the previous and the current rulers have neither the will nor the capacity to implement it. They, in fact, argue that the public sector remains in the current size and structure (read with an increase in employment of new trusted party members).

INCREASED UNEMPLOYMENT – THE CONSEQUENCE OF AN OVERSIZED AND INEFFICIENT PUBLIC SECTOR

It is well known that a job is much more secure in a public than a private sector. The public sector is by definition inactive and a non-productive sector, their work is based on the work of the private sector and therefore the results do not measured by an actual income, business income, profit and net profit, but time spent at work regardless of the results.

Public sector employees have no incentive to improve their performance, their profit is guaranteed, and since most of the staff is employed as party members, they do not have the threat of termination of employment. The economic crisis has contributed to the process of secure employment in the public sector and in the EU, and at the same time an increase of employment in the public sector. *According to data of the Serbian Chamber of Commerce in Germany, this most developed country in the EU in 2010. had a record of employment in the public sector. The record employment rate was 10.3% of total employment. In the European Union in the public sector, the average employment is about 15%, and in Serbia, some data show that employment in the public sector is about 31%. Bearing this in mind, the question is: How come workers in the public sector in Germany, which employs 10% of employees can satisfy all mutual needs that are, by the way, at a much higher level of satisfaction than those of Serbia? In addition to this one, another reasonable and very responsible question is asked: ‘Can Serbian economy handle, with a negative growth rate of GDP, this large, excessive and highly inefficient public sector?’ The answer to the first question is that the public sector in Serbia is not productive, is not interested in increasing the productivity and effectiveness, that job security is fully guaranteed and that this is why it is excessive. The answer to the second question is NO.*

In the developed countries of Western Europe, working in the public sector means achieving greater security and lower wages. In Serbia, IT'S the other way around. Wages in the private sector is almost always higher than the wages in the public sector, while job security and regular payments are guaranteed. There is no particular motivation for young and educated people to work in the private sector. „ The other day I was in a bus, I heard a young girl (22-25 years old) talking to a friend: *'I got a job in the ministry, and I'm good.'*

Why does a young and educated girl, who is a true representative of the majority of the working population in Serbia, want to work in the public sector? Because the public sector in Serbia offers everything that the private sector does not. It offers regular salaries, more money, less work, less responsibility, etc. Frankly speaking, it is much more alluring than working in the private sector that requires more work, lower wages, full responsibility, etc..

According to research by the Union of Employers of Serbia (from 2012.), 57.7% of young people (ages 16-24) want to work in public institutions, public enterprises and local governments. In order to increase overall employment and youth employment, employers are demanding the country to demand better conditions for business and economic environment that will stimulate employment. In addition, employers claim that there is no harmonization of supply and demand for labor, and that it is evident from the fact that a certain number of needs for employment remain unfilled because no one has the appropriate knowledge and skills.

Such an attitude towards the public sector directly affects the private sector. Firstly, increasing wages through administrative means (whatever the results) in the public sector has a direct impact on the amount of wages in the private sector because the private sector employees seek the same level of income like those of the public sector. But the private sector in the recession, in the absence of major infrastructure projects, in terms of technological obsolescence can not provide the same or similar salary as the public sector. What is unacceptable is that the public sector shares what's achieved from the private sector to its employees. So, it shares the results of the private sector.

IS THIS THE UNNATURAL PARADOX – IT IS, BUT DOES THIS LEAD THE COUNTRY INTO DEVELOPMENT OR STAGNATION - WELL , CLEARLY TOWARDS STAGNATION. Due to this situation a number of staff, quite reasonably, leaves the private sector and goes to the public one, because the private sector can not provide the same salary, and especially regular payments and job security. This situation leads to stagnation in economic growth and development, and in a long term, it is totally unsustainable.

Since the beginning of the economic crisis in the private sector in Serbia, around 400,000 people were declared redundant, but at the same time employment increased in the public sector by 2330 new employees (in Croatia 3129 or 3 per cent, Montenegro 1123, or six percent, while Slovenia, however, slightly reduce the number of public sector employees by 92, or 0.2 percent).

Meanwhile, in Germany as the most developed country of the European Union, despite the global economic crisis, the number of unemployed Germans in 2011. was reduced by 446,000, to 2.5 million, which means that the unemployment rate dropped from 6.8 to 5.7 percent of the working population. Thus, these data clearly show that the developed or more developed countries reduce the number of employees in the public sector for the simple reason that the finance sector to the private sector during the economic crisis can not finance the vast and inefficient public sector.

According to the latest unofficial data, the unemployment in Serbia is about 31%. The private sector, because of the global economic crisis and the domestic economic crisis cannot retain existing employment, let alone increase it.

However, the author thinks that the difficult position of the private sector is caused by state of the country than the general economic crisis, and as an argument for such a claim cited a lack of proper economic policy, that is, a lack of medium and long term policy of economic development (how come that the most developed countries know what they will do in the next twenty years, and Serbia doesn't know what it will do in the next several months) the absence of infrastructure projects (imagine, a Russian loan of 800 million dollars can not be realized due to the absence of a project for more than two years), enormous corruption and crime, the feudal leadership of the ministry.

So when the private sector does not have the ability to maintain the current rate of employment, the public sector will be imposed as a solution to all the problems in terms of employment so that the public administration, education, health agencies, public enterprises, becomes a place to recruit, that is, areas to reduce unemployment. So, they hire those who do not create new value, employ those who are financed from public funds provided by the private sector. What does it really mean? It is clear that the employment in the public sector has led to an additional burden on the private sector. So, we are in a negative vicious circle when we reduce unemployment by employing in the public sector which means that both result in lower employment in the private sector. A higher level of employment in the public sector requires more resources, and those resources are only found in two places. One of the two is borrowing and eventually returning to the private sector or direct and prompt increase of burden in the private sector (the VAT rate from 18 to 20%).

Table No. 2 *Overview of unemployment in Serbia*

Period	Individuals seeking employment	Unemployed individuals	Unemployed individuals seeking work for the first time	Unemployed individuals that were employed seeking employment	Individuals who receive unemployment compensation
VII 2011	833.268	745.187	270.162	475.025	62.126
VII 2012	858.296	752.614	268.308	484.306	66.220
index	1.030	1.009	0.992	1.019	1.065

Source: National Bureau of Statistics.

These data show that the number of employees in all categories is increasing. It should be noted that a number of people in Serbia works in the gray zone and they are not an object of statistics, so this data should be perceived conditionally.

According to data published in the 'Konjungturnim trednovi' magazine of the Serbian Chamber of Commerce in September 2012., there were 1,725,209 employees in Serbia. According to the same magazine, the number of unemployed amounted to 751,458, or 1.2% more than in the same period last year.

According to the latest estimates, the number of public sector employees is more than 450,000 from a total of 1.7 million employees. Working in the public sector is more popular, because of the relatively secure jobs and higher wages.

The private sector is not able to create new jobs for many reasons: there isn't a market deep enough, funds in the banking market are too expensive, the state does not pay its ways, etc.. Instead of creating an environment for employees in the private sector, the country increases the number of employees in the public sector to an almost meaningless number.

The latest data show that about 3.7 million (more than half of the total population, excluding Kosovo and Metohija) people live on salaries, pension and social benefits from the state budget (state administration, local government, police, education, health care, the military, the judiciary, retired etc..

According to the data of the Statistical Office, just the education employs around 120,000 people. In public administration, defense and compulsory social insurance 120,000 more, in the army and police about 85,000 people, the government, ministries, departments, directorates and agencies around 28,000, the President's Cabinet and the National Office a hundred people, in local government around 23,000. The National Employment Agency, with all subsidiaries, employs more than 2,000 people, and the Pension Fund more than 3,500 and so on ...

So, in the public sector, excluding public companies, about 450,000 people are employed. The number of different government departments and institutions reached 4920, while the numbers which are funded from the state budget rose to 11,200.

If the number is added almost 1.7 million pensioners, than the relation between public and private sectors is obvious. It's practically impossible for a single employee to fund retirees, bearing in mind that the pension fond is in fact, a boiler, not a financial institution where disasters and the complexity of the economic life in Serbia can be in completely understood.

When the number of employees in the public sector compares to the total number of employees, a third of all employees is presented working in the public sector. This basically means that the public apparatus is vast on one hand, and on the other hand, the economy that finances it is undeveloped. The number of employees is too low, compared to users who have objective reasons to be financed from the budget, on one hand and on the other hand, the government does nothing to reduce the public sector.

Because of this situation everyone is dissatisfied: Those who give - they give (taxpayers) more than they have, and can, and those who use the funds are disposing them in a foul manner (government, government institutions, agencies, etc.), and users of these assets (pensioners and other users of social benefits) are dissatisfied with the amount of income.

This situation ultimately leads and has led to a high debt i.e. insolvency. However, one should keep in mind that taking a loan has its limits, that the creditors will stop giving money at one point, but furthermore, the most important thing is that the loans be repaid.

Where are the answers? In the rationalization and reducing of the public sector (reducing and professionalization the state administration, reducing the number of ministries, state officials, number of agencies and directorates, reducing the number of board members etc...)

However, the new government declared that in the public sector will be no reduction of the number of employees during the crisis. Therefore, the public sector employees are fully protected, while employees in the private sector which are funded by the public sector are losing their jobs every day. Is it discrimination or something more than that?

PUBLIC SECTOR – A BURDEN TO THE PRIVATE SECTOR

Serbian employers are very concerned, especially those who are not leaning on public companies. They concur that the private sector can no longer cover the resulting losses of public enterprises and that they can't finance the cumbersome public administration which has 450,000 employees any longer. It is impossible to maintain the public sector without a strong economy, i.e. so many public sector wages can not be presented by such a weak economy says Radoslav Veselinović, one of the most successful employers and the owner of "Galeb Group."

The public sector is a burden of the private sector not only because it is vast and inefficient, but also because of the monopoly of certain public companies. Public procurement, financed by the public sectors, are a source of corruption and crime, on one hand and on the other hand indefinitely using funds that come from the private sector. These funds are in fact being returned to a narrow circle of private enterprises with no real justification. Through public procurement system as well as corruption and crime, annual losses are about 600 million euros. Therefore, employers insist on investigating the origin of property of former and current executives and other responsible persons in public enterprises. In addition, in Serbia, in the last twenty years, it's almost a rule that is at the forefront of public companies are the people who are not elected according to their expertise and capabilities but the only criterion for the selection of their party affiliation. Therefore, employers demand depoliticisation and depoliticisation of public companies.

PERSPECTIVES – NEW GOVERNMENT, OLD CUSTOMS

According to the author of this article, the new government of the Republic of Serbia is welcomed as a savior. The new government of Serbia is not in fact a new government, but the government reinforced the former rulers. Therefore, the expectations of the new government can be summed up in one phrase: as long as it's not worse. But can it be worse? Always. But can it be even more worse? According to the authors of this text, NO. Why? Because the people of Serbia are durable and tolerant. Because they turn every adversity into success in a long run, even if it isn't. The evidence of such a claim is the Kosovo myth. An indisputable fact is that nobody has ever denied that the Serbs lost the battle of Kosovo in 1379. But the Serbs celebrate that defeat as the biggest victory. Just like now. Serbs are suffering and enduring all the greedy government which they "choose themselves". The political system is such that none of the most influential party in power wants to change so that the defeated become the power. Although politicians 'swear' in the will of the people, their will has nothing to do with the government at any level. The political system enables power not to those for whom the adults voted but for those who can, by math, achieve 50% plus one. This in fact means that the will of the people is practically unimportant, but it is important that an agreement can be made about the positions in the public sector and other privileges.

Although it is known that the public budget is close to 60% of GDP, the government is still indebted to all lenders that are willing to give a loan. A completely astonishing statement is made by the Minister of Finance who said that the government would no longer borrow at unfavorable conditions, and which implicitly and explicitly recognizes the borrowing under adverse terms at a time when he was and still is a creator of economic and financial policies. The strategy or plan of borrowing from anyone and for any amount (let's mention the 'state figure', of 20 million euros to Prokop) was based on the argument that the domestic crisis was caused by external factors, and that it will vanish as soon as the external factor does. The same interpretation of the arguments at the beginning of the economic crisis advocated the thesis that the economic crisis won't hit Serbia but that it will strengthen it more and that additional reinforcement produced a loss of 400,000 jobs in the private sector.

So, the government, i.e. the new government is not willing to deal with the economic crisis, and it has no idea how to resolve the matter.

It is known that government borrowing is desirable and possible if the funds are directed to productive purposes, i.e. growth and development. Now, the government borrows and explains that it is a positive measure approving premium, to subsidize loans from the budget, i.e. at the expense of taxpayers. The same model realization was used by the previous government but did not achieve tangible results. Specifically, the state, in the name of helping the economy, compensates with a previously fixed interest rate of commercial banks that are the highest in Europe.

With subsidized loans, the government fully protects the business activity and contributes that the commercial banks realize a highly-planned business profit, not through capital but through high interest rates. Commercial banks are fully protected, their risk was reduced to almost zero. Specifically, the state as the best debtor, pays a part of the interest to banks, and the rest is paid by the best companies because only they can be eligible for a subsidized loan approval. What do the entrepreneurs who do not have the assets to make a mortgage do - pay enormous interest ?

The state is the generator of insolvency because it does not pay its financial obligations in a timely manner. The new law: ‘deadlines for the payment of claims, introduce the revolutionary measure:; if the state does not pay its debts in the agreed period, it is obliged to pay interest’’. Is it really a revolutionary measure or yet another private sector scheme. Did the state just now remembered that there is a principle in the obligatory bound: ‘equal benefits and equal pay’ and that means that if the legal entities being pay interest because of failing to do so until the deadline, then it is quite understandable that the government should do the same. Of course, it will be promoted by the liquidity of the economy as a whole if the state fulfills its obligations, but that would not require any new laws or explanations to confirm something that was completely new.

Commercial banks still charge interest rates by the principle of association cartel that are far more realistic than what the real sector may handle and are substantially higher than in other dinar markets.

Euroization and dollarization is entirely out there. Loans are indexed to one of hard currency, the prices of goods are expressed in euros and the like. Besides raising our own prices this way, we simultaneously destroy the local currency.

CONCLUSION

The public sector in Serbia is vast, inefficient and ineffective and totally disproportionate to the country's size, population and the attained level of GDP.

The public sector is appealing to potential employees and the youth. The appeal of employment in the public sector is quite fair given the economic environment in which the private sector works.

The private sector offers job instability, more work, longer hours, fewer holidays, looks for results both in quantity and in quality of finished work, irregular and relatively low wages, while the public sector provides the opposite - a stable job, less work, less responsibility, more hours and non-working days, the quality and quantity is optional, etc. For Serbia, is particularly indicative of a long-term totally devastating that the young see their future at work in the public sector. The education system is such that professionals are 'produced' which in totality do not meet the needs of employers. If we bear in mind the constant technological advances and changes and constant changes in the production process as well as in marketing and management and so on, it is clear that the present, and especially future time requires specialized education and specialized skills. Serbia's unemployment rate is the highest in Europe. It was induced in part by the global economic crisis, but this author believes that the lack of a clear economic strategy and priorities of the current bigger cause of improper and highly complex state of the economy than the global economic crisis.

Increased employment in an already vast and unproductive public sector, which provides a secure and stable job and regular income, and higher than the private sector can provide a substantial negative impact on private sector employment and its efficiency.

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AN ANALYSIS OF THE DEVELOPMENT OF THE FOREIGN EXCHANGE MARKET AS THE CONDITION FOR DEVELOPING THE ECONOMY AND ENTREPRENEURSHIP

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Abstract

From the year 2000 until today's day, the Serbian foreign exchange market has noted a significant development. The emergence of a higher number of investments, the process of privatization, economic reforms, as well as the strengthening of the banking sector in relation to prior years, have set off many activities in this part of the financial market. Thus, this paper gives emphasis to the interbank foreign exchange market during the last ten years. In particular, it stresses that at this point, the foreign exchange market uses only the Euro and that the intervention of the National Bank of Serbia has been reduced to a bare minimum, in the aim of securing as free a market as possible on which the foreign currency exchange-rate is formed under the influence of the demand and offer of foreign currency by business banks. There is also a focus on the development of a new segment of the foreign market on which financial derivatives are traded.

The central part of the paper deals with the basic indicators of success and development of the interbank foreign exchange rate regime. Based on the shown volume of trade in the last decade, we can conclude that all the events in the country, the region and the world directly or indirectly impact the work of this part of the financial market. By introducing the regime of a fluctuating foreign currency exchange rate, the foreign exchange market has shown a certain progress.

Key words: *Foreign exchange market, Foreign currency, Purchase and sale of foreign currency, Trade, Foreign currency exchange rate, Financial derivatives.*

THE STATE OF THE INTERBANK FOREIGN EXCHANGE MARKET IN THE WORLD AND IN SERBIA

The foreign exchange market is a place where the demand and offer of foreign currencies compete against each other, i.e. where the purchasing and selling of one national currency for another can be enacted. Considering that banks are the main and most significant participants on this market, the foreign currency exchange market is also called the interbank market. As a result of daily currency transactions, a foreign currency exchange rate is set, which is public. The foreign exchange market is of an informal character, and it is open 24 hours a day.

As already mentioned, the most important participants on the foreign exchange market are business banks, the other participants being foreign currency firms, and financial institutions such as insurance companies, pension investment funds, but also central banks. Business banks trade with their deposits denominated in various foreign currencies. However, the minimal amount with which banks trade on the foreign currency market is US\$ 1 million (the amount of one lot, based on a lot system). However, on national exchange markets, the amount of lots can differ, so that in Serbia, the lot amount can be EUR 500,000 and EUR 1 million. By means of everyday trading, the participants have an impact on the forming of a foreign currency exchange rate. Foreign trade firms carry out the purchasing and selling of foreign currencies on the market for the purpose of a continuous functioning of their own business dealings. Insurance companies and pension funds appear as participants on the foreign currency market in the aim of securing the proceeds of their investments. Depending on the situation, insurance and pension fund companies transfer their capital from one place to another for the purpose of securing larger proceeds.

Another significant participant on the foreign exchange market is the central bank. Its role on the capital markets is much more prominent in relation to the foreign exchange market. Thus, the central bank appears as a participant on the foreign currency market from time to time, carrying out occasional interventions in the aim of preventing large fluctuations of the foreign currency exchange rate or to maintain a certain level of the exchange rate. In that sense, the central bank sells or buys foreign currency. Much more significant is the implication of the central bank's intervention, which indicates its monetary policy and its effects on the foreign currency exchange rate.

In the functional sense, foreign exchange markets can be viewed as the following: prompt and spot markets, forward markets, futures and options markets.

The prompt and spot foreign exchange market is the basic foreign currency market where transactions of national currencies are carried out, with either a prompt delivery (on the same day) or two working days at the latest (spot transactions) after the order. On prompt markets, foreign currency transactions are made according to a certain exchange rate, while foreign currencies are delivered after two working days. Prompt

transactions are most often delivered 1, 3, 6 or 12 months or even longer. When the bank makes a forward transaction with its clients, the delivery time is adapted to their needs. With forward transactions between banks, the delivery is most often 30, 60 or 90 days. Thereby, prompt rates are then different from those on the market at the time. Futures and options are traded with on special markets, while futures contracts are just another type of prompt contracts.

Arbitrage, speculative and hedging transactions are also carried out on the foreign exchange market. Arbitrage transactions are financial operations which are simultaneous purchases and sales of foreign currencies in the aim of acquiring a profit. These types of transactions are mostly handled by banks which follow the movement of foreign currency prices on various foreign exchange markets and when they note price differences, they purchase a certain foreign currency at a lower price in order to sell it immediately on another market, in this way making a profit. On that occasion, there is no foreign currency risk, as the foreign currencies are purchased and sold simultaneously. Due to foreign currency arbitrage, there is a leveling of foreign currency exchange rates. In modern times, with developed technology, the profit from an arbitrage transaction is very small, especially in high-yielding foreign currencies. For this reason, speculative transactions are used in the aim of profiting, based on speculation regarding differences in currency exchange rates, and furthermore, it is important to speculate well on these differences in the future, in the aim of acquiring a profit. Thus, speculative transactions contain a foreign currency risk. Unlike speculative transactions, hedging transactions are carried out to reduce the risk of economic loss due to changes in the currency exchange rate. The usual participants in these transactions are export-import companies, which desire to secure stability in regards to the equivalent of foreign exchange inflow or outflow of money in the domestic currency.

The foreign currency exchange market can be organized as the following: a foreign exchange market or an off-exchange market. A foreign exchange market is an organized market where trading is done in dealing rooms according to set procedures. These sorts of organized foreign exchange markets continue to dominate in many developed countries, although off-exchange markets or OTC (over-the-counter) trading has many advantages as well. OTC trading dominates in countries which have a convertible foreign currency and consists of a network of banks, brokers and dealers whose function is to connect buyers and sellers of foreign currencies. This sort of organized market functions according to certain principles. The condition for an OTC market to function is strong technological support, as dealers and brokers are connected via suitable computer technology so they can work within one country or outside it. However, there are specific foreign currency markets such as the futures and options markets which have hung on to the concept of special market institutions.

In order to analyze more precisely the state of the foreign exchange market of the Republic of Serbia, first we will mention the existing circumstances in the world. The world foreign exchange market is very vast, which can be explained by

the fact that there is a growing globalization of goods markets, as well as all other segments of the financial market. A rapid development of the foreign market is also conditioned by a growing number of countries which have currency convertibility for current as well as capital transactions. Another relevant factor which has helped to developed foreign exchange markets in the world is without doubt a quick and effective development of technological and communication systems so that information is conveyed much faster and more precisely. Also relevant is the enabling of an electronic transmission of the means of payment, which is decisive for the functioning of this kind of market.

Even though the foreign market is of a global character, there are countries in which this market is more developed and where a greater number of transactions are carried out. Thus, USA, UK, Japan and Germany have the most developed foreign exchange markets.

Table 1 shows the geographical distribution of foreign currency trading on the foreign currency market (the daily average) in US\$ billions for the period from 2001 to 2010.

Table 1. *The geographical distribution of trading with foreign currencies on the foreign currency market (daily average) in US\$ billions for the period from 2001 to 2010.*

Country	Amount in 2001	% 2001	Amount in 2004	% 2004	Amount in 2007	% 2007	Amount in 2010	% 2010
Great Britain	541.7	31.8	835.3	32	1,483.2	34.6	1853.6	36.7
USA	272.6	16	498.6	19.1	745.2	17.4	904.4	17.9
Hong Kong	68.4	4	106	4.1	181	4.2	237.6	4.7
Japan	152.7	9	207.4	8	250.2	5.8	312.3	6.2
Australia	54	3.2	107.1	4.1	176.3	4.1	192.1	3.8
France	49.6	2.9	66.5	2.6	126.8	3	151.6	3
Denmark	23.8	1.4	42.1	1.6	88.2	2.1	120.5	2.4
Singapore	103.7	6.1	133.6	5.1	241.8	5.6	266	5.3
Switzerland	76.3	4.5	85.3	3.3	253.6	5.9	262.6	5.2
Germany	91.5	5.4	120.4	4.6	101.4	2.4	108.6	2.1

Source: www.bis.org

An indication of the size of the foreign exchange market is also the volume of trading which is performed daily around the world. The trading volume in all foreign currencies, though mostly in US dollars, Euros and the Japanese yen, oscillates on a daily basis.

Table 2 shows the participation of certain foreign currencies on the foreign currency market, i.e. which currencies are used to carry out the greatest number of transactions. We will observe the period from 2001 to 2010.

Table 2. *The participation of certain currencies on the foreign exchange market in %.*

Foreign currency	2001	2004	2007	2010
US dollar	89.9	88.0	85.6	84.9
EUR	37.9	37.4	37.0	39.1
Japanese Yen	23.5	20.8	17.2	19.0
Pound	13.0	16.5	14.9	12.9
Australian dollar	4.3	6.0	6.6	7.6
Canadian dollar	4.5	4.2	4.3	5.3

Source: www.bis.org

Percentage share of trade in individual currencies is viewed in relation to the 200 index because each transaction involves two currencies

The table clearly shows that the most used for trading are the dollar, the Euro and the Japanese Yen. Depending on the political, social and economic conditions, the values of foreign currencies change and the number of closed purchasing transactions increases or decreases. The trading volume of foreign currencies in the world in October of 2012 declined in comparison with September of the same year by 9.9% and in comparison with October 2011 by 12.6%. (www.bis.org)

The foreign exchange market of the Republic of Serbia gradually developed and changed, depending on the economic conditions and events. Until the beginning of the 90s of the 20th century, there was no organized interbank foreign exchange market in Serbia. The purchasing and selling of foreign currencies was carried out in a limited amount directly between banks, which without doubt indicates the launching of a foreign exchange market on the area of the ex-Yugoslavia. The 90s brought great turmoil in a political as well as economic sense: war events, the disintegration of Yugoslavia, the UN sanctions towards the Republic of Serbia, hyperinflation, the plummeting of the domestic national income, the GDP and general living standard significantly slowed down the development of the interbank foreign exchange market, and moreover, it can be said that all development stopped. Even though the beginning of the 90s was arduous, an organized interbank foreign exchange market continued to function regardless, though with a lot of limitations and problems, especially in 1992 and 1993, when hyperinflation continued to grow and the domestic currency lost rapidly in value. The trading of the interbank foreign exchange market – (hereinafter: MTD) took place in daily meetings which gathered the authorized representatives of business banks and the National Bank of Yugoslavia, and which were held in the NBY offices. Business banks, prior to every meeting, would, via a special electronic application report to the National Bank the amount of foreign currency which they wished to purchase for the needs of their clients, with full records about every single client. In this way, the clients could through their business banks purchase foreign currencies solely for the paying of importing raw materials, while sales of consumer goods were very limited. The clients would pay in the dinar equivalent one day earlier according to the prevailing rate for that day.

When the purchase was done, clients would, depending on the exchange rate, disburse an appropriate dinar sum or the banks, on the other hand, would reimburse the excess funds. At the time of hyperinflation, this kind of organizing and functioning of the market would enable speculation transactions.

After the stabilizing of the economic conditions in the first half of the 90s, the interbank foreign exchange market moved to the Association of Serbian Banks. The National Bank continued to carry out a wide-ranging sale of foreign currencies while business banks would take on that role only in exceptional cases. The trading of home currencies and effective foreign currencies between the business banks was nearly extinct. Business banks continued to send their orders via electronic applications, which represented the market demand, but now this transpired on the premises of the Association of Serbian Banks. The demands for purchasing foreign currencies no longer contained the details concerning clients but only the total amount to be purchased as well as the currency type. Banks continued to purchase in the name of their clients, although the difference was that foreign currency was allowed for procuring raw materials as well as consumer goods. However, there was still no possibility to purchase in one's own name and for a personal account. Until the Euro was introduced, banks were strict in quoting the amounts and currencies which they wished to buy, and the Central Bank would intervene either in German marks or US dollars.

However, banks were allowed to carry out trading with foreign currencies directly, but such trading was inconsequential. The interbank foreign exchange market involved the purchase and sale of home currencies and effective foreign currencies which took place directly between the banks or at meetings of the MTD, in which the National Bank was also included.

After 2000, when the European Union started to gain in power, the foreign exchange market in Serbia started to change. At first, at the meetings, the NBS interventions took place exclusively in Euros, while the Central Bank started to withdraw more and more, allowing the banks to carry out the purchasing of foreign currency for the clients as well as for their own needs. The aim of the NBS was mostly to supervise the free forming of the foreign exchange rate as a result of the demand and offer for foreign currency, leaving the possibility of an intervention in the case of greater turmoil on the market. In Serbia, a new system of a foreign exchange rate started to be valid. A fluctuating system of the foreign exchange rate was introduced, in the aim of developing and strengthening the financial market of Serbia.

From 2006, the MTD cancelled its meetings and the foreign exchange market stopped with its work. The business banks introduced a computer platform (or system) of dealing, by which they would exchange their orders for purchasing and selling foreign currencies, make business deals and after this, report to the National Bank on the sales transactions, whose application was uniform in all the banks on the Serbian market and supported by Reuters, which was its founder. Of course, the National Bank could appear on the side of the buyer or seller and in direct contact conclude the sales transaction with the business bank.

The National Bank of Serbia, as has already been mentioned, retained the right of calling fixing meetings at which it carried out the purchase or sale of foreign currencies to domestic banks. With this right, the Central Bank kept the foreign currency rate under control and had an impact on its stability. Of course, this was not always simple. Table 3 shows the total volume of trading between business banks, as well as business banks and the NBS and the trading volume at fixing meetings.

Table 3. *The total trading volume between business banks, business banks and the NBS and the trading volume at fixing meetings. In EUR millions.*

Year	Trading volume at MDT between banks	Trading volume between banks and the NBS	Trading volume at fixing meetings
September 2012	1,224.7	8.0	0
September 2011	2,104.6	54.0	0
September 2010	677.9	181.7	0

Source: www.nbs.rs

As can be seen from the data, the greatest trading volume between banks in the last three years was carried out in 2011 – EUR 2,104.6 million..(www.nbs.rs) If we compare the same month of the current year and 2011, we can see a drastic fall in the trading volume, for as much as EUR 879.9 million. .(www.nbs.rs) The reasons for this were multiple. For one, 2012 was an election year for Serbia. Political events also contributed to a large extent on the activities on the foreign exchange market, the reduced sales volume due to an expectation of changes enacted by all participants. The crisis in the Euro zone also directly impacted the national foreign exchange market. If we take into consideration that the participants on the market were foreign banks whose headquarters were in countries in crisis, this fact cannot but be reflected on the Serbian market to at least a certain extent.

If we analyze the data concerning the direct sales of foreign currencies between business banks and the NBS, we can see a constant declining trend from 2010. Considering that the month of September is under review, it must be said that during the other months, the volume of closed transactions between the Central Bank and business banks was significantly higher. Thus, in May of 2012, the mentioned trading amounted to EUR 480.7 million and EUR 131.6 million in June.(www.nbs.rs) These facts can mainly be connected with the socio-political conditions which prevailed at the time.

The aim of the Central Bank to lessen its participation on the foreign exchange market, which is a trait of all developed countries, can be seen by the trading at fixing meetings which was totally absent for the observed month, in the last three years. In 2005, trading at fixing meetings was carried out every month, as the majority of business banks failed to introduce a computer system which would link the business banks and the NBS for trading. The largest volume was noted in November – EUR 285.3 million, and the lowest in February – EUR 57 million. .(www.nbs.rs) In 2006, trading in fixing meetings also took place on a monthly

basis. The largest trading volume once again appeared in November - EUR 259.9 million, and the lowest in October – EUR 17.5 million. .(www.nbs.rs) During the next year, 2007, fixing meetings were held in January, February, March, May and November. The largest volume was carried out in January, EUR 416 million, and the lowest in November, a mere EUR 5 million. .(www.nbs.rs) In the year which marked the beginning of the economic world crisis, 2008, fixing meetings were held in December, when a trading volume of EUR 227.5 million was realized. In 2009, fixing meetings were held in January and February, while in September of 2012, not one fixing meeting was held. .(www.nbs.rs)

As the circumstances in the country changed, thus also the foreign currency rate fluctuated. Unfortunately, the domestic currency was depressed in the last ten years. The only period which marked a growth of the dinar value, i.e. a currency appreciation, was in 2006. Table 4 shows the dinar rate in relation to the Euro, taking the average values in the period from 2000 to 2010.

Table 4. *The average movement of the currencies EUR/RSD from 2000 to September 2012.*

Year	Foreign exchange rate
2000	58.6750
2001	59.7055
2002	61.5152
2003	68.3129
2004	78.8850
2005	85.50
2006	79.00
2007	79.2362
2008	88.6010
2009	95.8888
2010	105.4982
2011	104.6409
September 2012	115.0320

Source: . www.nbs.rs

The table clearly shows that the rate of the dinar in relation to the Euro had the lowest fluctuation in 2007 (79.2362) in relation to 2006 (79.00). The year 2008, as already mentioned, was the year of the world economic crisis, which inevitably impacted the rate of the dinar and led to a significant decrease of its value. .(www.nbs.rs) This trend of depreciation of the national currency was continued in 2009 and 2010. The first half of 2011 was exemplified by a significant strengthening of the national currency. Thus, in June, one Euro was once again worth a little less than 100 dinars. But to the end of the mentioned year, the rate maintained the level of 104.6409. Of course, fluctuations such as these of the foreign exchange were a reflection of the monetary policy and the overall economic situation in Serbia. The depreciation of the national currency continued until September 2012. The dinar in relation to the Euro had the lowest value in August – 118.4517. However, the situation stabilized in September. The dinar in relation to the Euro strengthened and the rate fell to 115.0320. .(www.nbs.rs) The

National Bank of Serbia used monetary policy instruments to impact the stability of the domestic currency, although it maintained an extremely restrictive monetary policy in the aim of retaining the financial stability of the country.

The strengthening of the dinar, naturally, boosted the confidence of the citizens who had loans indexed in Euros, but exporters as well. However, economists warned that the strengthening of the dinar was temporary, as the real value of the currency was measured by the actual strength of the economy. The National Bank of Serbia, with its approval of subvention loans to companies indexed in Euros, resulted in an increased offer of foreign currency and in this way it caused the drop of the foreign exchange rate. Also, the financial authorities increased the amount of the mandatory reserves which the banks were obliged to allot. In this way, the surplus of dinar/resources which the banks would direct towards the purchasing of foreign currencies was withdrawn. Keeping to the monetary flows and dosing liquidity contributed to the stabilizing of the foreign exchange rate. If we take into consideration that business banks have as their aim to realize a profit, and in accordance with this, strive to purchase foreign currencies for as low a price as possible and sell them for a high price, the work of the Central Bank would therefore be to maintain a balance on the market. Thus, monetary policy instruments and a dosing of dinar and foreign currency liquidity prevent speculation.

Economists considered that the strengthening of the dinar would have a positive impact on price stability, but that prices would not fall. Prior experience dictated that the Serbian market was inflexible, and that it did not react to a decreasing of the value of foreign currencies, primarily the Euro and the dollar, nor on the falling of the prices of raw materials on the world market.

By intervening on the foreign currency market, the National Bank changed the amount of its foreign currency reserves and thus impacted the exchange rate of the dinar. Of course, business banks were those who were credited for the most part, with their forming of the exchange rate, and the NBS in most cases carried out the function of supervision and control.

A fluctuation of the dinar value such as this one can last for a certain, short period. A strong and healthy economy is necessary for a strong national currency. And yet, Serbia has a weak and non-competitive economy, a deficit in its foreign trade exchange, and when we add to this a high budgetary deficit and a large debt of the state, it would be hard to say that these kinds of conditions could secure a strong currency, long-term speaking. Foreign experts and analysts consider that the value of the dinar is overrated and that this without doubt has a negative impact on the increasing of the competitiveness of the economy.

Generally speaking, the interbank foreign exchange market in Serbia is still in the development stage. It is without doubt that there is a change in the activities and increase of the number of participants in relation to the 90s, but the trading volume remains at a significantly lower level in comparison with the developed countries in the world. The financial instruments which are used for trading on the Serbian foreign currency market are very sparse. The largest volume of the concluded transactions relate to the purchase and sales of foreign currencies, to a lesser degree effective

foreign currencies and very few financial instruments such as forwards, swaps or options. Our business banks mostly make forward contracts with their clients, or rather, quasi forwards, considering that the clients at the moment of making the contract must secure 100% of the dinar equivalent for the desired amount of foreign currency, or 25%, which is known as the security margin. The most frequent delivery period of a forward contract is three months, when the client is obliged to carry out the payment to a foreign country. In accordance with a decision of the National Bank, clients are obliged to hand in to their business bank, after making a forward contract, a statement of how the forward will be used in order for the banks to supervise the use of this instrument of risk protection from changes in the foreign exchange rate. Along with forward transactions, business banks also make swap contracts. Banks most often make swap transactions with their branches abroad or with the National Bank of Serbia. In order to improve the work of the interbank foreign exchange market and thus to positively impact the dinar and foreign currency liquidity, the Central Bank has made the decision to carry out swap business dealings, which are basically purchasing and selling of Euros and dinars. The volume of the auction, which is carried out once a week (on Tuesdays) amounts to EUR 10 million, and the amount of a single offer is a minimum of EUR 1 million. The delivery period of a swap transaction is three months.

Table 5 shows the total trading volume realized through a swap transaction. The data are in millions of Euros and relate to 2012, from January to October.

Table 5. *The total swap trading volume in EUR millions.*

Month in 2012	Amount in Euro millions
January	5
February	0
March	0
April	0
May	0
June	0
July	0
August	19
September	8
October	0

Source: www.nbs.rs

From the above table, we can see that the volume of the swap transaction is negligible. Only in August was there a somewhat higher trading volume through swaps. In this month, the market was somewhat more unstable. A great number of transactions were concluded on the foreign exchange market, and the domestic currency then had the greatest decrease of value from the beginning of the year.

Some 32 business banks participate on the foreign exchange market of the Republic of Serbia, and, of course, the central bank as well. Of the 32 business banks, four of them rarely participate in trading and have no computer platform and they need to purchase and sell foreign currency or take and place deposits to other banks, do this via other means of communication (telephone, e-mail or fax).

THE PERSPECTIVES OF DEVELOPING THE FOREIGN EXCHANGE MARKET IN SERBIA

What are the prognoses in regards to the development of the interbank foreign exchange market in our country? Depending on the overall economic situation, the market will either intensify or stagnate in its development. The influx of foreign currency directs banks whether to purchase or sell. The influx of foreign currency on the market based on foreign investments or sales (privatizations) of domestic companies increases the offer of foreign currency, which strengthens the national currency and has a positive impact on increasing importing. On the other hand, a larger importing volume also demands a greater need for foreign currency in the aim of returning debts to foreign business partners. An increased demand for foreign currency results in an increase of the prices of foreign currencies and a weakening of the domestic one. Our economy is orientated towards importing and much effort is necessary to turn to exporting. Production is at a low level and export is mostly based on raw materials, and less on finished products. The influx of foreign investments would help the developing of production which is necessary to move, and then also place products on the domestic and foreign markets. The influx of foreign currency on the market based on the exporting will strengthen the domestic currency and the economy in general. Serbia still has turbulent movements on the foreign currency market as a result of the transitional process. And yet it cannot be said that the foreign exchange market of the Republic of Serbia has not progressed. There is potential, but as long as the economic conditions are not optimal, the foreign exchange market cannot develop rapidly. The volume of the concluded transactions varies in dependence on the economic activity of the country. When the economy becomes stronger and economic growth is secured, then this part of the financial market will be more successful. The success of the interbank foreign exchange market is also conditioned by the events on the world financial markets. In any case, negative trends due to the recession impact a slower progression of the domestic foreign exchange market as well.

The developing of the foreign currency market in Serbia is also reflected in the newest expanding of the list of currencies which can be used for trading. With its decision on the types of currencies and effective foreign currencies which are bought and sold on the foreign market, the central bank also allowed trading with Russian rubles. Such a decision by the National Bank occurred as a result of the fact that Serbia has a large trade exchange with the Russian Federation. Thus, foreign trade exchange with Russia is in constant growth, and foreign direct investments from Russia have an increasing significance. However, economists consider that the mentioned decision will not significantly change the conditions on the national foreign currency market, as realistically speaking, the demand for rubles is not great, and all the foreign trade exchange continues to be carried out in either dollars or Euros. Economists consider that the foreign exchange market

should in a certain measure be liberalized and the banks should be allowed to decide on their own which foreign currency they will trade with, as this should be a part of their business policy and their risk management, as well as incurring possibilities for realizing a greater profit.

Of course, there is also the fact of political instability, due to which Serbia has been declared a high risk investment country. Political factors in many ways slow down the development of the total financial market of Serbia. But, there has occurred, without doubt, a certain development of the foreign exchange market in the last ten years. The problem is that this development is insufficiently quick and dynamic. In the near future, there is no expectation of a rapid change in regards to the progress of this part of the financial system in Serbia.

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THE MACROECONOMIC ENVIRONMENT FOR SMES DEVELOPMENT

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Abstract

Profitability is one of the most volatile SMEs company's financial indicators: it is affected not only by internal but also by external, macro factors. Therefore, this research was aimed at evaluating the macroeconomic impact on SMEs' profitability, demonstrated on monetary policy. The paper presents the model with the macroeconomic factors affecting the profitability of a SME, which includes the macroeconomic indicators such as population and firms' number in a country, exports and imports, FDI, GDP, unemployment, inflation, taxes paid, average salary, and several others. Selected macroeconomic indicators are prices and inflation.

Key words: *macroeconomic monetary indicators, profitability, SME, correlations*

INTRODUCTION

The European Union has about 23 million small and medium-sized enterprises (further in the text SMEs) which account for around 99% of all companies and employ about 75 million people (European Commission¹, 2011). Very similar data for SMEs can be given for Serbia, which make 99,8% of all enterprises, employ 70% of employees. Taken in mind these facts, the aim of this Paper was to evaluate the impact of macroeconomic indicators on the SMEs profitability. Despite scattered signs of improvement, the world economic situation and prospects continue to be challenging. After a marked slowdown in 2011, global economic growth will likely remain tepid in 2012, with most regions expanding at a pace below potential. In the face of subdued growth, the jobs crisis continues, with global unemployment still above its pre-crisis level and unemployment in the euro area rising rapidly. The risks to the global outlook are tilted to the downside. The euro area debt crisis remains the biggest threat to the world economy. An escalation of the crisis would likely be associated with severe turmoil on financial markets and a sharp rise in global risk aversion, leading to a contraction of economic activity in developed countries, which would spill over to developing countries and economies in transition. A further sharp rise in global energy prices may also stifle global growth. National and international concerted policies should be enacted on multiple fronts in order to break out of the vicious cycle of deleveraging, rising unemployment, fiscal austerity and financial sector fragility in developed economies. Breaking this cycle requires policy shifts away from fiscal austerity and towards more counter-cyclical fiscal stances oriented to job creation and green growth. These policies need to be better coordinated across the major economies and concerted with continued expansionary monetary policies in developed countries, and accompanied by accelerated financial sector reforms and enhanced development assistance for low-income countries.

This environment is determined by the interaction between fiscal, monetary, exchange-rate and domestic market and balance-of-payments financial account policies, on the one hand, and external market forces, on the other. In turn, the macroeconomic context has an impact on the pace of economic growth and the distribution of its fruits, which have implications for the labor situation and the strength of social policy.

The current global crisis strengthens the arguments relating to the fundamental role of the style of macroeconomic policymaking and the importance of assessing the shifts that will need to be made in existing practices. A crucial leap forward need to be made in macroeconomic policy and the approach to be adopted must explicitly prioritize productive development and level upwards capacities and social opportunities. This will reduce productivity gaps, which should pave the way for a reduction of inequalities. For this to happen, stability must be seen as more than control of inflation; it must be conceived as functional for development, and the over compartmentalized vision of micro- and macroeconomics must be

replaced with a integrated approach that takes into account the interaction of the two. These interactions have static and dynamic impacts. Among the former is the rate of utilization of available production capacity (both labor and capital), since fluctuations in this rate have frequently left large gaps between installed capacity—or potential GDP—and real GDP. These gaps and the volatility of variables such as the real exchange rate then generate dynamic effects through the multiple impacts of the macroeconomic environment: on the investment rate and how it determines future development, on the intensity of value added generated by exports and the way it interacts with the rest of domestic production; on innovation; on the development of small and medium-sized enterprises (SMEs); and on the formality or precariousness of the labor market. In short, the style of macroeconomic policy has a significant impact on all of these variables—which determine the momentum and quality of development—and is largely responsible for the modest growth in regional GDP in the period 1990-2008: 3.2% per year. To the extent that this lack of dynamism is also associated with a rigid pattern of diffusion of capacities and opportunities, it is also responsible for the enormous productivity gaps that have been reproduced between groups and persons and for the perpetuation of social disparities. Although inflation has, to some extent, been brought under control and greater fiscal discipline has been introduced, steps must be taken to create a more favorable macroeconomic environment for the various agents of economic development, that is, those that generate GDP. Firms, employers and workers have had to cope with considerable instability in aggregate demand, access to credit and real exchange rates, and this has undermined capital formation, employment and productivity. In this regard, financial capital flows have played a central role. Improvements in the cost reducing industries, changes in the industrial structure and development of new markets renewed interest in the small and medium size enterprises (SME) as engines of growth and employment. Industrial development earlier believed to occur with large enterprises undertaking large investments and creating scale economies. Even Schumpeter proclaimed that the future growth would come from large enterprises.

However, starting in the late 70s and early 80s, SMEs started to become more innovative and were flexible in terms of reducing costs. Thus, they started providing intermediate goods more efficiently than large enterprises. Furthermore, due to the increases in education levels, business skills and reduction in job security, entrepreneurial activities increased worldwide. While SME growth occurred due to relaxation of labor laws, and incentives in most developed and emerging markets, in transition countries SME development was as a result of the break up large enterprises and the privatization of state-owned enterprises. However, SMEs are also criticized for their high rate of bankruptcy. While they SMEs create many jobs, they also destroy a lot of jobs. Furthermore, they were criticized on the grounds that

they provide low value added goods and services and have short life. In developed countries, SME growth depends on the business cycles. When the economy is booming the number of new firms is larger than the number of dying firms. However, in

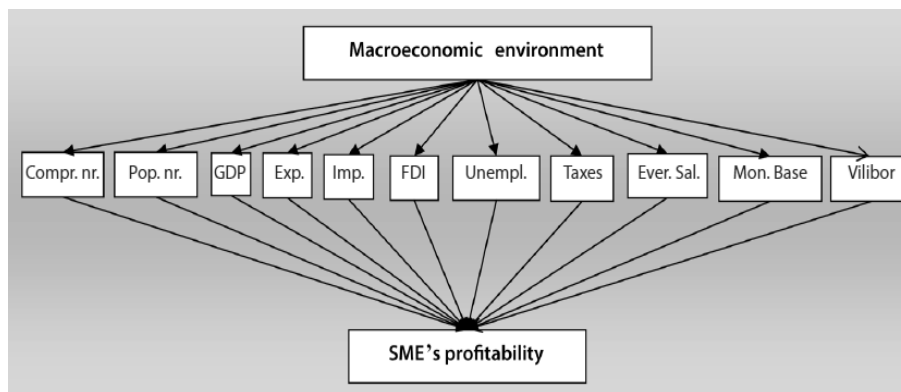
emerging markets SME growth depends on crisis cycles. SME development depends on a number of factors. In broad terms they can be outlined as:

- Macroeconomic factors
- Business environment
- Growth opportunities
- Historical determinants

LITERATURE REVIEW

The field of macroeconomic theory has evolved rapidly over the last quarter century. A quick glance at the discipline's leading journals reveals that virtually the entire academic profession has turned to interpreting macroeconomic data with models that are based on microeconomic foundations. An early attempt to bring the microeconomic foundations of macroeconomic theory is to be found in the works of Merton Miller and Charles Upton (1974); Robert Barro (1984); Alan Auerbach and Lawrence Kotlikoff (1998); and Stephen Williamson (2002). The important theory in macroeconomics is the so-called Quantity Theory of Money (QTM). The QTM is perhaps an inaccurate name for the theory, since it does not constitute a theory of money. In fact, the QTM constitutes a theory of the price-level (and inflation), which happens to emphasize the role played in such matters by an exogenously determined quantity of money. The QTM begins with the assumption that individuals demand money., for an extensive discussion of the QTM could be found in works of Laidler (1985). As such, the QTM may be more accurately labeled as 'The Quantity of Money Theory of the Price-level.' In order to analyze the external factors affecting the business environment, according to other authors' study's authors have made a combination of macroeconomic factors affecting SME profitability as compilation to an prospective model, shown in Figure 1.

Figure. 1. A model of macroeconomic factors affecting the profitability of SMEs



Source: compiled by the authors.

MONETARY ASPECTS OF MACROECONOMIC ENVIRONMENT - SERBIAN CASE

The key objective of the monetary authorities in Serbia is to maintain price stability, which is the main precondition for macroeconomic stabilization. Monetary authorities in Serbia have a difficult task when controlling inflation since Serbia is a transition economy and aims to develop. In order to formally commit to price stabilization, Serbia formally adopted inflation targeting regime in 2009. Since EU integration is one of the Serbian main goals, we should be aware of all possible consequences of this process. EU integration could have serious consequences on inflation rates in Serbia.

When setting the inflation target for the following period, monetary authorities should be aware of the fact that the relative price level in Serbia is low compared to the majority of European countries and that price convergence towards EU and the Eurozone is the natural response in the process of growth convergence. Transition economies must be aware of additional inflationary pressures resulting from the fact that the price level in these countries is relatively low compared to the more developed countries.

This paper analyses the consequences of convergence in real income and in price levels in the European countries and transition economies according to the data obtained from Euro stat and IMF WEO from September 2011 and October 2012. The paper also examines the relative position of Serbia and consequences of convergence to the movement of real exchange rates.

This is a very interesting topic in current literature, and there are different ways for testing the causes and consequences of price convergence. Serbia was often excluded from this kind of analysis. Nestic (2004) discussed the causes and consequences of price convergence in Croatia, while Serbia was excluded from this analysis. There are different ways to test price convergence. Rogers (2007) tested dispersion of prices in Europe, and concluded that it tends to converge to the dispersion of prices in cities in the USA.

International PPP researchers have suggested a number of explanations for incomplete relative price-level adjustments. These include: 1) trade barriers, such as tariffs and quotas; 2) non-tariff barriers, including the bureaucratic difficulties of establishing foreign distribution systems for traded goods, 3) the failure of nominal exchange rates to adjust to relative price-level shocks; 4) firms exercising local monopoly power through differential prices to segmented markets; 5) sticky nominal price-level adjustment arising from imperfectly competitive product markets where price changes are costly; 6) transportation costs associated with moving goods from one region to another; and 7) the presence of non-traded goods in the general price level and the potential for differential growth in the level and efficiency of factors used in their production.

This paper is organized to include an introductory part and two sections. The first section is a theoretical exercise and gives the basic facts about the transition economies, especially related to the price levels. The second section is an empirical study. It gives an explanation of the data and data sources that are used in the analysis as well as graphical representation of price levels for Serbia and other European countries, price levels for the main sub-categories of the consumer price index (CPI) and for the total price level.

DATA DESCRIPTION

The data used in this paper are obtained from different sources. The first part of the analysis that describes the relative position of Serbia and other countries in the region towards EU 27 is made using data collected from the Eurostat data base and National statistics, while data used in the other part of the paper that is concerned with price convergence towards EU 27 and Euro area are obtained from the IMF WEO outlook from September 2011 and October 2012. Data used in the first part of the analysis are comparative price levels that are calculated as ratios of PPPs to exchange rates. Data available on the Eurostat data base are calculated on the yearly basis and provide a comparison of the countries' price levels with the EU 27 average. Calculated index is interpreted as follows: The price level higher than 100 means that the country concerned is relatively expensive compared to the EU average, and vice versa. The EU average is calculated as the weighted average of the national PLIs, weighted with the expenditures corrected for price level differences. The price level indices provide an indication of the order of magnitude of the price level in the country in relation to others, particularly when countries are clustered around a very narrow range of outcomes. Data on the overall price level and sub-categories of CPI are available on the Eurostat data base. Data on price levels is obtained from the Eurostat data base from 2007 to 2011, while the average from January 2012 to September 2012 is used for 2012. The data is given on a yearly basis. In order to calculate the price level on a monthly basis, we used monthly data on CPI and HCPI from the Eurostat for the period from January 2007 to September 2012, as well as data on the nominal exchange rate for the same period from the representative National banks' statistics.

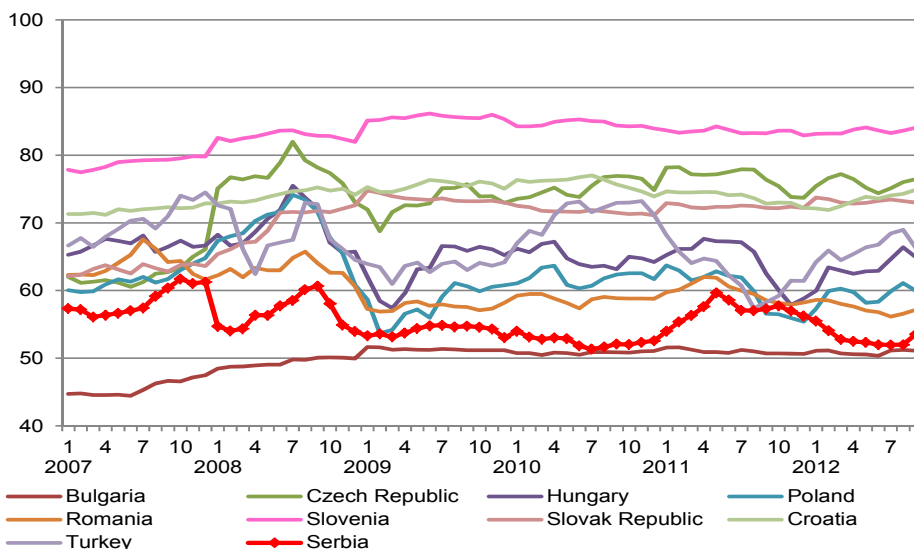
In order to obtain monthly price levels, CPI is divided by the nominal exchange rate for the representative month, corrected for the ratio of the yearly price level and the yearly average of the ratio of CPI and the exchange rate. From the data obtained using this methodology, we calculated the ratio to the EU 27 for every month and obtained the time series of price levels on a monthly basis.

THE MAIN CHARACTERISTICS OF PRICE LEVELS IN SERBIA

The main characteristic of the Serbian price level is that it is relatively low compared to the EU 27 and the Euro Area. One of the main goals in the coming period is EU and EMU accession which also assumes fulfilling Maastricht criteria. One of the criteria relates to inflation rates and assumes that HICP inflation (12-months average of yearly rates) shall be no more than 1.5% higher than the unweighted arithmetic average of the similar HICP inflation rates in the three EU member states with the lowest HICP inflation. This criterion is especially important to the monetary authorities in Serbia, since price stability, measured by y-o-y inflation rates, is going to be influenced by the initial price level.

When making decisions on the inflation target, one has to consider the current price level relative to other countries in the region as well as inflation pressures that will be generated through this relationship. Another way to approach this issue is by making separate analysis of the different categories of consumer goods to define a relative position of each category, and to determine to what extent it is fine to expect inflation pressures. The data on relative price level is collected from the Euro stat. The relative price level is calculated relative to EU 27 and can be seen in Figure 2 and Figure 3. The sample period is from January 2007 to September 2012.

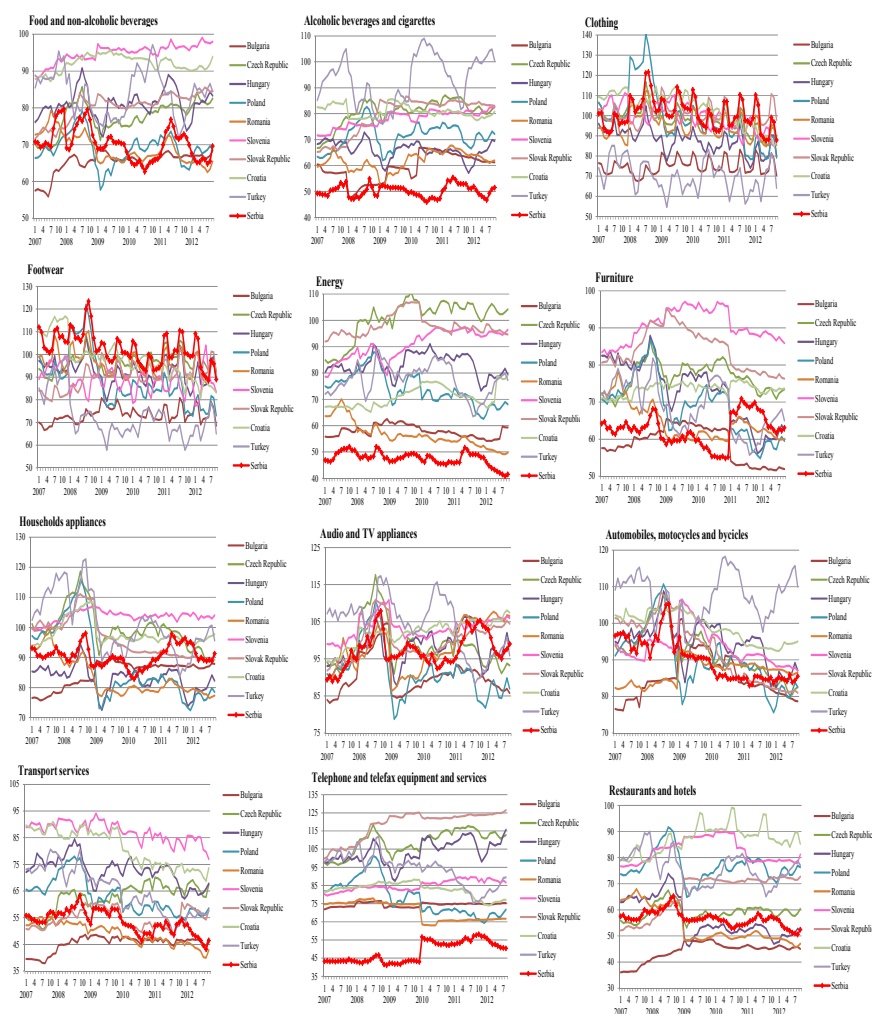
Figure 2. Price levels in the representative European countries, EU 27=100



Source: Eurostat, authors' illustrations.

As can be seen from Figure 2, the total price level in Serbia is among the lowest in the region, and is about 50% of the EU price level. Only prices in Bulgaria are at the lower level than in Serbia. It can also be seen that the price level in Serbia recorded an increase in 2008 and 2009 with currency depreciation at the beginning of the crisis. An increase was also recorded in 2011, when, the increase in inflation caused the overall price level to increase despite currency appreciation. Since Serbia adopted the managed floating exchange rate and there is a very high pass-through from depreciation rates to inflation, exchange rate plays a very important role in determining price levels. Figure 3 presents the relative prices for the main categories of the HICP and CPI for Serbia, Bulgaria, Romania, Turkey, the Czech Republic, Slovenia, Hungary, the Slovak Republic, Poland and Croatia.

Figure 3. Price levels by categories in representative European countries



Source: Eurostat, authors' calculations

As can be concluded from Figure 3, there are several categories of products whose prices in Serbia are among the lowest, or even the lowest in the region, and prices that are among the highest or at the average for the region. Prices of food and non-alcoholic beverages, and alcoholic beverages and cigarettes, prices of energy, furniture and transport services are among the lowest in the region. Prices of energy and telephone and telefax equipment and services were the lowest in the region during the whole period from January 2007 to September 2012. Prices of household appliances, automobiles, motorcycles and bicycles and audio and TV appliances are at the average for the region. Those products are mainly imported, so their price level is determined abroad, and their relative price level is mainly determined by the exchange rate movements. From Figure 3 we can conclude that Serbia is expected to increase its prices, since some of the main characteristics of the transition period are related to harmonization of tax rates, convergence of incomes and labor costs, liberalization of trade and factor markets and increased coherence of monetary policy.

Tax rates play an important role in determining the price level. Serbian tax rates are among the lowest in the region. Tax increase is one-time shock on the inflation rates. Serbia experienced an increase in VAT in October 2012 when VAT was increased from 18% to 20%, but the rate is still relatively low.

The food prices play a predominant role in determining the overall level of prices in Serbia, since food prices comprise 38% of the Serbian CPI. Figure 3 shows a sharp increase in food prices in the last couple of months of this year, but despite the increase in food prices, Serbia is still among the countries with the lowest food prices. The analysis shows that food prices in Serbia are currently at the 65% of the EU 27 average, and very close to their level in 2010. Just before the crisis of 2008, food prices in Serbia were relatively higher than in Bulgaria and Romania. However, since October 2008, dinar prices stagnated, while the dinar depreciated, so food prices in Serbia in 2010 were above those in Bulgarian and Romania. In 2011, we experienced an increase in food prices which is a consequence of a sharp increase in prices of the primary agricultural products in 2010. Although dinar strengthened against the euro and weakened against the dollar in 2011, the nominal effective exchange rate appreciated, but the increase in food prices was a result of price movements in world markets, as well as of the current unfavorable situation in the food market in Serbia. The year 2012 is characterized by a decrease in food prices, but also in the total prices. The convergence towards EU, however, was lower than in 2011.

In the literature this topic is best known as the Balassa Samuelson effect. Thus, upon forging closer economic ties, countries with initially low prices might experience relatively rapid price increases, through tradables, non-tradables, or both. If convergence works mostly through tradables, then its implications may be transitory, part of a potentially brisk transition toward a common price level in the region. However, to the extent that price convergence occurs through the relatively gradual process of productivity convergence, the implications may be long lived.

The Balassa-Samuelson hypothesis provides another explanation why prices of nontrade goods might rise faster in poorer European countries. Suppose that poor countries are initially low-price countries, and that economic integration creates pressure for the European-wide convergence of productivity levels in the manufacturing of traded goods. In addition, suppose that productivity levels in the manufacturing of nontrade goods converge at a much slower rate, if at all. Under these assumptions, poor countries will find that their productivity growth is concentrated in the traded goods sector. The rise in output and wages in the traded goods sector that would result from a European-wide convergence of productivity would then push up wages and hence prices in the nontrade goods sector of the poor countries, compared to the wealthier, high-price countries. Thus, either under the “more perfect union” rationale, or under the Balassa-Samuelson rationale, countries with initial low prices could be expected to experience relatively high inflation following increased economic integration. There is no ready source of data on the aggregate price levels (the cost of a common basket of goods) for the countries in this study.

The difference between tradables and non-tradable goods is not exact, but Figure 3 shows that pure tradable goods such as clothing and footwear are on the average or even among the highest in the region. On the other hand, services such as hotel accommodation and restaurants, transport services, telephone and telefax equipment and services are all among the lowest, if not the lowest in the region. We can argue in this manner that Ballassa Samuelson effect holds in the case of Serbia, and that we should expect that on its way towards EU Serbia will experience new inflationary pressures that come from the price convergence. One factor discussed prominently in policymaking circles that may be contributing to the cross-country differences in inflation is the price level convergence or the “inflation catch-up”. According to the argument, if prices expressed in a common currency are initially different across countries, convergence to a common level of prices implies higher inflation in countries where prices are initially low. There are several reasons for which to expect at least some price convergence in Europe. A progress toward a single market, including the already completed trade liberalization and adoption of the single currency, should narrow down the differences in common-currency prices across countries, at least for traded goods. To the extent that the currency conversion rates chosen at the launch of the euro did not equate price levels across the euro area, scope remained for further price convergence after January 1999.

INCOME AND PRICE CONVERGENCE

The previous section dealt with the relationship between price levels among countries in the region relative to EU 27, but the previous analysis did not explain the relationship between prices and the real income in those countries and did not quantify the inflation pressures coming from the convergence in income. In order to quantify the effect of the currently low price levels on future inflation movements, we collected data from the International Monetary Fund's World Economic Outlook (IMF WEO) from September 2011 and October 2012 and tried to define the current position of Serbia towards the European countries taking into account the real GDP per capita.

From the IMF WEO from September 2011 and October 2012 we collected data on GDP per capita expressed in PPP, GDP per capita in current prices expressed in American Dollar for European countries. We analyzed the linear relationship between the level of income and price level between European countries, while for the representative measure we chose the Euro Area.

As the measure of the level of real income we used GDP per capita expressed in Purchasing Power Parity (PPP) measure or equivalently dollars of the same purchasing power. The data on GDP per capita in PPP is obtained when GDP per capita in local currency is divided with real exchange rate, while GDP per capita in USD is obtained by dividing GDP in local currency with the nominal exchange rate. Since prices in Serbia are relatively low compared to US, nominal exchange rate is higher than real exchange rate. Real exchange rate is obtained when nominal exchange rate is corrected for the ratio of price levels in the home country and abroad. The IMF WEO from October 2012 uses nominal exchange rate of 90.2 RSD/USD, while real exchange rate is estimated at 42.2, which means that 1 USD in Serbia can buy almost two times bigger amount than in the USA. The relative price level is given by the following expression:

$$\frac{P}{P^* E} \quad (1)$$

Where P stands for domestic prices expressed in local currency, P* stands for prices abroad expressed in foreign currency (in a case of IMF WEO, P* stands for prices in the USA expressed in USD) and E stands for nominal exchange rate expressed as local currency needed for one unit of foreign currency. Two countries can be compared when local and foreign prices of the same basket of goods are expressed in the same currency. According to the data from IMF WEO from October 2012, we can conclude that Serbia is about twice cheaper than the USA.

The relationship explained by expression (1) is used later in defining the real exchange rate:

$$S = E \frac{P}{P^* E} \quad (2)$$

In expression (2), S stands for the real exchange rate that is the nominal exchange rate (E) corrected for the relationship between price levels in the home country and abroad. The twice higher nominal exchange rate than real exchange rate in case of Serbia suggests that the same goods that can be bought in the USA for one USD can be bought in Serbia for about 0.5 USD.

GDP expressed in USD is calculated in the following way:

$$GDP(USD) = \frac{GDP(local_currency)}{E} \quad (3)$$

On the other hand GDP expressed in the units of the same purchasing power (PPP) is calculated using the expression 4:

$$GDP(PPP) = \frac{GDP(local_currency)}{S} = \frac{GDP(local_currency)}{E \frac{P}{P^*E}} = \frac{GDP(USD)}{\frac{P}{P^*E}} \quad (4)$$

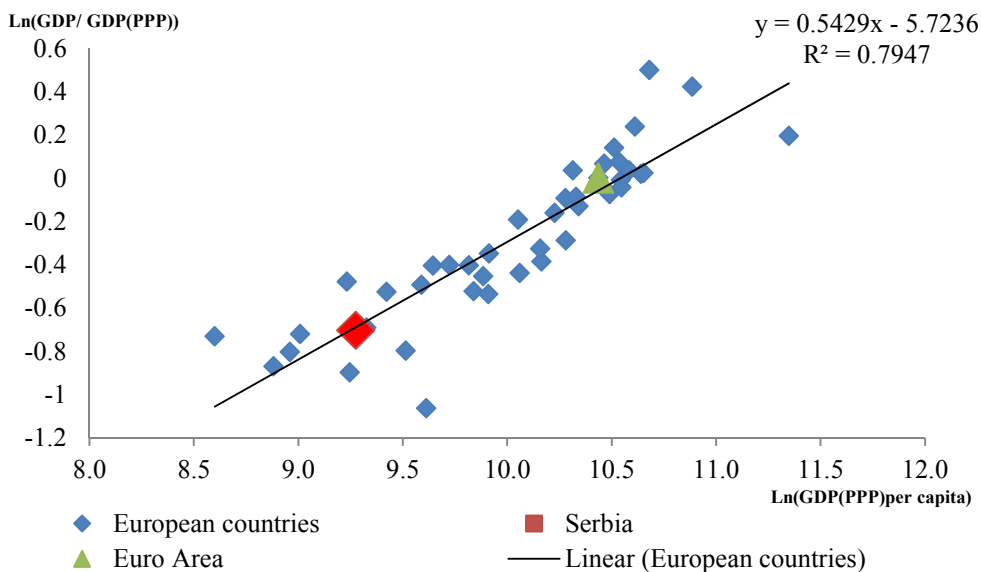
According to data from IMF WEO from September 2001, GDP per capita in Serbia expressed in USD was USD 5 725, while GDP per capita expressed in PPP was 10 409.27. On the other hand, according to data from October 2012, GDP per capita in Serbia expressed in USD was USD 4961.70, while expressed in PPP, it was 10 528.21. The assumption made in IMF WEO is a recession in Serbia of 0.5 per cent, and annual average inflation of 5.93 per cent, while according to the same source, annual average inflation in USA is assumed to be 1.97 per cent.

Ratio of GDP per capita in USD and GDP per capita expressed in PPP gives relative price level between representative country and the United States. This ratio is divided with the ratio of GDP per capita in USD and GDP per capita in PPP for the Euro Area in order to obtain price level of representative country relative to the Euro Area. The data from the IMF WEO from September 2011 show that prices in Serbia were at 50% of the level of the Euro Area, while according to the data from October 2012 they are at about 40% of the price level in the Euro Area.

The following part of the paper formally tests the relationship between the level of income and the price level. We tested the linear relationship between the level of real income (defined by expression (4)) and the relative price level expressed as domestic prices relative to prices in the Euro Area. The relative prices are set as a dependent variable, while real income per capita is an explanatory variable. In order to lower dispersion in the cross-section data, we transformed the original data into logarithms. The logarithmic transformation enabled us to analyze what the percentage change in relative price level would be if real income converged towards the Euro Area by 1 per cent.

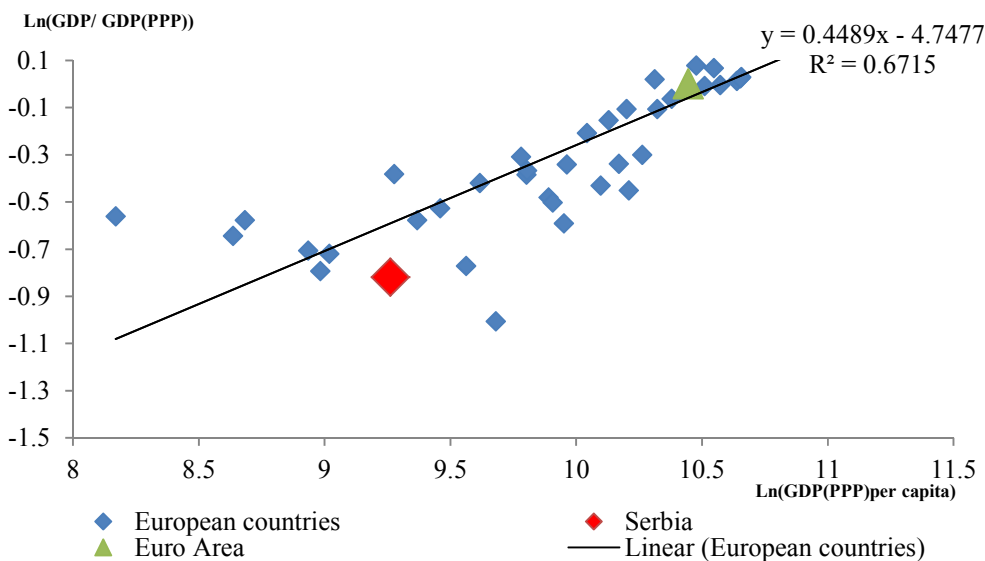
The data set contains 44 European countries. Using data from the IMF WEO, we calculated GDP expressed in PPP and GDP expressed in USD for the Euro Area. Figure 3 and Figure 4 present the findings. We analyzed separately data for 2011 and 2012 to find out whether there were any changes in the estimated relationship that occurred in this period. Since we are interested in the relationship between Serbia and the Euro Area, we emphasized these data on the figures.

Figure 4: Income and price levels in Serbia, Euro Area and European countries according to IMF WEO September 2011



Source: IMF WEO from September 2011, authors' calculations

Figure 5: Income and price levels in Serbia, Euro Area and European countries according to IMF WEO October 2012



Source: IMF WEO from October 2012, authors' calculations

Figures 4 and 5 show the relationship between level of real income and price levels between European countries, Serbia and the Euro Area.

Figure 4 shows that according to the data on real income in 2011 and price levels there exists a positive relationship between real income and level of prices. This means that countries with high real income have higher prices, and vice versa. According to the data from 2011, Serbia was at the trend line, while the Euro Area was somewhat above the trend line. This means, that in 2011 according to IMF estimations, prices in Serbia were in accordance with real income per capita, while for the level of income in the Euro Area, prices were to some extent higher. Since level of income in the Euro Area is way higher than in Serbia, we assume that on its way towards the EU, Serbia is expected to have higher growth rates. The estimated linear relationship between prices and income show the changes in prices that will come with convergence in income. Estimated relationship ($y=0.54x + 2.485$) suggests that 79.5% of variations in price movements is explained by real income and that convergence in income towards the Euro Area of 1% assumes real appreciation of 0.54% in the long run. Real appreciation also means that prices in Serbia would have to increase to a greater extent than nominal depreciation and prices in the Euro Area.

We included data for 2012 into analysis in order to follow if real appreciation happened after one year. The year 2012 being a crisis year, expectations of GDP growth were revised downwards. While the IMF WEO from September 2011 assumed an increase in GDP measured in PPP, the last database from October 2012 assumed a recession of 0.5% in 2012. Since inflation rates in 2012 were high, as well as nominal depreciation, which exceeded inflation, we had real depreciation that pushed Serbia below the trend line for 2012.

The estimated linear relationship from Figure 5 suggests that 0.63 per cent of relative price level is explained by the level of real income, which is lower than in 2011. Another conclusion from Figure 4 is that for the level of income in 2012, Serbian prices are relatively lower, while the Euro Area moved well above the trend line due to relatively high inflation, and a decrease in economic activity. According to the data from IMF WEO from October 2012, Serbian per capita income based on PPP is at the level of 45.80% of the Eurozone per capita GDP PPP. Important information considers price level. In order to estimate the relative price level, in this research we used a ratio between GDP expressed in American dollar and GDP based on Purchasing Power Parity pressures in the coming period. This is in line with the fact that the process of convergence is a long-run process and that it takes time in order to close the gap between price levels among countries. In the first year of the analysis, Serbia experienced a divergence in income and price level, and based on this, we can expect new inflation pressures in the coming period.

The relationship between price level and income is econometrically tested by panel regressions. The sample includes yearly data for 44 European countries from the IMF WEO from October 2012 for the period from 2006 to 2012. At first we tested relationship between changes in price level and real income. The dependent variable is the logarithm of the first differences of the ratio of GDP expressed in

USD and GDP expressed in PPP, and the explanatory variable is the GDP per capita expressed in PPP.

Results from panel regression are given in Table 1:

Table 1: Panel regression

Dependent variable : $\ln(\text{GDP}(\text{USD})/(\text{GDP}(\text{PPP})), \text{Euro Area}=100$		
Period: 2006-2012		
Explanatory	constant	$\ln(\text{GDP per capita PPP})$
Coefficient	-5.09***	0.49***
p-value	0.00	0.00
$R^2=0.77$		
Adjusted $R^2=0.77$ JB=4.71 (0.09)		
Period: 2006-2008		
Explanatory	constant	$\ln(\text{GDP per capita PPP})$
Coefficient	-5.22***	0.49***
p-value	0.00	0.00
$R^2=0.82$		
Adjusted $R^2=0.81$ JB=0.93 (0.63)		
Period: 2009-2012		
Explanatory	constant	$\ln(\text{GDP per capita PPP})$
Coefficient	-4.98***	0.47***
p-value	0.00	0.00
$R^2=0.74$		
Adjusted $R^2=0.73$ JB=6.65 (0.03)		

Source: Authors calculations

Notes: White heteroskedastic standard errors

Results from Table 1 suggest that changes in real income explain to a great extent the changes in relative price level. We estimated three panel equations for three different data sets. The first assumes the period from 2006 to 2012, and then this period is divided into two sub-periods, of which the first assumes the period before the crisis (2006-2008) and the second is concerned with the period after the crisis (2009-2012). For all three sub-periods we obtained coefficients that are positive, significant and less than one. Coefficient of the level of real income is estimated to be in the range from 0.47-0.49, and the value of coefficient depends on the estimated period. Convergence in income of 1% assumes convergence in prices of 0.49% for the sample of 44 European countries.

CONCLUSION

Among the main macroeconomic factors that contribute to the growth of SMEs are the government expenditures. Government procurement assists the development of registered SMEs while discouraging the unregistered SMEs. Due to the legal requirements of government contracts, SMEs hiring unreported labor and evading taxes would not be able to participate in bids for procurement contracts issued by the government. Low inflation economic environment help the growth of registered SMEs while high inflation moves businesses to operate in the unregistered economy. So, monetary policy plays a crucial role in the development and organization of SMEs. Furthermore, a stable exchange rate is very important for SMEs for they may make most of their contracts in more stable currencies exposing themselves to exchange rate risk. The level and quality of education in a country is also important in the development of registered SMEs. SMEs operating in the unregistered economy tend to use less productive labor with lesser skills. An increasingly important factor in the development of SMEs is the private credit market. Access to credit for investment and working capital allows registered SMEs to grow while discouraging unregistered SMEs at the same time. A banking sector providing loans at low cost is probably the most important factor in the development of SMEs. Furthermore, the size of the black market premium is also important for SME development. Large premiums in the form of illegal economic rents encourage small enterprises to operate in the shadow economy.

On its road to the EU, Serbia has to take into account that increased economic activity, which is the main precondition for fulfilling some basic standards in case of relatively low price levels, will mean real appreciation in the long run. Real appreciation is important for macroeconomic policymakers that have to make a trade-off between increased economic activity and inflation rates. In order to create conditions for a better standard of living and opportunities to develop new businesses and increase employment, monetary authorities need to provide basic conditions for attracting new investors, the main one being price stability. From the analysis provided in this paper we concluded that although overall price level is among the lowest in the region, this is not the case for all products and services. There are some products and services that exhibit high price levels such as tradable goods that are mainly imported. Prices of those products are among the highest in the region, and we do not expect inflation pressures from the increase in their prices. On the other hand, some products and services such as food, hotels and restaurants, telephone and telefax equipment and services are the lowest in the region and we state that Serbia, on its way towards the EU, can expect an increase in these, mainly non tradable goods. The analysis that is provided in the paper also suggests that Balassa-Samuelson effect holds, and that we should expect the increase in prices of non-tradeable goods in the coming period.

Empirical analysis provided in the paper provides a framework for expectations regarding real appreciation and increased inflation in the coming

period. The results presented in the paper suggest that some inflationary pressures will come from the fact that Serbia on its way towards the EU and the Euro Area should face convergence in real income. This analysis just widened the descriptive analysis of the price levels for different categories and tried to quantify the effect of the convergence in income to the real appreciation.

Since international comparisons have shown that Serbian price level is rather low, we can expect that convergence in income will have significant effects on price convergence. In order to obtain the level of real income that is in accordance with more developed countries, Serbia needs to increase its economic activity more than the EU, and higher growth rates will not only increase the real level of income, but will have inflationary pressures. We estimated positive relationship between real income and relative prices of European countries and the Euro Area. From the estimated linear relationship between real income per capita and price levels compared to the Euro Area, we concluded that convergence in income towards the Euro Area of 1% will lead to higher inflation in Serbia compared to the Euro Area of 0.49%. This real appreciation of 0.49% is unavoidable in the long run and will be the result of convergence in real income.

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IMPORTANCE OF ENTREPRENEURSHIP EDUCATION FOR ECONOMIC DEVELOPMENT OF SERBIA

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Abstract

The objective of this paper is to point out the importance of entrepreneurship education for development of entrepreneurship, entrepreneurial mindset, creation of start-ups and development of the existing small and medium-sized enterprise, and of economy as a whole. The starting point is a position, role and impact of entrepreneurship on development of the contemporary enterprises. The importance and the role of entrepreneurship in growth of today's economy are shown, as well as the elementary knowledge and skills that an entrepreneur must have in order to successfully grasp the market opportunities. Special attention has been paid to development of entrepreneurship education in Serbia, present framework and actions taken so far aimed at speeding up of the entrepreneurship education. The paper also emphasizes the need for an overall strategy and policy of entrepreneurship education in Serbia.

Key words: *entrepreneurship, entrepreneurship education, entrepreneurial knowledge and skills*

ENTREPRENEURSHIP AS A FACTOR OF ECONOMIC DEVELOPMENT

Dynamic growth and development of small and medium-sized enterprises is possible only if there is a substantial number of capable and educated entrepreneurs who are able to utilize their knowledge and ideas and who are willing to undertake the risk of starting a new or developing the existing enterprise. Being a small country with considerable developmental and demographic problems, Serbia can achieve economic progress only by making major investment in knowledge building and in business and entrepreneurship education of its citizens. Development of entrepreneurial culture and gaining of entrepreneurial knowledge and skills are crucial prerequisites for growth, but also the strongest factors that hinder improvement of performance of the existing enterprises and creation of start-ups, as well as the increase of efficiency of the economy in general. Since the whole human potential of a society participates in generation of national income, it is necessary to establish the conditions for individual entrepreneurial development by introducing the lifelong learning, and that should be fostered from an early age, so that the future generations could develop entrepreneurial mindset and culture.

The most developed countries have recognized the importance of entrepreneurship and entrepreneurial mindset, so they set the development of entrepreneurship as a national priority. In view of that, a large number of entrepreneurship-related educational programmes has been launched, from elementary to university level, which are important for attaining the defined long-term economic, social and cultural goals. Development of entrepreneurship entails continuous improvement, innovation and upgrading of social, economic, and especially educational systems, in order to enable emerging of new business ventures, which are usually organised in a form of small and medium-sized enterprises. Development of entrepreneurship contributes to better and higher-level utilization of limited resources, realisation of new business opportunities, and more successful adaptation to changes in a dynamic global marketplace. In that way, the main function of entrepreneurship is exercised – creation of start-ups and development of existing enterprises. By creating new and strengthening the existing enterprises, entrepreneurs intend to seize the identified or expected business opportunities and gain profit. Since entrepreneurship is predominantly based on new ideas and innovations, which are the results of education, entrepreneurship education becomes one of the major drivers of small and medium enterprise sector, and of the whole economy as well.

According to definition provided by Avlijas, entrepreneurship is seen as a detection of business opportunities and commencement of business venture, while an entrepreneur is a motor of entrepreneurial activity, that is, initiator of new business venture (Avlijas, 2010, p.26). Term 'entrepreneur' most often implies an individual who starts operation of his/her own business (that is, start-up), but it can also be someone who already owns a business.

Entrepreneurship entails ability to identify a business opportunity, to implement new concepts, procedures or processes, and to convene and motivate others for realisation of the idea, investment of sufficient capital and assuming of risks. Entrepreneurs are usually referred to as energetic people who have ideas, talent, motivation, knowledge and skills to notice and capture business opportunity before and/or better than others. Entrepreneur is an individual characterised by entrepreneurial spirit, mindset and actions, which does not necessarily requires completion of formal or informal education. In addition, entrepreneurship is not confined to a specific industry or sector, although it has been noticed that entrepreneurship is most often found in the following sectors: trade, transport, construction, real estate, hospitality, insurance, accounting, consulting services, education, healthcare, and tourism. There are three pillars in the foundations of entrepreneurship: identified business opportunities (market, products, consumers, technology), entrepreneur (personal characteristics, such as: knowledge, experience, tenacity, perseverance, risk-taking, courage, etc.), and idea (vision, goal, opportunity).

Entrepreneurship goes far beyond having a business idea and ensuring the necessary financial means for its realisation. It also includes capacity to turn that idea into an action, which requires knowledge and skills. Entrepreneurship involves creative thinking, tendency to innovate, and willingness to take a risk, but also the capacity to plan and manage operations. In addition, entrepreneurship entails capability and readiness to assume responsibility for one's own actions, to develop strategic vision and mission, to define goals and elaborate actions leading to their fulfilment, as well as motivation to succeed. Very small number of people shows an inborn inclination to entrepreneurship, that is, have qualities that naturally lead to entrepreneurial behavior. Many studies confirmed that majority of people do not have characteristics which are attributed to entrepreneurship and successful entrepreneur. However, that can be changed by education and entrepreneurship trainings so as to develop and enhance entrepreneurial qualities, knowledge and skills.

According to the definition used by the European Commission, entrepreneurship is a capacity of an individual to turn his/her ideas into an action, which entails creativity, innovation skills, ability to take reasonable risks, as well as the capacity to plan, organise and operate business in order to attain the set goals.

Character traits are important for success of an entrepreneur, but the crucial factors are education and support of the society. Successful startup and running of a business requires a wide range of entrepreneurial competences. Klein remarks that every entrepreneur is able to make a useful effort and develop his/her key entrepreneurial skills (Klein, 2010). Entrepreneurs combine available resources, knowledge and skills in a new and unique way, identify business opportunities and make effort to capture them. In order to be successful, they must have certain competences. According to Toren, the essential competences that an entrepreneur

must possess are: decision-making skills, good interpersonal skills, ability to plan, selling skills, and effective communication skills (Toren, 2010). Other authors, Michelle for example, think that entrepreneurs should have qualities such as: self-motivation, self-confidence, morality, as well as good time, sales and financial management skills, etc. (Michelle, 2012). Entrepreneurs show an increasing need to gain additional knowledge related to selling, marketing, management, information technologies, communication, finance, accounting, export and import. Most commonly, the competences they want to upgrade are communication skills, but also managerial, decision-making and planning skills.

According to J. Kaplan five essential competences that entrepreneurs need to have are the following:

- 1 leadership,
- 2 communication skills,
- 3 ability to make decisions,
- 4 team spirit,
- 5 ability to analyse and synthesise (Kaplan, 2012).

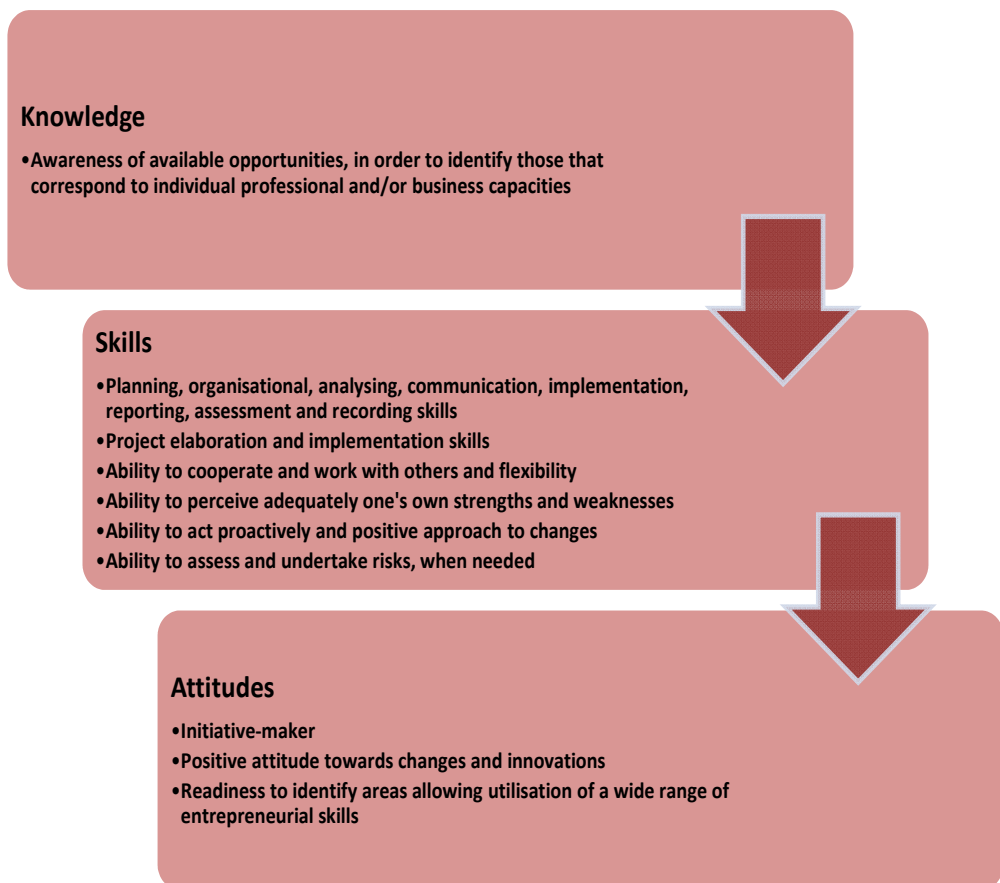
This author also states that successful entrepreneurs exhibit these basic qualities: confidence that they can make a difference, passion to incite developments, abundance of optimism, tolerance of uncertainty, and care for the well-being of other team or company members (Kaplan, 2012).

Having in mind that existence of desire, creativity and persistence are required for business start-up, while further growth and development of an enterprise demand managerial skills, it means that entrepreneurs need to develop competences for creation of business venture and its expansion from the earliest schooling phases. It is thus necessary to stimulate development of entrepreneurial competences and motivation to commence entrepreneurial activities as a form of personal career development. It is also necessary to create conditions that enable the existing entrepreneurs to develop and upgrade their competences, so that they could adequately assess and overcome the business risks and thus ensure realisation of their business ideas, which gives them the chance to succeed in a competitive environment.

Contemporary entrepreneurs are also in need of knowledge concerning implementation of innovations, use of information and communication technologies, elaboration of projects, business planning, access to state subsidies, possibilities and channels of networking, etc.

Entrepreneurial competence includes certain knowledge, skills and attitudes relevant to specific context (economic, cultural, sport, etc.). It entails positive attitude toward changes, assuming responsibility for one's own decisions, determination of goals and their fulfilment, and motivation to succeed (European Commission, 2004).

Figure 1: Knowledge, skills and attitudes constituting the entrepreneurial competence (Ferk-Novaković, 2011, p.145)



Tarfa V. remarks that entrepreneurial competence enables transition from idea to action and directly stimulates development of human resources toward adoption of a new mindset, which paves the way to acceptance of increasingly dynamic economic trends, both in the European Union and on the global level (Tarfa, 2011). In his study, Tarfa also points out the need to define clearly the entrepreneurship education curriculum, which should be done in such a way to support the development of human capital in order to increase their contribution to creation of competitive and dynamic economy, capable of sustaining growth.

Development of entrepreneurial competence includes several elements, the most important of which is entrepreneurship education. Entrepreneurship education is a complex activity that varies depending on the level of schooling and form of education it refers to. From that point of view, entrepreneurial competence is defined as a set of qualities, knowledge and skills which everyone who aspire to become an entrepreneur must possess.

Table 1 : Definition of entrepreneurial competence (Strategy, 2008, p.5)

Definition	Entrepreneurial competence is an ability of a person to turn the ideas into reality. It includes: innovativeness, leadership, assuming the risk for one's own actions, willingness to take a risk, defined goals, planning skills, ability to manage actions towards achievement of the objectives, motivation to succeed. At the core of it is an ability to recognise the context in which a person takes action and proactive reacting to the offered opportunities, which is the basis for acquisition of more specific skills and knowledge that entrepreneurs need in order to establish social and commercial activities.
Knowledge	Knowledge about available opportunities and identification of those that correspond to personal, professional and/or business activities of an individual.
Skills	<ul style="list-style-type: none"> • Cooperation and flexibility when working with others • Ability to perceive adequately one's own strengths and weaknesses • Ability to act proactively and positive approach to changes • Ability to assess and undertake risks, when needed
Personal characteristics	<ul style="list-style-type: none"> • Disposition to take an initiative; • Positive attitude toward changes and innovations; • Ability to identify areas where a whole variety of entrepreneurial skills can be demonstrated – for example, at home, at work, and within the community.

Importance and development stage of entrepreneurship education in Serbia

Significant development of entrepreneurship education occurred in 1980s, although the interest for the subject was noticed in the USA much earlier. Experts, but also political decision makers around the world became aware of the benefits of entrepreneurship education for development of entrepreneurial culture, entrepreneurial way of thinking, and creation of start-ups and growth of the existing business ventures, which all lead to increase of the employment rate, competitiveness and innovativeness of economy. That is why the entrepreneurship has been recognised in many countries as a basic skill in the process of permanent (lifelong) learning (LLL concept).

Education system which is based on lifelong learning concept is in the foundations of the knowledge-based society. The contemporary dynamic environment makes a demand on every person to keep upgrading the existing skills and acquiring completely

new skills and knowledge throughout life. Permanent learning and updating of knowledge and skills is a necessity, because the changes are of such intensity that they can otherwise lead to occurrence of the so-called functional illiteracy. Application of lifelong learning concept is neither easy nor simple because it calls for efficient formal and informal education systems, modernisation in all fields of education, higher level of creativity, and flexibility. Lifelong learning, according to the definition of the European Commission, comprises all learning activities a person undertakes during lifetime with the aim of improving his/her knowledge, skills and capacities in order to satisfy personal, community, and job related needs. That includes acquisition and improvement of all types of qualifications, skills and knowledge, from pre-school to old age, and all forms of learning (formal system of general and vocational education and training, on-the-job professional development, self-directed learning throughout life, etc). (Commission, 2000, p.9) The final objective behind promotion of the permanent learning concept is to create a learning society.

In the lifelong learning system, besides the role of formal education, the importance of informal education is also rated highly because it enables implementation of the permanent learning principle and compensates for the weaknesses of the formal education, especially in the realm of entrepreneurship education that must yield the knowledge and skills which are fully applicable in the real-life environment and really needed by the existing and aspiring entrepreneurs. The informal education system is focused exclusively on knowledge and skills necessary for startup and operation of a small business. The trainings can be delivered both by public institutions (Republic Agency for Regional Development and local agencies for development of SMEs, National Employment Office, Chamber of Commerce of Serbia and regional chambers of commerce, etc.) and private sector (private consulting companies). It is good that certain number of training programmes is available to beneficiaries free of charge, since they are financed from the state budget or through projects supported by various donors.

If we observe entrepreneurship as a process the main characteristics of which are complexity, chaos and lack of linearity (Neck, Greene, 2011, p. 86), it becomes clear that entrepreneurship education is also a long and complex process which entails set of knowledge and skills the entrepreneurs need in order to start and run a business venture. The education must provide to entrepreneurs the knowledge and skills which will make them successful in the market. Entrepreneurship education can be seen in the context of business start-up and operation, that is, as a process that consists of acquisition of knowledge about business start-up and of economic literacy. However, entrepreneurship education can also be given a broader meaning, which includes development of entrepreneurial capacities and skills, that is, development of personal characteristics and skills which are considered to be essential for successful entrepreneurial activity. This wider concept also includes development of creativity, initiative, self-reliance, responsibility, and many other qualities, as well as adoption of basic economic concepts. In that respect, entrepreneurship education programmes are aimed at developing of entrepreneurial culture, spreading of entrepreneurial mindset, and improving of knowledge and skills which entrepreneurs need.

Observation of entrepreneurial problem-solving patterns, mindset and methods are included in the curriculum of almost all higher education institutions in the world. However, despite significant progress, in many countries the teaching of entrepreneurship in higher education institutions is still limited to several courses only, and it is even less often part of the curriculum at the earlier stages of schooling.

In addition to courses providing methodological knowledge (mathematics, statistics, informatics) and general economic studies which are currently available in schools, Timmons advocates introduction of entrepreneurship education in schooling from childhood to start of entrepreneurial career, and it would have to be based mainly on real-world examples (Timmons, 1994, p.133). According to this author, education programme should provide the opportunity to students to gain knowledge in variety of areas.

Table 2: Key areas of entrepreneurial education (Timmons, 1994, p. 134)

<p>Market</p> <ul style="list-style-type: none"> • Market research and assessment • Planning of new products • Production management • Adequate product valuation • Marketing • Sales management • Direct sales • Product distribution management • Servicing • Staff management <p>Technical/operational knowledge</p> <ul style="list-style-type: none"> • Production management • Stock control • Cost analysis and control • Quality control • Procurement • Work valuation • Delegation of responsibilities <p>Financial management</p> <ul style="list-style-type: none"> • Acquisition of capital • Management of money flows • Indebtness policy • Short-term loans • Public and private bidding • Bookkeeping and accounting • Specific finance-related knowledge 	<p>Information technologies and computer use</p> <ul style="list-style-type: none"> • Detailed knowledge of IT applications • Management of IT tools • Knowledge of the staff • Problem solving • Communications • Planning • Decision making • Project management • Negotiating • Relations with external collaborators <p>Interpersonal relations and teamwork</p> <ul style="list-style-type: none"> • Leadership qualities • Obedience and trust-building • Assistance • Information feedback • Conflict solving • Teamwork • Creating the pleasant atmosphere <p>Legal issues</p> <ul style="list-style-type: none"> • Corporate and Insurance Law • Contract law • Patents and copyrights • Tax regulations • Real estate legislation • Financial regulations
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Entrepreneurship education implies development of those personal qualities and characteristics that enable adoption and application of entrepreneurial mindset. Entrepreneurship education programmes need to be planned in a way so as to ensure development of relevant personal characteristics and attitudes of students, that is, future entrepreneurs. It is necessary to create an environment that encourages initiative making, critical thinking, capacity to identify and solve problems, and continuous search for new approaches, opportunities and solutions. The programmes need to stimulate creativity, self-consciousness and inventiveness, that is, those personal characteristics that are useful for creation and operation of business venture.

Entrepreneurship education should ensure gaining of new knowledge and skills necessary for successful startup and running of an enterprise, as well as understanding of how small and big enterprises function, how they grow and expand, how to detect crisis before it actually happens and how to manage one if it occurs, that is, how to transform the crisis into a development opportunity, etc. Present and future entrepreneurs need guidance on how to search efficiently for new ideas and new business opportunities. The best way to gain this knowledge and skills is to undergo hands-on training, which makes it possible for students to develop their own ideas and turn them into reality, learning in that way from their own and mistakes of others, while applying the effective solutions and ideas resulting from what they have learned.

Personal characteristics, attitudes and skills of an individual can be developed at any stage of the educational programme. That is why the realisation of entrepreneurial projects within the education programme is so important – the students get an opportunity to exercise and enhance entrepreneurial skills during practical training classes. Entrepreneurship education curricula should take account of the age and comprehension capacities of students, so as to enable that children at early stages of schooling can develop creativity and inquisitiveness, while university students should focus on practical and theoretical knowledge and skills necessary for creation of start-up and management of enterprise operation.

At the level of pre-school and elementary education, children should be taught how to develop entrepreneurial spirit, which is achieved by fostering the development of the entrepreneurial qualities in students. The process is continued in the subsequent phases of schooling through further development of those qualities and gradual introduction of teaching that provides gaining of entrepreneurial knowledge and skills. At the elementary school level, the focus of entrepreneurship education programme is on development of personal characteristics of students, that is, all those activities that contribute to development of entrepreneurial attributes, such as self-reliance, initiativeness, creativity, etc. In this phase, students should be already included in realisation of projects adapted to their age, and the useful teaching methods could be learning-while-playing, presentation of simple study cases, visits to successful companies, visits to school by well-known entrepreneurs, etc.

Since personal qualities of entrepreneurs are of great importance for success of entrepreneurial activity, it is necessary to keep developing them during the secondary schooling, so that students could establish awareness of various professional opportunities to which they will have access in the future. Unlike elementary and secondary education levels, when the emphasis is put on development of students' personal characteristics important for entrepreneurial activity, the focus at the higher education level is on knowledge, skills and personal qualities important for business startup and operation. Education curricula must fully prepare the students for creating and running an enterprise. The students need to be taught how to implement their business ideas in real world (for example, how to find necessary financial resources, how to plan and organise operations properly, how to select the adequate staff among potential employees, how to communicate with the community, how to conduct market research, how to optimise, improve and expand their operations, etc.).

Entrepreneurship education that is based on short-term business planning courses and learning of basic skills for business management does not provide the sufficient insight depth and width and thus cannot produce the desired result. Therefore, the entrepreneurship education programme must be comprehensive so that students could gain all necessary skills and knowledge needed for successful business venture startup and smooth operation in later phases enterprise of life-cycle. Since entrepreneurship is not limited just to opening of new and running of existing small and medium-sized enterprises, entrepreneurship education programmes must also include segments which are directed towards stimulation of managers and employees working in large enterprises to develop entrepreneurial way of thinking and working. Adoption of entrepreneurial mindset is much more than running successfully a small business venture, since it is also the way of problem approaching and solving, system of thinking and acting, a culture that incites search for new and better solutions and continual development.

Benefits of entrepreneurship education are not limited to creation of new businesses (start-ups), development of innovative projects and generation of new jobs – they are of a much wider scope. In the European Union, small and medium-sized enterprises and sole traders are recognized as main drivers of economic development and largest generators of employment, as well as initiators of innovations and social and local community integration. Importance of education for development of entrepreneurship has also been recognised and included in several main European strategies, such as European Charter for Small Enterprises and Lisbon Strategy, and in some other relevant EU documents. Also, the concept of lifelong learning and strengthening of entrepreneurial competences is embedded in national development documents of many European countries.

Importance of entrepreneurship education has been recognised and included in the latest EU development strategy, Europe 2020: it is emphasized that curriculum at all schooling levels must foster creativity, innovations and entrepreneurship among students. The strategy calls for closer alignment of educational programmes with the labour market needs and requirements for economic growth, that is, they have to be attainable and adapted to economic reality. The Oslo Agenda for

Entrepreneurship Education in Europe (2006) provided recommendations for development of entrepreneurship education in the EU member states. The Agenda proposes strengthening of entrepreneurial knowledge and skills through:

- Use of pedagogical methods based on real-world situations, which implies involvement of students in realisation of concrete development projects and in business operations (for example, running of a mini-enterprise), especially at the secondary-school level.
- Adoption and application of innovative and above all interactive methods in training of teachers and professors, such as use of case studies, participation in projects, creation and operation of virtual enterprise, etc.
- Introduction of evaluation of all entrepreneurship education programmes, before and after their realisation.

It can be a huge problem with the entrepreneurship education if the curricula are not in line with the essence of entrepreneurship. It is not rare that educational institutions (schools and faculties) „block“ the creative qualities in a person (intuitiveness, perspicacity, imagination, search for new ideas, etc.) by its traditional teaching methods. It is often a case that entrepreneurship is seen only as entailing learning, while in fact it also implies application of the gained knowledge in a new and creative way, with the aim of using the business opportunity. Therefore, it is important to establish entrepreneurship education at all levels and in all forms of schooling while using the existing examples of good practices, since they will best illustrate the conditions and problems the entrepreneurs encounter in real life.

Importance and role of entrepreneurship education have been recognised in Serbia as well. Majority of economic and business secondary schools, post-secondary schools and faculties offer studies related to economy, management, finance and accounting, marketing, statistics, corporate law, and similar. Also, large number of public and non-governmental organisations offer programmes for informal education and training of entrepreneurs, most often in a form of course or seminar, as well as practical training. The intention is to compensate for the shortcomings which are characteristic for formal education programmes and even more for the insufficient practical training and proper dealing with real-world challenges and problems in business environment.

However, although the progress has been made, Serbian education system still does not provide substantial development of entrepreneurial attitudes, knowledge and skills, and it does not stimulate leadership and innovativeness of students. The relevant national and international studies indicate that student beneficiaries of our educational system do not gain enough dynamic competences during schooling, which is especially referring to entrepreneurial competences. In Serbian education system, entrepreneurial studies are included only in one segment of formal education which is undergoing the reform process. That actually means that at the level of elementary and secondary education there is no adequate initiative or programme for development of entrepreneurial spirit and entrepreneurship learning, or they exist sporadically and in a limited scope. The encouraging shift

was the introduction of the school subject 'Entrepreneurship', but only as an experimental and in small number of schools; most often, it has a status of an elective course, which significantly limits the possibilities to gain adequate entrepreneurship education at that level of schooling.

The situation in the higher education system is much better: large number of public and private faculties and post-secondary schools have programmes that offer specific academic qualifications in the field of management of small and medium-sized enterprises and sole proprietorships. The problem is that entrepreneurial studies are available mainly at faculties of economics and management, and much less or not at all at technical and natural science faculties.

According to indicators of progress in implementing of the European Charter for Small Enterprises, entrepreneurship education is not sufficiently developed in Serbia. As a result, the number of small and medium-sized enterprises per 1000 people is below the European Union average. Also, the studies conducted by well-known world organisations, such as the Global Entrepreneurship Monitor, Training Needs Analysis, and others, indicate that the entrepreneurship education in Serbia is underdeveloped and inadequate, but also that the awareness of its necessity is constantly increasing. The evidence of the latter is found in the Law on Fundamentals of Education System that was adopted in 2009, which recognises the importance of learning the entrepreneurial knowledge and skills in the process of education. Also, the initiative was launched for inclusion of entrepreneurial studies at all levels of formal schooling, as an initial step toward development of entrepreneurship education.

In order to make a substantial progress in this direction, it is necessary to adopt an entrepreneurship education strategy and to define the entrepreneurship development policy that will result in development of entrepreneurship and implementation of entrepreneurship education curricula.

The Council of the Partnership for Entrepreneurial Learning was established in 2011. Its members are the representatives of various public institutions and non-governmental organisations active in the area of entrepreneurship education. The Council is an authority responsible for preparation of the entrepreneurship education strategy and pertinent action plan, as well as for monitoring, implementation and reporting on activities carried out in accordance with the Strategy and action plans. The reason for establishment of the Council is the fact that entrepreneurship education is a complex process which requires coordinated efforts of many stakeholders, availability of financial resources, full political support and support of donors who can help realisation of this project.

The examples of good practices indicate that the enhancement of entrepreneurship education need to be based on attainment of the following goals:

- to integrate entrepreneurship as a key competence into educational programmes,
- to ensure adequate teaching aids,
- to strengthen the capacities of teachers for adoption of up-to-date pedagogical and didactical approach in teaching, so that students at all levels can build entrepreneurial competence,

- to improve cooperation between educational institutions on one side with the local businesses, institutions and organisations on the other side,
- to encourage cooperation among educational institutions at local, national and international levels,
- to improve the career guidance system. (Strategy, 2008, p. 21)

In addition to elaboration of the Entrepreneurship Education Strategy and preparation of the document proposal entitled *Integration of Entrepreneurship Studies in Formal Education System in Serbia* in 2005, a large number of actions and projects were also implemented, all of them contributing to some extent to the developing of entrepreneurship and entrepreneurship education. The Report on Small and Medium-Sized Enterprises and Entrepreneurship for 2011 provides the list of projects and actions carried out in 2011, mainly by state agencies and ministries. Some of them are:

- National Agency for Regional Development, together with the network of regional agencies and centres, delivered 217 three-day trainings for business beginners; the total of trainees was 2,911.
- National Agency for Regional Development provided support to 133 small and medium enterprises and sole traders through the project „Mentoring for 150 SMEs“.
- National Employment Office and network of Centres for SMEE Development organised a series of two-day training entitled „Road to Successful Entrepreneur“ for 12,006 persons who were interested to start their own business.
- National Employment Office and network of Centres for SMEE Development delivered 98 specialised seminars for 2,538 entrepreneurs, so that they could gain specific entrepreneurship knowledge and skills in the area of business planning, legislation, management, innovations, marketing, etc. Also, in the same period, mentoring was provided to 223 entrepreneurs – users of self-employment subsidies, in order to facilitate their start-up operations through analysis of their performance, business consulting and transfer of information.
- National Employment Office realised three trainings for capacity building of trainers/mentors in its branch offices; 87 staff members were included in the trainings.
- Ministry of Youth and Sports of the Republic of Serbia, in cooperation with the company Manpower implemented the project that resulted in opening of career development centres in local youth offices, in which entrepreneurship related trainings are organised. In the course of 2011, three such Career Development Centres were established, in Krusevac, Zrenjanin and Palilula (Belgrade). The trainings in these centres involved 238 young people.

- Centre for Career Guidance and Counselling of Young Talents organised seven workshops on „Entrepreneurship and Labour Market“ for 80 participants.
- Through regular annual publication of calls for proposals for civil society organisations, the Ministry of Youth and Sports financed 18 projects which contributed to implementation of the National Youth Strategy, with the aim of 'supporting and stimulating all forms of employment, self-employment and entrepreneurial activities of young people.' Also, the programme Achievements of the Young was supported, as well as the integration in the Youth Business world network and establishment of the Youth Business Serbia, within the project implemented by SMART kolektiv.
- In line with the SMEE Competitiveness Support Programme, National Agency for Regional Development awarded in 2011 the grants totalling to 60 million dinars for co-financing of projects of 362 small and medium enterprises. The programme provided support to small and medium enterprises for the following purposes: specialised trainings for managers and staff, improvement of the existing and development of new technological processes, products and services, and organisation of operations in compliance with the international quality standards (Report, 2011).

CONCLUSION

The importance of entrepreneurship and entrepreneurship education has been recognised in majority of countries, in particular in those where the development of entrepreneurship has been set as a national priority. Development of entrepreneurship entails continual improving, innovating and upgrading of education system. Much attention has been dedicated to development of entrepreneurship curriculum, which is to lead to development of entrepreneurial culture and mindset, and stimulate creation of a large number of entrepreneurial ventures. Besides the inborn talent of an entrepreneur to detect new business opportunities, entrepreneurship also entails his/her readiness to assume the risks in pursuing the idea, and the versatile knowledge and skills which an entrepreneur must have to be able to turn a vision into the reality. In order for the entrepreneurship education to correspond to requirements of contemporary entrepreneurship development, it needs to be included in the formal education system and available to children from an early age (basic information about entrepreneurship can be offered even at the pre-school level) to the university level, as well as in the informal education system through the concept of lifelong learning.

The significance of entrepreneurship development and entrepreneurship education has been recognised in Serbia as well. In spite of substantial delay in relation to other countries, especially the well-developed countries of the European Union, a considerable effort has been made to raise the entrepreneurship education to the level it deserves. Successful implementation of the entrepreneurship curriculum requires strong support of the Government that needs to intensify the activities leading to inclusion of entrepreneurial studies in formal education system, as well as offer of extra-curriculum trainings and advanced courses. In that respect, lifelong entrepreneurship education strategy has to be adopted and fully implemented. Also, the legal framework which defines the conditions to be ensured must be completed, so that the foreseen activities can be implemented in practice. That is reason why it is necessary to define the policy and process for integration of entrepreneurial education into education system, from pre-school level to doctoral studies. Adoption of the strategy for lifelong entrepreneurial learning will represent the proposal of the policy and process for integration of entrepreneurial education into education system, which would considerably improve the entrepreneurship education and thus make it possible for Serbia to become entrepreneurship-oriented country with a large number of capable entrepreneurs who, by developing their own business ideas, develop the whole economy and society. In order to make it happen, the Government, but also all other stakeholders, need to give an additional support to the existing initiatives for inclusion and successful implementation of the entrepreneurship education.

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THE ECONOMIC CRISIS ON UNEMPLOYMENT TRENDS IN THE REPUBLIC OF SERBIA IN THE PERIOD 2007-2011.

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Abstract

The main problem of the Serbian economy is unemployment. The total number of unemployed in small and medium-sized enterprises (SMEs) from year to year declines. Causes of unemployment are very complex and usually due to low productivity, migration, low levels of education, lack of development of infrastructure and market imperfections. The global economic crisis has hit especially transition countries, including the Republic of Serbia. Reforms have demanded sharp cuts in the economy through privatization processes, automation, rationalization, which led to the dismissal of a large number of employees. The topic of this study is to show unemployment in the surrounding countries and especially to point to Serbia in the period 2007-2011. The goal of the research is to show the unemployment rate per year starting in 2007 up to 2011. On the basis of the data obtained, it can be concluded that year after year the unemployment rate is increasing in Serbia.

Keywords: *unemployment, economic crisis, reforms*

INTRODUCTION

The economic crisis has hit all the countries worldwide by different strength, regardless of the level of development and the structure of the economy, all economic sectors and all social groups and individuals. The crisis has caused a drop in all macroeconomic indicators and aggregates all over the world. Key effects of the crisis are insolvency, decline of production and export, reduction of employment and increase of unemployment, the fall in standard of living and growth of poverty.

As well as companies worldwide, companies in Serbia are facing economic crisis. The Republic of Serbia in the period of economic crisis, like other countries, has recorded an increase of insolvency in economy, decline in gross domestic product, industrial production, exports and imports, decline of employment and rise of unemployment, decline in income and purchasing power of the population and increase of poverty.

Trends in the economy have directly reflected in the decrease of need for labour which, under the condition of recession and decline in production, encourages the appearance of unemployment. This paper will show unemployment trends in neighbouring countries, with special emphasis on Serbia in the period from 2007-2011.

CONCEPT AND DEFINITION OF UNEMPLOYMENT

Unemployment presents a condition in which part of the able-bodied members of society can not be employed as appropriate to their qualifications and skills, along with the usual salary. Thus, the unemployed are those persons who want to work, but throughout the reference period haven't done any regular job that would help them gain some life-necessary means. (Veselinovic, 2009, page. 162.).

Unemployment is as a category very important macroeconomic phenomenon. That's why we should explain why it occurs, how it changes over the time and why it affects only certain people. Only then certain measures can be taken in order to improve things. (www.ecdlcentar.com). Causes of unemployment lie in the imbalance and dysfunctionality of relations between the productive potential of the available means for production and the potential labour of one country. Size of the unemployment of all the types is determined by the register of the difference between active population and active population that is actually engaged.

Depending on the degree of unemployment there is a difference between:

- *full unemployment* - presents unemployment of workers in the full sense i.e. workers without any kind of job;
- *partial unemployment* - which includes workers who are partially employed.

Entoni Gidens believes that official statistics include two different types of unemployment:

- frictional unemployment, sometimes called „temporary“ which refers to the common entrances and exits from the labour market due to the change of job, searching for a job after graduating or after a longer disease;
- structural unemployment, which refers to unemployment that is the result of major changes in the economy, not only in circumstances affecting individuals (Gidens, 2006, page 412, 413).

Size of the register is not necessarily considered to be the actual size of unemployment, and that is why we can meet the terms such as *registered, unregistered, insufficient and concealed, actual or real unemployment*. Concealed unemployment refers to the insufficient and false employment i.e. implies active persons in agriculture and people employed in social and individual sectors that are not fully exploited and who do not work enough.

There the following cases can be encountered such as:

- individuals who do their professions in a short time only which is not, by the law, presented as covered employment;
- individuals with a full-time jobs but with a small results, small individual productivity of work;
- underemployment of craftsmen due to lack of orders or assortment;
- underemployment of individuals in agriculture caused by overcrowding and falsely declared as active, or because of the insufficient or incorrect use of the available natural and other resources - covered unemployment;
- individuals engaged in jobs without social benefits - false employment. Unnecessary use of labour and its involvement in the affairs that are without any social benefit is in the true sense of meaning false work.

In societies where most people manage to survive by working for the others, to lose a job or to be unemployed for a longer period of time is considered to be a huge problem. Insufficient realization of one's country human potential has a direct impact on its economy and national income, and among the other things it ultimately results in low standards of living and poverty. (Jokic, 2004, page 311).

UNEMPLOYMENT RATE

For the realistic estimate of the unemployment of labour category, in addition to absolute quantitative and qualitative indicators of unemployment, it is necessary to determine the appropriate relative indicators, to reveal the causes for its appearance and the influence on its increase or decrease or structure of unemployment. The economy of each country tries to reduce the number of its unemployed active population, and that is why it makes an effort to activate, as soon as possible, that part of unemployed population, i.e. makes an effort to reduce the number of unemployed and unengaged part of active population.

Every modern economy has had, and will more or less have unemployment. In fact, the specific height of unemployment is inevitable because people make changes in career while companies change production in order to achieve new goals and to employ new technology. If the government should guarantee permanent job for everybody, companies would face difficulty of finding new employees for new projects, and workers wouldn't have enough spur to adapt themselves to the economic changes. Yet, unemployment presents the problem for unemployed and their families. The actual political problem is the question of how large unemployment is considered to be tolerant in order to enable economic growth, and how that unemployment should be divided among population, etc. (Jednak, 2000, page 270-274).

Unemployment rate can be computed by dividing the total number of unemployed persons with active or employed population. The unemployment rate represents the number of unemployed compared to the size of the labour, or:

$$\text{Rate of unemployed} = \frac{\text{Number of unemployed}}{\text{Total labour impact}} \times 100$$

Number of unemployed persons and total labour impact on the unemployment rate. If over the several months there comes to the increase in unemployment, unemployment rate also grows. If the growth of unemployment occurs within months when the number of labour significantly grows more than usual, unemployment rate will fall. This brings us to the following measures of employment: participation rate of labour. This is labour as a percentage of all the people able to work, which we refer to as "non-institutional population" or "adult population". It can be calculated as following:

$$\text{Labor force participation rates} = \frac{\text{Total labour impact}}{\text{„non-institutional population“}} \times 100$$

(adult population)

Children under 16 years and individuals in institutions such as prisons are usually considered unfit for work and are excluded from the category "non-institutional population". The unemployment rate, especially if it is high, means the loss in production and presents difficulties for families and individuals, and if too low it pressures salaries upwards, which can lead to inflationary pressures. Thus, the unemployment rate is the approximate measure of unutilized labor potential. It leaves out many people that are considered to be unemployed, and considers some people that might be left out. Because of these problems the indicator policy is cautious when interpreting the unemployment numbers and in their use in combination with other economic data. The use of statistics in economic policy is the art.

As already mentioned, unemployment rate is our another measure of the health of total economy. It is often regarded as a register of human suffering. Not only people who lost their jobs in the lifelong recession experienced sudden loss of income, but they also lost self-confidence and security. Prolonged periods of unemployment can also destroy families and finances. (Rosic, Jednak, 2003, page 323).

The unemployment rate is an indicator of cyclic performance of one economy. This rate indicates which part of the labour does not have but are looking for a job. On the other hand, the unemployment rate is a precursor to a recession, since companies reduce wages or start firing workers, or start with forced vacations, as a response to lower demand.

Unemployment attracts considerable attention, which as a manifestation costs a lot certain workers and members of their families. This burden is manifested in at least three ways:

- loss of income that follows the unemployment,
- fear that losing of job could have negative consequences on finding the new one, on career booming, on contacts or training and improvement at work,
- unemployment with itself carries significant psychological and emotional consequences for workers and members of their families, that are further reflected in the increasing incidence of crime, mental illness, suicide and divorce. (Veselinovic, 2009., page 163).

UNEMPLOYMENT IN EUROPE AND BACKGROUND

Unemployment in Europe

Based on the prediction of the International Monetary Fund, the ILO (International Labour Organisation) predicts that the unemployment in the world will remain at the high level this year. In developed countries the number of unemployed could increase for about three million, while in other regions it should stagnate or slightly reduce. Unemployment in the 16 Eurozone countries reached the level of ten percent, for the first time since the introduction of the common European currency in 1999. European Union statistics agency Eurostat published data for December 2009., which show that the recession-hit Spain has the largest problem with unemployment in the euro zone, while among the other countries members of EU Latvia, whose economy has barely survived the impact of the global financial crisis, is in the worst position.

According to Eurostat data, in late 2010. year, 87.000 workers all over the eurozone lost their jobs. It is, however, less than 102.000 people that in November 2009. stood in line for welfare, and that is still total amount of 15.763.000 unemployed persons in 16 countries that use euro. Rate of ten percent is the highest since the introduction of common currency. In 27 members of EU unemployment rate in december in 2009. was a bit lower and it used to be 9.6 percent, which would mean new 163.000 unemployed persons. According to the predictions of specialists, more that 23 million of people in the european bloc are unemployed. Independent data from Madrid show that the unemployment in the fifth by the size economic power in Europe, shaken by the radical decrease of the demand in sectors of real-estate, construction industry and tourism that used to be in rise for a longer period of time – has increase on 18.83 percent during the forth quarter in 2009. Altogether 4.326.000 people lost their jobs in Spain, which is for one million larger number of unemployed people tahn at the end of 2008. Experts have constantly expressed their fears from the new wave of recession in Iberian peninsula, where Spain and Portuguese, like Greece, fight huge national deficit.

The unemployment rate in the 16 countries that use euro in July 2010. year was a record 10 percent, five months one after another, as presented official data of EU. In the euro zone nearly 16 million people are unemployed, and unemployment rate is at the highest level since 1999. year as showed by Eurostat agency. Spain is still holds the record between EU member states with an unemployment rate of 20.3 percent. Eurostat states that Germany, the biggest economic power bloc, in 2010. years recorded a decline in the unemployment rate from 7.6 to 6.9 percent. The most dramatic rise in unemployment was registered in Ireland - in January 2010. the unemployment rate in the country has reached 13.8 percent of the labour, which is 4.4 percent more than in January 2009. and 7.5 percent more than in early 2008. The second place belongs to Slovakia, where in January 2010. year

the unemployment rate was 13.7 percent, four percent higher than a year earlier. In U.S.A the unemployment rate is slightly lower, but is still relatively high - 9.7 percent, while in Japan in 2009. the percentage of unemployed increased by only 0.7 percent - to 4.9 percent of the labour.

Unemployment of young people all over the Europe is on the rise, and together with that goes inadequate training and widespread part-time work which makes the young people even bigger victims of economic downturn. The unemployment rate among people under 25 in the EU reached 21.4 percent in December 2009. years, while it was 16.9 percent in the same period of 2008. The lowest unemployment rate of 7.6 percent of young people has Netherlands, while in Spain even 44.5 percent of young people is out of work.

Unemployment in the region

When it comes to the unemployment rate in the region, Slovenians have a lower rate than we do, while Croatia, Bosnia and Herzegovina, Macedonia and Albania have higher.

Romanians have a 4.5 percent unemployment rate, and the Bulgarians around seven percent. These countries are EU members and it is predicted that the rate of these countries will dramatically increase, because, due to the crisis, every month there are hundreds thousands of newly registered unemployed persons. The economic crisis is far more affecting developed countries, where companies do business - big exporters that employ armies of people every day and lay off workers. There are huge differences in the rate of unemployment among the countries of the region, so that in Serbia and Bosnia and Herzegovina unemployment is higher than 20 percent, in Hungary and Poland more than 10 percent, in Slovakia 13, while in Macedonia already exceeded 30 percent. Workers with low qualifications are those who feel the effects more than the others, and young people between the age of 20 to 25, mostly due to the lack of experience and lack of qualifications. One third of young people are unemployed, and chances to find a job in the next two to three years are small.

Macedonia is a country with the highest unemployment rate in the region of 33 percent, and gross domestic product (GDP) per head is among the lowest in the region. The data of the central bureau of statistics says that the registered unemployment rate in Croatia in April 2010. was 17.9 percent. According to the analysis carried out by the regional business sites, Montenegro has an unemployment rate of 14.7 percent. When it comes to standards, Slovenia still leads the way with a GDP of 18.367 euros per head in 2009. Croatia follows with 14.222 euros, then Montenegro with 4.908 euros, and finally Serbia with 4.651 euros. Macedonia and Bosnia-Herzegovina share last place with a GDP of 3.290 euros per head.

UNEMPLOYMENT IN SERBIA IN THE PERIOD BETWEEN 2005 – 2009.

Total unemployment in Serbia in November 2006. was 1.008.807 persons. (National Strategy for Economic Development of Serbia 2006-2012., page 36). The document National Strategy for Economic Development of Serbia 2006-2012. contains projection of new employment by 2012. godine, which is to say: the total number of new working places. Based on conservative scenario that would be 113 thousand of new working places (page 28. from the text of Strategy). According to the basic scenario that is 137 thousand of new working places (page 33. from the Strategy). In particular: »new working places in 2007.– total number: 7000« (page 33. from the Strategy).

Belgrade Institute for Market Research estimates that Serbia could begin to emerge from recession only if it stops the layoffs and reduce unemployment. Serious step out of the recession would happen in the event of interruption of negative trend of leaving a large number of people jobless. Serbia has the rise of unemployment and can not consider itself being out of recession, especially can not consider itself coming out of the crisis. Statistical data may show that there has been a positive shift in the industry, but what is ignored is the growing unemployment, because when unemployment rises, then the country is in the crisis. (*Report of the National Employment Service for 2009., 2010.*).

Data of the Statistical Office showed that, in comparison to December 2009. the number of employed persons declined by 0.4 percent, while in comparison to January 2009. the fall in employment is 6.7 percent in 2010. In Serbia in January 2010. there was 751.590 of unemployed persons registered and their number is for 1.67 percent increased in comparison to the same month a year earlier, but in comparison to December 2009. for 2.91 percent.

According to the National Employment Service, in Serbia in February 2010. there was 16.000 more unemployed persons than in January. The statement said that in February NES registered 767.418 persons. In comparison to October 2008., when the economic crisis started, the number of people registered has increased by 50.010. Most of the unemployed persons wait for a job for about one to two years.

From the total number of persons registered on NES, 63.81 percent or 489.753 persons wait for a job for more than 12 months, 55.04 percent of them are women. The majority of unemployed people are those between 25 and 29 years old. Most of the unemployed, around 30 percent, have the first level of education and around 28 percent have the fourth degree. There are around 40.000 of university graduates waiting for a job. The highest unemployment rate is in Novi Pazar and is 51.1 percent, in Loznica is 41.5 percent, and in Leskovac is 41.4 percent.

When it comes to the municipalities, the highest unemployment rate is in Lebane 61.4 percent, in Vladicin Han is 54.1 percent, in Bojnik is 53.4 percent. The lowest registered unemployment rate was in Belgrade municipalities of Savski venac 2.5 percent, Stari grad 3.7 percent, Vracar 6.9 percent.

The main problems in the area of employment that the Republic of Serbia has to face with, are: the lack of jobs due to the lack of insufficient economic activity, low employment. Market Analysis of the Republic of Serbia in 2009. year shows that despite the fact that there is a high unemployment rate in comparison to the neighboring countries and the EU, it still grows as a result of the global economic crisis, and the labour market keeps the characteristics from the previous period, which would be:

- mismatch of the offer and demand for labour;
- high share of long-term unemployed;
- large influx of redundancies;
- unfavourable age structure of unemployed;
- unfavourable qualificational structure of unemployed;
- high rate of unemployed young people;
- high share of women in total unemployment;
- huge differences among regional labour markets;
- great part of people engaged in black economy;
- low mobility of labour;
- large number of unemployed persons that belong to categories that are facing more difficulties when finding a job (disabled persons, Romas, refugees and displaced persons etc.).

Table 1. *Comparative review of ILO unemployment rate by years (October 2006-2009.)*

<i>Serbia</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>Rate of unemployment</i>	<i>21,56%</i>	<i>18,80%</i>	<i>14,70%</i>	<i>17,40%</i>

Source: Report on the work of the National Employment Service for the period between 2006. - 2009.

According to the Labour Force Survey unemployment rate rose from 14.7% in October 2008. year to 17.4% in October 2009. year, and the number of unemployed persons increased from 457.205 to 516.990. The rise unemployment is primarily a result of a large reduction in economic activity due to the global economic crisis. According to the Labour Force Survey, the employment rate in October 2009. was 50.0% and was decreased in comparison to October 2008. by 3.3 percentage points.

The unemployment rate of young people aged from 15 to 24 years was 42.5% and was significantly above the general unemployment rate which, for people of working age (15-64), was 17.4%. Number of unemployed young people in that age group was 107.885 persons, which makes 20.85% of the total unemployment. Also, it is common that young people accept working in a black economy and that they accept jobs that are beyond their level of qualifications.

Female unemployment is more expressed than with men. According to the Labour Survey conducted in October 2009. year, there are significant differences between the rate for men and women. The unemployment rate within the structure of the working age population (15-64) for men was below the general rate (17.4%) and was 16.1%, while the unemployment rate for women was 19.1%. There is a greater difference in employment rates which for women was 42,7%, and for men 57,4% (observed population aged between 15 to 64 years).

The registered unemployment rate. Administrative statistical sources are based on data about registered unemployed persons registered with the National Employment Service.

Table 2. Comparative review of the average registered unemployment rate for the period between 2006-2009.

<i>Serbia</i>	<i>2006.</i>	<i>2007.</i>	<i>2008.</i>	<i>2009.</i>
<i>The registered unemployment rate</i>	<i>27,92%</i>	<i>26,83%</i>	<i>24,62%</i>	<i>26,02%</i>

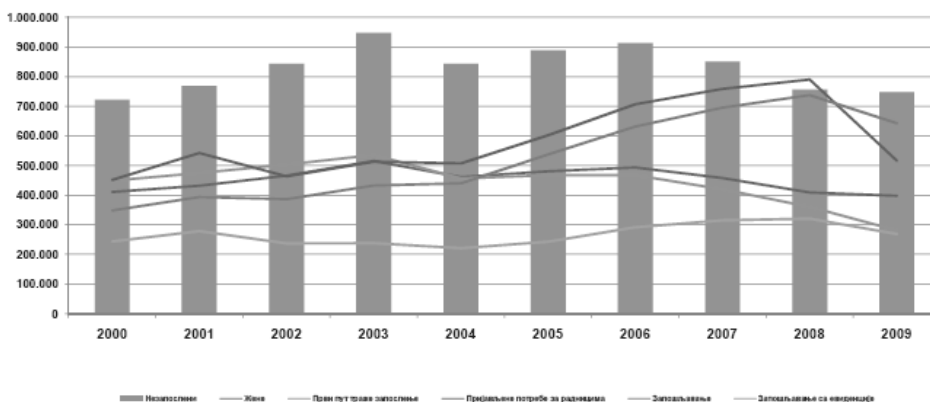
Source: Report on the work of the National Employment Service for the period between 2006 - 2009.

According to NES data, the registered unemployment rate increased from, 24.34% in January to 25.89% in December 2009., and the number of unemployed persons was reduced from 739.213 to 730.372. The growth in rate of registered unemployment is the result of a greater reduction in total employees and insured agriculturalists, in comparison to the reduction of registered unemployed persons in the Republic of Serbia.

Unemployment of young people in late 2009. year from 15 to 30 years was 195.580, which menas 26.77% of the total number of unemployed. Compared to the same period in 2008., share of unemployed young people was decreased in the total unemployment by 2.83 percentage points.

Female unemployment was more expressed than for male. According to the NES in late 2009. year, there were significant differences between the registered unemployment of men and women. The difference in absolute numbers was significant, because in the register there were 405.591 women and 324.781 men. The share of unemployed men, in the total unemployment was 44.47%, while the share unemployed women was 55.53%. The share of unemployed women, in the total registered unemployment in late 2009., compared to the same period the year before, increased by 1.56 percentage points.

Graph 1. General characteristics of unemployment, announced needs and employment from 2000. to 2009.



Source: National Employment Service, 2010

UNEMPLOYMENT IN SERBIA IN 2010.

The unemployment rate in April 2010. increased by 3.6% in comparison to April 2009., while the employment rate decreased by 3.5% in the same period. The unemployment rate in April 2010. increased by 2.6%, in comparison to October 2009., while the employment rate decreased by 2.7% in the same period.

According to the data of the Statistical Office, in the Republic of Serbia in August 2010. there were 1.806.186 employed persons, of which 1.350.820 in corporations, institutions, cooperatives and organizations and 455.366 private entrepreneurs and persons they employ. Number of employees compared to the previous month decreased by 0.27% or 4.832 persons, and compared to the same period last year, by 4.24%, or 80.071 persons. The rate of officially registered unemployment in August was 26.21%.

At the end of September 2010. it was registered 809.595 persons looking for a job, and from that number, 438.561 of them were women (54.17%). Structure of persons that are looking for a job:

- 721.043 unemployed (active) persons,
 - 88.006 persons temporarily unable or unqualified for work,
 - 121 persons employed on temporary or occasional work or a persons who work part-time,
 - 358 persons whose rights are according to the law inactive,
 - 67 of the employed persons seeking for a change of employment.
- (National Bureau of Statistics, 2010).

Number of unemployed persons at the end of September 2010. was 721.043, and from that number, 52.71% or 380.038 were women. Unemployment was in comparison to the previous month decreased by 0.45% or 3.227 persons. In September 2010., around 40.412 persons were registered on *National Employment Service*. From that number, 18.151 persons (48.91% or 8.877 women) were looking for a job for the first time, and 22.261 persons (48.87% or 10.879 women) had previously been employed.

Compared to the previous month, in the category of new entrants that are looking for a job for the first time, an increase was recorded by 29.77% or 4.164 persons, and in the category of new entrants with the previous experience, an increase was recorded by 17,66% or 3.341 persons.

According to the duration of unemployment, the highest share in the registered unemployment were persons that were looking for a job from 1 to 2 years (18.35%), up to 3 months (12.17%), up to 3 or to 5 years (11.90%), from 5 to 8 years (10.69%), from 2 to 3 years (10.63%), over 10 years (9.12%).

From the total number of unemployed, 65.04% or 468.963 persons were looking for a job for more than 12 months (long term unemployment), from which 55.10% or 258.380 were women.

The largest share of registered unemployment, observed by the age, had unemployed persons from 25 to 29 years (13.20%), followed by persons aged between 30 to 34 (12.50%), from 35 to 39 years (12.01%), from 45 to 49 years (11.92%), from 50 to 54 years (11.80%) and from 40 to 44 years (11.72%). There was no significant change in the structure of the unemployed persons based on the level of education in September 2010. in comparison to previous months: I – 204.534 (28.37%), II – 35.873 (4.98%), III – 191.437 (26.55%), IV – 203.703 (28.25%), V – 7.943 (1.10%), VI – 34.982 (4.85%), VII – 42.530 (5.90%), VIII – 41 persons.

Unemployment rate, which is the share of unemployed persons in the total number of active population (employed and unemployed), in the Republic of Serbia was 19.2%, and that was 18.6% for male and 20.1% for female population. Unemployment rate in Central Serbia was 20.6%, and in Vojvodina 20.9%. In the city of Belgrade the unemployment rate was 14.0%.

Table 3. *Rate of unemployment, employment and informal employment in April and October in 2008. and 2009. and in April in 2010.– parallel review*

	April 2008.	October 2008.	April 2009.	October 2009.	April 2010.
Unemployment rate	13,3	14,0	15,6	16,6	19,2
Employment rate	44,7	44,2	41,6	40,8	38,1
Rate of informal employment	23,6	23,0	22,2	20,6	19,8

Source: webrzs.stat.gov.rs, the labour survey, april, 2010.

At the end of September 2010., the largest share of unemployed in the total number of unemployed persons was recorded in Belgrade (13.18%), South Backa (8.80%), Nisava (6.83%), Raska (6.60%) and Macva County (4,99%), while the lowest was recorded in Branicevo (1.20%), Kolubara (1.67%), Bor (1.73%), Zajeca (1.85%) and Toplica County(1.97%) . In comparison to the same data from the previous month, the largest increase in unemployment was recorded in Jablanica County (1.72%), while the largest decrease was recorded in the Middle Banat County (6.54%). In comparison to the same data from the previous year, the largest increase in the number of unemployed was in the North Backa County (3.55%), while the largest decrease was recorded in the Middle Banat County (10.09%). Share of of unskilled workers in the total number of unemployed people was the highest in Pcinje (47.00%), North Banat (45.67%), Raska (43.72%), Bor (42.28%) and Branicevo County (42.05%), while the largest share of skilled workers in registered unemployment was in Belgrade (81.94%), Nisava (75.74%), Macva (68.84%), Sumadija (68.71%) and Jablanica County (68.47%). According to data on the duration of unemployment, the highest share of persons who were looking for a job over 12 months (long term unemployment), was recorded in Raska (75.96%), Jablanica (71.12%), Pomoravlje (70.64%), Rasina (70.41%) and Zajecar County (69.77%), while the lowest share of long term unemployed persons was registered in North Backa (55.26%), Srem (56.14%), Middle Banat (56.52%), Belgrade (56.86%) and Branicevo County (58.21%).

In September 2010., it was registered around 1.521 applications for employing, of which 49.31% was for fixed period, and 50.69% for an indefinite period. Number of registered applications for job based on the level of education: I – 70 (4,60%), II – 18 (1,18%), III – 88 (5,78%), IV – 232 (15,25%), V – 8 (0,52%), VI – 168 (11,04%), VII – 845 (55,56%) and VIII – 92 (6,05%) persons.

In September 2010., from the register of National Employment Service 13.1951 persons (20.29%) became employed, while 51.826 persons (79,71%) who already employed just changed their jobs. Compared to the same period from the previous year it is recorded a decrease in employment from the register of unemployed persons by 47.69% or 14.474 persons.

National Employment Service announced on 11 January 2011. that in Serbia in December 2010. there was 729.520 unemployed persons, which was by 852 persons less than in the same month in 2009. Based on the previous data of NES, number of unemployed in December was for 7.378 persons, or by 1.02 percent, higher than in November 2010.

UNEMPLOYMENT IN SERBIA IN 2011.

The unemployment rate in April 2011. increased by three percentage points compared to the same month the year before, as well as compared to October 2010. At the same time, the employment rate decreased in April by 1.9 percentage points in comparison to the same months in 2010., and 1,5 percentage points in comparison to the October of the same year.

The unemployment rate in Serbia at the end of April rose 15.6 percent compared to 19.2 percent recorded at the end of October 2010. According to the data of the Statistical Office, the unemployment rate, which was the share of unemployed persons in the total number of active population, was 22 percent of men and 22.5 percent of female population.

In the area of Belgrade the unemployment rate at the end of April 2011. was 18.9 percent, 22.9 percent in Vojvodina, in Sumadija and Western Serbia 22 percent, while in area of Southern and Eastern Serbia was 24.8 percent. (<http://poslovi.nsz.gov.rs/page/index/43/story/171>)

In August 2011., National Employment Service registered 746.000 persons. These data of National Employment Service differ from data collected by the Statistical Office, because their data were based on labour survey and were considered to be the real rate of unemployment, in other words real unemployment. The last labour survey was conducted in April 2011., and according to that survey there was 650.000 unemployed persons and unemployment rate was 22.2%. This unemployment rate, taht was based on the labour survey, increased in April 2011. in comparison to October 2010. from 19.2% to 22.2%.

Why was there a rise in unemployment in this period? One of the assumptions is that a lot of people officially closed their businesses and moved into the black area of operations. On the other hand, when it comes to the structure of unemployed, one third from the register of unemployed persons were even without high school, which means that a third from the register of unemployed persons were without any qualifications. Of course, the educational level of unemployment was directly correlated with the general level of education of the entire population. If we start with a fact that only 6% in Serbia has a university degree, while in the countries of Western Europe this percentage varies, but was always expressed in tenths of percent, then we come to the fact that our educational structure of the population, and therefore the structure of unemployed persons, was very poor. As for the age structure, 25% of the registered persons were up to 30 years old, and 35% of them were between 30 and 45 years, and 40% of persons were older than 45 years. The average age of an unemployed person was currently 39 years old. The average period of waiting for a job was 3.7 years.

On the other hand, even though the unfavourable qualificational structure, however, the unemployment rate would be much higher if certain measures were not implemented to boost the employment. The Serbian government funded a

variety of programs to support the economy during the crisis, incentives for investors and of course, every year from the budget of Serbian specific amount of money goes on financing the active labour programs of employment that is realised over the National Employment Service.

MEASURES FOR SOLVING PROBLEMS OF UNEMPLOYMENT IN SERBIA

Specific percentage of the unemployed exists in every economy and even though the complete employment is very important, it is only one among the objectives of each economic policy. Beside it, there are also economic growth, balanced balance of payments, an increase of the flexibility of the economy through the implementation of modern technological innovations and others. Very often the realization of these objectives leads to the displacement of labour from the labour process which leads to an increase in unemployment.

And when there is complete employment, it may be based on different principles. It can be complete employment that is based on the principles of economic rationally organized employment with the implementation of new technique, it can be a policy of complete employment regardless of its economic effects. It also means that in the first case the basic criteria is economic, and social is additional, while in the second case, the basic is social and economic criteria is additional.

Basic characteristics of the condition and trends in the labour market in the current transition period are still extremely unfavourable performance in the labour market, and are even higher than in other countries. Negative trends in the labor market, from their side, act restrictively at the possibility of further necessary market and economic reforms because the unemployment today has become one of the most serious economic, social and political problems in Serbia with long-term unfavourable consequences. (Ilic, Sakan, 2011, page 298)

Possibility of solving the problem of unemployment depends on the degree of development of the productive forces and from the characters of productive relations. It is possible, however, to achieve complete employment even on a lower level of economic development through maintaining a lower level of labour productivity and by employment of more persons than is needed ("falsely employees").

Transition of the Serbian economy and the on-going reforms, necessarily cause the dismissal of workers who are economically and technologically surplus due to the market, ownership and organizational changes, especially in large companies and public enterprises, but unemployment affects many categories of young people that are looking for a job for the first time, and that are coming to the employment in an extremely difficult and slow way. Such a situation, following the experience of other countries in transition, might have been expected, but the question is whether it should have been in such measure. (Ilic, Sakan, 2011, page 412)

On the other hand, it is difficult to understand why there is no more use of the own available knowledge and opportunities as well as positive and negative experiences of the countries that are in transition, those who started dealing with it before us, especially those countries that have had problems in the implementation of reforms and problems with employment.

It is especially hard to understand why, to a large extent, there is no planning and taking measures to re-employment of surplus in a similar or other jobs as well as measures for employment of young qualified personnel, and why the society does not provide the necessary means whereby, and why are the existing more than modest means unproductively engaged in a sphere of consumption rather than in the creation of new working places.

Measures of planning lack not only in the social program that do not create new working places, but in the entire measures of the socioeconomic programs, which can be the only alternative and a real professional approach and response to many problems that the transition in Serbia brings in relation to the labour. For creation of such a program, the first essential step is a diagnose of conditions, ie. review of the status and tendencies in the labour market.

All of the above mentioned leads us to the conclusion that the achievement of complete employment at all costs, without taking into account other economic goals, can only be counterproductive, and that is why it is necessary for "complete employment" to find its place among the other goals of the economic policy for whose implementation we should strive for a long period of time by taking appropriate measures with full respect for fundamental economic principles.

There are many possibilities solving the problem of unemployment, and some of them are:

- ***Economically justified investment***, especially in those programs that allow growth in the number of employed persons along with the increase of production and the growth of labour productivity. Joint ventures with foreign partners should also contribute to the creation of new working places.
- ***Increase of the efficiency of the labour market***. Thus, for example, total spending for active and passive measures of labour market policy in a number of developed country is 3-5% DP. In the base of the active labour market policy there should be the strategy that neither one existing working place cannot be guaranteed, as opposed to the existance of special monopoly on the working place which is the case in our society.
- ***Training in accordance with the demand of labour market*** presents another type of policy practiced by the developed market economies. Because of the fact that much of the employment that burdens it is of a structural character. While one branch of production lags behind in the development and slowly goes out and persons employed in there loses their jobs, other modern sectors make fast progress giving the opportunity to dismissed people, after retraining, to get a job again. "Thus, for

example, in USA exist summer programs for young people which, to this category of unemployed, offer basic and additional education, institutional and practical training, working experience." (Gavrilovic, 1999, page 137). By using the experience of other countries our country should also take an active part in raising the quality of labour, improvement and development of system of vocational training, retraining and additional training of unemployed and employed persons. This is especially important because the labour structure in our country is really unfavourable since over the 40% from the total number of unemployed persons are unskilled or semi-skilled .

- Existing **system of education** in our country has not modified according to the needs of the market economy. But, in addition to formal education that in our country should suffer qualitative changes, it is necessary to develop and institutions of informal education (beyond the regular school system) in order to meet the needs for training the adults based on the requirements of the labour market.
- **Public works** are well-known means of how to revive the economic activity and to reduce the unemployment. They are limited in duration and have anti-cyclical character. They are realized in different domains: the construction of infrastructure facilities, agricultural activities... Public works should also be used in our country as a means of active policy of labour market.
- **Further development of small business** which can absorb large number of unemployed persons. Thus in USA small and medium-size enterprises employ 213 of the total number of workers, and 4/5 of new working places in 80's were provided by the small businesses. The need for the development of small businesses in Serbia is not disputed. This is supported by the fact that the funds for the investment are modest, and the productive structure has gaps that are reserved for small businesses.
- In addition to these measures, **flexible employment** is also worth of attention, which encourages mobility of labour and creation of more opportunities for getting a job. It is about forms of labour involvement, such as part-time work, work at home etc.
- **An increase of the degree of utilization of the productive capacity, an increase of accumulation and productivity of work.** This is very important because semi-employment is characteristic for our economy, so that the despite the large number of redundant workers, fixed assets are not used enough.
- "Intensive **development of agricultural activity**, taking the measures for solving the economic status of agro-industrial complex and the improvement of conditions for living in the countryside," would significantly contribute in alleviation of problems for opened and hidden unemployment.

CONCLUSION

Unemployment has very harmful economic, social and psychological consequences, which is why it is given much attention as for finding the possibilities for solving it, because it destabilizes the economy, creates social uncertainty and jeopardizes development. From an economic point of view, unemployment is a loss for the economy. Serbia needs structural reforms at all levels, in order to increase the competitiveness of the Serbian economy, which was, according to a recent survey by the World Bank, at a very low level. One of the reforms would relate to the educational system, whose reform would introduce changes that would ensure the creation of comparative advantage in the knowledge economy in Serbia. It is ignorance and false system of values of the investors that are some of the causes of global crisis.

We could conclude that unemployment, at the beginning of the new millennium, presents one of the biggest problems that the economies of almost all countries, big and small, developed and undeveloped, will have to face with. To finally emerge from this struggle as winners, national economies will have to formulate the appropriate long-term strategy to fight the unemployment. The reasons why this issue should be seriously considered are not only enormous direct costs of insurance from unemployment (compensations and other benefits), but also costs in the form of lost production and wages, loss of tax revenues, rise of public expenditure and others. Because of this and many other negative effects, we can say that the reduction of unemployment will be the main preoccupation of governments of most countries in further period.

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PART TWO

CREATIVITY AND INNOVATION IN SMES - LEADING FROM THE EDGE



KNOWLEDGE AND INNOVATION AS A SOURCE OF COMPETITIVE ADVANTAGE OF SMALL AND MEDIUM SIZED ENTERPRISES

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Abstract

Knowledge and innovation have always been a driving force of sustainable competitiveness of small and medium sized enterprises. In the current economy, where market uncertainty, globalization and rapid technological changes are constantly reshaping the world, attention to knowledge and innovation as a source of survival and success of small and medium sized enterprises have become essential. This paper aims to explain the importance of knowledge entrepreneurship and innovation on competitiveness of small and medium sized enterprises. Throughout the paper, we will discuss knowledge and innovation principles and emphasis the way that knowledge and innovation are used for creation of competitive advantage of small and medium sized enterprises.

Key words:*knowledge, knowledge management, innovation, competitiveness, competitive advantage, small and medium sized enterprises, VRIO framework*

INTRODUCTION

Market uncertainty and constant changes that reshape the world have never been as dramatic as in today business world. Constant technological changes that make new technologies obsolete after just couple of year, switch of business focus from local and multinational to global markets and global economic crises have forced companies to constantly strive toward the new ways of creating sustainable competitive advantage. As the financial resources became hard to obtain due to current economic conditions, while other resources became easily imitated due to the increased globalization, the only source of competitiveness for small and medium sized enterprises became constant innovation. In order to be able to successfully innovate, small and medium sized enterprises need to create solid knowledge based that will allow them to search for, identify and take advantage of market gaps by creating strategic innovation that can fill those gaps and provide customers with new value.

In this paper, we will use the analysis of the existing papers from the areas of knowledge, innovation and competitive advantage to show how the implementation of knowledge and innovation can lead small and medium sized enterprises toward obtaining sustainable competitive advantage. Focus of the finding from this paper is aimed toward small and medium sized enterprises because the gains that they can have from the implementation of knowledge and innovation principles for creating sustainable competitive advantage is much more noticeable that the impact it would have on large multinational enterprises, as the large multinationals can easily use other resources to gain competitive advantage.

We will explain the importance that knowledge and innovation have on the creation of sustainable competitive advantage by showing how knowledge and innovation influence resources, as the single most important sources of company's competitive advantage. As the most common analysis of resources as a source of competitive advantage comes from VRIO framework, we will explain how each of the VRIO characteristics is influenced by either knowledge or innovation.

At the beginning of the paper, we will take a look at the existing literature on the subject of knowledge by focusing on the definition of knowledge and explanations of why knowledge have become important in late twentieth century's academic researches. Further on, we will explain the concept of knowledge management as the process that allows knowledge to be transferred into important revenue creating resource. Based on the empirical evidences found in analyzed articles, we will explain how knowledge impact innovation process, and then together with innovation, impact the creation of sustainable competitive advantages for small and medium sized enterprises.

Second part will focus on defining innovation through the eyes of some of the most important theorists on subjects of entrepreneurship, innovation and knowledge, Schumpeter, Drucker and Kotler. We will draw a conclusion of the core of

innovation from their definitions on innovation. Innovation strategies, principles and sources of innovativeness will be analyzed in the following part with the explanation of the difference between conventional and value creation strategic logic. We will explain commercial value of innovation and conclude second part with short overview of the importance that developed countries put on innovation processes. The importance of innovation process is analyzed through the important measures such as the European Innovation Scoreboard and the Global Innovation Index.

Third part defines the concept of competitive advantage and explains competitive advantage management through Porter's five competitive forces model. Finally, we have explained the VRIO framework that will be used as an explanation tool on which knowledge and innovation have greatest influence.

In the conclusion part, we have combined findings from literature overview on subjects of knowledge and innovation with VRIO framework that influences company's competitive advantages and showed how exactly knowledge and innovation influence each of the elements of the VRIO framework. We then explained why it is more important to use knowledge and innovation on VRIO framework in small and medium sized enterprises then it is for large multinational corporations.

The main hypothesis that we want to prove from the analysis of current literature on the subject is that knowledge and innovation are very important source of sustainable competitive advantage for small and medium sized enterprises.

KNOWLEDGE

Knowledge is a major organization's resource. Need to manage knowledge in small and medium sized enterprises were never so demanding than in today's turbulent economic times. However, both general knowledge and industry specific knowledge are worthless unless they are used in such way that companies can meet and surpass their goals by the implementation of specific knowledge (Phiips, Prieto, 2012, page 1). In other words, companies need to search for the ways of how to use the knowledge they have obtained in a way that will bring them the advantage over market competitors. It is generally accepted that in order to drive a company growth and create sustainable competitive advantage, the company needs to constantly search for the implementation of new knowledge (Carlsson, 2009, page 1). That's why small and medium sized enterprises need to understand the need to gather, use and manage knowledge in order to gain resources necessary for creating innovation that will lead them toward obtaining competitive advantage.

The key to gain knowledge is in a creation of an effective knowledge culture in which people would share the knowledge and create an ideal environment and culture for knowledge and innovation process (Talebi, 2009, page 3). Even though people were using knowledge and innovation in conducting business from the times of the first commercial activities, it is just from the second part of the

twentieth century that knowledge and innovation have been recognized as the important research disciplines by eminent business professors and researchers. 1970's were marked in business world of western cultures as years in which focus has shifted toward the increased usage of intangible assets, such as knowledge, creativity and ideas. In other words, the source of success has shifted from physical capital to knowledge capital (Jaksić, Jaksić, 2012, page 2). In the same period, Drucker has defined entrepreneurs as "someone who maximizes opportunity", thus indirectly pointing the need for knowledge, as the opportunity in the market can only be recognized by someone who have a knowledge about market, current trends and industry. However, using knowledge to simply recognize the opportunity is not enough for a creation of base for competitive advantage. In order to use knowledge in the right way, small and medium sized enterprises need to put that knowledge into practice by using the principles of knowledge management.

Knowledge management is a range of actions aimed at identification, collection, processing, usage and storing of knowledge gained from processed data, skills and experiences of company's employees. In recent times, there is more and more management literature that stresses out the importance of knowledge management. According to Durst and Wilhelm, many researchers are paying a lot of attention to knowledge management and see it as a "decisive in order to remain competitive" (Durst, Wilhelm, 2011, page 1), but still there is not too many research on the impact of knowledge management on small and medium sized enterprises. This trend should change in the future since small and medium sized enterprises can use knowledge management in order to decrease their dependence on other resources, which are more available to large enterprises then to the small and medium sized enterprises. When knowledge management is organized in a right way, it gives company knowledge-based resources that are very hard to imitate by competitors, while in the same time they can be successfully implemented inside organization. Besides the creation of knowledge-based resources, knowledge management also positively affects creativity among employees, while creativity can further influence innovations and thus create competitive advantage for company (Phipps, Prieto, 2012, page 2). As authors El-Kot and Gamal argues, knowledge management is critical for innovation since the innovation itself is knowledge intensive, and knowledge management contributes to the creation of sustainable competitive advantage through organizational innovativeness (El-Kot, Gamal, 2011, page 6). El-Kot and Gamal have proved this hypothesis by empirical tests of the relationship among knowledge management, organizational innovativeness and sustainable competitive advantage. The tests showed "statistically significant and positive" relation between knowledge management and organizational innovativeness, as well as "positive and statistically significant" relationship between organizational innovativeness and sustainable competitive advantage, and also showed interrelation among these three variables so that in order for knowledge management to impact sustainable competitive advantage, knowledge management must have impact on organizational innovativeness (El-Kot, Gamal, 2011, page 10).

Since knowledge, through knowledge management, is most likely the most important resource of company's competitive advantage, small and medium sized enterprises should always work on identification, improvement, development and employment of their knowledge (Omerzel, Gulev, 2011, page 4) so that they can assure they have sustainable competitive advantage. Authors Omerzel and Gulev also argues that knowledge is a necessity in today's global competition, because companies that have more knowledge than competitors will be able to act faster on market changes, and to recognize and take advantage of the newly created market opportunities. As the competitiveness has become global, companies are more and more pushed into constant search for the sources of sustainable competitive advantage. In order to do so, companies need to do things differently and the only way to do so is to apply their knowledge and to find the new opportunities on the market. If the company fails to use its knowledge capacities to position itself on the market, there is a risk that competitors will use their knowledge and fill the newly created market gap.

INNOVATION

Innovation is the basic force that drives entrepreneurship and business development (Darnay, Magee, 2007, page 605). Research on topic of innovation has started with Drucker who created theoretical foundation of business innovation and later with Clayton Christensen who directed businesses to pursue the path of destructive or sustainable innovation to achieve growth (Gupta, 2011, page 141). Innovation is very complex process and thus it has many definitions provided by different authors. Shumpeter, Kotler and Drucker have all tried to define innovation (Mitra, Borza, page 342). When we look at Shumpeter's definition of innovation as a process that is manifested in five categories; creating a new product or improving an existing one, introducing new methods of production or transportation, finding new markets, identifying new sources of raw materials and materials and creating an industrial enterprise and then check Porter's definition of innovation as a system, process, method, product or service totally new or significantly improved, which has a commercial success, and Drucker's definition of innovation as a specific tool which exploits change as an opportunity for a business or different service (cited in Mitra, Borza, page 342) that goes through the phases of invention and commercialization (Jia-Sheng, Chia-Jung, 2010, page 111), we can see that the core of innovation is to find a way to act differently than the rest of the market while creating a profit from this process. Innovation can occur in many ways, like for example innovation through the creation of new market space or creation of new value curve (Kim, Mauborgne, 1999, page 85), and it can be incremental architectural or discontinuous (O'Reilly, Tushman, 2004, page 77). Discontinuous innovation is radical advances that can reshape the industry, while architectural innovation refer to technological or process advances

that will change some elements of business. Incremental innovation represents small improvements in products or processes, but those small, minor changes are usually not considered as a part of innovation process, since the change that occurs through innovation should be disruptive. According to Christensen, Johnson and Rigby, there are two strategies that will assure the creation of disruptive innovation that will lead to growth and new competitiveness (Christensen, Johnson, Rigby, 2002, pages 24-27):

1. Creating a new market as a base for disruption
2. Disrupting a business model from the low end by disrupting the business model of the industry leader

Scholars and practitioners generally agree that businesses should pursue disruptive innovation, through both external factors like economic environment, competition and market conditions, technology, government actions, industry life cycle stage, environmental dynamism and environmental uncertainty, and internal factors such as organizations' structure and processes, organizational size, organizational knowledge and information and organizational complexity and top management education (Tienne, Mallette, 2012, page 1). It is said that innovation is the core influencer of the organizational growth, as it can be seen from the following figure:

Figure 1 – *Innovation as an influence of growth (based on a model of the entrepreneurial process by Bygrave and Zacharakis (Bygrave, Zacharakis, 2011, page 50))*



In order to generate innovativeness, small and medium sized enterprises should constantly search for new opportunities for innovation. These opportunities can come from the following of innovative behavior principles. According to Stojković, there are seven principles of innovative behavior that can lead to discovery of new innovations. These principles are (Stojković, 2011, pages 316-317):

1. Innovativeness must be in the core of the enterprise
2. Market competition pushes companies to innovate
3. Everyone should be allowed to develop innovative abilities
4. Innovativeness and tendencies to innovate are a specific state of human being
5. Innovativeness integrates a number of goals
6. It does not have to be original creation
7. A successful innovator is concentrated on possibilities rather than on risks.

Company that follows innovative principles can find innovation possibilities from several sources. Drucker argues that there are seven sources of innovative possibilities (Drucker, 2010, page 88)

1. The unexpected success, failure or external event
2. Non-coincidence between reality and what ought to be
3. Innovation based on process need
4. Changes in economic or market structure that surprise everyone
5. Population changes
6. Changes in perception, moods and meanings
7. New scientific and non-scientific knowledge

Besides above mentioned principles and sources, small and medium sized enterprises must also think about formality and informality in their structures in order to create innovative culture. As small and medium sized enterprises are usually considered as a risk takers, with low resistant to change and high tolerance of ambiguity, they tend to have informal organizational culture. This is important for their capabilities to innovate, as the informal structure is flexible enough to provide organization with freedom to innovate and to take risks toward disruptive innovations, while, according to Narayanan, formalization stifle innovation (cited by Terziovski, 2010, page 893). Informal structure will eventually lead organization toward value innovation strategic logic in which innovation as a base of future competitive advantage will be created. Kim and Maugborne have compared value innovation logic with conventional logic and found out that with innovation logic, companies can create such competitive advantage that will make competition irrelevant:

Table 1 – Comparison of two strategic logics (Kim, Maugborne, 1997, page 102)

The five dimensions of strategy	Conventional Logic	Value Innovation Logic
Industry assumptions	Industry's conditions cannot be shaped	Industry's conditions can be changed
Strategic focus	Company should beat the competition	Company should not bother to fight competition. Instead it should create new value
Customers	Segmentation and customization are basis for expanding customer base	Increase customer base by offering considerable increase in value
Assets and capabilities	Use its current assets and capabilities	Don't be constrained by current assets and capabilities, but think in terms of what could be done if the company is just starting a business
Product and service offerings	Maximize value of current offerings	Offer solution to customers even if it goes beyond industry's traditional offerings

Commercial application of innovation is considered as one of the most important factors for the survival and market position of small and medium sized enterprises (Alfirević, Krneta, Pavičić, 2011, page 1), since the core of being innovative means to provide improvements that can be successfully sold on the market (Schaltegger, Wagner, 2010, page 223). In order to do so, company should identify gaps in the current positioning of competitors on the market and try to fill those gaps by creating a new mass market or new value for customers (Markides, 1998, page 33). Innovation also improves companies' export capabilities (Louart, Martin, 2012, page 14), and helps company to obtain competitiveness, increase market share and growth (Waseem, Bakhtiar, 2011, page 1116).

The importance of innovation for development of competitive advantages of small and medium sized enterprises has been noticed by most countries of the developed world. According to OECD, globalization has led to new opportunities for companies to reach new markets and obtain new knowledge on which they would build sustainable competitive advantages through the innovation processes (Alam, Pacher, 2003, page 85). Innovation is also considered, together with knowledge and entrepreneurship, as most important factor of regional growth of the EU regions (Petraikos, Skayannis, Papadoulis, Anastasiou, 2011, page 81). Traditionally, European countries were more oriented toward large corporations, but in recent times, their focus has shifted toward small and medium sized enterprises sector and support to their innovation activities (Parker, 1999, page 68). It is in the core of European tradition to support innovation, as it is part of the national innovation system that coordinates universities, public research institutions and commercial sector. EU countries are measuring capacities for innovativeness of their member states plus Croatia, Turkey, Iceland, Norway and Switzerland with the European Innovation Scoreboard (EIS), and from the results of these measurements we can see that countries with developed small and medium sized enterprises that are competitive globally are part of either first group, known as innovation leader countries, or second group, known as innovation followers (Korres, Papanis, Kokkinou, Giavrimis, 2011, page 1158), but in any case, their companies are involved in innovation activities. In this year's Global Innovation Index published by INSEAD and the World Intellectual Property Organization, seven of ten top countries in terms of innovation are from Europe (Dutta, 2012, page 7). Dutta's research has also showed that developed high income and upper middle income countries are more involved in innovation activities than lower middle and low income countries (Dutta, 2012, page 17).

COMPETITIVE ADVANTAGE

Competitive advantages are a source of profits for organization. They represent an organization's distinctive competitive edge. Competitiveness represents the ability to create preconditions for high income (Viorica, page 291) and it influence not only company's domestic success, but also its international success (Rugman, Oh. Lim, 2011, page 218). Competitive advantages arise from the activities which an organization develops and they can contribute to the development of cost advantage or differentiation advantage. In other words, an organization obtains a competitive advantage when it carries out activities in a better way or at the lower cost than its competitors. These activities that lead toward competitive advantages can emerge from the pure chance, innovation, first mover advantage, differentiation etc. (Scott, 2003, page 6/50). Michael Porter speaks about gaining competitive advantage through managing five competitive forces (Porter, 1979, page 9):

1. Threat of New Entrants – represented by the ease or difficulty with which new competitors can enter an industry
2. Threat of Substitutes – represent the extent to which substitute products can impact an industry
3. Bargaining Power of Buyers – represent the degree to which buyers have the market strength to influence competition in an industry
4. Bargaining Power of Suppliers – represent the degree to which suppliers have the market strength to influence competition in an industry
5. Current Rivalry – represent current rivalry in an industry

When successfully managed, Porter's competitive forces can bring competitive advantage to the company. In order to have an advantage, company must create such value that is difficult for competitors to emulate. By doing things that competitors cannot emulate, company can secure not only competitive advantage, but sustainable competitive advantage. Sustainable competitive advantage means that company continues over time to effectively exploit resources and develop core competencies that enable an organization to keep its edge over its industry competitors. Building competitive advantages by emphasizing resources and capabilities is known as the Resource Based View (Phipps, Prieto, 2012, page 48). Resource Based View links the competitive advantage of organization with resources and capabilities that are specific for given company (Omerzel, Gulev, 2011, page 335). When talking about resources, we speak about material and financial resources, as well as non-material resources. Parts of non-material resources represent knowledge through human resources and innovation. Importance of resources for this paper can be seen through VRIO framework of resources that raise questions of value, rarity, easiness to imitate and organization of

resources. VRIO framework helps company to answer whether its resources can lead toward sustainable competitive advantage or not. All resources that are valuable to company, but not rare can only lead toward competitive parity, so therefore resources must be rare so that they can bring competitive advantage to company. However, if the resources can easily be imitated, then the company can have competitive advantage only temporary. The only way that company can have sustainable competitive advantage is to find or create resources that are in the same time valuable, rare, hard to imitate, and that company itself has knowledge and capacities to use those resources.

CONCLUSION

Throughout this paper we have showed that importance of knowledge for small and medium sized enterprises lies in the fact that knowledge allows organization to recognize market gaps and the need to innovate. Organization that poses and successfully manage knowledge can act faster on market changes than competitors, as it already know how their market functions and where the potential market gap can be found. We have showed that companies need to actively search for knowledge, collect, and use and store it. By successfully managing knowledge, company will be able to identify new valuable and rare resources on the market and it will be able to secure successful new resource implementation inside organization by sharing the knowledge internally. Besides direct impact on identification and implementation of new resources, knowledge also influence innovation processes in organization that further influence creation of resources that are hard to imitate and thus provides company with sustainable competitive advantage.

In the second part of this paper we have showed the importance of innovation for the creation of sustainable competitive advantages. Innovation allows organization to identify gaps in the current market or to create a new value for customers. It allows company to act differently than the rest of competitors on the market and by that to create completely new customer base. It basically gives a company the early mover advantage that makes competition irrelevant. When combining innovation principles with competitive advantage through VRIO framework, we can see that innovation directly influence resources by identifying and creating hard to imitate resources. In this way, and combined with the influence that knowledge has on resources, company can obtain a sustainable competitive advantage as it can fulfill all the requirements described in VRIO framework. In other words, by using knowledge about current market and industry trends, company can innovate by filling the gaps on the market, that none of the competitors have managed to identify, by identifying and using new resources that are valuable and rare and in the same time hard to imitate. Additionally, inside knowledge sharing will allow quick and easy implementation of the resources inside organization.

Both knowledge and innovation as sources for the creation of sustainable competitive advantage are crucial for small and medium sized enterprises. As it was argued before, companies are using both material and non-material resources in order to create competitive advantage. Large companies and especially large multinational enterprises have better access to material resources than the small and medium sized enterprises. When talking about material resources, we do not only speak about physical, but also about financial resources. Large multinational enterprises can disperse costs by producing by low cost workers abroad in their subsidiaries; they can diversify by producing different product portfolios in which losses of one product line can be covered by gains from other; they can lower costs of government taxes by money transfers among their international subsidiaries; they have better access to bank capital and, as current economic crises have showed, national governments are more willing to help survival of large multinationals by providing them with budgetary rescue funds. On the other hand, small and medium sized enterprises do not have a lot of access to these sources of funding, nor they have enough maneuvering space to lower costs by switching operations between different international subsidiaries, as most small and medium sized enterprises are operating from one central place. For these reasons, the best way for small and medium sized enterprises to obtain sustainable competitive advantage is through constant use of knowledge management and innovation principles. This way, small and medium sized enterprises can create a new market space by providing new, innovative value to customers that is based on the newly created resources that are rare, valuable, and hard to imitate and that are successfully implemented inside organization.

Analysis of the literature on the subjects of knowledge and innovation and how they influence competitive advantage capacities of small and medium sized enterprises have proved our hypothesis that knowledge and innovation are very important source of sustainable competitive advantage for small and medium sized enterprises.

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THE IMPORTANCE OF KNOWLEDGE MANAGEMENT FOR SMEs IN EU

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Abstract

Knowledge is the crucial factor of great importance for small and medium-sized enterprises (SMEs). If knowledge is used properly, it can help SMEs to become more competitive and innovative. It is necessary to clearly identify the priorities of SMEs in the EU. One of the most important priorities is the development of knowledge management. Knowledge management is a practical tool for SMEs in the EU. A large number of benefits are realized by applying knowledge management. SMEs must have an educated work force that will be able to use modern technology and innovative programs in the company. Knowledge management is no longer of great importance only for large companies, but also SMEs. Precisely, SMEs are focusing on finding appropriate ways to take advantage of the intellectual capital. The aim of this paper is to provide a better understanding of knowledge management in SMEs in the EU. Although research in the field of knowledge management start to intensify in SMEs, still a relatively little attention has been paid to understanding the problem of knowledge management. It is necessary to point out the advantages and disadvantages of knowledge management in SMEs in the EU. Knowledge management is becoming a key factor for economic success, both for the company and for the region in which the company operates.

Key words: *knowledge management, SMEs, EU, company, advantages, disadvantages, innovation*

INTRODUCTION

The world economy has moved from the industrial era to the new era of knowledge. Knowledge is at the heart of global economy and managing knowledge became vital to the success of the company. SMEs own a great amount of knowledge that is situated in the databases, documents, and work procedures as well as being held by the employees. At the start of twenty-first century, there is still a lack of systematic evidence of knowledge management activities. However, we are now beginning to recognize the need to understand and to measure knowledge management activities with the aim of ensuring that organisations are better able to improve their performance, and that governments are prepared to develop and adopt policies promoting these benefits. Knowledge management is a multidisciplinary concept. It is important to emphasize that SMEs which manage knowledge better will deal more successfully with new challenges in business environment. SMEs in EU are focusing on finding appropriate ways to take advantage of the intellectual capital.

THE DEVELOPMENT OF KNOWLEDGE MANAGEMENT

There are five key trends in environment in which businesses operate today: globalization and the increasing intensity of competition; changing organizational structures; new worker profiles, preferences and predispositions; advances in information and communication technology; and the rise of knowledge management. Knowledge is a product of thinking. The challenge for organisation is to be able to capture that knowledge and to leverage it throughout the organisation. Organisations have a wealth of knowledge which, is embedded in people's head, work practises, and systems. Knowledge management is a philosophy that effects the entire organisation, processes, culture, people, technology, systems, structure, size and external forces. All of these factors need to be taken into account in implementing knowledge management successfully. It is now accepted by the business world that knowledge and the production of ideas are among the most important factors for company success. The present empirical knowledge relating to the knowledge management (KM) of firms, especially small and medium-sized enterprises (SMEs), is unsatisfactory. Knowledge management is the management of information within the organisation by influencing the three corporate building blocks in the following ways (Knowledge Board) :

- Corporate strategy- Corporate strategy is concerned with the organisation's goals, finance, its interaction with customers, and employees.
- Corporate culture- Corporate culture can be defined as the norms, values, and views shared among employees within the organisation.
- Systems- Systems refers to the information systems, procedures, instruments that provide timely, appropriate, understandable, accurate, and directed information to support the operational, tactical, and strategic functions of knowledge management.

Intellectual capital is an attempt to assign financial value of organizational knowledge (personal and conventional). The intellectual capital of the organization can be divided into human capital (knowledge, skills, inventiveness, innovation employees) and structural capital. Structural capital includes buyers as equity (quality customer satisfaction, loyalty, sensitivity to price changes), and organizational capital. Academics and practitioners have proposed a number of definitions of intellectual capital. Their common characteristic is that they all agree that intellectual capital consists of specific and organized information which can be used by a firm for a productive purpose. (Cohen, Kaimenakis, 2007) Pure intelligence organizational members is the basis of human capital. Human capital is analyzed through three dimensions: capability and potential, innovation and learning, motivation and commitment. Capability and potential include concepts such as professional skills, education level, experience, the ability of employees to evolve within the organization, dok innovation and learning shows the degree to which employees are open to change. Motivation and commitment related to the willingness of employees to align their interests with those of the company.

Intellectual capital is analyzed into the following two components: human capital and structural capital. Human capital includes employees' capabilities, skills, knowledge, technical expertise, etc. that are currently used (or can potentially be used) in order to create value for the firm. On the other hand, structural capital is the infrastructure firms develop to commercialize their intellectual capital. This component includes organizational capital (OC) which consists of the embedded knowledge the firm possesses that drive its performance, as well as relational capital (RC) which embraces all the relations the firm has established with its stakeholder groups (such as customers, suppliers, the community, the government Intellectual capital). The main objective of the management company should be the transformation of human capital into organizational capital, because it insures the long-term development of the company. (Cohen, Kaimenakis, 2007)

Knowledge management research is focused on large firms, yet SMEs are likely to be knowledge generators. Knowledge management is important for business if the initiative implied an advantage for the customers. The idea to implement the customer's requests-may be internal or external-is the base for including the customer. Knowledge management is a support for creation, storage, reformulation and use of knowledge. If you follow a structured model, knowledge management can be effective. Business processes are modeled by structured actions and they are necessary to deduce knowledge-intensive processes. The success of knowledge management depends on the measurement of knowledge. There exists a similarity to the measurement of business processes. The measurement of the knowledge potential provides a central position and biases the success. Holistic approach affects knowledge management. Every part of the business process modeling is important for success but every aspect should be considered (Fink, Ploder, 2009) . There are two major strategies of knowledge management:

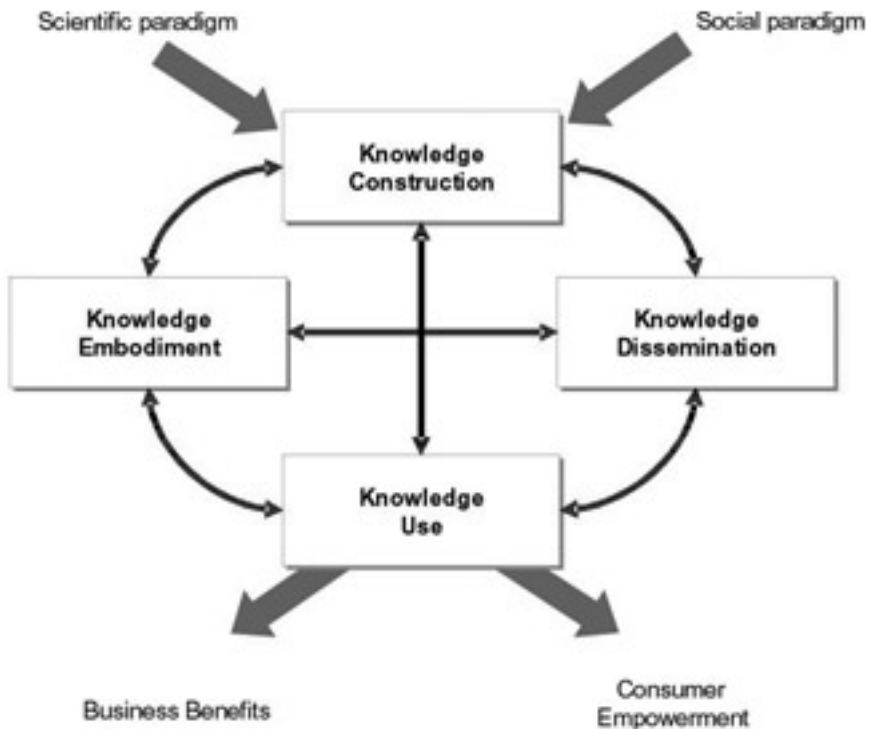
- Codification - uses a central database which stores documents.
- Personalization - is associated with individuals who have developed the knowledge and share it only through personal contacts.

Verbal communication is the basis for the transfer of information and knowledge in the organization. Writing reports, projects, reporting all of this is an example of limited verbal communication. Tacit knowledge can only be transferred through personal communication. It is the case of complex technology exchange. Much of the organization has adopted a strategy based on personalization that have developed mechanisms for sharing of tacit knowledge, and that includes dialogue, learning history and storytelling, and communities of practice. The majority of firms have invested in ICT technology, such as Internet and Intranet, data warehousing and groupware, but few had invested in advanced knowledge management technology (document management systems, decision support). The most common ways to share tacit knowledge in Icelandic firms are to encourage face-to-face communication, arrange knowledge conferences and share learning histories. (Sparrow, 2005)

The ultimate goal of knowledge management should be to attain the appropriate balance between control and self-organisation within the network. In knowledge management, a prime distinction has to be made between tacit or implicit and explicit knowledge or different knowledge types such as practical understanding (know-how), theoretical understanding (know-why) and strategic understanding (know-what). (Sparrow, 2005) The objectives of knowledge management are both making the company acting intelligently as possible with the aim of success as also realize the best value of its knowledge assets. There is a group of authors who do not define knowledge management as a process, but as a series of procedures, organizational policies and technology uses aiming at increasing the efficiency of a group's or an entire company's decision-making process. Although knowledge management has become a widely accepted business practice, companies still struggle to measure its dimensions and its impact on the economic benefit. Very few organizations get everything right when first implementing knowledge management in practice. However, by introducing appropriate measures, firms will be able to see what needs to be adapted, improved, or changed. Likewise, since all managers and employees wish to have a goal in mind when implementing knowledge management, the measures should help them understand when and where they have been successful. Since the form of measurement may differ across organizational contexts, the challenge for management is to find the right mix for each specific organization or programme.

The theory of knowledge management does not assume one given definition of knowledge, but adopts a more holistic approach linking knowledge to social and learning processes. There are four stages in the knowledge management process, 'knowledge construction,' knowledge embodiment,' ' dissemination ' and finally 'use,' but it adds 'emancipatory enhancements' through employee use of knowledge and subsequent empowerment. (Krishnamurthy, 2003)

Figure 1. : Knowledge management process



There are many different approaches to the creation of knowledge and approaches to knowledge management. We can discuss about various perspectives of knowledge creation and conceptualization. From a positivist perspective, knowledge is 'true fact' which can be objectively observed. From an interpretivist or constructivist perspective, knowledge is negotiated by people in day to day interactions, and can only be communicated subjectively. There are three models of knowledge used in a management context (Krishnamurthy, 2003) :

- Intellectual capital models
- Knowledge category models
- Socially constructed models

Figure 2.: Key thinkers and characteristics of knowledge management models

Model	Characteristics	Key Thinkers
Intellectual Capital	<ul style="list-style-type: none"> • Objectivist stance. • Knowledge is objectified, measured, valued and controlled. • Focus is on explicit or tangible knowledge. • Neglects social processes. 	<p>(Stewart, 1997)</p> <p>(Edvinsson, 1997)</p> <p>(Van Buren, 1999)</p> <p>(Roos & Roos, 1997)</p>
Knowledge Category	<ul style="list-style-type: none"> • All knowledge can be identified and categorized. • Focus is on dichotomies (e.g. tacit / explicit, personalized / codified). • cursory consideration of social processes. 	<p>(Nonaka et al., 1995)</p> <p>(Hedlund, 1994)</p> <p>(Carayannis, 1999)</p> <p>(Earl, 2001)</p>
Socially Constructed	<ul style="list-style-type: none"> • Constructivist stance. • Holistic approach to knowledge. • Knowledge cannot be controlled. • Focus is on communication and knowledge created through social processes. 	<p>(Clarke & Staunton, 1989)</p> <p>(Demarest, 1997)</p> <p>(McAdam et al., 1999)</p>

THE ELEMENTS OF KNOWLEDGE MANAGEMENT

Knowledge management is too important to be ignored by managers. Knowledge content, process and context need to be carefully managed in order to create value for an organization. Knowledge management needs to be integrated into the strategic management of the organization. This can be achieved by building knowledge management awareness, determining its intended outcomes, auditing and valuing knowledge assets and resources, and by developing and implementing knowledge management solutions that have the best potential to add value to the organization. SMEs generate new knowledge and encourage innovations. Generally, these innovations tend to be proposals or ideas for new products or services, new clients, new and improved business services and new ways of using knowledge. In successful SMEs, knowledge management tends to be driven by business strategy.

Knowledge management can help SMEs to become more competitive, innovative and sustainable. One of the relevant features of knowledge management is undoubtedly creating an environment of mutual trust in the company, and also persuading the management to be willing to share their knowledge with a view to improving the company's overall success. In brief, knowledge management covers the entire span of knowledge acquisition, creation, development, storage and practical use, with the focus on the individual as both resource and a value. The most important effect of knowledge management is maximizing value for customers. Knowledge management is fast evolving into an independent discipline with its own sub-theories, terminology, tools, and practices, etc. Hereinafter, we shall focus on five elements: the acquisition, storage, transfer and use of knowledge and measurement of the effects of knowledge management.

1. Knowledge acquisition

Although a great number of companies do have knowledge at their disposal and exploit it efficiently, new knowledge, which is necessary with a view to satisfying consumer demands and creating added value, is being generated too slowly. KM all too often involves only the dissemination and exploitation of a company's existing stock of knowledge, while insufficient attention is paid to acquiring new knowledge, although this is essential for realising the set objectives. There is an enormous potential for developing the additional knowledge needed to deliver greater value to customers and stakeholders and therefore for the performance improvement. The aim is to acquire as much knowledge as possible, irrespective of its source, and thus enable a company's progress and successful operation. Within an organization, the process of creating knowledge at the level of the individual takes place in the form of classical individual learning, while at the level of an undertaking one can speak of group or team learning. It is important to develop knowledge into explicit knowledge through joint activities of different groups employed in a company. A company should develop an appropriate environment of knowledge sharing, knowledge transformation, and its integration between the employees. Those companies which continuously generate new knowledge, disseminate

it and effectively integrate it into their working practices that are successful. The creation of knowledge is the result of the interaction between tacit and explicit knowledge

2. Knowledge transfer

Knowledge is of the greatest value to a company when it is used by as many employees as possible. Ideas have maximum impact when the majority, and not only a small group, of employees are acquainted with them. Explicit knowledge stored in the form of documents and databases is efficiently transmitted through different media, both electronic and mechanical. Tacit knowledge, however, is not as easily transmitted, since it is mainly stored in individuals. This type of knowledge is most often transmitted through experience sharing. Since communication between employees generally contributes to the creation of knowledge, companies need to create a culture which encourages such interchange. Information and knowledge transfer at both the individual and organizational level is vital to fostering innovation. An efficient KM system requires information on education, experience and social capital of the environment wherein one intends to transfer knowledge. The relevance of knowledge for the achievement of the objectives set also contributes to a successful transfer.

3. Knowledge storage

The process of knowledge storage allows for the creation of a useful knowledge base. This should contain the entire usable knowledge of the organization, to which open access should be ensured. The manner in which this knowledge is stored is of vital importance: it should allow for a rapid and efficient search for and, in particular, updating of knowledge. This can be done by storing knowledge, creating knowledge maps and updating knowledge. For storing, one usually collects and processes the knowledge in electronic form, part of it can also be stored in the form of books, handbooks, documents and plans, while a further part - usually tacit knowledge- remains with the employees. Modern information technology and software allow for almost unlimited storage of knowledge. A company must choose such a mode of storage which complies most with its needs. Electronic base is a very efficient tool for storing knowledge, however, it should be well organized, regularly updated and, in particular, accessible to employees. Knowledge base should be monitored on a regular basis in order to determine whether or not it corresponds to the actual situation.

4. Use of knowledge

It is only by putting knowledge to practical use that one creates its direct utility value within a company. When using existing knowledge, one is also creating new knowledge and therefore continually returning to the initial stage of knowledge management, i.e. the acquisition of knowledge, repeatedly followed by the transfer and storage of knowledge. Since knowledge management phases are ever recurring, employees should be continuously encouraged to put the knowledge into use. If an organization succeeds in increasing the employees' practical use of knowledge, this means that its knowledge management is successful and efficient. If an organization transfers and disseminates knowledge in an inappropriate manner, there exists the

possibility that a lot of its knowledge will remain unused. Because of the usefulness of knowledge throughout an organization, a major goal of knowledge management in the organization is currently to codify knowledge so that more people in the firm have access to it. Efficient use of knowledge requires access to diverse sources of knowledge, and also frequent contacts between employees, in order to ensure that problems are considered from different angles and thus efficiently solved.

5. Measuring the efficiency of KM implementation

The measuring process should complete the entire cycle of knowledge management. It measures achievements and determines effectiveness. The measuring process should provide information on returns from investments in knowledge as well as on the economic impact of such investments over a given period of time. Measurement results expose necessary improvements to be made or other measures to be taken. Frequently, failures in knowledge management implementations arise from incorrect evaluation. The problem however, may not lie in the design of the knowledge management system but rather in the (in)effective utilization by staff of the organization. This requires a better understanding of a system of organizational controls, so that all who are involved may successfully implement the knowledge management system. Companies that apply and bring to full development the knowledge management solutions, benefit from better decision making and notice increased performance. The measurement of the efficiency of investments in knowledge contributes to the improvement in the efficiency of an organization's performance. Results serve an organization mainly in its further decisions concerning knowledge management. (Doris, Antoncic, Ruzzier, 2011)

KNOWLEDGE MANAGEMENT SYSTEM

Knowledge is a strategic resource since it is inimitable by others and sustainable when acquired. With regard to the importance and characteristics of knowledge, companies can be defined as institutions, which interlink knowledge. Grant states that the creation of knowledge within companies is less important than the efficient and effective use and utilisation of knowledge. Systematic knowledge management in a firm includes maximising success through the creation and exchange of knowledge and skills. Lately, newer definitions of management and its role in knowledge management have been developed. In order to be able to manage knowledge in a company, one has to understand what knowledge is and how to make efficient use of it. One has to be able to understand all knowledge-related processes as well as establish formal and informal communication structures and create networks which allow for the dissemination of knowledge within a company. This means that companies which wish to perform successfully in the hyper-competitive global market need to make maximally efficient use of all their resources. The goal of knowledge management is not primarily to attain knowledge itself, but rather to manage the human resources who already possess such knowledge.

There are various definitions management knowledge, one of the definitions is that the local community is the process through which organizations generate value from its assets, which are based on the intellectual and level of knowledge. (Gray, 2006) Knowledge management is a practical tool in any organization. Authors can be classified into two groups according to their definitions of knowledge management, namely: into a group of those who define it as a process and into a group of those who understand it as a form of organizational policy. Sometimes managers are unable to exploit all the knowledge accumulated in the company and this could be the reason for non-performing their business successfully. Knowledge provides information about the effectiveness and the fulfillment of its business objectives in accordance with the features of the environment. There are two types of knowledge: explicit knowledge can be expressed in a formal language and exchanged between individuals, and can be used by anyone who is available, and implicit knowledge (personal knowledge). Knowledge management system needs to use appropriate technologies to support both explicit and tacit knowledge. Enterprises are successful when they generate new knowledge by converting of implicit knowledge into explicit knowledge and put emphasis on the importance of linking internal and external sources of information. In the knowledge-based economy, an organization's capability to create new knowledge by combining new and existing knowledge is a key success factor. (Valkokari, Helander, 2007)

The impact of knowledge management on the financial success of the company has not yet been adequately researched. Knowledge management has an influence on corporate success in small- and medium-sized enterprises (SMEs). SMEs should be able to enhance their performance and competitive advantage by a more systematic approach to knowledge management. (Salojarvi, Patrick, Sveiby, 2005) A knowledge management system (KMS) is a system that includes all methods that are used to manage knowledge. Management information system (MIS) is complete information system of a business. Knowledge based management information system (KBMIS) is set up by integrating the knowledge management system (KMS) into the management information system (MIS). This may help the management of small and medium enterprises to effectively use information and knowledge resources without creating a special knowledge management system. The objective of launching KBMIS is to build an effective, timesaving and change adapting management information system for small and medium-sized enterprises (SMEs). The KBMIS is relevant in the current business environment as knowledge and information management has become a key issue in the business practices of SMEs. Knowledge management is a discipline that seeks to improve the performance of individuals and organizations by maintaining and leveraging the present and future value of knowledge assets. Knowledge is a fluid mix of framed experience, values, contextual information, expert insight and grounded intuition that provides an environment and framework for evaluation and incorporation of new experience and information. Spreading knowledge around an organization depends on a flexible organizational structure; behavioral change; inspiration and the removal of obstacles to informal contact. (Green, Liu, Qi, 2009)

SMEs AND KNOWLEDGE MANAGEMENT IN EU

The organisations are enabled to create, identify and renew the company's knowledge base and to deliver innovative products and services to the customer through knowledge management. Knowledge management is a process of systematically managed and used knowledge in an organisation. The knowledge management process is designed to increase profitability and competitive advantage in SMEs. Knowledge management is more than the technological solutions provided to give people access to better and more relevant information. An effective knowledge management system must integrate people, processes, technology and the organisational structure. The success and growth of SMEs depend on how well they manage the knowledge of their knowledge workers. Managers in SMEs must understand that the creativity of all knowledge workers lead to customer satisfaction and success in SMEs. In 2000, the European Council set the clear strategic goal for the European Union (EU) of becoming "the most competitive and dynamic economy in the world, capable of sustaining economic growth with more and better jobs and greater social cohesion" by the year 2010. SMEs do not have much money to spend on initiatives to manage knowledge, so that knowledge must be used so that goals can be achieved in an effective and efficient manner. SMEs play a key role in European economic performance because they make a high percentage of the gross domestic product (GDP) and employ about two-thirds of the European workforce. SMEs should be able to improve their performance and competitive advantage through implementing knowledge management. (Fink, Ploder, 2009)

SMEs have between 20-50 employees. SMEs tend to be relatively more dynamic and agile than larger organizations, and more ready to learn. It is important to provide good knowledge management practices in SMEs in order to en-sure their competitiveness in the new business environment. There is no 'one size fits all' approach to KM. The success of any knowledge management initiative is determined by its impact on the organization. It is of great importance to develop new knowledge and to utilize existing knowledge in order to ensure the organization's long-term competitiveness and success. (Handzic, 2006) Frequent changes that are happening in the markets that affect small and medium-sized companies who constantly looking for ways to survive, grow and be competitive. For most types of SME, there are a number of areas of relevant knowledge - the existing organisational and technical knowledge base, the acquiring of new knowledge (usually through learning, training or transfer) and the creation of new knowledge (innovation and operational improvements). Thus, SMEs face major challenges:

- keeping the firm's capabilities, resources and routines up to date;
- maintaining the owner-manager's entrepreneurial and management competences;

- acquiring new knowledge, which raises issues concerning the source of information (formality/informality, education/experience), the internal absorptive capacity for interpreting and absorbing the new information as applicable knowledge and the use of the new knowledge; and
- creating new knowledge, which also raises very interesting and challenging issues concerning innovation, creativity, and strategy.

Many SMEs wish to share knowledge, as they see cooperation with customers as a route to survival. For example, SMEs are frequently involved in product design for larger customers. Design involves innovation and understanding customer needs; yet this knowledge is seldom integrated into a wider strategic perspective, due to SME preoccupation with day-to-day viability. Lisbon Agenda declares that the aim for the European Union is to become the most dynamic and competitive knowledge-based market in the world. Small and medium-sized companies (SMEs) are especially affected by this plan being the driving force of Europe's economy. Knowledge Management is a key factor for economic success in SMEs. SMEs are driven primarily by customer needs and their competitive environment affects the owners' perception of risk and business failure. (Levy, Loebbecke, Powell, 2003) Most SME networks are hierarchical supply-chain networks established to sustain client satisfaction. Successful organizational knowing requires common sense-making and communication processes. Knowledge creation and organizational learning are possible only if the organization's culture supports open knowledge distribution. Knowledge sharing is essential for the functioning of business networks. (Valkokari, Helander, 2007)

A lot can be done in the field of KM in the SMEs. Entrepreneurs and managers should encourage and recommend their employees to apply and use the whole amount of their knowledge in work processes and business practice. Employees should be enabled to discuss their needs for knowledge and they should not be penalized if they make mistakes using and applying new knowledge. All kinds of training and learning should be promoted and motivated, including the open access to internet for all employees. The knowledge acquirement through purchasing a company or by establishing strategic partnership is recommended if the firm does not have employees with required knowledge. Firms are obliged to implement firm archives, databases and well-organized computerised system with the objective of efficient knowledge storage. This is very important for an effective knowledge dissemination and exchange of knowledge within the company. Every firm should have some strategy for motivation for the knowledge application, financial and non-financial incentives are recommended. And finally, the efficiency of knowledge management implementation should be known. This is the reason why to monitor regularly the relationship between investments in knowledge and employee added value. Basic characteristics of knowledge management in SMEs may be related to the following areas (Knowledge Board):

- **Management:** In SMEs, the managers are in most cases the owners, which imply that decisionmaking is centralized. The owners in SMEs become the key drivers for knowledge management implementations. On the other side, management of SMEs have to look after every aspect of the business which gives them limited time to focus on the strategic issues relating to knowledge management.
- **Structure:** SMEs have a simple, flatter and less complex structure than large companies, which will facilitate a change initiative across the organisation.
- **Culture:** SMEs tend to have a more organic and fluid culture, than large organisations. Smaller number of people are usually united under common beliefs and values. It is easier for smaller organisations to change and implement knowledge management.
- **Human resource:** SMEs have a problem in attracting high calibre, experienced employees, because these experienced people, tend to go to larger organisations.

ADVANTAGES AND DISADVANTAGES OF KNOWLEDGE MANAGEMENT IN SMEs IN EU

Knowledge plays a key role in determining a firm's innovation capability. Knowledge, innovation and entrepreneurship are regarded as new driving force for economic growth. SMEs must shift their focus to knowledge-based economic activities in order to gain competitive advantage. Knowledge management is a relatively new term that encompasses not only on concepts of knowledge transfer and exchange of knowledge, but also the whole knowledge acquisition and utilization processes. Knowledge management refers specifically to a set of organizational routines and processes by which knowledge can be acquired, shared, transferred and exploited in the firm. (Zhou, Tan, Uhlaner, 2007) There are many benefits of using the concept of knowledge management. Knowledge experts have attempted to quantify the contribution of knowledge management expressed in the business results. Advantages that knowledge organizations can provide for SMEs are:

- Creativity and innovation by encouraging the free expression of ideas,
- Improvement of customer service and satisfaction,
- Increase revenue through better placement of products and services on the market,
- Satisfaction of employees and greater motivation, and
- Reduce costs by eliminating redundancy or unwanted processes.

In addition to the advantages, there are several disadvantages of using knowledge management in SMEs in EU:

- Insufficient time for sharing knowledge,
- Information overload, and
- Insufficient use of technology for effective knowledge sharing

KNOWLEDGE MANAGEMENT PROJECTS IN EU AND FUTURE DIRECTIONS

Today, small and medium-sized companies are increasingly forced to operate in a highly competitive environment, and it has contributed the phenomenon of globalization. Small businesses can not compete with big companies because they are limited by lack of resources. Intangible assets such as knowledge, an invaluable resource for small and medium enterprises. Knowledge if properly used, provides the opportunity for SMEs to compete and outperform their competitors and ensure your competitive value. It is necessary to emphasize the importance of knowledge management projects in EU related to small and medium- sized enterprises. Some of them are: Magister Project, Extra Project and Organik Project.

- Magister Project is developed in order to to facilitate and enhance the transition in family businesses faster and more efficiently using the available expertise and contributes to the development of new strategies of knowledge management through a common methodology and a tool for motivation and participation of group experience, education, validation of their own experiences, to facilitate the transfer of knowledge new generation. (Magister Project)
- Extra Project elaborate a set of knowledge management techniques and tools especially targeted to SME. The project aims to produce and share the best lessons learned in the field of software development for small and medium-sized enterprises based on theoretical research in knowledge management and transfer of knowledge. The transfer of experience and knowledge management contributes to improving the efficiency and competitiveness of the organization. Improved product quality and customer satisfaction can be achieved on the basis of previous experience company. The project is designed to enable small and medium enterprises to develop software based on our previous experience of the company. The aim of the project is to accumulate the past experience of companies that will contribute to the improvement of product quality, team of efficiency and customer satisfaction.
- Organik Project aims to develop of an innovative Knowledge Management theoretical foundation focused on the actual work practices of small European knowledge-intensive companies, integrating different elements of organisational structure. (Organik Knowledge Management)

Many small and medium- sized enterprises are investing in knowledge management. Educational institutions, corporate universities and learning centres are on the rise in EU. Knowledge is a strategic issue in many SMEs in EU. In future, there should be much more small and medium enterprises that will invest in knowledge management. Of the top ten countries found to have the strongest potential in this future source of wealth creation, seven are located in Europe. However, Europe's dominance here masks the varying levels of knowledge-related activities across the continent, most notably between EU member and non- member states. A few years ago, the main issue in knowledge management was the implementation and application of ICT. The focus has now shifted towards a knowledge society that values people-based organisations and environments. In addition, knowledge management is no longer the playground of large companies; much good-practice work is coming from SMEs, non-profit organisations and the public sector. The future for knowledge management across the EU will renew corporate agenda. The connection between talent management and knowledge management will be important as firms recognise that they have to manage the whole professional life of a person within their organisation. It is clear that organisations, governments and institutions see the need for widespread knowledge management practices. (Inside Knowledge, IK Magazine)

CONCLUSION

Knowledge management is a relatively new discipline, but it is fast becoming a component part of management. It is important to emphasize that knowledge management is one of the key resources in SMEs in EU. It is important to implement knowledge management solutions that combine processes, cultural adjustments and technologies that have the best potential to enhance knowledge and add value to the SMEs. Knowledge management represents one of the most significant management movements in the knowledge economy and it could bring business success in the new knowledge economy. One of the key imperatives for many SMEs is translation of individual knowledge held by key personnel into organizational knowledge. There are many benefits that are realized by applying knowledge management. Knowledge management can help SMEs to become more competitive and innovative if it is used properly. It is of great importance to headline a knowledge management as a key factor for economic success, especially for SMEs in EU.

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ENCOURAGING CREATIVITY AND INNOVATION, IN THE PROCESS OF TRANSITION, IN SMALL AND MEDIUM ENTREPRIZES (SME) AND ENTREPRENEURS IN THE REPUBLIC OF SERBIA

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Abstract

Small and medium enterprises and entrepreneurs in Serbia, and almost all the countries in transition, represent the most efficient segment of economy. If we look at isolated cases, these enterprises give the greatest contribute to employment of population able to work, gross income and the overturn, and that is why they are considered to be the framework for development of national economy of Serbia, as well as the neighboring counties.

Their role is especially significant in the phase of transition of entire economy of Serbia, which is faced with the problem of high unemployment (25,5%), low degree of economic activity, insufficient competitiveness, the quality of goods and services and the lack of investments in which the inefficient government companies without the defined structure of capital and undefined cost of the shareholders' capital because of the fluctuating rate of the national currency – dinar, are present. As a stable source of new working positions, small and medium enterprises have an important social function, because they absorb the surplus of work force created by the processes of transition and property transformation of social and state enterprises in Serbia.

Key words: *transition, innovation, creativity, systematization, education, employment, entrepreneurship, Serbia.*

INTRODUCTION

Every entrepreneur, small, medium or large enterprise has a specific value for creating GDP of Republic of Serbia.

However, some sectors of economy have a special strategic significance because of their ability of creating new value through better use of available natural resources, human resources, new technologies which has a direct influence on the increase in employment, increase of export and foreign currency inflow, encouragement of regional development and creation of conditions for Republic of Serbia to use the possibilities accomplished by development of informational and communicational technologies.

Main characteristics of small and medium enterprises and entrepreneurs, when we think about its size, flexibility, and tendency towards innovative and risky activities and more possibilities for specialization, we see that all this enables the enterprises to adapt to continuous changes of demands of customers and potential customers, buyers and users of products and services in the business conditions in the local, regional and global markets, much easier and faster than big business systems. This is the way in which small and medium enterprises encourage the strengthening of competitiveness which brings the improvement of the quality in products and services and lowering of prices, development of innovations and new technologies and their faster and more efficient beginning of the process of production, with the goal of decreasing costs in all production phases, the improvement of the product quality and services in order to create the value and the increase of economic growth and national economy in general.

In Serbia, the sector of small and medium enterprises and entrepreneurs significantly contributed to economic growth realized in the period from the political changes in 2000 until the expansion of economic global crises in 2008. Macroeconomic stability and growth in Serbia in the period from 2000 to 2008 was based largely on the high inflow of FDI (around 12,3 billion euro) and credits (around 17,0 billion euro), and the greatest part of the economic growth was related to unchangeable goods. Before the expansion of the crises the biggest part of investments was financed by foreign sources. Their share in GDP was 28%, while domestic savings was only 8%. In the meanwhile, there has been a significant growth of productivity, and relations of foreign trade were improved, because that was the result of FDI whose part in GDP was relatively high, around 7%. (Eric et al., 2012). Constant above average growth of the sector of services, which is characteristic in the countries that are in transition, is supported by the high inflow of foreign capital (banking, trade, real estate). Investments in the financial sector of Republic of Serbia were in expansion so the financial sector of Serbia was dominated by foreign capital in 2008. At the end of that year the financial institutions owned by foreigners managed around 80% of balance sum of banking and financial leasing sector, which led to increase in capital base, strengthening of competitiveness among banks, and more efficient allocation of the resources. And besides the expansion of the financial crises which came to East European countries at the end of 2008, capital inflows in the Republic of Serbia were in 2009. Bigger than the deficit of the balance of payments, because of this it was not necessary to spend the money got from IMF completely.

In the period from 2001 to 2008, SME and entrepreneurship developed greatly. Namely, significant advances were made until 2008 as regards the formulation and implementation of the policy of development of SME and entrepreneurship, and especially in the implementation of the European chart on small enterprises (Radovic-Markovic ,2010).

According to Survey of Serbia, in 2008 the number of actively operating firms in Serbia amounted to 304,017, of which 303,449 (99.8%) were private SME. According to the latest official reports, SMEs employed 940,000 workers (43.2% of the total number of employees). It is important to point out that this sector played a crucial role in creating new jobs in 2004-2008, when, due to the restructuring of economy, the number of work posts was reduced by 163,620 while SMEs employed 187,419 people (Radovic-Markovic ,2010). However, world economic crises that arose in the second half of 2008 reflected negatively on the further development of small and medium enterprises and entrepreneurship in Serbia. That caused great losses in business of SME and entrepreneurship. The majority of existing and new businesses are very small. According to a recent statistical data 95, 93% of Serbian SMEs are micro-enterprises (0 to 9 employees). Most of these micro-enterprises are self-employed people who do not create additional jobs, do not have the resources or do not want to grow (Dedjanski ,Grozdanić ,Radović-Marković and Vukotić ,2012).Inclusive with the end of 2011, total loss in private entreprizes in Serbia, according to their balances, is near 2 billion euro. (Statistical Office of the Republic of Serbia,2011).

Further development of SME and entrepreneurship is in direct function with the sources of finance. However, there is an open dilemma of stability of sources of finance because of their origin: inflow from the privatization (they are one time case) and they are usually used for keeping the liquidity, to be able to pay the employees, or the obligations that are financed from the budget of the state. Small percent of these means is used in investments, even though those are the means of foreign investors and there we can see their readiness to invest in Serbia. Remittances, although they are a relatively stable source, cannot compensate the reduction of the possibility of inflow, in the long term, based on external borrowing and direct foreign investments. Serbia is trying to attract foreign capital in the long term, but it is necessary to earn the trust of foreign capital. This is so because the amount of inflow of foreign capital and its structure of deadline and risk depend on successfulness of implementation into the reform, establishing the market economy, restructuring and privatization of other enterprises, establishing macroeconomic stability and satisfying the rates of economic growth. (Erić D.. and others,2012). Besides the risk and deadline structure of inflow of foreign capital, it is also very important to follow their effects. Small Business Act (SBA) implementation in Serbian small companies, especially female owned, consider that after the administrative burden, finding appropriate financing for SMEs is major problem in their development. The reason for this is reluctance of banks to finance the initial phase of small companies' development, luck of venture capital and microfinance (Dedjanski ,Grozdanić ,Radović-Marković and Vukotić ,2012).

ENTREPRENEURSHIP IN SERBIA - EDUCATION AND ECONOMY

In the first decade of the 21 century, Serbia has not developed enough in the area of modern technologies and quicker development of SME and economy as a whole. In order to overcome the identified problems in the section of changes in the legal framework, it is necessary to remove the obstacles such as: lack of knowledge and qualified workers especially of the third and fourth degree, because of the needs of enterprises dealing with production and providing services, which are faced with financial limits during application for credits of banks and other financial organizations.

Additional problem is the fact that brain drain, which is caused by wars and economic hardship in the nineties of the last century, continues. Many educated people still leave Serbia and the neighboring countries because of employment in the countries of Western Europe, USA and Canada, so important programs are supported by the government and EU, such as the Fund for young talents.

In order for situation in the Republic of Serbia to change, the strategy of scientific development is adopted and it is in use from 2009. It foresees that in the period of next five to ten years, at least half of the scientific capacities to be employed in the private enterprises. The priority of the program is investing in areas of biomedicine, new materials, protection of environment, development in informational technologies, as well as attaining energetic efficiency.

Besides, there is no synergy between scientific and educational institutions and the environment. (Radović Marković, 2010a). Majority of theoreticians – economists agree that it is essential for the development of entire economy in Serbia, and especially for development of underdeveloped regions that are below **60%** of averagely developed areas. The relation towards high education defines whether Serbia will be competitive at home and foreign markets with its products and services, as well as with the degree of using the natural resources and human resources.

Training of the employees and potential employees, their constant professional development, also has a role in the development of competitiveness, as well as attracting of the new and old investors. This was first noticed by the Municipality of Indjija.

If Serbia wants to have strong, competitive and efficient enterprises they have to be managed by efficient and well trained managers. The development of managerial skills and the abilities are the priority of the strategy of development of SME and entrepreneurs.

Wide spectrum of services based on providing information, business counseling and programs of trainings which help develop management, will be

provided through regional agencies and centers for development of SME and entrepreneurs. Regional agencies and centers alone will not be able to provide all services directly, since the range of services will be very broad. In most countries, specialized business consultants represent the main providers of these services in areas like financial management and planning, marketing, quality etc.

The market of services for SME at this moment, is underdeveloped in Serbia, especially outside Belgrade and one of the main functions of regional agencies and centers is to be the instigators of their development.

ENCOURAGEMENT OF CREATIVITY AND INNOVATIONS

Creativity has usually been defined as the production of novel ideas that are useful and appropriate to the situation (Radovic-Markovic ,2012). Creativity is the ability of creating original thoughts or seeing existing thoughts in a new way.

When we hear the notion of creativity in our traditional society, we often think about art and literature, and artists and their work, like Michelangelo and his David, or Ivo Andric and his The bridge on the Drina.

Creativity, when it comes to SME, is connected to creating original ideas or seeing already existing ones in new light. Creativity and innovations are not, however, enough for analysis of creativity from the organizational point of view, especially in the phase of transition of a country, like Serbia or countries in the region.

Idea has to be useful and practical, so that it can be implemented with the objective of creating values, and profit, which is the main objective of every enterprise. It means that we judge an idea by how positive impact it had, which has essential organizational influence on productivity, communication, coordination and the quality of the product.

THE IMPORTANCE OF CREATIVITY FOR ENTREPRENEURSHIP IN SERBIA

Creativity includes considering a problem from different angles and moving past old rules and norms which bind us to traditional methods of task management.

Creativity enables us to be different and helps us find new responses and solutions for old and new issues. Creativity is the source of new ideas that can help face challenges, so creativity in Serbia should be the key element in achieving organizational success.

Individual creativity

Creativity of every individual has three elements:

- professionalism,
- creative thinking skills and
- motivation

Picture 1. shows these three elements and how by their overlapping creativity is made. Creative thinking is the ability of combining old ideas in a new way. Generally speaking, creative thinking determines the degree of flexibility and imagination individuals approach issues.

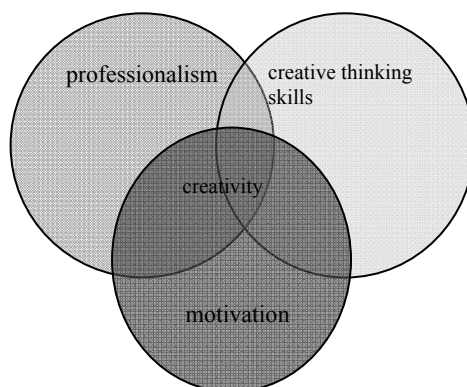
Motivation, as is shown in the picture no. 1, refers to passion and the need of an individual to be creative, if he feels this it is likely that he will be creative.

Professionalism and creative thinking are the raw materials that enable an individual to be creative, but the motivation determines if he will actually be. An individual can be encouraged to be creative by using external factors, by organizational prizes or punishments or internal satisfaction of personal interests and passions in a specific situation. Usually, people are the most creative when they are motivated by personal interests, satisfactions and job challenges.

We can mention a specific example of a fruit saleswoman in any store in Serbia, she could be professional and think creatively, but if she is not motivated, she will probably not be creative.

Professionalism, as is shown in the picture 1, is everything that an individual knows and can do in his job. That knowledge refers to the techniques and procedures connected to his job, just as on the understanding of all work circumstances. Let's, for example, take the saleswoman in the section of fruit and vegetable in a store. Her professionalism includes basic ability in cropping and cleaning of fresh fruit and vegetable, designing decorations that will be attractive to buyers, building the relations with buyers. Just like all other members of organization, saleswoman can get these abilities by formal choice, experience and sharing the same with coworkers and other experts. (Certo ,2009).

Picture 1.



Creativity in SME and entrepreneurs

As we shortly explained, creativity is the key factor of facing challenges in all types of organizations. In addition to this, managers should take action in order to develop creativity in organizations. Managers can encourage creativity in all organizations the following ways:

- give challenging tasks to employees,
- allowing freedom in conducting tasks to employees,
- employees are given enough time to conduct task,
- they are allowed to create various forms of work group,
- constantly motivate employees,
- encourage employees,
- make pleasant atmosphere by their behavior,
- Employ and keep creative employees.

People are more creative in their job if they freely influence the process of conducting it. Prerequisite for such freedom is the assumption that members of any organization clearly understand goals that need to be accomplished. That is the reason why their creativity will not direction necessary for the success of an organization. We can generally state that creativity serves an organization best when the members understand the objectives and have a certain degree of freedom. We can say that creativity serves an organization best when members understand goals clearly and have a certain freedom in achieving them. Appropriate deadline is the key incentive for creativity of the members. If they do not have enough time to accomplish certain task, the members of an organization will be so busy that finding new creative solutions will only burden them. Managers who give unnecessarily short deadlines wanting to make their members produce more at the same time, can lead to employees thinking that they are being controlled too much and that they cannot be creative.

In the past, many managers (directors) believed that members of the organization come up with the most creative ideas working under time pressure and constant control, however in the market economy managers thought that short deadline as a technique for motivation of creativity in organizations leads to efficient usage of capacities for production, value, profit. Recent research, however, show that time pressure can actually influence creativity in different ways, depending on other, various conditions.

Matrixes of time – pressure/ creativity, are shown in the table no.1. It shows that managers can increase or decrease the probability of creative thinking in the organization depending on how the low and high time pressure are combined with other elements within the organization. According to this matrix, if the time pressure is low, the probability that the employees will be creative is low, that is, if they feel that they do not get enough encouragement to be creative from the management. Under the same conditions of low time pressure, the probability of employees being creative can be high, because they have a feeling of being on a expedition, so they show creativity that is born from exploring the ideas.(Certo,2009).

Table 1. *Time pressure*

Low	High
<p>Creative thinking under low time pressure is more probable with people Feeling like they are on an expedition. In such situation they:</p> <ul style="list-style-type: none"> • Show creative thinking which resembles finding an idea, and not the problem • They tend to cooperate with one person rather than with the group. 	<p>Creative thinking under high time pressure is probable with people who have a feeling of having a mission. In such situation they:</p> <ul style="list-style-type: none"> • Can spend a significant part of the day doing a single activity because they are not disturbed or they are protected, • They believe that they do an important job and they, and job is a challenge for them so they feel included, • They show creative thinking which is focused on finding the problem, and giving or considering ideas.
<p>Creative thinking under low time pressure is not probable if the people feel like they are controlled too much. In such situation:</p> <ul style="list-style-type: none"> • They are not encouraged to be creative by the management, • They meet in groups instead of talking with individuals, • They are generally less productive in a team work. 	<p>Creative thinking under high time pressure is not safe if the people feel like they are on a treadmill. In such situation:</p> <ul style="list-style-type: none"> • They cannot focus on the task, Working hours are divided into doing many different activities <p>And they do not have a feeling that they are actually doing something,</p> <ul style="list-style-type: none"> • They feel the lack of time more than when they are on a mission even though they work the same number of hours, • They have more meetings and communicate with groups more than with individuals, • They have a lot of changes in their schedule at the last moment.

Picture 2 Matrix time-pressure/creativity (Author)

High time pressure can also be seen in the picture no. 1. In the case of high time pressure, the probability of creativity in all organizations can be high if people consider finding solutions to business issues a mission. In the same conditions of high time pressure, the probability of creativity can be low if people feel like on a treadmill, so they have a lot of changes in the schedule at the last moment.

It is the case with all forms of desirable behavior, in this case in educational institutions; managers should encourage the members of an organization to be creative. Motivation methods can be diverse and go from the ordinary „thank you“to rewarding a member with acknowledgements for creative achievement and organizing dinner as

acknowledgement for creativity. Managers are very busy and under constant pressure to achieve results, so they can neglect encouragement of creativity. Members of an organization usually see their job as a challenge and they have short periods of creativity, since there is no significant encouragement from the management. But for creativity to have a long term effect on an organization, the encouragement from the management is essential. These incentives show to the members of an organization that creativity is important for every organization and especially in education, not only in Serbia but in the world as well, and that managers appreciate creative labor, even one that is not always successful.

Coca-Cola enterprise, through its growth and development, often gives an example of enterprise which founds organizational sectors which clearly support the creativity of the members of an organization. In Coca-Cola being creative is considered everyday activity, and not only one-time opportunity that happens when a new system is introduced or from time to time. On the contrary, creativity is constantly present in Coca-Cola, and it is visible in the way the employees work together in meetings and cooperate in solving identifies problems.(Certo ,2009).

Last tactic that managers can apply in order to increase the creativity in organizations or high school and high educational institutions in Serbia, is employment and keeping the creative members – professors. Even though this tactic seems simple it can be very difficult to apply in practice.

In the table 2. set of characteristics that creative people usually possess is given, in order to help managers to recognize them.

Table 2..Characteristics of creative people

<u>Creative people are usually.....</u>	
- Free-spirited	- open to new possibilities
- unorthodox	- flexible in decision making
- quiet	- willing to take the risk
- introvert	- persistent
- emotional	- tolerate insecurity
- intuitive	- willing to learn
- playful	- willing to change
- fun	- tolerate criticism
- different	- moderately concerned about
failure	

Source: Author

Many theoreticians of management believe that innovation is essential and that it encourages the development of organizations, and even entire nations. There is the question of how many creative people are there in the segments of society of Serbia, which have general interest in mind based on available natural resources and establishing political stability in order to establish economic stability through the quickening of economic development and increasing life standard of the population, reduction of brain drain to the countries of western Europe, America and Australia.

CONCLUSION

Having in mind the results of our research, it can be concluded that Serbia is still in the phase of transition and that it is in the recession, just like many other countries of western Balkans, which can be seen in the following:

- low degree of usage of available natural resources,
- insufficient and inadequate usage of production capacity,
- high unemployment rate of population that is able to work,
- instability of national currency compared to euro and dollar,
- great number of unemployed in government sectors, who do not have an adequate benefit,
- unequal regional development,
- threatened liquidity of small and medium enterprises,
- high interest rates for short term loans for SME,
- inadequate allocation of budget means for subsidy for developing agriculture ,
- bad control of privatized enterprises and their business, through using available resources, protection of capital, new investments, new employments, selling of property, value of shareholders' capital etc.
- administrative barriers in the phase of growth and development of enterprise,
- various high administrative taxes on the local and state level,
- lack of constant foreign investments,
- inefficiency of authorized ministry in implementation of strategic decisions in the direction of faster development of certain sectors of economy,
- high rate of debt of the state to IMF and World Bank,
- political instability in the state for 13 years,
- demographic movement of population,
- lack of motivation, initiative and creativity,
- already existing agencies for supporting SME do not function,
- high degree of corruption in the system of hierarchy which slows down the development SME,
- lack of set standards for majority of products because of realization on the regional and international market,
- lack of strong and bigger relations between educational and scientific and research system and sectors of SME,
- lack of informational systems in production and service enterprises,
- lack of coordinated training of population able to work from the authorized ministry and directing of trained workers in the function of creating new values no matter in which sector,

- the role of Chamber of Commerce and Industry of Serbia in creating good atmosphere for development of SME,
- the role of Union Association in supporting the development of SME using clearly defined strategy,
- various economists associations and their activities in the area of existing legal barriers and the reduction of their influence on faster development of SME,
- improvement in trust of citizens in financial institutions of Serbia because of their personal savings,
- finding mechanism for attracting private investments,
- weak competitiveness of domestic enterprises, their services and products in the foreign market, and domestic market, this is one of the main problems in economy of Serbia,
- reduction of „gray“ economy because it is estimated that in Serbia it includes gross national income, which reduces the inflow in the budget of the state from taxes of companies,
- transparent informing of the public about means invested in development of SME and the way they are spent,
- inefficient and bureaucratic administration,
- inability of organizing clusters in Serbia like in other countries of western Europe,
- Potential of female entrepreneurship is still not fully utilized so it should be further encouraged and directed. In order to create a favorable climate for the development of female entrepreneurship, it is necessary to take measures that are related only to its encouragement (Vujičić , Kvrđić , Ivković, Vujadin,2012)

According to our opinion bigger support of foreign institutions of EU, which recognize the role and significance of SME in development of Serbia, is necessary. This will be realized through larger number of projects than so far. Higher dedication of the Government of Serbia is also necessary, to the development of entrepreneurship through encouraging creativity thorough educational programs.

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A MODEL OF IDENTIFICATION OF A BUSINESS OPPORTUNITY

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Abstract

A business opportunity, i.e. market proven business idea, is one of the key stages of the entrepreneurial process. The choice of the "best" business opportunity is very important for the success of every entrepreneur and serious, often the deciding issue. This work proposes a model for the selection of a business opportunity that has the potential for successful realization as a function of relevant factors such as economic and social conditions, the level of risk, the ability of entrepreneurs and resources available.

Keywords: *entrepreneurial process, business idea, business opportunities, internal factors, external factors, risk, entrepreneur skills, entrepreneur's resources*

INTRODUCTION

In the Republic of Serbia the number of entrepreneurs operating was 228 540 with 203 520 employees during the 2011. Total value of turnover was 808 709 million dinars and gross value added 192 331 million (Working Papers no. 80 and no. 81, 2011). The data shows that the average number of employed entrepreneurs was 1.12, the average value of turnover 3.54 Mil Din. / Entrepreneur. The average value of the gross value added 0.84 Mil Din. / Entrepreneur.

Serbia in comparison to other countries in transition, is not so successful in creating new businesses. According to the World Bank's report, "the part of self-employment in total non-agricultural employment in Serbia is among the lowest in Central and South Eastern Europe". The part of self-employment in non-agricultural employment is around 5% in Serbia, while over 10% in Slovenia, Hungary, Poland and the Czech Republic, with about 14% of the OECD and the EU-15 countries. These data show slow progress in the area of self-employment, compared with the advanced transition economies where such activities have an important role in the transition period (Brkanović, 2007).

Registered with the National Employment Service, there is about 750,000 unemployed people and the number of them has increased by 290,000. in the past four or five years. The percentage of unemployed persons is growing continuously, so from the 14.4% in 2008., the number reached 26.1% in October 2012. People with a high school degree have the greatest difficulty to find work (ages 15-30) and there are about 46% of them (Hutchinson, 2012).

In the sphere of self-employment Serbia needs to see a good part of solving the problem of unemployment. In this sense, conditions and incentives should be created. The Global Entrepreneurship Monitor's (GEM) report confirms the justification of this policy for 2011, which, based on the results of interviewing over 140,000 adults (18-64 years old) in 54 economies of different geographical and developmental levels, assessed the following: there were around 388 million of active entrepreneurs engaged in starting and running new businesses in 2011. It is estimated that about 163 million women are engaged in the early stages of entrepreneurship, 165 million young people aged between 18 and 35, around 141 million entrepreneurs would start at least five new jobs in the next five years, and about 65 million would start 20 or more new jobs in the next five years, about 18 million entrepreneurs would sell at least 25% of its products and services in the international market, and that there would be about 69 million people in the early stages of the enterprise that provides innovative products and services and so on. (Kelley, 2011).

The fact is that more than half of young people (54%) believe that the business environment is negative and that 70% of them believe that the risk of doing business in Serbia is high (Stojanovic et al., 2012). Due to the poor conditions for the development of entrepreneurship and inadequate incentives, many people in

Serbia are coping with work in the gray market, finding a job abroad and so on. Hence, the pressure for employment in existing businesses is growing, primarily in the social public companies.

Notwithstanding the above circumstances, many will try to find a solution for unemployment by using the opportunities of the enterprise, opening their own businesses.

Identification of entrepreneurial opportunities (possibilities) is the first step, the starting point for any new business. The decision, at this early stage can have far-reaching effects on the success of a business venture, and every entrepreneur seeks to recognize the opportunity that has potential and which is believed to have viable options. However, are all entrepreneurs able to understand the perceptions of economic actors related to a existing problem and to "identify opportunities"? This question is especially relevant in countries in transition, where most of these people consider and try to start their job though they din't think much about it, nor followed the market, nor noticed the potential opportunities, nor recieved any training related to management and other operations which must be done when opening their own firms. For these, the so called "quasi entrepreneurs" the recognition of opportunities is almost always associated with a number of obstacles such as a lack of creativity, cognitive skills, lack of knowledge, lack of information, inadequate forecasting the future and so on.

Many people, especially young potential entrepreneurs, are assured to have a "brilliant idea" to start its realization without obeying the rules of the entrepreneurial process that involve seeking answers to questions such as:

- Is there enough attractive market for the considered idea?
- Is the solution based on the idea feasible, both from the perspective of the market and technology?
- Is there a sustainable competitive advantage?
- Do we have a team that can effectively monetize this opportunity?
- What is the risk of realization of the idea and whether it was a reasonable investment of time and money?
- How many potential entrepreneurs have been trained to answer these basic questions?

Do schools have programs to educate young people how to identify opportunities and successfully manage and conduct their business? The study of entrepreneurship and entrepreneurial thinking is not integrated into the system of primary and secondary education in Serbia. Experiences of higher education for management and entrepreneurship are very modest and relatively recent. Very few private and state universities (mostly colleges of economic, business or management orientation) are dealing with this issue and are giving their students the opportunity to learn more about entrepreneurship. In the minority are colleges where entrepreneurship has the status of a special subject, and there are many colleges where certain segments of entrepreneurship is taught in other subjects. It

should be expected that the problems of entrepreneurship get much more important place in the programs of higher education institutions in Serbia. It is especially important to bring this matter among students of technical colleges that are, by definition innovative core that is usually not sufficiently market-oriented and entrepreneurial. In reality, in the schools in which entrepreneurship has the status of a special subject is mostly done "education on entrepreneurship" instead of "Education for Entrepreneurship" (Stojanovic et al., 2012). For comparison purposes, the data of Kaufman Foundation study in 2002 is mentioned, which found that 61% of U.S. colleges and universities have at least one course in entrepreneurship (Bygrave, 2004).

Lack of knowledge is highlighted by women entrepreneurs in the survey (Ćvorovic, 2008) in which is pointed out that about 41% of the tested samples in Serbia are women entrepreneurs with a high school degree. They particularly emphasized in this research that most needed knowledge is in the field of: Marketing approach to the market 66% , the development and expansion of business / products 62%, investment opportunity 59%, business skills of communication and negotiation 57% and financial management 51%.

This work is an attempt to define a universal model for defining business opportunities. The model should be the guideline for defining favorable entrepreneurial opportunities, as the first step of starting an entrepreneurial venture.

THEORETICAL BASIS OF THE WORK

Numerous studies on the theory and practice of entrepreneurship have been published so far. For example, the proceedings of the Babson College, "Frontiers of Entrepreneurship Research" published a comprehensive empirical research papers on entrepreneurship. In addition to the many studies on this topic, numerous models of the entrepreneurial process have been published.

Identification of entrepreneurial opportunities so far attracted the attention of researchers and practitioners, since this is the starting point of each potential business and decisions made at this stage have a major impact on the success of the enterprise. Despite the great interest manifested in numerous works, some authors believe that the means are still badly designed and the results are often mixed (Tremblay, 2010).

This work is based on models of J. Timmons (Timmons, 2006), Bigrave (Bygrave, 2004), Shane (Shane, 2003), and the understanding of entrepreneurship as a set of activities that involve the detection, evaluation and exploitation of opportunities to introduce new products and services, ways of organizing, markets, processes, and so on. (Shane, 2000). Given this definition, the field of entrepreneurship includes explanations of why, when and how entrepreneurial opportunities exist, sources and forms of those opportunities, the process of

discovery and evaluation of conditions, the acquisition of resources to exploit these opportunities, exploiting possibilities, and the explanation: "why, when and how should some individuals discover, assess and provide resources for the realization of opportunities, develop strategies for the usage and investment of effort for the use of those opportunities."(Shane, 2003, p. 5).

Jeffery Timmons, professor of "College in Massachusetts" developed a model of entrepreneurial process in his doctoral thesis, which was later perfected by further research. Many believe that this model is a guide for entrepreneurs and it helps to increase the chances of success. The model assumes that the following three key components are the driving force of every successful new venture: a business opportunity, entrepreneur (or management team) and the resources needed to start the venture and ensure its growth. The model emphasizes the need that these key components stay in balance.

In the center of the model is an entrepreneur, who identifies business opportunity in the first step. An opportunity is a gap in the market between supply and demand. After the identification of business opportunities, a management team is defined and necessary resources are collected. The nature of opportunity determines the size and shape of the team which is essential for success because bad team work can ruin a good idea. Resources play an important role in the success of the new venture. An entrepreneur must establish minimum, the necessary resources are key to the successful use of business opportunities. The model is based on the premise that the entrepreneur makes a profit, takes the risk for success, thus the effort, funding, etc..

According to the model defined by Bygrave (Bygrave, 2004), the entrepreneurial process involves all the functions, activities and actions related to the perception of opportunities and the creation of an organization that they can follow. Entrepreneurial process consists of four factors: entrepreneur, market opportunities, business organization and resources. The model suggests that the entrepreneurial process involves identifying and evaluating opportunities, making decisions on the use of the opportunity, selling efforts to provide the necessary resources, and the process of organizing those resources into new combinations, as well as developing a strategy for a new venture.

In these models, the process of identifying business opportunities has not been considered in details.

MODEL FOR IDENTIFICATION OF A BUSINESS OPPORTUNITY

The main goals of the entrepreneur are discovery and usage of entrepreneurial opportunities, profits and creating conditions for the development of economy and society. There are two basic approaches: (1) entrepreneurial opportunities exist independently of the entrepreneurial personality and are waiting to be discovered and (2) entrepreneurs themselves create the possibility of entrepreneurial activities.

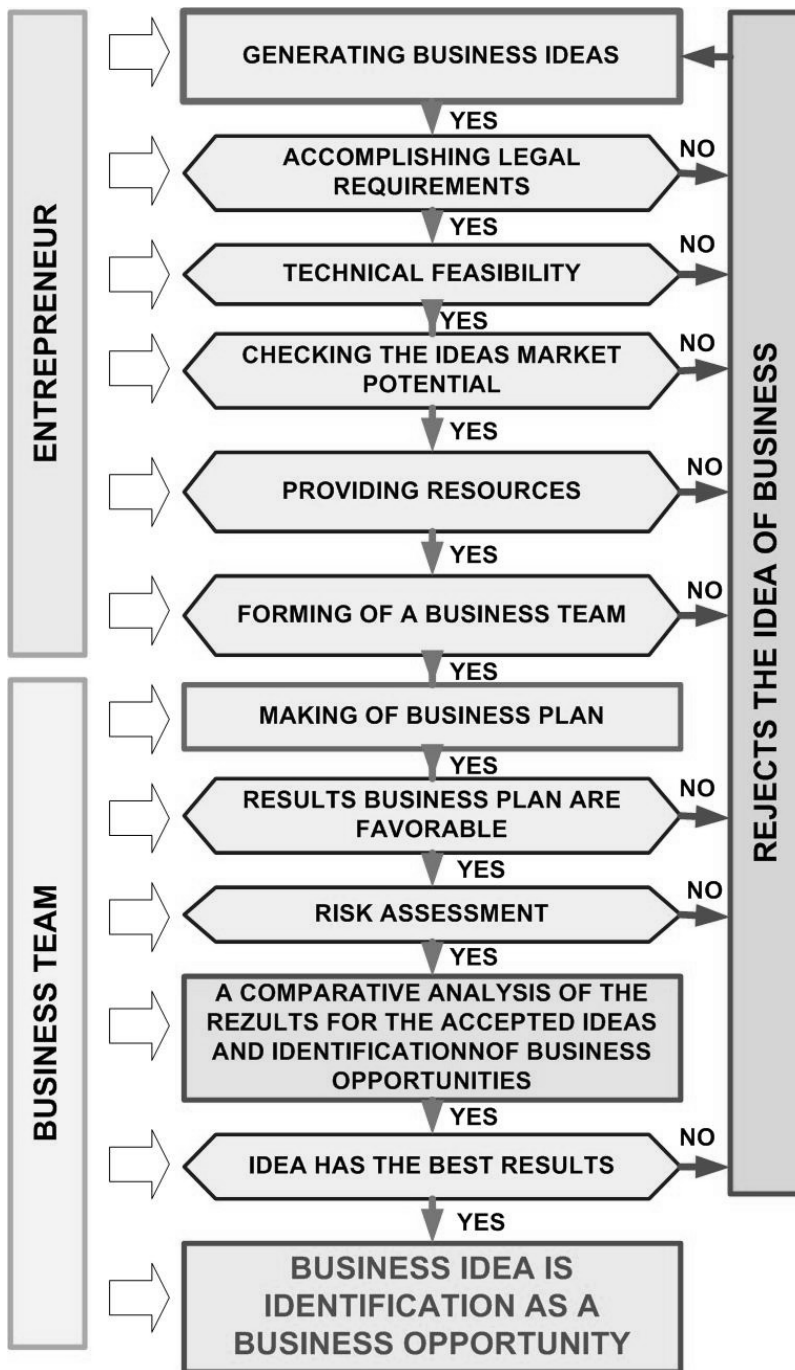
The first case is of primary concern to ambitious entrepreneurs to discover entrepreneurial opportunities, using the techniques of market research and analysis of the data collected. All this should be done as early as possible, because there is a real danger that someone else discovers and seize the opportunity. Entrepreneurs who recognize opportunity late, are generally less successful than those who were the first to discover and take advantage of entrepreneurial opportunity.

Identification of entrepreneurial opportunity, as the starting point of any new business is a big problem for every entrepreneur, because decisions made at this stage can have a big impact on the success of the enterprise. This is a problem for most businesses primarily because of lack of information, knowledge, creativity and so on.

The first step in the process of identifying opportunities is defining ideas (assumptions) about potential opportunities. Identification of entrepreneurial opportunities is done in the way where the most creative idea is chosen among all the others, and the one receives the necessary arguments which show it will be marketable and viable business opportunity. In this sense, testing and verifying any ideas from different aspects is necessary: legal aspect, marketing, human resources, technological, financial, material aspects and so on. For each entrepreneur those are the limiting factors. This means that, despite the fact that the idea should be acceptable in the market, the problems of other limiting factors (human, financial, material resources, risk level, etc.) must be solved in order that the entrepreneur could considered the idea as an entrepreneurial opportunity from which can benefit, or to be able to move into the second phase of the realization of entrepreneurial ventures.

Figure 1 shows a model of the incremental test of each idea until the final decision and selection of ideas that have the best market potential and for which entrepreneurs can meet all the requirements for its successful realization.

Figure 1: A model of identification of a business opportunity



Generating business ideas

The business idea is a potential business opportunity which is the basis, the foundation of any entrepreneurial process. That's the idea of what one wants to do in order to meet the needs of a consumer and the establishment of own earnings. One of the great misconceptions of entrepreneurs, mostly beginners, is that the idea has to be unique, to be new original product or a new service. In practice this rarely happens. In some special rare cases, it can be a revolutionary new product, but usually it is an existing product or service, with the updated and improved performance, or is more affordable, has the specific method of distribution, the updated design, upgrade, etc.

Generating creative ideas is most often done in areas where entrepreneurs were previously dealing with, but also from other areas using sources such as consumers, customers, consulting institutions and individual consultants, managers and employees of existing firms, competition, innovative imitation, sales representatives and intermediaries, other sources (inventors, patent owners, laboratories, innovators ...), the Internet. You can use the statistics of the conditions in various fields of economy, development trends, trade journals, books, brochures, analysis, reports from conferences and meetings, laws, ordinances, regulations, contacts with government, professional organizations and institutions, customers, suppliers, advertising agencies, and so on.

The research results (Research West Virginia Univ., 2005) show that entrepreneurs often create ideas from the area they were involved in the previous period: previous job (43%), personal interest (19%), chance (11%), suggestions (8 , 6%), friends / relatives (6.3%), family business (6%), education (5.7%), others (4.9%) (Bygrave, 2006). The fact that previous work experience is decisive is confirmed by the results of a study in the U.S., where it was determined that 57% of firms founders got the idea for their new venture in the industry in which they worked, and 23% of the industry from related fields. Thus, 80% of all new high-potential companies are established in industries that are the same or close to those in which entrepreneurs had experience (Bygrave, 2004).

It is desirable that in the process of identifying opportunities is made a list of as many ideas as possible. Methods used to generate entrepreneurial ideas (method of associations, metaphors, imitation and horizontal thinking) could be used for this, so the entrepreneur can make creative thinking techniques, and use Delphi, brainstorming, Brainwriting, session ideas method and so on, which are done through teamwork.

In the literature it is often stated that entrepreneur should "follow their passion", and do exactly what he/she likes. Thomas Stemberg, founder of the "Staples", the company that sells office equipment, denies it: "I think the concept of "follow your passion " is a very stupid idea. I follow a large market that gives me a chance to meet the needs of customers and make money."

Accomplishing legal requirements

Analysis of legal requirements means checking the regulations, standards and other legal restrictions on the activities that the entrepreneur wants to deal with. Verifications of all the regulations relating to the realization of ideas are necessary. Ignorance of the rules, and therefore non-compliance can lead to a number of contingencies (penalties) and even collapse of the new venture.

The idea is rejected if found not to be in compliance with the regulations.

Technical feasibility

Technical feasibility study should provide enough information to get the answers to the question of whether it is technically feasible, that is, whether there are, or whether it can provide, technical conditions for the realization of the idea of entrepreneurs.

The basic requirements that the product or service must meet are defined by the idea. It is desirable to define the level of technical requirements, characteristics which the product or service must meet in order to be competitive in the market. Later, it is examined whether these technical requirements can be met by available equipment. The idea was deemed to be technically feasible, if the internal technical capability is sufficient to handle a conceptual product or service.

The entrepreneur should evaluate whether he/she deals with the available forces - personnel, equipment, infrastructure, materials, etc. which can produce a product or provide a service of desired characteristics in terms of design, the materials, manufacturing technology, and so on. In that sense, there can be set two basic questions: Is the idea feasible within the current technology and does the necessary technology exist and can be purchased? Answers to these questions can be given on the basis of experience, equipment and technology analysis, contacts with equipment manufacturers and so on.

The idea is rejected if it is found that the technical feasibility is inadequate.

Checking the idea's market potential

Most of the ideas are the result of creative thinking of individuals who seek new forms of work, isolated from markets and customers without recognizing the commercial value of the idea. The difference between ideas and opportunities is the fact that the idea of the product or service is not enough to create a business, if there is no potential for exploitation and profit. Prior acceptance of new ideas as the basis for an entrepreneurial venture can mean disaster entrepreneurial job in the first place.

From an economic point of view, entrepreneurial opportunity is a result of deficiencies in the market (market imperfections) or economic imbalances. It is a gap in the market between supply and demand and the potential that entrepreneurs should take advantage of. This means that there are opportunities all around us in space and time, but only individuals are able to identify them through their individual entrepreneurial characteristics.

According to Timmons and Spinelli (Timmons, 2006), superior business opportunities have four main characteristics: They create or add significant value to the customer or the last user, achieve the resolution of significant issues that one wants to invest, they have strong market demand, provide a profit and provide balance between risk and profit.

The results of the market analysis should provide answers to questions such as: Is there a need for a product or service? Are there any advantages over existing products or technologies? What is the market size? Are there opportunities for market expansion? Who are those who require? What are their affordability and standard of living? How many are there? What is the competition in the target market like? Whether and to what extent will a product or service impact the needs and habits of the people? And so on.

Every idea has to be examined in detail with all aspects of the market, because only the market can realistically valorize any entrepreneurial activity and defines the degree of acceptance or rejection of a product or service. The idea which has no appropriate market potential is discarded.

Providing resources

If there is market demand for the product, it is necessary to provide the resources to launch an entrepreneurial venture. As when starting a new business entrepreneur typically does not have sufficient resources, it is necessary to determine and provide a minimum set of resources necessary to start and use the possibilities of business opportunities. In this sense, it is necessary to analyze and provide the necessary resources:

- human (if it can provide the necessary number of staff with the necessary competencies),
- financially (to provide at least the minimum required funds in the best way)
- operational assets (infrastructure, equipment, materials and the like, which will be needed to achieve the objectives of a new business venture). In particular, to analyze the possibility of purchasing a new or used equipment, to explore the possibility of logistical support, training opportunities for employees and so on.
- other, which is specific for the considered idea.

Without maintaining minimum required resources, idea can not be realized.

Forming of a business team

For the complex analysis of ideas that have passed these filters, it is essential to form a business team with interpersonal skills and leading and experienced entrepreneur with the following characteristics (Timmons, 2006):

- main contractor who has a central place in the team, should be a quick learner and has to have the ability to transfer knowledge and skills to other members of the team as a coach;
- can successfully analyze and is persistent to find solutions for problems;
- has proven integrity, trustworthiness and honesty;
- builds an entrepreneurial culture in the organization.

Entrepreneurial team is key to the success of a potential venture. The team should have relevant experience, should be motivated and be able to surpass competitors with preliminary product or service by dedicated, creative, determined and persistent work. It involves obsession with ideas, leadership and courage in dealing with all the problems and adjustment to different situations. Business team should conduct effective communication and reduce the risk to a minimum in a precarious situation.

Making of business plan

A business plan is a necessary step for any entrepreneur, regardless of the size of the business. A business plan is a document that defines the business idea and its realization strategy. It is necessary for checking the feasibility of entering into a business. It allows consideration of all the features provided, the detection of potential risks, minimizing or eliminating them before they occur. It contains all that is essential for business - business structure, description of products or services, potential customers, finances and potential of growth.

Its primary purpose is to convince the entrepreneur himself above all, and afterwards potential funders in justification of investment in new entrepreneurial ventures. It performs the evaluation of all aspects of the assessment of the economic viability of the business enterprise, including a description and analysis of entrepreneurs' business opportunities. Writing a business plan includes a detailed development and analysis, business ideas from different views and from several perspectives, analyzing the external and internal environment, identifying the weaknesses and threats and finding solutions to overcome them, calculating of static and dynamic parameters and documenting arguments for a final decision on acceptance or rejecting the idea.

Risk assessment

Any investment is risky to some extent. The most common is a low risk investment with low profit, so the entrepreneur has to make an important decision in selecting business opportunities and from the level of acceptable risk. As a rule, the entrepreneur and the financier will be rewarded with profits in proportion to the risk and effort involved in starting, financing and constructing businesses.

There are many causes of risk: market (represents the probability of negative effects on the value of the product), currency (foreign currency exposures arising from investment activities related to foreign currencies), credit (the probability that the entrepreneur is unable to meet his/her own obligations at maturity), the operating risk (represents probability of negative effects on the financial position and business entrepreneurs), liquidity risk (represents probability of negative effects on the ability of entrepreneurs to meet its liabilities when due to), the risk of changes in tax regulations (represents possibility that the tax changes adversely affect the profitability of investments in entrepreneurial venture) and so on.

Static and dynamic aspects of business plan (productivity, accumulation, efficiency, liquidity of project, the turning points of a business, analysis of the balance sheet, dynamical plan of income statement, financial flow, cash flow plan, economic flow, net present value of project, internal rate of return and so on.), provide sufficient information to assess the risk of investing in any entrepreneurial venture

Analysis of balance sheet and income statement analysis enables the financial situation, structure, liquidity and renatabilnosti. The flow chart shows all activities of the company from supplying inputs to the realization of output. It allows questionnaire about potential risks to the assets, liabilities and human resources to be applied to every phase of the company. Net present value; as a criterion for estimating succes of an investment, we can use an attitude of it which says that investment is successful if the sum of the discounted proceeds from the exploitation is greater than the sum of the discounted costs for the period of investment. The internal rate of return is based on the dependence that exists between the current value and investment interest rate as the discount factor. It comes down to determining the interest rate where the present value is zero. By using this method, the measure of efficiency of the project was tested and it was shown to the investor to which level of rate interest may be loaded with credit funds.

A comparative analysis of the results for the accepted ideas and identification of business opportunities

If more ideas are to be accepted after these filters, it is necessary to choose the one that has the most favorable results. In this sense, the results of comparative analysis of static and dynamic indicators of business plan should be done. If necessary, a method of multiple criteria can be applied. These methods provide the possibility to choose the best ideas and thus help reducing the risk of future business, because they allow the selection of ideas which are best from the perspective of different criteria and standards which assess the suitability of solutions.

CONCLUSION

In the work, the procedure of choosing idea which can be considered as an entrepreneurial opportunity is defined. It is understood that all the checks above must be realized by the serious systematic analysis based on real data for internal and external environments. Decisions on eligibility for a positive assessment in every step of verification must be made on the basis of the values of the relevant parameters.

Only those ideas that you can give a positive evaluation of these steps after the analysis by checking the relevant parameters can be regarded as a business opportunity. In this way, one of the major problems of the entrepreneurial process is solved. Many authors argue that this is the most important step, but it is our opinion that all the following steps of entrepreneurial process are equally important. Bad work in any of these can cause a serious crisis or a complete failure of entrepreneurial ventures.

Authors were unable to conduct an empirical research and examine the validity of the model in practice. Since the model is defined based on the mentioned, already known models of entrepreneurial process and personal experience in analysis of the ideas, as well as the creation and realization of business plans, further research is necessary, which would help potential corrections or confirm the validity of the suggested model.

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PART THREE

FEMALE ENTREPRENEURSHIP



ATTITUDES TOWARD WOMEN ENTREPRENEURS: CROSS-NATIONAL STUDY IN THREE EUROPEAN COUNTRIES

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Abstract

Participation of women in entrepreneurial business is an important factor supporting the development of the sustainable economies. However, attitudes toward women entrepreneurs vary in different societies. In some societies there are still traditional stereotypical attitudes toward women entrepreneurs, in other societies the educational system does not encourage inclusion of women, and at times the traditions and dominant values are in conflict with contemporary trends. This paper reports on a study of attitudes toward women entrepreneurs conducted in Bulgaria, Hungary and Romania. A cross-national comparative analysis examined the results from the three European countries. Further, the impact of demographic characteristics on attitudes toward women entrepreneurs is evaluated in relation to the development of women's entrepreneurship.

THE ENTREPRENEURSHIP OF WOMEN IS A CURRENT ISSUE.

The issue of women's entrepreneurship has become very topical in Europe and worldwide in recent years and is influenced by a number of factors. For example, in the processes of globalization new economic thinking and new economic models of business have emerged quite different from the thinking and models of the 1970s. Further, at the end of the 20th century the political-economic systems in many countries were radically changed, new political-economic alliances were created that affected the way business was conducted individually, nationally and at the international level.

The creation of the Internet and freedom of information flow has also contributed to the rethinking of gender appropriate behavior and has changed traditional values and existing gender-related stereotypes. Also, high unemployment in many countries and the economic crisis in recent years have together provoked an economic initiative for women to participate in business on equal terms with men. Access to information sources and expanding educational opportunities for women have also changed what used to be considered separate male and female occupations, and reassured women that they have the ability to deal with professional challenges in formerly male dominated employment areas.

The formation of a new self-image for women is based on her role as an economic participant essential to economic progress and supports the active involvement of females in entrepreneurial ventures. In turn this new image and role of the women as economic players, has received support from politicians in many countries through laws to prevent gender discrimination in the labor market and by fostering women's entrepreneurship through legislative changes.

The importance of this issue has stimulated social scientists to explore various aspects of women's entrepreneurship, the institutions that support these economic enterprises, and the media that report on the activities of women entrepreneurs. An important but largely unexplored aspect that is central to the issue of women's participation is the attitudes of society in general toward women entrepreneurs and their business activities. People's attitudes toward women's entrepreneurial activities are a consequence of many factors including gender-related information and the media environment, the policies of government, and the economic results achieved by the women. On the other hand, these attitudes create a collective image or stereotype of women entrepreneur that is particular to a society. The current cross-national study seeks to articulate salient aspects of these social attitudes.

THE MEANING OF ENTREPRENEURSHIP.

The term "entrepreneur" is a French word first introduced by the French economist Jean-Baptiste Say (1767-1832), who in his major work "Traité d'économie politique" (1803) argued the case for classical liberalism and support for free trade and competition. He introduced the term "entrepreneur", to emphasize the role of the individual in the economy as a creator of wealth, forecaster, project appraiser, and risk taker (Say, 1880/2001).

A popular conception of entrepreneurship was promoted by Schumpeter (1912/1934), who viewed the entrepreneur as an individual who conceives and implements innovations and creates new forms of production. From this perspective entrepreneurship can be viewed as on the one hand a unique ability of the individual combining entrepreneurial ability and creativity, and on the other hand as a factor for organizing production. Introduced and popularized by Schumpeter the terms "entrepreneurship" and "entrepreneur" subsequently began to be used widely in business, management, economic and social sciences. From this accumulated discussion the term has become more broadly defined for example, in the business context the concept of entrepreneurship is defined as the personal initiative by which an individual assumes economic risk and creates and controls an economic entity. However, entrepreneurship can also be reduced to the psychological level of achievement motivation as the personal ability that motivates the individual to innovative (McClelland, 1961). In that sense entrepreneurship is seen as a creative response of personality from which the individual combines economic resources in a new way, and creates new organizational forms.

Regardless of the different interpretations of entrepreneurship (see: Bygrave, W. D. & Hofer, C. W., 1991; Casson, M., 2005; Gartner, W.B., 1988; Hisrich, R. D., Peters, M. P. & Shepherd, D. A., 2005; Hart, M. M., H. H. Stevenson, & J. Dial, 1996; Hennon, C. B., Loker, S., & Walker, R. 2000; Koveos, 2010; Long, W., 1983; Stevenson, H. H., and J. C. Jarillo-Mossi, 1991), it is in the final analysis an individual ability through which personal prosperity and well-being are achieved, but in addition also a universal factor of production that drives economic development, develops technologies and creates jobs.

In the scientific literature, many terms have been created besides economic or business entrepreneurship, for example social entrepreneurship, trade entrepreneurship, family entrepreneurship, global entrepreneurship has been discussed. However, in this study our working definition is the following: entrepreneurship is a personal characteristic that induces the individual to perform innovative activities and motivates creative behavior. At the same time entrepreneurship is a universal factor of production which, by combining resources and creating new organizational forms, drives economic development, develops new technology and as a consequence creates new sources of employment.

THE CONTEMPORARY STATUS OF ENTREPRENEURSHIP.

The definition of entrepreneurship presented above suggests that it is a personal potential inherent in both men and women, and that the effective use of this potential leads to economic prosperity in any society. Despite the presence of these two aspects of entrepreneurship almost until the beginning of the 21st century entrepreneurship has been neglected and disrespected during the first half of the 20th century in Eastern Europe. As it is known the former Soviet Union and its Eastern European allies practiced centralized control of economic relations with no free market or movement of capital, goods and services. The absence of individual entrepreneurial initiative in Eastern Europe impeded creative and innovative behavior that required the sanction of the Communist Party. Furthermore, individuals with creative and innovative potential were without supporting formal structures and legislative frameworks. Women in the former communist countries enjoyed gender emancipation to a higher degree than many Western countries, but equality was limited to employment rights and to the functioning in managerial positions in political and economic organizations. However, with the radical political and economic changes after 1989, the citizens of the Eastern European countries began to seek ways to utilize their innovative talent and governments began to create legal frameworks for the implementation of entrepreneurial activity (Ashwin, 2000; Kiblitckaya, 2000; Zhurzhenko, 2001).

The ideas of entrepreneurship in the West began to be widely adopted in the second half of the twentieth century and especially in the United States, the number of universities and colleges with entrepreneurship curricula have increased since the late 1960s. (Lee, Chang, Lim, 2005; Solomon, Fernald, Weaver, 1993; Timmons, 1999; UNECE, 2012).

By the end of the twentieth and early twenty-first century entrepreneurship was supported by the economic policies of the industrialized countries in the European Union and also in many developing countries. However, education in entrepreneurship and subjects related to entrepreneurship were poorly represented in the curriculum of the educational systems and in the European universities. In a recent UN report according to the European Commission entitled "Entrepreneurship in Higher Education Especially within Non-business Studies" delivered in 2008, entrepreneurial education and training was judged insufficient in many EU countries in the 2000s, in particular in the new member States of the European Union. The report noted that engineering and science faculties often lacked qualified personnel and as a rule did not set up training programs on entrepreneurship (European Commission, 2008; United Nations Economic Commission for Europe, 2012).

WOMEN'S ENTREPRENEURSHIP.

The definition of entrepreneurship describes it as a personal characteristic that is inherent to both sexes. The inclusion of women in entrepreneurial or managerial activity should produce the same results for both genders. Research supports the fact that women and men can be equally successful entrepreneurs and managers, and both genders are important factors in economic growth (Minniti, M., Arenius, P. and Langowitz, N., 2005). Since the same entrepreneurship skills exist in both men and women both genders should participate equally in entrepreneurial business. Nevertheless the proportion of entrepreneurial women in business remains drastically lower compared to men. Even in developed industrialized nations where social policies have created relative equality between men and women and where the education level of the female population is almost equal to that of men the percentage of women entrepreneurs is low (Foss and Ljunggren, 2006). There are some exceptions, principally in the north of Europe. For example, in Finland the 83,000 women entrepreneurs account for over 30% of all participants (Cowling, 2000; European Commission, 2012; Ljunggren, & Nilsson, 1995). Overall however compared to men only a very small percentage of women participate in entrepreneurial business (Allen, I.E., Elam, A., Langowitz, N. & Dean, M., 2007).

The reasons for the low participation rate of women is directly connected to the social equality/inequality between the genders in society, reflected in relative access to education, with discriminatory practices against women and with the presence or absence of relevant legislation. However, this explanation is not sufficient since even in the democratic and industrialized countries the relative share of women entrepreneurs compared to men remain low.

Research supports the presence of three salient factors that affect women's entrepreneurship including the socio-political and economic environment, the gender-related cultural values and individual psychological traits. The socio-political and economic environment as related to women's entrepreneurship is widely studied. From that perspective women's entrepreneurship is dependent on the socio-economic situation in a given society, and the actions and policies of particular governments. The affect of culture and individual factors are less studied and will now be further discussed.

CULTURAL CONTEXT OF WOMEN'S ENTREPRENEURSHIP.

The cultural model of any society embodies a particular set of values, beliefs and norms of interaction. Therefore every member of society develops personality structure and traits as framed by the existing cultural context. The formation of common and special abilities, personality and the shaping of how social world is perceived, depends on cultural values. In other words, the cultural context shapes the way men and women perceive and perform their social roles. As we have seen in recent decades while biological and gender differences are generally constant, differences in perception and interpretation of gender-related social roles and individual behavior have changed as the cultural model has moved toward more egalitarian societies (Eagly & Wood, 1999).

Culture is the determinant of gender-related perceptions of both men and women and through socialization confirms gender stereotypes (Williams & Best, 1990; Williams, Satterwhite, & Best, 1999). Therefore it can be concluded that the cultural context has a significant impact on the perception of women in their role of entrepreneurs, and thus on the relative prevalence of women entrepreneurs in each country (Marlow, S., Carter, S. and Shaw, E., 2008). Culture determines the prevalence of work values that dominate in society. Differences in work values influence both work activity of individuals and their participation in entrepreneurial activities (Hofstede, 1980, 1983, 2001; Schwartz, Melech, Lehmann, Burgess, Harris, & Owens, 2001).

In social psychology and organizational behavior the cultural values of "individualism-collectivism" is one of the most studied constructs. Generally the research suggest that individuals formed in a cultural context of collectivism (where the interests of the group is more important than the individual) tend to be more conformists and members tend to comply with the views and interests of the group while suppressing their personal initiative and ambition. Individualistic societies on the other hand create independent personalities with high motivation for personal success and a desire to dominate others and engage in competitive behavior. The stereotypes of women's entrepreneurship have evolved within these cultural values and constraints. If entrepreneurship is depicted as manly, adventurous, daring and courageous this perspective conflict with the present cultural stereotypes of women, and create a blockage of the image of women as successful entrepreneurs (Bruni, Gherardi, & Poggio, 2004; Ljunggren & Alsos, 2007).

PSYCHOLOGICAL DETERMINANTS OF WOMEN'S ENTREPRENEURSHIP.

The entrepreneurial behavior of women also depends on personality traits including self-actualization needs, personal values, motives for achievement, self-esteem and relevant aspects of the self-concept. The self-esteem of the woman entrepreneur is currently evaluated in the literature (Langowitz and Minniti, 2007). The study and understanding of the role of self-esteem as a determinant of entrepreneurial behavior is important to a woman's desire to participate in entrepreneurial business and for the eventual success of the business. People with low self-esteem are more pessimistic about the future, display negative moods, and have higher needs of social approval (Heimpel, Wood, Marshall, & Brown, 2002). On the other hand individuals with high self-esteem have positive feelings about themselves and view themselves as self-efficient and competent (Tafarodi, Marshall, & Milne, 2003).

Work values are important factors that contribute to the desire to become an entrepreneur. In a study of values related to work based on the Hofstede conceptions (Segall, Dasen, Berry & Poortinga, 1990) results showed that entrepreneurship is associated with high power distance, tolerance of ambiguity in the workplace, high individualism, low uncertainty avoidance and high masculinity (McGrath, MacMillan, Yang, & Tsai, 1992). Other research has demonstrated that the success of entrepreneurs depends on many other individual traits including need for achievement, need for autonomy, propensity to risk-taking, innovation and competitive aggressiveness (Covin & Wales, 2011; Lumpkin & Dess, 1996; Zhao, Seibert, & Lumpkin, 2010).

Work-related behavior can be traced to specific motives. Individual behavior is determined by a hierarchical system of needs and motives including the need for autonomy, independence, self-actualization, motives for achievement, and intrinsic and extrinsic motives as determinants of entrepreneurial behavior (Atkinson & Raynor, 1974; Deci, 1975; Maslow, 1954; McClelland, Atkinson, Clark, & Lowell, 1953; Murray, 1938). Since work-related motivation depend on many cultural factors the motivation for business and entrepreneurship between women and men may also vary dependent on the cultural context (Buttner and Moore, 1997; Plant & Ren, 2010).

However, in addition to psychological factors entrepreneurial behavior is also determined by interpersonal and group variables. For example, for women to decide whether to engage in business or not, the opinion of the "significant other" (e.g. a friend, a husband, a close relative) is an important factor. A significant other can encourage and motivate her to take a positive step or crush her ambition. Further, all people whether male or female are also members of many formal and informal groups throughout life. This means that the group membership can affect not only the decision to become an entrepreneur, but also the ultimate success.

Friends, the family, special interest groups with which the woman identifies can either encourage or discourage her, and affect the self-esteem essential to begin and succeed in a business enterprise. The family is particularly important and plays an important role in entrepreneurial business for women, a more crucial role in women's decision making as compared to men (Brush, De Bruin, & Welter, 2009). Combining family responsibilities with the entrepreneurial role is often difficult for women and as a result the work itself often is a part of the family relationships. Therefore family support is crucial for successful entrepreneurial activity for women (Anderson & Miller, 2003; Hamilton, 2011; Nordqvist & Melin, 2010).

Entrepreneurial behavior is also determined by the social attitudes of both genders (Beugelsdijk & Noorderhaven, 2004; Fishbein, & Ajzen, 1975; Henderson, & Robertson, 2000; Judge, Boudreau, & Bretz, 1994; Robinson, Stimpson, Huefner & Slater, 1991; Staw, & Clausen, 1986). Social attitudes widely held mediate the individual's decision whether to start a business or not. Social attitudes toward entrepreneurial business are not constant. If society want to encourage women entrepreneurs there exist a corresponding need to change the social attitudes of people.

This study seeks to make a contribution by examining gender-related attitudes toward entrepreneurship. The primary focus is on people's attitudes toward women entrepreneurs. Knowledge about the community's attitudes toward women in business is important because the decision of women to join or start an entrepreneurial activity depends largely on community attitudes.

AIMS AND SUBJECT OF RESEARCH

Based on the foregoing discussion the aim of this study is to report on attitudes toward women entrepreneurs in the three EU member states of Bulgaria, Romania and Hungary. In particular the study seeks to understand gender-related cognition about women and the beliefs about what motivates women to enter entrepreneurial activity in representative national samples. It is of interest to observe what if any differences exist between the three national samples which have in common participation in a socialist system, but each following a somewhat different developmental path since the collapse of existing socialism. Broadly speaking what is the social context for women entrepreneurs and what are the social attitudes expressed toward women participating, and their motivation for starting to engage entrepreneurial activities.

To complete these research aims randomly chosen samples of citizens of three EU member states were asked to respond to the research protocol. The survey included questions on attitudes toward women entrepreneurs providing an opportunity to analyze communalities as well as national differences. The survey also included information on relevant beliefs and motivations to engage in entrepreneurial activities.

The study was conducted by means of a survey instrument was developed that consisted of the two measures described below.

Attitudes toward women entrepreneurs

This measure consists of 40 items that study the respondents' attitudes toward women entrepreneurs in general and toward their abilities and potentialities. Response categories are based on a five-point Likert-type scale where 1 is "Strongly disagree" and 5 is "Strongly agree". The scale yielded excellent internal reliability ($\alpha = .93$ for the Bulgarian sample; $\alpha = .91$ for the Hungarian sample and $\alpha = .97$ for the Romanian sample).

Attitudes toward motives determining the inclusion of women in entrepreneurial business

The second measure consists of 11 items examining the attitudes of the subjects in the three samples toward the motives of women to start entrepreneurial activity. Response categories are on a five-point Likert-type scale where 1 is "Strongly disagree" and 5 is "Strongly agree". The instrument has overall acceptable reliability, with Cronbach's Alpha of 0.72 for the Bulgarian and Hungarian samples, and .70 for the Romanian sample.

The Bulgarian sample

The sample consisted of 135 participants of Bulgarian nationality found by using an online version of the survey.

Almost a half of the respondents were aged between 20 to 30 years (48%), followed by 28 percent between 31 and 40, 19 percent between 41 and 50, and 7 percent older than 51. Seventy-one percent of the sample was females. Thirty-six percent of the subjects were single. Thirty-eight percent of the respondents were married. 18 percent were living with a partner and 7 percent divorced or widowed. In this sample 49 percent had no children. Twenty-nine percent of the sample had 1 child whereas 18 percent were parents of 2 or more children. Only 2 percent of the sample had three or more children. Almost one half the participants (56 percent) had higher education followed by 25 percent who completed bachelor's degree, and 13 percent had a primary or secondary education. The smallest portion of participants had PhD or similar degree (4%). In terms of the length of organizational service of the respondents, the highest percent was observed in the groups of employees with a length of service of up to 1 year, between 11-15 years and between 16-20 years (16%). They were followed by people with a length of service between 3-5 years (14%) and between 1-2 years (13%). Respondents with more than 20 years of service constituted 12 percent of the sample. Eleven percent reported a length of service from 6-10 years. One half (50%) of the subjects worked in a private organization. Fourteen percent were students, followed by those employed in the state sector (13%). The respondents running their own

business constituted 13% of the sample. The unemployed and retired respondents were 7 percent and 1 percent respectively. The recent position in the company divided the sample as follows: 37 percent were employees in private companies, 18 percent ran their own business, 13 percent were employed in state companies, 12 percent reported neither of the response options (adding they were students, retired unemployed or on a maternity leave). 8 percent of the respondents were managers in private company. Social status yielded 67 percent who defined themselves as being neither poor nor rich, 26% feeling they were materially and financially satisfied, 6 percent admitted they eked out a livelihood and below 1 percent of the respondents reported they lived in extreme poverty. With regard to their party affiliation, 43 percent of the subjects stated they were not interested in politics, 24 percent were sympathizers of the right-wing parties, followed by 13 percent who reported they sympathized with centrist parties. 12 percent were opposed to all parties and only 5 percent sympathized with left-wing parties. The majority of the sample was Orthodox Christian (82%), followed by eight percent atheists. 6 percent of the sample reported they had "Other" religion (i.e. East philosophies, agnosticism etc.). Only 1 percent of the respondents was Catholic and below 1 percent reported being Protestants or Muslims.

The Hungarian sample

The sample consisted of 150 participants of Hungarian nationality including one Bulgarian citizen all of whom completed an online version of the survey.

In the sample, all four age groups were represented. Approximately one half (47 percent) of the subjects were between 20 and 30 years old. The second largest group consisted of respondents older than 51 years (25 percent) followed by those aged from 31 to 40 (18 percent) and from 41 to 50 (11 percent). Like in the Bulgarian sample, seventy-one percent of the Hungarian sample was females. With regard to the marital status, 37 percent of the subjects were married and 36 percent were living with somebody. The single ones were 23 percent and the divorced and widowed persons were 5 percent. In this sample 57 percent had no children. From the respondents having children the largest group was the one of parents having 2 children (23 percent) followed by the parents of 1 child (13 percent) and 3 children (7 percent). In terms of education the holders of a master's degree and a bachelor's degree were almost equal in number – 39 and 41 percent respectively. Persons with primary or secondary education constituted 11 percent of the sample. The smallest portion of participants had PhD or similar degree (9%). By the length of organizational service the highest segment was represented by people with more than 21 years of service. The employees with a length of service from 1 to 2 years proved to be 16 percent of the whole sample followed by the beginners – 14 percent having a length of service below 1 year. The employees with a length of service from 3 to 5 years and 6 to 10 years were equal in number – 12 percent each.

The subjects with a length of service between 16 and 20 years were only 6 percent. 39 percent of the respondents were hired by state organizations followed by 33 percent from private organizations. 16 percent of the sample were students, 7 percent were running their own business and 5 percent were retired. By the current position in the organizations the sample was divided as follows: 33 percent were employees in state companies, 25 percent were employees in private companies, 28 percent reported neither of the response options (i.e. they were students, retired unemployed or on a maternity leave) whereas 9% were running their own business. The persons occupying managerial positions in the private sector or who were directors in the state sector were 4 percent and 1 percent respectively. Regarding the social status 62 percent of the subjects reported they were neither rich nor poor, 33 percent felt they were financially and materially satisfied and only 5 percent stated they lived in extreme poverty. 58 percent were not interested in politics, followed by the sympathizers of the right-wing parties (14 percent) and of the left-wing parties (11 percent). 9 percent of the sample were opposed to all parties where as 8 percent sympathized with centrist parties. 36 percent of the participants were Catholics, 21 percent atheists and 17 percent Protestants. 2 percent of the sample was Orthodox Christian and 1 percent Muslim. Interestingly, 28 percent of the respondents reported other religions and philosophic views (i.e. agnosticism, evangelism, pantheism, heretic).

Romanian sample

The sample consisted of 142 people of Romanian nationality who completed the two measures using the paper-and-pencil method.

One half (50%) of the sample was aged from 20 to 30 years followed by respondents aged 31-40 years. 19 percent of the subjects were between 41 and 50 and only 5 percent were over 51 years. 53 percent of the sample was females. 43 percent were married and 39 percent were single. The divorced and widowed persons constituted 10 percent of the sample followed by 8 percent living with a partner. 52 percent of the Romanian sample did not have children. Among the rest, 25 percent were parents of 2 children, 18 percent were parents of 1 child and only 4 percent had 3 or more children. In terms of educational status, 68 percent of the respondents had a bachelor's degree, 20 percent a master's degree, 9 percent were with primary or secondary education and 3 percent had PhD or higher degree. 41 percent of the subjects had an organizational length of service below one year, followed by those with a length of service from 6 to 10 years (25%). 16 percent reported they had from 11 to 15 years of service. 8 percent had a length of service from 3 to 5 years whereas the persons with a length of service from 1 to 2 years and from 16-20 years were 5 percent each. 42 of the respondents were students. 30 percent were hired by private organizations followed by 23 percent from state organizations. 4 percent were running their own business and 5 percent were

retired. 22 percent of the respondents were employed by state companies, 15 percent of them were managers in private companies, 14 percent were employees in private companies, 4 percent were running their own business and only 1 percent were directors in state companies. Regarding the social status, 70 of the respondents consider they are neither rich nor poor, 15 percent eked out a livelihood and 15 percent were materially and financially satisfied. In terms of their party affiliation, 64 percent of the subjects were sympathizers of the right-wing parties, 22 percent opposed to all parties, 6 percent sympathized with left-wing parties, 3 percent sympathized with centrist parties and just 1 percent was sympathizers of right-wing parties. The Orthodox Christian constituted the majority of the sample (80 percent), followed by the atheists (8%). The smallest were the numbers of the Catholics (6%) and the Protestants (6%).

RESULTS AND DISCUSSION

Attitudes toward women entrepreneurs

For the three samples, the most strongly expressed attitudes toward women entrepreneurs were established by an analysis of the means and standard deviations. The tables below show the specific attitudes shared by the Bulgarian, Hungarian and Romanian samples.

Attitudes toward women-entrepreneurs in the Bulgarian sample

Table 1. The highest means for the attitudes toward women entrepreneurs in the Bulgarian sample

Item	M	SD
Men-entrepreneurs should treat women-entrepreneurs as equal business partners.	4.62	0.75
There should be no place for women in the entrepreneurial business.	4.54	0.89
A woman cannot find professional realization as an entrepreneur because she lacks competence and relevant education.	4.44	0.89

The results presented here demonstrated that the most predominant attitude concerning women entrepreneurs is "Men-entrepreneurs should treat women-entrepreneurs as equal business partners" which is actually a wish for a better treatment of women entrepreneurs implying that the situation is hard for the women-entrepreneurs (M = 4.62; SD = 0.75). The second dominant attitude

toward the women-entrepreneurs was explicitly negative “There should be no place for women in the entrepreneurial business” ($M = 4.54$; $SD = 0.89$). The third highest mean was identified for the item “A woman cannot find professional realization as an entrepreneur because she lacks competence and relevant education” ($M = 4.44$; $SD = 0.89$).

In brief, it proved that the respondents from Bulgaria considered there is no place in business for women-entrepreneurs because they are not competent enough. However, the respondents believed women-entrepreneurs deserve to be equally treated by the men-entrepreneurs.

Attitudes toward women-entrepreneurs in the Hungarian sample

Table 2. *The highest means for the attitudes toward women-entrepreneurs in the Hungarian sample*

Item	M	SD
Men-entrepreneurs should treat women-entrepreneurs as equal business partners.	4.69	0.67
There should be no place for women in the entrepreneurial business.	4.66	0.72
Among women-entrepreneurs there is a lack of managerial knowledge and skills.	4.63	0.74

The means presented in Table 2 demonstrated that the most predominant attitude concerning women entrepreneurs was “Men-entrepreneurs should treat women-entrepreneurs as equal business partners” which suggested that the respondents felt the situation should be changed. ($M = 4.69$; $SD = 0.67$). The second most strongly expressed attitude for the Hungarian sample was the one stating that there should be no place for women in the entrepreneurial business ($M = 4.66$; $SD = 0.72$). The third most strongly shared attitude was that women-entrepreneurs lack managerial knowledge and skills ($M = 4.63$; $SD = 0.74$). These results implied that, similarly to the Bulgarian sample, women’s knowledge and competences were questioned. So was their place in the entrepreneurial business. However, the leading motivation meant that this position of women-entrepreneurs should be changed.

Attitudes toward women-entrepreneurs in the Romanian sample

The most strongly expressed attitude in the Romanian sample was that women-entrepreneurs should be treated as equal business partners ($M = 3.94$; $SD = 0.65$). The second predominant attitude is quite positive – “I favor the expansion of the women’s entrepreneurship in my country as an important factor in development of the national economy” ($M = 3.94$; $SD = 0.64$). The third most strongly expressed attitude in the sample was that there should be no place for women in the entrepreneurial business ($M = 3.74$; $SD = 0.94$). These attitudes also

Table 3. *The highest means for the attitudes toward women-entrepreneurs in the Romanian sample*

Item	M	SD
Men-entrepreneurs should treat women-entrepreneurs as equal business partners.	3.94	0.65
I favor the expansion of the women’s entrepreneurship in my country as an important factor in development of the national economy.	3.94	0.64
There should be no place for women in the entrepreneurial business.	3.74	0.94

suggest that women are not considered as equal business partners and that the respondents believe entrepreneurship is predominantly the arena for men. The respondents, however, think that this should be changed in the direction of inclusion and provision of equal opportunities to women-entrepreneurs.

It is noteworthy that in the three samples the subjects believe there is no place for women in entrepreneurial business which is an interesting finding taking into consideration that the samples were dominated by female respondents. The other common attitude was that there is no equality between men and women in entrepreneurial business and it should be changed. This is a paradox which requires further research.

Motives determining the inclusion of women in entrepreneurial business

For the Bulgarian, Hungarian and Romanian samples, the attitudes of the respondents toward the motives determining the inclusion of women in entrepreneurial business were explored by an analysis of the means and standard deviations. The tables below show what the subjects in the three EU member states think urged women to start entrepreneurial business.

In the Bulgarian sample, the most strongly expressed attitude to the motives determining women's inclusion in business is that their abilities and gifts ($M = 3.78$; $SD = 1.02$). The second most strongly reported item was "A woman starts her own entrepreneurial activity because she has professional goals that will secure a place in society" ($M = 3.67$; $SD = 0.92$) followed by freedom and independence ($M = 3.67$; $SD = 0.99$).

Table 4. *The highest means for the attitudes toward motives determining the inclusion of women in entrepreneurial business in the Bulgarian sample*

Item	M	SD
Women enter entrepreneurial business because they have abilities and gift not because they don't have other alternatives.	3.78	1.02
A woman starts her own entrepreneurial activity because she has professional goals that will secure a place in society.	3.67	0.92
Freedom and independence are the values that motivate women to enter entrepreneurial business.	3.67	0.99

Table 5. *The highest means for the attitudes toward motives determining the inclusion of women in entrepreneurial business in the Hungarian sample*

Item	M	SD
A woman starts her own entrepreneurial activity because she has professional goals that will secure a place in society.	3.74	1.05
Women enter entrepreneurial business because they have abilities and gift not because they don't have other alternatives.	3.73	1.16
Freedom and independence are the values that motivate women to enter entrepreneurial business.	3.59	1.01

The analysis of means and standard deviations of the attitudes to motives urging women to start entrepreneurial business showed, as in the Bulgarian sample, that the most strongly expressed attitude was "A woman starts her own entrepreneurial activity because she has professional goals that will secure a place in society" ($M = 3.74$; $SD = 1.05$). The second most expressed item, again as in the Bulgarian sample, attributes importance to the abilities and gifts of the women ($M = 3.73$; $SD = 1.16$). The third attitude was also met in the Bulgarian sample – the women's striving for freedom and independence ($M = 3.59$; $SD = 1.01$).

The two samples share the same attitudes toward the motives of women-entrepreneurs, the sequence of items being the only difference. This finding suggested that the two respondents from these states had very close views on the issue.

Table 6. *The highest means for the attitudes toward motives determining the inclusion of women in entrepreneurial business in the Romanian sample*

Item	M	SD
Women enter entrepreneurial business because it is consistent with their new roles in the modern world.	3.83	0.72
A woman starts her own entrepreneurial activity because she has a desire to contribute to society by opening more job positions.	3.66	0.90
A woman starts her own entrepreneurial activity because she has professional goals that will secure a place in society.	3.60	0.92

The Romanian sample focused on two other motives of the women-entrepreneurs as follows: “Women enter entrepreneurial business because it is consistent with their new roles in the modern world” ($M = 3.83$; $SD = 0.72$) and “A woman starts her own entrepreneurial activity because she has a desire to contribute to society by opening more job positions” ($M = 3.66$; $SD = 0.90$) suggesting that women in the modern society have new roles and are willing to contribute to their country. The third motive of women-entrepreneurs coincided with the one from the Bulgarian and Hungarian samples, i.e. “A woman starts her own entrepreneurial activity because she has professional goals that will secure a place in society” ($M = 3.60$; $SD = 0.92$).

Although the Romanian sample differs by the motives reported by its subjects, it shares the item related to having professional goals securing a place in society for the women-entrepreneurs. This implies there is a common tendency for the women from these three samples to look for a new way to be valuable for their societies.

SUMMARY

The research reported above reveals useful information about the attitudes toward women-entrepreneurs in the three studied EU states. However, the sample was relatively small encouraging replication work with larger samples in the future.

The analysis of means and standard deviations revealed that the most strongly expressed attitudes toward women-entrepreneurs shared by the three states left no place for women in the entrepreneurial business. It was an interesting finding taking into consideration that the samples were dominated by female respondents. However, the respondents considered this position of women in the society should be changed in the direction of inclusion and provision of equal opportunities to women-entrepreneurs. This ambivalence requires further research.

The attitudes of the respondents toward the motives which urge women to enter the entrepreneurial business proved to be the same for the Bulgarian and Hungarian samples. The motives included professional goals, abilities and gifts and

a striving for freedom and independence. The Romanian sample suggested women were motivated by their new roles in the modern world and the desire to contribute to the society by opening more job positions. The three samples had only one motive in common, the professional goals securing a place in society for women-entrepreneurs. This demonstrated a common tendency for the women from these samples to look for a new way to be valuable for their societies.

CONCLUSION

Women entrepreneurship is an important resource for economic prosperity. Today governments of many countries and relevant international organizations make serious efforts to support women entrepreneurship but the outcomes are less than satisfactory. Negative attitudes toward women entrepreneurship still exist and confound the full participation of women in the business world. The research supports the importance of changing these negative attitudes as an important precursor for the full participation of women. Only when women entrepreneurship is valued on equal terms with that of men can we expect society to realize the full potential for economic development. To contribute to the study of the inclusion of women in innovative work the following is proposed:

First, develop precise survey instruments for studying people's attitudes toward women entrepreneurship in several countries.

Secondly, conduct comparative survey research with the instruments developed in several developed and developing countries. A major objective is to ascertain the relationship between attitudes toward female entrepreneurship and the level of women's participation in the business world.

Third, representative cross-national research to be carried out and the levels of women entrepreneurship compared examining both communalities and nationally specific factors blocking or encouraging women's entrepreneurship.

Fourth, a model and a strategy for changing people's attitudes toward women entrepreneurs to be proposed based on the research and comparative cross-cultural analyses. It is expected that the current research is the first step in the implementation of this program.

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IMPORTANCE OF FEMALE ENTREPRENEURSHIP FOR ECONOMIC AND SOCIAL DEVELOPMENT

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Abstract

In an increasingly globalized and interconnected world, using socio-economic resources is key to success. However, despite progress, women still face discrimination, marginalization and exclusion, although the equality of men and women is universally internationally valid principle-basic and inviolable human right. Almost all countries have affirmed this value by recognizing standards contained in international human rights agreements, which articulates for states a wide range of civil, political, economic, social and cultural rights. Gender equality and empowerment of women today is one of the main prerequisites of stable development. Economic growth, productivity, poverty reduction and sustainability are possible only with the equal participation of women and men. The economic position of women implies, among other things, their position in the labor market, including revenue earned and access to resources. Therefore, their position in the labor market usually consider, among other things, through their participation in entrepreneurship. It is believed that entrepreneurship should be an important channel for economic empowerment of women and the pillar on the road to sustainable development. However, women entrepreneurs face a number of obstacles in establishing and running their own businesses, or due to lack of restrictions on access to resources, which put women at a disadvantage in this area.

The aim of this paper is to point out what is the status of women entrepreneurs in Serbia, especially in Novi Pazar, what obstacles they face, and which are the business, social and institutional framework for female entrepreneurship.

Keywords: female entrepreneurs, resources, institutional support,

INTRODUCTION

In an increasingly globalized and interconnected world, using of socio-economic resources is key to success. However, despite progress, women still face discrimination, marginalization and exclusion, although the equality of men and women is universally international valid principle-basic and inviolable human right. Almost all countries have affirmed this value by recognizing standards contained in international human rights agreements , which articulates for states a wide range of civil, political, economic, social and cultural rights.

Prerequisite for economic development is social stability, which is based on a policy of equal opportunities, solidarity, social inclusion and social justice. Balanced economic development is not possible without the proper use of female human resources and therefore is essential to encourage, with special measures, women to become more involved in the market economy.[National Strategy for Improving the Position of Women and Gender Equality (2009-2015)]

Gender equality and empowerment of women today is one of the main prerequisites of stable development. Economic growth, productivity, poverty reduction and sustainable are possible only with the equal participation of women and men. Gender equality is not only a basic human right, its achievement has enormous socio-economic consequences.

Economic empowerment of women is the basis for strengthening the role of women in society and the path of sustainable economic development. Empowerment of women has a positive effect on the prosperity of the economy by stimulating its productivity and growth. If women are economically disadvantaged and less involved in the development, it means that it is not used a great potential for more than half of the population in Serbia. Strengthening women's self-consciousness about their own abilities and potential for involvement in market activities-market competition is evident in all countries at all levels of development and in all regions of the world. Without much exaggeration, to say that they contributed significantly to the dynamic of the development of small and medium enterprises and make it more versatile.

Globalize processes with increasing market competition intensified the issue of use of all available resources in the national economy. In this context, the importance of the issue of women and granted resources (female workers) are bigger then in the past. Lack of involvement of women in economic and other activities is perceived today as unacceptable neglect of resources for the development of national and world economy, this has led to a change in strategy of international institutions in relation to women as social capital, which are derived from specific programs supporting government institutions and non-governmental organization broader inclusion of women in independent business.

SOCIO-ECONOMIC CONTEXT AND GENDER EQUALITY

Historically, gender regimes and gender inequality, women's position in society in general and the labor market have changed depending on the period of growth and stagnation in the country has passed. In the socialist period, gender regimes contained peculiar contradiction because women in the public sphere, ie employment, education, welfare benefits, maintained high participation, while in the private sphere play the unequal relations in which women assumed most of the responsibility for family care and household. However, socialism has brought the advancement of women in education and employment. Thanks to the expansion of education, the destruction of legal, customary and traditional norms that discriminated against women in the field of education, since the 70-ies of the last century, there was an extremely large increase in women's participation in education at all levels. Education has fueled the upward social mobility of women and at the same time allow for the empowerment of women within the family and increase their negotiating potential.

After the collapse of socialism in terms of the collapse of institutions, deepening economic crisis, insecurity, and instability due to wars and drastic deterioration of the material standard of the majority of the population, in Serbia was discernible the tendency of retraditionalization and patriarchalization. Specifically, under the socialist system, it was recorded high women participation in the labor force, but the economic decline of the 90-year displaces women from the labor market, deliver them to the private sphere, which take care of the family, the pronouncedly unfavorable circumstances falling living standards.

Table 1: Activity rates of employment and unemployment of the population working age (15-64), Serbia, Labour Force Survey

	1996.(%)			1997.(%)			1998.(%)			1999.(%)			2000.(%)		
	A	M	F	A	M	F	A	M	F	A	M	F	A	M	F
The activity rate	59,2	67,8	51,1	57,5	66,7	49,0	57,8	66,3	50,0	57,4	66,2	49,3	57,8	65,8	48,9
The employment rate	51,9	60,7	43,6	50,4	59,6	42,0	50,4	58,8	42,6	49,8	58,7	41,7	50,1	59,1	41,8
The unemployment rate	12,2	10,4	14,5	12,3	10,7	14,2	12,8	11,3	14,7	13,3	11,4	15,6	12,1	10,1	14,5
	2001.			2002.			2003.			2004.			2005.		
	A	M	F	A	M	F	A	M	F	A	M	F	A	M	F
The activity rate	57,3	67,0	48,1	56,1	65,2	47,5	55,7	66,0	45,9	55,5	64,6	47,0	53,5	63,0	44,6
The employment rate	50,3	59,9	48,1	48,6	57,5	47,5	47,6	56,9	45,9	45,2	54,9	47,0	42,3	52,4	44,6
The unemployment rate	12,2	10,5	14,5	13,3	11,8	15,2	14,6	13,8	15,8	18,5	15,2	22,9	20,8	16,8	26,1

Moving into a period of intense transition, after 2000, the situation of women in the labor market is even worse, due to privatization and economic restructuring. If you look at the statistics, we see that the percentage of women declined since 2000. years., every year, to 2005th reached the lowest level. After that, trends are starting to show gradual improvement. Although the period of intense transition

(2001-2008). Serbian recorded a significant increase in GDP, such an increase was not accompanied by a rise in employment. On the contrary, due to the intense economic restructuring that took place through the simultaneous processes of privatization and transformation of the sector, there was an increase in unemployment and structural imbalances in the labor supply with demand. Basic labor market indicators point to a constant low level of employment in spite of variations of a few percentage points and the unemployment rate by 2006. year.

Table 2: Activity rates of employment and unemployment of the population working age (15-64), Serbia, Labour Force Survey

	2006.(%)			2007.(%)			2008.(%)			2009.(%)			2010.(%)		
	A	M	F	A	M	F	A	M	F	A	M	F	A	M	F
The activity rate	51,0	60,1	42,5	51,0	59,7	42,8	51,5	60,4	43,3	49,1	57,7	41,4	46,9	55,5	39,0
The employment rate	40,4	49,3	42,5	41,8	50,3	33,8	44,4	53,2	36,5	41,2	49,1	34,0	37,9	45,3	31,1
The unemployment rate	20,9	17,9	24,7	18,1	15,8	21,0	13,8	11,9	15,8	16,1	14,8	17,8	19,2	18,4	20,2

Although the equality of women and men in the labor market is regulated by law, more indicators of women position, mutually conditioned, shows that Serbia is among the countries with high levels of gender inequality in the labor market when the data are compared with the situation in neighboring countries, especially the countries of the European Union. According to the survey data, as well as the relevant documents and gender-sensitive statistics, women in Serbia, similarly to women in other post-communist countries, are losers in transition, especially if they are elderly, low-educated, live in rural areas or belonging to marginal groups. Statistical data as well as relevant research, speak about their negative social and economic status in Serbia, and the high proportion of women with no regular income or lower wages of those who are employed, their longer waiting for work, high degree of unemployment, low rate of their activities, high risk of poverty among this group, and the evidence reveals particularly vulnerable groups of women, such as women living in rural areas, single mothers, housewives, Roma, refugees, uneducated and unemployed women, the sick, the disabled and women victims of violence. They require a special strategy and planning in the framework of social policy.

Favorable circumstance is certainly the trend of development of the institutional framework for entrepreneurship in Serbia in recent years. This development is accomplished by establishing and improving various institutions for the regulation of the business environment and entrepreneurship and business directly, as well as institutions that provide various forms of support or introduce measures and policies related to entrepreneurship in other areas encourage the development and improvement of living conditions of certain social groups. Development is achieved and duplication of laws and regulations governing areas such as registration, business conditions for the execution of various transactions, contractual relations and cooperation, the satisfaction of obligations to the state and employees, respect for the rights of employees and the regulation of social duty, and a large number of conditions related to standards. And the situation in the community.

Gender equality is emphasized as one of the basic principles of the legal system of the Republic of Serbia, and starting from the highest law, the Constitution of the Republic of Serbia, where the level of declaration guarantees the equality of citizens and prohibits discrimination. Article 15 proclaims the equality of the sexes and provides that the state shall guarantee the equality of women and men and to develop equal opportunities policy. Two important laws in this area, which have largely changed legal view of gender equality and women's rights in Serbia are the Anti-Discrimination Law and the Law on Gender Equality.

Gender equality in the economy in Serbia are defined as one of six priority areas of the National Strategy for Improving the Position of Women and Gender Equality (2009-2015) [Official gazette of RS, np.015/2009.]and the Action Plan for the National Strategy for Improving the Position of Women and Gender Equality (2010-2015) [Official gazette of RS,nr.067/2010] in the strategic direction of development improving the economic position of women and achieving gender equality.

The strategy includes measures that would bring relief to working women, in order to adequately comply private and work obligations and to increase their participation in public and professional life. In addition, these measures would lead to an improvement and employment and reduce the unemployment rate of women by encouraging employers to create conditions that enable women to various forms of flexible work (equal access to well-paying jobs, equal pay for equal work performed, equal opportunities for advancement etc..) and by encouraging the establishment of social services that would relieve working women.

Serbia is 50th on gender equality among the 135 countries listed by the World Economic Forum, where leading Nordic countries. Countries are ranked according to their ability to eliminate gender differences in four key sectors-in access to health care, education, and participation in political and economic equality.

According to economic equality between women and men, the Serbia is 67th in the world, according to equality in pay for the same work 76th, 91st at access to healthcare, education 61st, and by the equality in participation in political life 40th among 135 countries. (Source: www.euractiv.rs)

ENTREPRENEURSHIP AND ITS IMPORTANCE FOR ECONOMIC EMPOWERMENT OF WOMEN

The economic position of women implies, among other things, their position in the labor market, including revenue earned and access to resources. The position of women in the labor market often look through: [UN Women, Report of the Conference "Empowering Women principles: Equality means a successful business - Serbian companies as leaders", 2012.]

- Activity rate (job search or employment or paid work)
- The employment rate (the proportion of women employed in the population and the proportion of women in the total female population)
- The unemployment rate
- The participation of women in entrepreneurship

Empowering women to participate fully in economic life, in all sectors and at all levels of economic activity, it is necessary to:

- Building strong economies
- Establishing a stable and fair societies
- Achieving the internationally agreed development goals of sustainability and human rights
- Improving the quality of life of women, men, families, communities
- Starting a business and improvement business goals

Female entrepreneurship is not a problem that "earthquake" only our environment or just a country in transition, but is part of a broader strategy of building an "entrepreneurial society" and "entrepreneurial culture" as a political and economic concept, philosophy and development of discussion around the world. For us, the concept was actualized by transition in post-communist society. After a grueling year of crisis, long-lasting and profound economic regression, wars and other problems, privatization was accelerated and restructuring of business organizations, rationalization of public services. All of this has led to an increase in the normally high level of unemployment and the rapid impoverishment of entire social classes and essentially changed the way of life of both men and women. Statistics indicate that women are somewhat more vulnerable than men, primarily in terms of slightly higher unemployment rate, although this percentage is lower now, and poverty, especially women single mothers. In such a situation, entrepreneurship and starting independent business activity, is considered one of the very important roads earnings through self-employment and job creation. Researchers economic reforms in transition countries believe that the success of these reforms and the maintenance of democracy in the long term is necessary to prosperity runs through the whole of society. This means, to ensure the fair distribution of goods of social development. It is therefore essential that the strategy of economic development in these countries are placed on initiatives for

the establishment of small and medium-sized enterprises, and to create conditions for the inclusion of a large number of people from all social strata and groups in the private sector. EU institutions, European countries, as well as the Association of European Chambers of Commerce giving high priority to the development of women's entrepreneurship.

It is believed that entrepreneurship should be an important channel for economic empowerment of women and the pillar on the road to sustainable development. Through the establishment of their own businesses, women can improve their chance to gain economic independence, alleviate poverty and improve their well-being. Through this process, women can remain agents of change, and the long term, to calculate the consequences of their actions on future generations and for their better future.

The question that we often hear is what is the way in which women are involved in the labor market in comparison to men? Research shows that there are significant differences in the positioning of women and men in jobs that differ by ownership of the means of production, work autonomy, contractual arrangements and compensation for work performed. [Babović, M., 2012.] Women are less likely than men to engage in entrepreneurship and employment, more likely to work for employers and significantly more likely to help other members of the household in a family business without pay.

Table 3: *Employed men and women according to occupational status, Serbia, 2009*

	ENTREPRENEURS	EMPLOYEES	SELF-EMPLOYED	ASSISTING MEMBERS
MEN	4,7	24,9	65,8	4,5
WOMEN	2,4	12,5	70,6	14,6

Source: Labour Force Survey, 2009.

Women entrepreneurs face with a number of obstacles in establishing and running their own businesses, or due to lack or restrictions on access to resources, which put women at a disadvantage in this area. Enabling environment that promises is crucial to move the barriers and obstacles to equal participation in the various stages of entrepreneurship.

There are few studies that reveal deeper characteristics and difficulties faced by women entrepreneurs. In one study of women entrepreneurs, there were singled out the two most important motives for starting their own business:

- Economic necessity, ie, the need to earn the means to support their families, and
- The need for women to prove their own entrepreneurial activity skills, gain freedom and self-starters.

As the main problem in running a business, women entrepreneurs say: [Babović, M,2012.]

- Problems in relationships with male colleagues in the business world, which is manifested through humiliation and marginalization on the one hand and the courtship and harassment from the other side.
- Problems in harmonization of family obligations with work commitments, arising from the disproportionate burden household and family responsibilities (most of the obligations undertaken by women), which is difficult to achieve with intensive entrepreneurial engagement, and on the other hand, difficulty achieving business obligations (business travel, extended hours) due to family commitments.
- Unfavorable attitude of the social environment towards women in business (general mistrust and negative evaluation), which is particularly evident in smaller, patriarchal society and is even present among husbands / partners of women entrepreneurs
- The lack of initial funds to start some major work.

As for the orientation toward the further development of business women who are already in the field, research shows that they do not have the courage to invest in business expansion, to invest in risky ventures. It is, on the one hand, can be interpreted as a rational relationship in situation of extreme political and economic instability and the related responsibilities for the family and children that most of these women served. On the other hand, however, the objectively, constraints that come from the environment is still quite large for women. In addition to the patriarchal system, disadvantages come from high levels of corruption and the strong male. There are also internal barriers, which are interiorized during socialization, and the product of fear, make it difficult to build confidence. [“Zensko preduzetništvo u Srbiji-sanse i perspektive“, Zbornik radova, okrugli sto, Regionalna privredna komora Kikinda, 2006.]

Because of all these and many other factors, women, in most, remain a small business, typically female spheres of activity, low profitable, again separated from the main and most profitable business. Thus, the glass ceiling for women in business is evident. It is certain that it will take a lot of effort to break it. Efforts at the global and individual level would have to start from that to acknowledge and affirm the potential and capacity of female workers. Primarily because of a poor society with European periphery must be carefully used all available resources in order to survive.

Female entrepreneurship is one of the important sources of economic growth, and promoting and supporting women entrepreneurs, regions helps to women's self-esteem, creating wealth for their communities, and above all improve the lives of its citizens. Female entrepreneurship is a very important topic for all regions, and to promote women's entrepreneurship more than anything connected with the change of mentality and the adoption of appropriate legislation that will create a better balance between work and life for all.

FEMALE ENTREPRENEURSHIP IN NOVI PAZAR

Even at the time of establishment, Novi Pazar, was an important commercial center. Since 1990, there is the rapid development of private enterprises. Today in Novi Pazar has more than 450 private companies and over 2,500 independent stores, which are mainly engaged in the production of denim clothing and footwear. There are developed yet and metal and building material industry and furniture.

Textile production is a relatively new feature of the economy, tied to the sixties of the twentieth century when they first established firms in the sector (textile combine "Raska"). Since then, the industry has successfully implemented with a special flourish in the period of 90-years, expressed through the formation of small firms in Novi Pazar, oriented to produce jeans, sportswear and children's clothing. Today the industry is dominated by private local managers while industrial giants in the social sector have gone through a period of crisis characteristic of multinational enterprises in the whole country.

In Novi Pazar 747 active small and medium-sized private enterprises (January 2006.). Thus, the small and medium-sized private enterprises makes 94.3% of all enterprises in the municipality. Small businesses make up 98% of companies in the small and medium enterprises. The relatively high share of the trade sector, both in the creation of national income and in the total number of small and medium-sized enterprises, primarily the result of the low level of overall economic activity, not the objective of growth and modernization of the economic structure. Private enterprises in the city of Novi Pazar are average 10-15 years of age and with a simple organizational structure - the owner is also the manager. Based on analysis of focus group needs the biggest problems in business are lack of skilled labor and managerial staff, as well as the complicated administrative procedures for export and import goods. The largest number of operations in the domestic market and has a form of organization LTD. It also stated the need to provide non financial services market research and analysis, business networking and marketing support for new products. The need for institutional support to the formation of different types of association, exchange of experience and joint participation in the market, given the export orientation of most businesses. Certain forms of support such as business plans and consultations of general type, small and medium enterprises can be obtained from the Agency for Sandzak Economic Development (SEDA), which provides consultancy, support in the territories of Novi Pazar and Tutin.

When we talk about female entrepreneurship in the city, according to the Department of Local Economic Development, there are 393 registered entrepreneurs who are mainly engaged in the service industry. According to the words of Behdzida Dustinac, who is president of the Association of Business Women of Southwest Serbia and member of the Association of Business Women of Serbia, one of the problems is the lack of official statistics, when it comes to

female entrepreneurs. Besides the number of registered entrepreneurs, there is no information about their educational structure, how much of it is in managerial positions, as well as whether they are real owners of their companies, or companies are registered in their name only.

Problems faced by entrepreneurs in this region is not significantly different from the problems faced by female entrepreneurs across the country. Prejudices about becoming male and female occupations, female of limited intelligence for dealing with engineering, the participation of women in political life, in leadership positions are just some are facing women entrepreneurs in the area. We should also note the poor organization supporting service departments, such as kindergartens, schools, home maintenance services, which forbids women to make their full contribution to the workplace.

As regards support programs, especially for this area does not exist. Last year, the Office for the sustainable development of underdeveloped areas, in partnership with USAID, the had the project of support "Women in Agrobusiness". It was support procurement of various types of equipment, renovating barns, greenhouses supply, etc., for women from rural areas of our region. Another support program was training in entrepreneurship for women from Novi Pazar, which was held from November 2011. to February 2012. year. As part of the training, the women were introduced to the basics of entrepreneurship and business plan writing, so they can start their own agribusiness. There's a line from the Development Fund, the National Employment Service, OTP Bank, the BAS program in Serbia from European banks, but all with a very demanding conditions.

CONCLUSION

Female entrepreneurship is not a problem that "earthquake" only our environment or just a country in transition, but is part of a broader strategy of building an "entrepreneurial society" and "entrepreneurial culture" as a political and economic concept, philosophy and development of discussion around the world.

Entrepreneurship development should be an important channel for economic empowerment of women and the pillar on the road to sustainable development. Therefore, it is necessary to work on its expansion and improvement, both globally and at the local level by providing various forms of support. Some of the proposals for the development of women's entrepreneurship could be:

- Information and education for young women entrepreneurship
- The introduction of innovative programs that enable small and medium-sized enterprises, and promoting regional connectivity,

- Developing a program which could inform and educate women entrepreneurs on the new regional and global social and economic trends (information technology, environmental sustainability, etc..) because of the competitiveness in the market,
- Support organizations that deal with promotion of female entrepreneurship,
- Consistent and effective enforcement of the law,
- State the specific affirmative action aimed at reducing the tax burden on women entrepreneurs,
- The promotion and encouragement of women in the activation of areas were traditionally not represented, such as the area of technology and science sector of information technologies, machining, construction, architecture, and so on.
- Providing consulting services for women who want to start or who already operate their own business (information about the law, changes in legislation and the obligations of firms, opportunities and business conditions)

One step towards the development of women's entrepreneurship in Serbia, was made through the Development Fund. The novelty in 2012. Year is loan for the encouragement and development of women's entrepreneurship, what is planned for the 200 million dinars. Entrepreneurs can apply for loans from half a million to 5 million, with an interest rate of two to three per cent per annum and a grace period of 12 months, with a repayment period of 5 years. Otherwise, the total assets of the Fund are planned for development in 2012. amounted to 13.055 billion dinars.

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BARRIERS TO ENTREPRENEURSHIP IN AUTONOMOUS PROVINCE OF VOJVODINA: RESEARCH FROM THE ASPECTS OF AGE AND GENDER

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Abstract

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in AP Vojvodina, part of Republic of Serbia. A study was conducted to identify the main barriers to entrepreneurship in this region, with special direction to two areas of barriers. First, subjective circumstances were analyzed through several questions related to the creativity and education of the entrepreneur, personal financial assets, etc. Second, analysis obtained barriers related to the human resource management such as labor legislation, qualification structure, possibilities for training and development and the like. An online questionnaire was used to identify the level of awareness of these barriers among entrepreneurs in target area, as part of the larger study. An online questionnaire consisting of 10 questions was designed in Google questionnaire, an open source based survey tool. The survey was designed to capture information on the perceived barriers in entrepreneur business from the aspect of young and older so as from male and female entrepreneurs. Questionnaire was filled by 58 entrepreneur companies. Data analysis was made through the SPSS program for statistical analysis.

Key words: *Entrepreneurship, Barriers, Subjective circumstances, Human resources*

INTRODUCTION

Entrepreneurship is one of the most important parts of each economy. It is an activity aimed at earning profits in the market, based on constant change and willingness to take risks.

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in AP Vojvodina, part of Republic of Serbia. A study was conducted to identify the main barriers to entrepreneurship in this region, with special direction to two areas of barriers. First, subjective circumstances were analyzed through several questions related to the creativity and education of the entrepreneur, personal financial assets, etc. Second, analysis obtained barriers related to the human resource management (HRM) such as labor legislation, qualification structure, possibilities for training and development and the like.

The aim of this research is to identify the most important and biggest obstacle in establishing and developing the entrepreneurial business in AP Vojvodina. Paper was divided in three parts. First, authors made a short theoretical overview on the literature of entrepreneurial process and barriers related to human resources and some subjective circumstances. Second part was dedicated to the presentation of methodology used for the analysis of obtained sample of entrepreneurial companies. Third part was consisted from result discussion and some authors' remarks for the future research and position of entrepreneurs in Vojvodina from the point of view of young vs. old and female vs. male entrepreneurs.

THEORETICAL BACKGROUND

Entrepreneurship can be defined as “the process of creating value by bringing together a unique package of resources to exploit an opportunity” (Stevenson, Roberts, Grousbeck, 1989). Other authors defined entrepreneurship via three related components: innovativeness, risk taking and proactiveness (Covin and Slevin, 1989; Zahra, 1993). Entrepreneurship drives economic innovation. Equally important, entrepreneurs drive job formation through self-employment and small-business creation (Barth, Yago, Zeidman, 2006). Since it implies risk, uncertainty and creativity, with ideas such self – employment and innovations, it is important to analyze obstacles that can harm the process so that those could be avoided or minimized. This is even more important since economic recession had left serious consequences on world economy (Leković, Marić, 2012).

Subjective factors as barriers in establishing and developing the entrepreneurial business are the subject of the research of the authors. Subjective circumstances are observed in terms of education and competence, lack of financial resources, support of the environment, fear of failure, and the idea and initiative of entrepreneurs and their impact on the launch of a new business venture as well as developing existing one.

Creating a potential business idea is the first step in the development of entrepreneurial business by entrepreneurs of the future. Generating business idea is the product of the activities of finding unmet needs of consumers in the market niches and adapting ideas in order to achieve satisfying those needs. Development of business ideas may be the result of creativity and innovativeness of the entrepreneur or the result that came through the interaction of entrepreneurs and their friends or family to find a suitable business idea. Business idea does not have to be necessarily creation of something new since it is clearly that starting existing business ventures in the form of a franchise business is also a potential idea. Of course, the prerequisite for the implementation of the business idea is a confirmation of its feasibility by developing a business plan and feasibility study.

One of the major myths within the entrepreneurship is constantly searching for the answer to the question whether entrepreneurs are born or created (Bobera, 2010, p.61). Authors Gorji and Rahimian (2011) agreed with this, stating whether individuals are born entrepreneur or that entrepreneur will become through academic education. Education is undoubtedly an important determinant of the successful/unsuccessful entrepreneurs. Not only that education is the knowledge base from which entrepreneurs can generate new chances and opportunities, because knowledge born new knowledge, but also presents knowledge base upon which decisions are made in order to adapt to new situations (Gimeno, Folta, Cooper, Woo, 1997). Therefore, education can be seen as the basis for the acquisition of knowledge, competencies and skills, and in addition to work experience can contribute to overcome the various barriers that can occur when you run a business enterprise and develop it.

Generally accepted attitude is that for successfully start of business venture as well as latter development it is important adequate funding and provision of adequate financial resources. It is believed that any entrepreneurial venture does not start without the funds secured from personal sources. The funds from these sources has its justification in the fact that they are the cheapest in terms of cost at the same time presenting a necessary source of funds for the provision of external revenue in the form of investments by private investors and bank loans. Basu and Parker (2001) point out that in most countries most new business finance takes the form of bank loans and the next largest source of funds are family members. Commercial banks, by bank loans, are the main source of providing funds to start a business venture. Since funding that is provided through bank loans comes in the form of debt financing, it is necessary to make security guarantees or warranties by entrepreneurs. Because of its relationship with the entrepreneur, relatives and friends are a very common source of financing business ventures with its positive and negative sides. Depending on the preferences and interests of these groups, relatives and friends can also occur in the ownership position if lending comes in the form of share based financing.

The role of family and friends does not end with the act of collecting funds necessary to finance the venture; they also find their role within the networks of

moral support to entrepreneurs. Mentioned networks are the most important in the support entrepreneurs in the entrepreneurial process that is full of difficult situations, and greatly assist the entrepreneur in overcoming the fear of eventual failure. In addition to moral support network it also occurs a professional support that in addition to encouragement provides series of expert advice provided by the network members which include mentors, entrepreneurs, business associates, personal relationships, etc. (Hisrich, Peters, Shepherd, 2008).

Since subjective circumstances are very interesting part as barriers in entrepreneurship process, Gorji and Rahimian (2011) in their research have analyzed several barriers to the entrepreneurship among man and women. Barriers were divided in three categories: *individual entrepreneurship barriers* that include varieties such as family and education (Jodyanne, 2009); *organizational barriers* that include varieties financing, marketing and physical resources; *environmental barriers* that include varieties of socio-cultural factors and rules and regulations. They implemented T-test and ANOVA analysis on sample of 178 entrepreneurs (113 men and 65 women). The results indicated that there is a meaningful difference between individual and environmental barriers to entrepreneurship and order of effectiveness of barriers in men and women.

Second area of barriers discussed in this paper is HRM. HRM is very important to understand the organization of entrepreneurial firms (Dabić, Ortiz-De-Urbina-Criado, Romero-Martinez, 2011, p. 14) and it is crucial for the success of entrepreneurship (Welbourne, 2006). Many authors made very interesting research in the past to identify the importance of HRM for entrepreneurship (Chen, Zhu, Anquan, 2005; Marlow, 2006; Jack, Hyman, Osborne, 2006; Cooke, 2008). HRM includes certain functions such as planning, staffing (recruitment, selection and orientation), training, development and career development, performance measurement, compensation and benefits, leaving the organizations, labour legislation and the like. With adequate structuring of HRM organizations can provide significant improvements in the business in terms of higher performance and in particular, the competitive advantage of organizations (Wright, McMahan, McWilliams, 1994; Collins & Clark, 2003; Wall, Wood, 2005; Berber, 2011). Employees with their knowledge, expertise, motivation, loyalty and dedication to the company essentially determine the performances and market position of a company; they have the ability to create other forms of intellectual capital that will have a growing strategic importance for the company in the long run.

Having this in mind, it can be said that HRM can also have many possibilities for fostering entrepreneurial process, since entrepreneurship is also based on human resources, entrepreneurs. An entrepreneurial orientation is critical for organizational survival and growth in today's business environment (Morris, Jones, 1993). Current trend towards knowledge-intensive industries means that "competitiveness increasingly depends on the management of the relational bases of members of organizations" (Dabić, Ortiz-De-Urbina-Criado, Romero-Martinez, 2011, p. 16).

In the literature of HRM and entrepreneurship it can be seen that most researches of HRM were made in big corporations, where HRM was established as a function or department of company. While a department with great bureaucracy, policies, procedures, and paperwork in companies (Dabić, Ortiz-De-Urbina-Criado, Romero-Martinez, 2011, p. 17) HRM in small and medium sized companies (SME) has not been developed as department, and in many cases, entrepreneurs have different problems with these issues. How to manage people in new founded entrepreneurial organization, select adequate workers or deal with all legislation questions are barriers that can complicate process.

In other research (Gorji, Rahimian, 2011) analyzed labor legislation as one of the obstacles for new entrepreneurs. Also, many other HRM functions can be significant problem if there is no enough knowledge and practices. For example, rewards are the most interesting element in HRM from the aspect of employees, but also the managers. Very complex models for rewarding workers (Stangl-Susnjar, Leković, 2009; Berber, Baosić, Pasula, 2011) cannot be implemented without adequately developed system of compensations and benefits. Training and development, on the other hand, as HRM activity, provide continuous improvement of work processes and development of knowledge and skills of all workers in one organization. Training is defined much more broadly than just the acquisition of knowledge, skills or abilities; it means the process of changing behavior and attitudes of employees in a manner that will contribute to achieving the organization's objectives (Leković, Stangl-Susnjar, 2010) and organizations which don't pay enough attention to training can create themselves great difficulties. Besides these, many other HRM activities such as staffing or process of leaving the organizations (pension or termination of employment) are also important for new entrepreneurial firms.

In this paper authors decided to explore several barriers, mainly related to legislation, administrative procedures in hiring and firing workers and training programs. They have been highlighted as major obstacles for analyzed companies the survey, that are at the beginning of business process.

METHODOLOGY

The purpose of this paper was to explore the barriers that inhibit the development of entrepreneurship in Autonomous Province of Vojvodina, north part of the Republic of Serbia. Study was conducted to identify the main barriers to entrepreneurship in this region, with special direction to two areas of barriers.

First, *subjective circumstances* were analyzed through several questions such:

- The idea, initiative and enterprise, or creatively innovative air.
- Support in inner circle (family, friends and coworkers).
- Education, competence, skills and experience.

- Funding.
- Fear of failure.

Second, analysis obtained barriers related to the *human resources* such as:

- Labor legislation.
- Administrative procedures when hiring domestic and foreign workers.
- The process of layoffs.
- Qualification structure.
- The lack of specialized training programs to improve business skills.

An online questionnaire was used to identify the level of awareness of these barriers among entrepreneurs in target area, as part of the larger study. An online questionnaire consisting of 10 questions, based on Likert spectrum, was designed in Google questionnaire, an open source based survey tool. Likert scale is a psychometric scale commonly involved in research with questionnaire. It is the most widely used approach to scaling responses in survey research. In this research authors defined responses as: 1 – Is the most difficult obstacle; 2 – Basically is an obstacle; 3 – It is present as an obstacle but does not interfere with the operation significantly; 4 – Generally is not an obstacle; 5 – Does not appear as an obstacle. Entrepreneurs gave their response to ten questions (barriers) by marking one of the offered responses.

The survey was designed to capture information on the perceived barriers in entrepreneur business. The research tasks are to explore differences between:

- young and older entrepreneurs,
- male and female entrepreneurs,
- the importance of human resource barriers (HBR) and subjective circumstances (SB) in entrepreneurial process.

The sample was analyzed through two steps: first, authors made and presented descriptive statistics of the sample; second, sample was analyzed with T – test of independent samples. Questionnaire was distributed by e-mail to the 100 entrepreneurs and was filled by 58 entrepreneur companies. Rate of response was 58%. One questionnaire was not responded properly, so it has been excluded from the analysis.

Sample included 35 male and 22 female entrepreneurs, with age structure of 29 young respondents (age<40) and 28 older (age>41). 23 respondents have finished only secondary school, 11 of them take higher education at business schools, and 23 of respondents finished faculty. Most of companies were from service sector (29 companies), production (18) and trade sector (10 companies). Also, investigated companies were from five business incubators as they are the most affected by business barriers as young companies that are in the most critical period of business development. Data analysis was made through the SPSS program for statistical analysis, version 17.

According to the theoretical background and research questions, there were proposed next hypotheses.

H0: *There are entrepreneurial barriers related to subjective circumstances and human resources.*

H1: *There are differences between young and older entrepreneurs related to the entrepreneurial barriers related to subjective circumstances and human resources.*

H2: *There are differences between male and female entrepreneurs related to the entrepreneurial barriers related to subjective circumstances and human resources.*

H3: *Human resources barriers are more aggravating than subjective circumstances in entrepreneurship process.*

RESULTS OF ANALYSIS

Table 1 *The hierarchy of the subjective and human resource circumstances describing the entrepreneurial barriers for the participants – obtained from the total sample (N=57)*

Descriptive Statistics		
Subjective and HR barriers	Mean	Std. Deviation
SB_Financial assets	1,84	1,066
HRB_Administrative procedures in staffing	2,67	1,041
HRB_Process of layoffs	2,70	1,267
HRB_Lack of training programs	2,74	1,232
HRB_Labour legislation	2,95	1,007
HRB_Qualification structure	3,11	1,305
SB_Fear of failure	3,23	1,134
SB_Education, competence, skills and experience	3,84	1,031
SB_Idea, initiative and enterprise	4,09	1,169
SB_Support in inner circle, family, friends and coworkers	4,47	,868

Source: Authors' analysis

The results of descriptive analysis on the whole sample pointed out that participants in the research find *financial assets*, *administrative procedures*, *layoffs processes* and *lack of training* as the most outstanding barriers for successful entrepreneurship. Also, from table 1 it can be stated that most important barriers for entrepreneurship are those related to the human resources (HRB), and one from the group of subjective circumstances (SB). Barriers related to the idea and initiative, and support of inner circle, such as family and friends are found to be less obstructive in this process.

Table 2 Differences between subjective and human resource circumstances as entrepreneurial barriers for the participants according gender

Group Statistics					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
SB_Idea, initiative and enterprise	Male	35	4,20	,994	,168
	Female	22	3,91	1,411	,301
SB_Support in inner circle, family, friends and coworkers	Male	35	4,46	,780	,132
	Female	22	4,50	1,012	,216
SB_Education, competence, skills and experience	Male	35	4,03	,954	,161
	Female	22	3,55	1,101	,235
SB_Financial assets	Male	35	2,17	1,098	,186
	Female	22	1,32	,780	,166
SB_Fear of failure	Male	35	3,43	1,170	,198
	Female	22	2,91	1,019	,217
HRB_Labour legislation	Male	35	2,94	1,083	,183
	Female	22	2,95	,899	,192
HRB_Administrative procedures in staffing	Male	35	2,49	1,067	,180
	Female	22	2,95	,950	,203
HRB_Process of layoffs	Male	35	2,80	1,324	,224
	Female	22	2,55	1,184	,252
HRB_Qualification structure	Male	35	3,34	1,371	,232
	Female	22	2,73	1,120	,239
HRB_Lack of training programs	Male	35	2,86	1,240	,210
	Female	22	2,55	1,224	,261

Source: Authors' analysis

Table 3 Differences between subjective and human resource circumstances as entrepreneurial barriers for the participants according age

Group Statistics					
	Age	N	Mean	Std. Deviation	Std. Error Mean
SB_Idea, initiative and enterprise	do 40	29	4,34	1,078	,200
	40+	28	3,82	1,219	,230
SB_Support in inner circle, family, friends and coworkers	do 40	29	4,52	,911	,169
	40+	28	4,43	,836	,158
SB_Education, competence, skills and experience	do 40	29	4,00	1,069	,199
	40+	28	3,68	,983	,186
SB_Financial assets	do 40	29	1,97	1,017	,189
	40+	28	1,71	1,117	,211
SB_Fear of failure	do 40	29	3,52	,949	,176
	40+	28	2,93	1,245	,235
HRB_Labour legislation	do 40	29	3,14	1,060	,197
	40+	28	2,75	,928	,175
HRB_Administrative procedures in staffing	do 40	29	2,93	1,132	,210
	40+	28	2,39	,875	,165
HRB_Process of layoffs	do 40	29	2,90	1,345	,250
	40+	28	2,50	1,171	,221
HRB_Qualification structure	do 40	29	3,21	1,236	,229
	40+	28	3,00	1,388	,262
HRB_Lack of training programs	do 40	29	2,76	1,272	,236
	40+	28	2,71	1,213	,229

Source: Authors' analysis

Table 4 Independent sample T test (N=57, grouping variable: gender)

	Levene's Test for Equality of Variances		t-test for Equality of Means						95% Confidence Interval of the Difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper	
SB_Idea, initiative and enterprise	1,390	,244	,913	55	,365	,291	,319	-,348	,929	
			,844	34,096	,404	,291	,345	-,409	,991	
SB_Support in inner circle, family, friends and coworkers	,770	,384	-,180	55	,858	-,043	,238	-,520	,435	
			-,170	36,475	,866	-,043	,233	-,555	,470	
SB_Education, competence, skills and experience	1,050	,310	1,753	55	,085	,483	,276	-,069	1,035	
			1,696	40,011	,098	,483	,285	-,093	1,039	
SB_Financial assets	3,706	,059	3,172	55	,002	,853	,269	-,314	1,392	
			3,425	54,075	,001	,853	,249	-,354	1,353	
SB_Fear of failure	1,462	,232	1,712	55	,092	,519	,303	-,089	1,127	
			1,788	49,311	,083	,519	,294	-,071	1,110	
HRB_Labour legislation	,498	,483	-,042	55	,966	-,012	,277	-,566	,543	
			-,044	50,737	,965	-,012	,265	-,544	,520	
HRB_Administrative procedures in staffing	1,614	,209	-1,682	55	,098	-,469	,279	-1,027	,090	
			-1,728	48,636	,090	-,469	,271	-1,014	,076	
HRB_Process of layoffs	,281	,598	,735	55	,465	,255	,346	-,439	,948	
			,754	48,476	,454	,255	,337	-,424	,933	
HRB_Qualification structure	2,320	,133	1,766	55	,083	,616	,349	-,083	1,314	
			1,830	51,142	,070	,616	,333	-,052	1,284	
HRB_Lack of training programs	,012	,912	,928	55	,357	,312	,336	-,361	,984	
			,931	45,219	,357	,312	,335	-,362	,986	

Source: Authors' analysis

Table 5 Independent sample T test (N=57, grouping variable: age)

	Levene's Test for Equality of Variances		t-test for Equality of Means							95% Confidence Interval of the Difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper		
SB_Idea, initiative and enterprise	,578	,430	1,719	55	,091	,523	,305	-,087	1,134		
			1,715	53,670	,092	,523	,305	-,089	1,135		
SB_Support in inner circle, family, friends and coworkers	,002	,969	,383	55	,704	,089	,232	-,376	,533		
			,383	54,860	,703	,089	,231	-,375	,533		
SB_Education, competence, skills and experience	,512	,477	1,180	55	,243	,321	,272	-,224	,867		
			1,182	54,875	,242	,321	,272	-,224	,866		
SB_Financial assets	,085	,771	,888	55	,378	,251	,283	-,316	,818		
			,887	54,095	,379	,251	,283	-,317	,819		
SB_Fear of failure	1,852	,179	2,012	55	,049	,589	,293	,002	1,175		
			2,002	50,484	,051	,589	,294	-,002	1,179		
HRB_Labour legislation	,449	,506	1,468	55	,148	,388	,264	-,142	,917		
			1,472	54,491	,147	,388	,264	-,140	,916		
HRB_Administrative procedures in staffing	,547	,463	2,003	55	,030	,538	,269	,000	1,077		
			2,012	52,528	,049	,538	,267	,002	1,075		
HRB_Process of layoffs	,277	,601	1,185	55	,241	,397	,335	-,274	1,067		
			1,188	54,424	,240	,397	,334	-,272	1,065		
HRB_Qualification structure	,636	,428	,595	55	,554	,207	,348	-,490	,904		
			,594	53,774	,555	,207	,348	-,492	,906		
HRB_Lack of training programs	,364	,549	,135	55	,893	,044	,329	-,616	,705		
			,135	54,992	,893	,044	,329	-,615	,704		

Source: Authors' analysis

According to T-test for independent samples, that was used to explore the differences compared to the results of *fear of failure* when starting a business venture in the older and young entrepreneurs, there was found a significant difference between younger respondents ($M = 3.52$, $SD = 0.949$) and older entrepreneurs ($M = 2.93$, $SD = 1.245$), $t(55) = 2.012$, $p < (0.049)$ two-tailed. The difference between the mean values of the characteristics of the groups (mean difference = 0.589, 95% CI 0.95%: 0.002 to 1.175) was moderate (eta squared = 0.0685).

T-test for independent samples was used also to analyze the results of the *administrative procedures* as barriers to business startup business ventures and developing the same for older and young entrepreneurs. There was found a significant difference between younger respondents ($M = 2.93$, $SD = 1.132$) and older entrepreneurs ($M = 2.39$, $SD = .875$), $t(55) = 1.682$, $p < (0.05)$ two-tailed. The difference between the mean values of the characteristics of the groups (mean difference = 0.538, 95% CI 0.95%: 0.00 to 1.077) was moderate (eta squared = 0.06798).

Also, T-test for independent samples was used to explore differences between gender structure (male and female entrepreneurs). According T-test of independent samples barrier related to *financial assets*, viewed through the prism of business barriers when starting and developing a business venture by men and women, there was a significant difference between men ($M = 2.17$, $SD = 1.098$) and women ($M = 1.32$, $SD = 0.720$), $t(55) = 3.172$, $p < (0.002)$ two-tailed. The difference between the mean values of the characteristics of the groups (mean difference = 0.269, 95% CI 0.95%: 0.314 to 1.392) was of great influence (eta squared = 0.17296).

Results pointed that between other barriers there were no great and significant differences between groups (age and gender), and that the difference between the mean values of the characteristics of the groups were not statically significant. The p-value was greater than 0.05 and, therefore, the difference between the two means is not statistically significantly different from zero at the 5% level of significance.

DISCUSSION

After analysis made for exploration of entrepreneurial barriers, it is important to discuss findings and the relations with the proposed hypotheses.

Main hypothesis was verified throughout the analysis of the hierarchy of the subjective and human resource circumstances describing the entrepreneurial barriers for the participants – obtained from the total sample of 57 cases. It has been detected that there are barriers related to the human resources, especially in the field of administrative procedures in staffing, process of layoffs, lack of specialized training programs and labour legislation, and barriers related to several subjective circumstances such as financial assets, fear of failure and education, competence, skills and experience, etc. According to descriptive statistics, main barriers that have been detected are *the lack of financial assets* ($M=1.84$; $SD=1.066$), *administrative procedures in hiring new staff* ($M=2.67$; $SD=1.041$), *layoffs processes* ($M=2.70$; $SD=1.267$) and *lack of specialized training* ($M=2.74$; $SD=1.232$) as the most outstanding barriers for successful entrepreneurship. Also, from table 1 it can be stated that more aggravating barriers for entrepreneurship are those related to the human resources, and one from the group of subjective circumstances. Barriers related to the idea and initiative ($M=4.09$; $SD=1.169$), and support of inner circle, such as family and friends ($M=4.47$; $SD=0.868$) are found to be less obstructive in this process. Actually, those variables are not identified as obstructive in this research. This part of analysis is used to confirm the *third hypothesis* of this paper, that *human resources barriers are more aggravating than subjective circumstances in entrepreneurship process*. Only one subjective circumstance is more important than human resource barriers, lack of financial assets that will be discussed in the continuation of the paper. All other highly ranked barriers are those from the area of human resources.

Two more hypotheses were confirmed throughout T-test of independent samples. Hypothesis that *there are differences between young and older entrepreneurs related to the entrepreneurial barriers related to subjective circumstances and human resources* was testing by making the analysis of the differences between young entrepreneurs (until 40 years old) and older (after 41 years of life). In this test it has been detected that *fear of failure when starting a business venture* and *administrative procedures when hiring new staff* are important and different between young and older entrepreneurs.

There was found a significant difference between younger respondents in case of *fear of failure* ($M = 3.52$, $SD = 0.949$) and older entrepreneurs ($M = 2.93$, $SD = 1.245$), $t(55) = 2.012$, $p < (0.049)$ two-tailed. The difference between the mean values of the characteristics of the groups was moderate (eta squared = 0.0685). Namely, fear of failure is an important component of the risk attached to starting a new business (Weber, Milliman, 1997). The process of starting a business venture involves identification of opportunities in the market, creating business ideas as

well as the evaluation of idea in the form of identification of potential risks and benefits for future entrepreneurs. This phase can be characterized as a turning point for the business enterprise in which the fear of failure as a subjective factor has a significant impact on the final decision. The role and importance of fear of failure in the assessment phase of the potential risks and benefits is mentioned by Stewart and Roth (2001) who say that when weighing the potential rewards against potential risks, the individual's level of fear of failure will play a critical role in determining the viability of the business. Failure during the business of entrepreneur or at startup violates psychological security of entrepreneurs. Of course, the failure when starting a business venture or developing the same effect on self-esteem and self-confidence of entrepreneurs. Identification of the fear of failure and its classification among the barriers of entrepreneurship, in addition to risk aversion, aversion to stress and hard work have pointed out in the study of Sandhu, Siddique and Riaz (2011) which was conducted over the graduate students who are currently classified in the group of younger entrepreneurs, defined in our study under-forty years (<40). The role of fear of failure in entrepreneurial activities was also identified by GEM (Global Entrepreneurship Monitor), which conducted the survey and made final report for 2009 year. Namely, 28% of the respondents, age 18-65 years, in the territory of the Republic of Serbia recognized the fear of failure as a potential barrier to starting a business venture.

T-test for independent samples was used also to analyze the results of the *administrative procedures* as barriers to business startup, for older and young entrepreneurs. There was found a significant difference between younger respondents ($M = 2.93$, $SD = 1.132$) and older entrepreneurs ($M = 2.39$, $SD = .875$), $t(55) = 1.682$, $p < (0.05)$ two-tailed. The difference between the mean values of the characteristics of the groups was moderate ($\eta^2 = 0.06798$). In this case, younger entrepreneurs feel that administration procedures are bigger obstacle for their business than older entrepreneurs. Each step and procedure in the process of hiring new employee is important, especially those related to the labor law, mandatory social and pension insurance, income taxes and contributions, etc. Entrepreneur must execute each procedure and paperwork in health insurance fund, pension insurance fund and national employment service. Also, if the entrepreneur wants to use several state subsidies for engaging new employees, it is important to deal with even greater procedures related to national employment service and tax administration. For example, in the survey on analyzing attitudes and opinions of young people on starting their own business that was conducted in 2009, on a sample of 520 students of management, students listed the following limitations that bind them: *excessive taxes* 35.51%, *unstable political and economic situation* 29.92% and a *long and complicated registration procedure* 21.62% (DJordjević, Bogetić, Čočkaló, 2010, p. 71). In the 2008 survey, students expressed dissatisfaction 78.70% with the environment for stimulating the young to start their own business. The biggest obstacles to starting business were the same as those listed in 2009, except that they were ranked differently: *unstable political and economic situation* 36.54%, *long and complicated registration procedure* 13.75%

and *excessive taxes* 10.02% (DJordjević, Bogetić, Čočkaló, 2010, p. 72). Government of Serbia decided in 2012 to eliminate several administrative fees, but the labor law and procedures related to the human resources are still unchanged and since they are mandatory entrepreneurs have to fulfill them completely.

Besides these procedures, related to the state, entrepreneurs must execute many procedures in the house – procedure for recruitment and adequate selection of the right candidate, determination of monthly wage and benefits, orientation in new business organization. This is important since great increase in business is usually accompanied with new employment, which results in greater work force in entrepreneurship organization that needs improved management and organizational skills and knowledge. Successful management system, where HRM is very important, facilitates and enables successful business.

At the end, T-test for independent samples was used to explore differences between gender structure (male and female entrepreneurs). According T-test of independent samples barrier related to *financial assets*, viewed through the prism of business barriers when starting and developing a business venture by men and women, there was a significant difference between men ($M = 2.17$, $SD = 1.098$) and women ($M = 1.32$, $SD = 0.720$), $t(55) = 3.172$, $p < (0.002)$ two-tailed. The difference between the mean values of the characteristics of the groups was of great influence (eta squared = 0.17296). This test was used to confirm the second hypothesis that there are differences between male and female entrepreneurs related to the entrepreneurial barriers related to subjective circumstances and human resources. Namely, fear of failure is often driven by fear of *financial failure* of entrepreneurs. Ensuring or the lack of financial resources can be seen as potential barrier to business recognized by entrepreneurs in this survey. While the significance and impact of financial resources to the realization of a business venture cannot be ignored, it should be noted (Bobera, 2010) that the lack of adequate funding is often an indicator of other problems such as managerial incompetence, lack of understanding in the field of finance and the like. The distinction between successful and unsuccessful entrepreneurs is often caused precisely by the ability of entrepreneurs to successfully overcome periods in business that is accompanied by a lack of funds.

Most often entrepreneurs start their business knowing the technology to produce products or provide services. Obtaining funding provides starting the production and getting finished products. At that time, business of entrepreneurs becomes more demanding, beyond the knowledge of production technology or service. Business of entrepreneur requires business management, managerial competence, technics of planning, sales, distribution, promotion and the like. A broader knowledge base enables the integration and accumulation of new knowledge in the function of developing entrepreneurial skills that are critical for the ability to adapt to the new situations.

CONCLUSION

When we talk about entrepreneurship, as the activity composed from three related components: innovativeness, risk and proactiveness, that drive job formation through self-employment and small-business creation, it is important to have in mind many obstacle – subjective and objective that can harm entrepreneurial process. Since the main goal of this research was to explore obstacles or barriers for entrepreneurship, authors made detailed analysis using survey technique and statistical program for data processing. Authors analyzed subjective circumstances and HRM processes that are characterized as barriers. Main findings were that younger entrepreneurs are more affected by fear of failure and lack of financial assets than older, and that more female entrepreneurs see administrative procedures in the area of HRM (hiring new employees) as greater barrier than male entrepreneurs. Authors have confirmed all hypotheses proposed in the paper.

As the part of conclusion it is important to emphasize some attitudes, related to the findings of the research especially about fear subjective circumstances. Result from the GEM survey (2009) and the survey of this study, which identified the strong influence of fear of failure for young entrepreneurs (less than 40), may be invoked as a partial influence of various factors. It is certainly the fear of failure of future entrepreneurs was caused by low entrepreneurial culture and history of entrepreneurial activity in the Republic of Serbia. The reason for lack of entrepreneurial activity and entrepreneurial initiatives in the local population stems from the relatively secure jobs in the public service and state administration that have been usual as employment engagement for work force in Serbia. The lack of entrepreneurial activity and knowledge was expressed in the research by positioning barrier “lack of specialized training programs to improve business skills” as fourth out of ten barriers. Throughout this barrier respondents showed that they don't have enough applicable knowledge since they estimated training to develop the same as important and, at the same time, needed. Training programs for entrepreneurs and members of the various programs, for subsidize the development of entrepreneurship and self – employment, were insufficient. The results of trainings, made in the area of starting business and newly entrepreneurial organizations (jobs), are still waiting to give data about improvement of entrepreneurship.

Although the lack of financial resources has been recognized as potential barriers to business of entrepreneurs, we believe that it is necessary to point out several sources of funding entrepreneurial activities in the Republic of Serbia. There are several institutions which funds are directed toward the development of entrepreneurial activities. What distinguishes them is exactly the advantage of funding resources. To finance business enterprise entrepreneurs are directed to commercial banks, development banks, the Serbian government funds through various funds such as the Fund for the Development of the Republic of Serbia,

which is wholly owned by the state, regional agencies for the development of small and medium enterprises which funds are directed to the form of start-up loans, and various pre-accession funds and EU funds intended for development of entrepreneurship (Entrepreneurship Innovation Programme). It is noticeable that there are different and, at the same time, sufficient sources of funds to finance business in the Republic of Serbia, thus the Autonomous Province of Vojvodina. In addition to previously reported claims, that are related to the cause of the lack of funds in means of accounting, financial management, managerial competences and so on, one of the helpful results are established business incubators in Vojvodina (cities of Novi Sad, Subotica, Zrenjanin, Pančevo and Senta) to help entrepreneurs, "tenants", in the first few years of operation when there is a need for adequate management of financial resources and the provision of business development.

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SUPPORTING THE DEVELOPMENT OF FEMALE ENTREPRENEURSHIP IN SERBIA

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Abstract

It is a paradox that the current crisis had more positive effects on the development of female entrepreneurship in Serbia than periods of stability, which refers relevant, but the limited number of studies. Most women, whether entrepreneurs, employed, or unemployed, believe that women in Serbia primarily miss money, then the information and contacts to start a private business. This paper aims to present and discuss about successful studies on support development of women entrepreneurship in the Republic of Serbia. The paper presents the literature review and two case studies, which were previously published and will be used for necessary suggestions for further study.

Key words: *female entrepreneurship, female entrepreneurs, barriers, development, support, enhancement*

INTRODUCTION

Ever since the 1970's, entrepreneurship has attracted a great deal of attention. It has been analyzed and studied and is considered to be the "driving force of economic and social development" (Audretsch, 2003:2), the "engine of innovation and economic change" (Shane, Venkatamaran, 2000:14), the base of long term viability and competitiveness of national economies (OECD 2009:10), and yet no agreement has been reached concerning both theoretical and practical definitions of this term. The lack of standardized definitions creates difficulties in trying to compare the results of different studies, even in the social context of a country, let alone a wider region or international comparison.

The difficulties in defining entrepreneurship stem from the complexity of the concept. As is known, entrepreneurship is an activity which involves a number of components such as the collection and distribution of resources, innovation, risk-taking etc. (Karavidic, Ivkovic, 2011:7). It occurs in a variety of organizational forms, represents economic as well as social activity and can be expressed and studied at different levels - individual, group, sector, and regional.

Difficulties arise due to the fact that words such as entrepreneur, entrepreneurs, entrepreneurship, entrepreneurial activity, entrepreneurial ventures, enterprise, self-employment, are often used without any specific definition, so no one knows what they really mean. So far no agreement has been reached concerning the theoretical and practical definition of entrepreneurship, making it difficult to compare the results of scientific research and monitoring.

If asked the question "What is Entrepreneurship?", even the most prominent economists and sociologists would not know what to say due to the fact that no agreement has been reached that could help define the term. While looking at the different definitions of the most influential authors, some key elements of entrepreneurship stand out: combining factors of production and other resources in an innovative way, taking risks and exploiting opportunities.

Table no. 1 - Definitions of entrepreneurship, the source (Ilic, 2010:6)

Author	Definitions
Say (1800)	The entrepreneur shifts economic resources out of an area, lower into another area, more productivity and income
Knight (1921)	Profits derived from the uncertainty and risk
Schumpeter (1934)	With a new type of combining organizational forms of organizations
Hoselitz (1952)	Uncertainty of results ... Coordination of productive resources ... Innovation and acquisition of capital
Cole (1959)	Purposeful activities of starting and developing a profit oriented business
Casson (1982)	Decision-making and reflection on the coordination of scarce resources.
Gartner (1985)	Creating a new organization.
Sevenson, Roberts&Grousbeck (1989)	Searching for benefits regardless of the current controlled resources
Stephen Spinelli (1999)	Entrepreneurship is a way of thinking, reasoning, and acting, that is pervaded with the obsession of opportunities, comprehensiveness in the approach and balanced management.

Based on the theoretical definitions of the entrepreneur, female entrepreneur and entrepreneurship, it can be concluded that entrepreneurs are the economic agents who combine production factors and other relevant resources in an innovative way, thus moving them from sectors of low productivity to sectors of higher productivity and income. In these endeavors they discover and exploit opportunities in a given context, and assess risks of their decisions and actions.

Generations of women in the world, of different heritage and education contribute to their communities and express very encouraging signs of entrepreneurial spirit. Therefore raising awareness of the role women have in the development of entrepreneurship must become a priority. Globalization, internationalization and the universal technology of business are making numerous and significant changes in the business world. At the same time gender equality and the need for equal rights both in social and in business life is extremely important. In this way women are becoming increasingly important in the global market, not just as workers, but as consumers, investors and managers. One of the possible directions of development, which has just been realized in the last decade as an important untapped source of economic growth is the development of female entrepreneurship.

Defining the problem of female entrepreneurship is a huge problem. Dilemmas are present when it is necessary to identify the agents who perform entrepreneurial roles in general, and especially when they need to be sorted according to gender.

The big problem arises when the analysis are carried out in enterprises because it opens up the question of whether, and under what circumstances, a company can be identified as "female" or "male" , i.e. when it can be recognized as part of female entrepreneurship , and when as a part of male entrepreneurship.

Certain male and female authors place very stringent requirements when defining a female entrepreneur, so in this category they include only "women who own 50% or more of the capital of a formal enterprise (regardless of how they acquired ownership of the company), which are actively involved in the operations of the company in management or leadership roles and who create jobs for themselves and others."(Avolio, 2011:3)

This definition actually narrows down the category of female entrepreneurs, primarily excluding self-employed women who (still) do not employ other workers, as well as excluding women who have a minority stake of the company, but perform an active entrepreneurial role. Such a demanding definition would not be appropriate for the social context of Serbia in which the tradition of entrepreneurship is historically discontinuous , in which the reforms and efforts to encourage entrepreneurial activity take place in conditions of difficult transformation and the effects of the economic crisis.

For the time being, in Serbia, there is no official applied definition of male and female entrepreneurs or enterprises, on the basis of which the tracking of this sector would be governed. The only official definition of male and female entrepreneurs can be found in the Law on Private Entrepreneurs (Law on Private Enterprises 16).

Female entrepreneurship is the reality and one of the main factors that contribute to economic development in many countries. Political and economic changes in the past have created the opportunity for women to establish and manage the company.

As such, it is most present in developed economies, where it enjoys the support of the government through a variety of economic mechanisms, such as tax breaks and access to micro-credit lines. Along with the expansion of small and medium businesses, female entrepreneurship has gained momentum in countries in transition, as well. But, while in the West an increasing number of women manages companies with substantial financial capital and developed business contacts in the world, the position of women entrepreneurs in countries in transition is significantly different. Due to the privatization of the state economy and structural unemployment, arising from the transition to the market, the main motive of women opting for their own business is in providing a more certain job and safer family existence. The situation is similar in our country.

Due to the fact that in Serbia there is no institutional support for the economic empowerment of women, the aforementioned Associations, through their projects, organize a variety of activities with the aim for women to meet, exchange information with each other and help find new markets, access to inputs and credit. Faster economic empowerment of women will be achieved through education on the planning and management of business, networking of female entrepreneurship and the establishment of mutual aid coffers.

Female entrepreneurship in Serbia should be given special attention and studied as a separate topic for a number of very important reasons. Firstly, with the developing of the idea of women entrepreneurship the preconditions for creation of new jobs for themselves and others are created, which allows economic growth and development of society in general. Women entrepreneurs are forced to fight to be recognized not only as women-mothers, but as women-leaders in order to gain an equal place in the business world. Another reason is that the topic of women in entrepreneurship is neglected in society as a whole, as well as in social sciences. Not only do women have lower rates of participation in entrepreneurship in comparison to men, but their careers are often seen as less important for economic development and growth. They are most commonly oriented to retail, education and other service industries.

The Ministry of Economy and Regional Development (MERD 2010:9), with the support of the UN Women, commissioned in 2011, two case studies that represent a contribution to knowledge about the entrepreneurial activities of women in Serbia.

These are a comprehensive study on female entrepreneurship, which was implemented by SeConS development initiative group (SeConS), and an analysis of selected state measures of support of entrepreneurship, which was realized by the Fund for the Advancement of Economics (FREN) which seeks to determine the extent to which female entrepreneurs had access to selected programs of state support. This collaboration of the UN Women in Serbia and MERR is carried out under the project "Improvement of economic and social rights of women", which UN Women conducted in Serbia and Montenegro, with the financial support of the Government of the Kingdom of Norway (Avlijas, Babovic Vladislavljević, Popovic-Pantic, 2012:15)

"The initial study on female entrepreneurship in Serbia" was aimed to provide insights into the scope and characteristics female entrepreneurship, establish factors that encourage the involvement of women in entrepreneurship and their business success, as well as the obstacles that women face when starting, running or developing an independent business enterprise. The study makes recommendations for better monitoring of female entrepreneurship and the improvement of the business environment in which it is exercised, as well as comprehensive support in overcoming the obstacles faced by women who are engaged in private business or want to start it. Also, the study contains recommendations aimed at supporting changes in the current state of female entrepreneurship, which is predominantly micro-entrepreneurship, which consist of business in the service sector and the local market, in addition, half of the women's businesses are stagnating or facing difficulties in operating and surviving.

The main findings concerning the entrepreneurial profile of women in Serbia indicate that women mainly opt for micro-entrepreneurship (99% of female entrepreneurs employ less than 10 people); mostly in the service sector and the local market (76% perform solely on the local market). The study explored the "ideal type"

of a successful women's company. (SBS, 2011: 12). The chances of a successful business are high when the entrepreneur is a young woman who had previously been employed, that avoids the traditional personal services sector, opens a business in an area in which she previously worked and in which she already has some knowledge and contacts, participates in education programs, innovates products or services and has a good, regular cooperation with other companies that are her clients. Initial findings and recommendations of the study are complemented by the "Gender analysis of selected government measures to support entrepreneurship in Serbia." It discusses the results and impact of the five state programs on women and men, provides an overview of best international practices in the provision of financial and non-financial support to women in entrepreneurship and provides specific recommendations for how to create support measures that would be based on the needs of women and thereby improve their access to government programs, as well as how to provide systematic and targeted support to female entrepreneurship in Serbia.

OBSTACLES TO THE DEVELOPMENT OF WOMAN'S ENTREPRENEURSHIP

Women as entrepreneurs when starting their own business meet many obstacles, many of which do not stand in the way of male entrepreneurship. The main and most serious obstacle is finance, without which the best entrepreneurial ideas cannot be realized. The lack of capital is a problem with the establishment of businesses and the development of existing businesses.

Despite capital, women often do not know the market and sales and marketing skills, and it is known that the access to the customer and effective marketing strategy are essential conditions for the survival of a business. Closely related to this is the problem of the lack of appropriate knowledge and management skills, which requires continuous education and following new trends in business. They also face a number of constraints specific to women only, such as traditional beliefs, prejudices against women and the burden of family.

Women have to deal with the prejudices that they have no place in business, and to successfully balance personal and work life, which represents an additional burden in business. Support for women is needed in the areas of business consulting and professional training, networking i.e. establishing formal and informal links with partners.

It is also necessary to examine the legal and business regulations in the sense that you have to see whether the existing legal regulations discriminate against women, and it is necessary to act in the direction of eliminating any discriminatory practices. Raising awareness of the role of women in the business world is also important, and in this respect organizations, dealing with issues of women, should advocate and lobby the public and state institutions for the benefit of women entrepreneurs.

A particular issue related to woman is whether they can be successful at work and in the family? There are numerous examples that correspond to it positively. "Anything is possible when you want it," would be the response of many women. Jobs for women mean economic independence and thus a more secure situation in the family. What good is to a woman who has no money to feed her family, all the free time in world to spend it with her family, if she is on the edge of existence? One cannot live of reading fairy tales. In the end, comes down to, whether the work-family conflict is a matter of individual cases. Some women will be able to successfully balance the two roles, and some will always be stretched out in an attempt to be a career woman and a successful mother. Some will not even want to get a job, but would want the role of a housewife, some will not want marriage, some may not want children, and some will want marriage, children and a career.

What the modernization of the social system should provide for women is the right of choice. So, not the right of men and the tradition of them imposing life roles to women, but the right for women to choose their path which will be in harmony with their personality, and not to be judged because of that. Women are not the only ones who deserve that, nor should that be understood as a reward for all the sacrifices that they have made throughout history, but as a right of all people, men and women, to be what they want.

In the fight for their rights, women must be persistent, steadfast, strong, wise, work not only for each other, because that would make their fight take the character of revenge to men for centuries of discrimination against them, but to work on creating a better, more equitable world for everyone. In this struggle, men must not be the enemy; women must find a way to make men their allies.

The U.S. definition from the year 1979 determines the "female" company as an economic entity, of which at least 51% is owned by a woman, who also controls and manages the company. "Control" means the implementation of the right to make business decisions. "Lead" means to be actively involved in the daily conduct of business. (Cameron, 1995: 8). But is there a difference between entrepreneurs? Many female entrepreneurs have felt on their skin how much more difficult it is from the beginning, for women in comparison with the male colleagues. The main reasons for that is the lack of information, lack of immovable and movable property for insuring the entrepreneurial loan, and the problem of harmonizing entrepreneurial activities with family responsibilities. We note that all these reasons are linked. Women tend to get the information through informal channels because of their preoccupation with the care of the family. Time after work is mostly spent on housework, and sometimes they even get to spend time with their children. Babovic, 2011:5).

All of these barriers to women in entrepreneurship, listed like this, sound abstract. However, if we think about women that we know, we'll realize how only in rare cases a car or apartment is in their own name, how their salary is used to pay bills and the husband's for savings, how it is almost impossible to match working hours of kindergartens and schools with conducting successful enterprise.

These are the most important differences between male and female entrepreneurship. Therefore, we should think about how we could enable easier entrance and survival in entrepreneurship for women. This initiative was taken over by the Ministry of Small and Medium Enterprise, which with its programs encouraging female entrepreneurship seeks to encourage women to take the initiative and engage in entrepreneurial waters.

A woman as a poorly utilized potential

Statistical data indicate the extremely poorly utilized economic potential of women in Serbia. Only 38.8% of women of working age (15-64) were employed in April 2011, compared to 52.2% of men (SBS, 2011b: 13). Among employed women, only 13% perform independent work (regardless of whether she employs other individuals or not), while 28.0% of employed men do that. As much as 23.1% of active women are unemployed and trying to find a job, where men are only slightly better at 22.7%. In addition, the activity rate of women in Serbia are continuously declining (RSO, 2011: 12) and are significantly lower than the male rate in Serbia and the average for the EU27, and 7% of inactive women (RSO, 2010:11) are actually the discouraged work force that left the labor market after unsuccessful attempts to find a job.

The unexploited economic potential of women to a large extent can be initiated with adequate programs to support women entrepreneurship, which will contribute to overall economic growth and increased employment in Serbia. To facilitate the development of appropriate and effective policies for supporting female entrepreneurship, it is necessary to provide quality insights into the status and trends, potentials and problems faced by women who are seeking to start their own business or already manage one.

That is why the main goal is to offer insights into:

- the scope and characteristics of female entrepreneurship in Serbia,
- factors that encourage the involvement of women in entrepreneurship and their successful operation,
- the barriers that women face when starting, managing or developing an independent business enterprise. (Babovic, 2011:5).

The intention is also to see female entrepreneurship in Serbia, at least in basic aspects, in comparative perspective, in relation to the enterprise of men in Serbia, but also in relation to female entrepreneurship in the region and the EU. In that way specific characteristics and problems of female entrepreneurship in Serbia, which impose the making of special support measures will be clearly identified, and good practices from other communities can help in finding appropriate solutions.

For the described goals to be realized, the structure of the study was based on a complex methodology that combines analysis on the existing data and original

quantitative and qualitative research. The analysis conducted on the data available from different sources (databases of companies and male and female entrepreneurs, official statistics and public records, international statistics, the results of national surveys) aims to provide information on key social and economic characteristics and institutional context, as well as to provide insights in the scope and characteristics of female entrepreneurship.

In order to be aware of the actual state of development of female entrepreneurship in Serbia, we do not need the statistical data if we have the words of the Minister of Regional Development and Local Government, Verica Kalanovic, who has, while speaking at the conference on female entrepreneurship in Serbia, said that Serbia is absolutely dominated by male entrepreneurs in comparison to women entrepreneurs, because they make up only one quarter of the total number of entrepreneurs.

She also noted that women entrepreneurs share the same business problems with men, but have other problems that are primarily caused by their natural role as mothers and wives. However, what differentiates Serbia from the EU countries is, the entry of women entrepreneurs in business not because of the challenges but because of the economic necessity, because there is no other way for them to get to work. It is for reasons like that that the state has brought some measure of support to entrepreneurs in the previous period, including women, such as "start-up" loans used by as many as 30% of them. It is of course quite good, so they should continue at the same pace in the future. One of the measures that the Development Fund provides for next year is a credit line designed exclusively for women and under favorable conditions, in the amount of half a million to five million dinars.

It is clear that women are under-utilized human capital, and for this important resource was running, before any measures of support and encouragement, it is necessary for women start believing in themselves.

REVIEW OF THE STATE OF MONITORING WOMEN

In Serbia, there is no official definition of female entrepreneurship, nor is there a system of regular monitoring of entrepreneurship according to the gender of the entrepreneur. The absence of such a systematic, gender-sensitive monitoring disables the profiling of adequate measures for the improvement of female entrepreneurship and comparison with countries in the EU and the region. In conditions in which there is no systematic monitoring of entrepreneurship, insights can be provided more indirectly, through two types of statistics: statistics on employment and statistics on enterprises. Of course, we cannot rely on that, as none of these statistics are fully adequate for monitoring of female entrepreneurship.

However, thanks to regular monitoring of sectors of small and medium enterprises and entrepreneurs, as well as the harmonization of business statistics to Eurostat statistics, there are far more opportunities for monitoring entrepreneurship than before. It should be noted that the available data for most aspects of the research are not gender sensitive, they do not provide insights into gender differences in entrepreneurship or the specifics of female entrepreneurship. Therefore it is not possible to adequately and efficiently enough profile the support programs or monitor the effects of measures through changes of states and trends in female entrepreneurship.

Recommendations for improving the monitoring of female entrepreneurship in Serbia can be divided into two groups:

- the first relate to the possibilities of improving the sources for the monitoring of the characteristics of the male or female entrepreneur, therefore, their individual characteristics (at the aggregate level);
- other relate to the possibilities of improving records of the companies (Babovic, 2011:5)

In addition to the recommendations that arose from the study on monitoring of women's entrepreneurs, we need to look at other options. Too much emphasis on tracking the characteristics of companies and the lack of data on the characteristics of entrepreneurs could be compensated only with data from the GEM study. Although these data cannot be linked to the data on companies, so they may not represent micro data that enable thorough insight into the connection between individual traits and characteristics of the company, but they would, in a way, provide insights into the distribution of entrepreneurship and the characteristics of entrepreneurs at the aggregate level.

The Global Entrepreneurship Monitor (GEM) is the name for a non-profit academic research consortium that monitors entrepreneurship in the world. GEM survey is conducted on a random sample of the adult population, using a specially developed questionnaire, with the aim of measuring the level of entrepreneurial activity in the country.

ADVANCEMENT AND SUPPORT OF FEMALE ENTREPRENEURSHIP

Female entrepreneurship is of significantly smaller scale than male entrepreneurship, and is characterized by the service sector and especially the trade sector, belatedly greater inclusion of women in entrepreneurship in relation to men, more frequent selection of legal forms and self-ownership, as well as a higher rate of closing of companies. The picture of female entrepreneurship shows that it is small, mostly micro-entrepreneurship, that it operates in the services sector in the local market, that every other company is stagnant or facing difficulties in operation and survival.

Survey data from the starting study of Se-Cons show that when entering entrepreneurship the biggest attributes of women are the highly expressed desire for autonomy in the work place and independent projects, and not giving up easily (after the first attempt). The main weaknesses are the type of motivation (often entering entrepreneurship because of the pressure of economic necessity, and without enough developed business ideas) and inadequate and insufficient resources for start-ups, particularly the lack of financial capital.

Previous work experience is important for starting their own businesses - the survey data suggests that 80% of women entrepreneurs, who were employed immediately before the establishment of the present company, worked in the sector in which the current company operates. They have transferred their work experience to their own businesses, and nearly a third of them brought managerial experience gained in the previous work place. It turned out that when starting their own business one of the key resources is the social capital, i.e. valuable business contacts that entrepreneurs have made in the previous work place. (Avlijas, Babovic Vladislavljević, Popovic-Pantic 2012:15)

The key factors to a successful business are expressed in the service sector (personal services significantly reduce the chances of business success), innovation of products / services, the participation of women entrepreneurs in education, as well as stable business contacts, especially with companies that are clients of the business. These success factors should be considered when designing support programs, both financial and non-financial. All the research components (surveys of active and former entrepreneurs and in-depth interviews) highlighted the fact that women do not give up easily from entrepreneurial efforts and initiatives. One in ten active entrepreneurs already had a previous unsuccessful attempt, and 48% of former entrepreneurs plan a new entrepreneurial attempt. There are interesting examples from in-depth interviews where women entrepreneurs said how they have learned important lessons from unsuccessful attempts that have now helped them to be successful in their second attempt. (Avlijas, Babovic Vladislavljević, Popovic-Pantic 2012:15)

When it comes to supporting female entrepreneurship, policy-makers need to deal with the balance between the scale of promotion and promoting quality. Increasing the number of users supporting entrepreneurship is an easier task, but in order to ensure the sustainability of female entrepreneurship it is necessary to support female entrepreneurship in more productive sectors of the economy. This is particularly important because a large part of the entrepreneurs who participated in the programs of support come from less sustainable and traditional "female" sectors of the economy, such as the "other services", which include hair and beauty salons.

Socio-economic conditions for female entrepreneurship are inadequate, and the entrepreneurs are perceived as unfavorable for the business climate. However, it seems that nearly two decades of unstable socio-economic conditions and high unemployment problems make women entrepreneurs in Serbia less afraid of taking risks than women in better organized European countries. The institutional framework for entrepreneurship in Serbia has developed considerably in recent years. However, efforts to make the business space better lead to complex regulations that are hard to follow, especially in the case of small entrepreneurs.

A favorable circumstance is certainly the trend of development of the institutional framework for entrepreneurship in Serbia in recent years. This development is accomplished by establishing and improving various institutions for the regulation of the business environment or entrepreneurship and business directly, as well as institutions that provide various forms of support or introduce measures and policies related to entrepreneurship in other areas of encouraging the development and improvement of living conditions of certain social groups. Development is achieved with duplication of laws and regulations governing areas such as registration, business, conditions for various transactions, contractual relations and cooperation, settling of obligations to the state and employees, respect for the rights of employees and settling of social duty, and a large number of conditions related to standards and the situation in the community.

Development is finally achieved through various strategic and action plans, with which policies aimed at the development of entrepreneurship as a key engine for economic development, are operationalized. However, these positive trends are marked by different problems. One of them is having too complex regulations, especially in terms of their dynamic changes; it sets demands that are too high before entrepreneurs and business people, who need to be sufficiently familiar with a large number of areas that are relevant to their business. Even when you can hire a service, for example, for regulating the financial aspects of business, they still have to be sufficiently informed to be able to monitor and assess the effects of these services, or to make decisions about them. On the other hand, information about the various aspects is non-systematic and insufficiently available, and entrepreneurs often rely on informal networks as a way of informing themselves, or on persons who are in a similar position or have already gone through a similar situation.

An important issue is that the gender perspective is not sufficiently integrated into the regulations and policies that are directly aimed at the regulation and development of entrepreneurship, and they do not recognize the specific problems and needs of women in business and do not provide specific types of support. In the institutional framework services that would be particularly responsible for female entrepreneurship cannot be identified, as well as the programs which would be directed specifically to this form of entrepreneurship. In addition, although Serbia has made significant progress in developing a functional framework for supporting entrepreneurship, implementing support is neither consistent nor sufficiently integrated or adequately funded from the budget.

INTRODUCTION OF A SUPPORT PROGRAM

When discussing the question of introducing special programs to support female entrepreneurship, we should bear in mind that the potential users are already faced with a complex situation, because there are a number of programs and institutions that enforce them. An example of good practice is presented in the gender analysis of state support measures, as we see in Finland, an agency responsible for the implementation of a range of support instruments (and women's) entrepreneurship so that agency officials, can, when potential users "knock on their door," assess which program is best suited to their needs. The answer to the question of how much it is possible simplify access to existing programs for supporting entrepreneurship in Serbia depends on the constraints imposed by the existing policy environment and institutional framework. (Avlijas, Babovic Vladislavljević, Popovic-Pantic 2012:15)

The introduction of a support program that would be exclusively designed for women entrepreneurs may be useful in terms of awakening public awareness about the issue of gender equality in the economic sphere. However, if a new program aimed at women would prevent women from competing for existing programs of supporting entrepreneurship, it could lead to a decrease in the overall participation of women in all programs and would not contribute to reducing the gap between male and female entrepreneurship.

So the question is whether the new programs that will be run to support female entrepreneurship are less relevant than the issue of whether there will be an increase in budgetary funds for women compared to men in entrepreneurship.

Namely, the proportion of funds allocated for the development of female entrepreneurship should reduce the difference between the participation of women and men in entrepreneurship and between the participation of women and men in employment. Finally, it is important to recognize that public support programs alone cannot solve all the problems, and that many challenges remain, including the need to improve the overall business environment for female entrepreneurship.

Advice for Female entrepreneurship

The Serbian Chamber of Commerce came up with the idea to set up a council for female entrepreneurship, which includes networking and connecting, in order to create a synergy of quality and strength where the interests of women entrepreneurship will be represented by all key agents of the legislative and executive branches.

It aims to launch appropriate initiatives concerning all issues of the support and development of female entrepreneurship, such as solving the problem of unemployment, strengthening the competitiveness of the Serbian economy and achieving European standards of development. We should also note the goals that promote female entrepreneurship, and examples of good practice, hoping to ensure coordination of activities related to the issues and support the development of female entrepreneurship.

In coordination with other non-governmental organizations in Serbia, dealing with issues of female entrepreneurship, gender equality and equal opportunities, the Council initiates and promotes the activities of the economic empowerment of women. Seeing as one of the most serious obstacles to the development of female entrepreneurship is the lack of access to capital, a major objective of the Council is establishing a Guarantee Fund for women entrepreneurs, and thus encouraging the commercial banking sector to finance women's business.

Gender equality and women's economic empowerment are some of the key preconditions for stable economic development. The problems that women entrepreneurs are faced with in Serbia are identical to the problems small and medium-sized businesses are generally faced with, not only in Serbia and the wider region, but also in Europe. This applies to administrative obstacles in the process of doing business, the uncertainty of the economic system and high public spending, as well as difficulties in financing activities.

CONCLUSION

Even though large corporations are still dominated by men, women are entering the new millennium by conquering world market, through small and medium-sized companies of which they are founders and managers. The reasons for starting a new business are most often providing for their families and children and the desire to prove their own abilities. The biggest obstacle they face is the so called work on three fronts: the household, the children - family and work, along with gender discrimination. It is indisputable that women all over the world in a worse position than men. That is why in developed, democratic countries additional support has been provided for women to start-up and develop their own businesses through various institutions. Equal opportunities for men and women in business are the main issue of the regular meetings that have been taking place in Germany as one of the many activities in the state.

When it comes to Serbia, supporting female entrepreneurship at the institutional level is not sufficient, but it is more prominent in Vojvodina than in other parts of the country. Thanks to a better understanding of the issue of gender equality, the provincial administration is in the forefront when it comes to solving the problems of women in transition.

In addition to the Guarantee Fund of Vojvodina and its programs for women entrepreneurs, which includes assistance in the preparation of documents for the loans, as well as training for business start-up, women who own businesses will have concrete support from the Provincial Secretariat of Labor, Employment and Gender Equality through programs, which are being carried out in cooperation with the National Employment Agency, for a couple of years now.

However, the Serbian Chamber of Commerce, along with the regional chambers, provides great support for women in business at all levels. The chamber system promotes and represents the business interests of its members (male and female). Given that women face specific problems in their professional careers or when starting-up companies, they are given special attention in order to be institutionally supported when it comes to the exchange of information and the promotion of specific views within the chamber.

Councils and centers dedicated to female entrepreneurship aim to support its rapid development, including the expansion of "best practices", the recognition of equal opportunities and rights, the promotion of diversity in all areas of work and education. Building corporate social responsibility and creating better conditions for balanced professional - personal life are also important areas of activity, in which in addition to commerce, an important role is played by the sector, organized in the form of women's business organizations, which with the implementation of various training programs provide support to women in professional milestones as well as personal ones. Many of them have later launched their own businesses and are today successful entrepreneurs. Women's entrepreneurial networks are the main

sources of knowledge about women entrepreneurs and their position in the sphere of business. The networks are recognized as a useful tool for promoting and developing the potential that women in business possess. The developers of business and social policy should encourage networking, because it encourages cooperation and partnerships between national and international networks, organizations and institutions and facilitate the realization of entrepreneurial ventures by women in the economy.

The time of female entrepreneurship is yet to come and with the prospect of growth in private entrepreneurship, and therefore economic growth. That is why women's business has no "tails" that often go along with a large number of private companies in this region and therefore has a good chance to survive and successfully integrate into the new market structures that are emerging in our path towards the European Union.

The role of the educational system, in the development of positive attitudes and the active approach towards female entrepreneurship is indispensable. Education and knowledge have had an increasingly important role in the last decade. The era of new technology and globalization has created additional educational opportunities for women. In other words, exchange of knowledge is most important, because the use of new technologies reduces the gap between rich and poor, and especially the gap between women and men.

However, the biggest support for women in business comes from the non-government sector, and increasingly more from women's business organizations and the role of the University of Novi Sad is of significant importance. Among the specific programs for the support of women, a special place is held by the Vojvodina initiative for the self-employment of women, launched in the year 2000. Hundreds of women, in 13 different cities throughout Serbia, which were at their personal and professional milestones, went through the educational programs of the Vojvodina initiative, and many of them started-up their own businesses after that, and are now successful entrepreneurs.

In the meantime, a number of NGOs have been founded to support women in business, women's business associations are being established, so even in the rigidly organized Serbian Chamber of Commerce that is not prone to changes a section for women entrepreneurs has been formed, as well as several of its branches, i.e. regional chambers of commerce. Most of these different organizations have the same or similar goals: the impact on the amendment of the legislation to create a more favorable environment for women's entry into private business, education of women in business, and all kinds of services for women who want to start their own business. However, the number of organizations involved in supporting women's businesses does not correspond with the achieved results. The impression is that this support is elemental, sometimes only formal and declarative, and lacks the cooperation and coordination of activities among the majority of the agents in this scene.

Those familiar with the circumstances believe that one of the key causes of the lack of greater cooperation and coordination of activities among the organizations that have focused the problem of women in business, is their mutual jealousy, arising from the often seen premise that they are each other's competition "in this business".

All previous activities supporting the development of female entrepreneurship, both of governmental and non-governmental sectors, showed no significant results. The support has been largely elemental, there was no synergy and coordination of the agents and sustainability of many actions arose from the termination of donor programs. For these reasons, within the chamber system of Serbia, the initiative for the establishment of the Council for Female entrepreneurship the Serbian Chamber of Commerce has been launched, as a professional body of the board of the Serbian Chamber of Commerce. The Council is composed of representatives of the company delegated by the chamber system of Serbia, whose role is reflected in better coordination and the support and realization of entrepreneurial activities.

Regarding that, the Council is committed to a better representation of the interests of female entrepreneurship, providing expert assistance to associations, as well as to encourage the development of female entrepreneurship through various forms of interconnection.

It should be noted that the Council also performs a good promotion of female entrepreneurship, organizes educational programs that contribute to the development and advancement of women entrepreneurs, organizes joint appearances at fairs and other events, and joint work and participation in the project on the invitations from international and domestic institutions and funds.

However, the trend of development of the institutional framework for entrepreneurship in Serbia in recent years is certainly a favorable circumstance. This development is achieved through the establishment and improvement of various institutions that are responsible for regulating the business environment or entrepreneurship and business, institutions that provide various forms of support or integrate measures and policies related to female entrepreneurship in other areas encourage the development and improvement of living conditions.

Development is also achieved through the multiplication of laws and regulations governing areas such as registration, business, conditions for the execution of various transactions, contractual relations and cooperation, the satisfaction of obligations to the government, employees, respect for the rights of employees and the regulation of social duty, as well as a large number of conditions related to the standards and conditions in the community. Development is finally achieved through various strategic and action plans, which operationalize policies aimed at the development of entrepreneurship as a key driver for economic development.

However, these essentially positive trends have been troubled with different problems. They are primarily manifested through too complex regulations, especially in terms of their dynamic changes / production, which impose excessive

demands on entrepreneurs, which must be sufficiently familiar with a number of areas important for business. Even when you can hire a service for, for example, the regulation of the financial aspects of doing business, they still have to be sufficiently informed to be able to monitor and assess the effects of these services or to make decisions related to them. On the other hand, information about the various aspects is unsystematic, insufficiently available, so female entrepreneurs often rely on informal networks as a method of informing or on information provided by people who are in a similar position or have already gone through a similar situation.

The image of female entrepreneurship is an image of small, mostly micro-entrepreneurship, business in the service sector in the local market, with half of firms that have stagnated or are facing difficulties in operating and surviving.

In most cases, female entrepreneurs have expressed a conflict between business and family obligations, but they usually do not feel frustrated by that. On the contrary, they are able to adjust well to the two spheres of life. Their position in the family is more equal than in the case of the average woman in Serbia, and they are mostly satisfied with the way of life that goes with entrepreneurship.

What needs to be done so that female entrepreneurship reaches a high level:

- It is necessary to establish a system of regular and comparable monitoring of female entrepreneurship (in comparison to men and women in the region and the EU)
- It is necessary to further improve the institutional framework for female entrepreneurship
- It is necessary to reduce the gap in the entrepreneurship of women and men, and to reduce sectoral segregation and differences in sustainability
- It is necessary to improve support when entering entrepreneurship from the start
- It is necessary to improve the business climate
- Support should be provided for the development of women's enterprises and increase their competitiveness
- It is necessary to support entrepreneurs who are facing difficulties in business
- It is necessary to make it easier for entrepreneurs to facilitate work and family life

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PART FOUR

PROSOCIAL SMEs



THE PROFILE OF A SUCCESSFUL ENTREPRENEUR IN SPORTS BUSINESS

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Abstract

In the recent years sport is increasingly examined from the entrepreneurship point of view, as a young scientific discipline. The reason for this is great similarity between the primary elements of sport and entrepreneurship, as well as the resources that both use to reach their goals.

Entrepreneurship appeared in the modern sport and its organizations, in the moment when sport was in crisis, because of not being able to make enough financial resources that are necessary for development of one role it has in society - satisfying individual and group needs.

This paper represents the list of literature that has been published and that will be used for making suggestions for further education. Its goal is to represent sport as a business (new industry with potential and the one which offers business opportunities), and to discuss the profile of a successful entrepreneur (who possesses knowledge and experience and who seizes opportunities).

Key words: *entrepreneurship in sports, sport, business, profile of an entrepreneur*

INTRODUCTION

Sport is nowadays present worldwide and, as many theoreticians would say, it is growing faster than music and film industries. As such, it is quite obvious that the most successful companies and clubs earn high profit in the market of sports services, goods and capital.

It is clear that the professional sport is a developed business, and that the sportsmen are international stars, just like singers and actors, whose wealth is constantly growing. Sport has become one of the most profitable branches of world economy, thanks to media attention and interest of nearly half people in the world.

In the era of developing sport and professionalism even the Olympiad, which was once the biggest amateur competition, grows into business and advertising. Sport is nowadays one of the fastest growing branches of economy in the world and comprises 3% of total trading in the world.

Modern sport has become business, which is a highly commercialized activity, which consists of high achievements in sport and top results. However, in order to secure the foundations for existing of such a sports system, that is in order to accomplish high achievements and top scores, human resources are necessary.

Since the significance of human resources is great in sport, and the fact that it is one of the most important resources in the sports organization, because people are both the subject and the object of the processes, people use their knowledge, working abilities and motivation to participate in creating: the product, decisions and information.

Furthermore, entrepreneurship represents new theoretical, scientific and pragmatic approach. It comprises coaches, teams of experts and sports scientists managing sportsmen, as well as efficient and effective management of the entire sports organization from the management in sport (sports managers, marketing managers and volunteers).

Basically entrepreneurship in sport represent the complex process of planning, organizing and monitoring of the development of human resources, and it provides vitality of an organizational structure, and the entrepreneur himself brings, distributes, develops and keeps the skillful workers and managers.

Lately the development of entrepreneurship in sport has got great attention, and its role is accentuated. Having in mind the responsibilities and functions of an entrepreneurship, it can be concluded that the success of this business lies in the profile of an entrepreneur.

It is important to emphasize that an entrepreneur has to be a good manager, especially when we talk about business in sport, because management represents the constant function and “the most important aspect” of entrepreneurship.

To lead means influence the people in order for them to contribute to the success of the company and group goals. In contrast to leadership which is closely

linked to managers, all other functions of entrepreneurship are professionally done within the respective organizational units of the company.

One of the characteristics of entrepreneurial profile leadership comprises a larger number of activities directed towards interaction between managers and entrepreneurs. Leadership means followers, and people tend to follow those who offer them the alternatives of satisfying their personal and collective needs, wishes and ambitions.

The essence of leadership is the ability of an entrepreneur to influence his employees, in order for them to contribute to realizing common goals by their work and activities. Leadership deals with interpersonal dimensions, thus it comprises motivating, the ways of leadership and communicating. Having these skills developed is the most important for a successful profile of an entrepreneur.

Private companies that operate in the fields of sport and recreation are thriving. All sport facilities offer their clients a wide variety of services. People are monitored by experts (coaches, physicians, nutritionists), who can in any given moment reply to any answers a client may have. Facilities are adapted to professional and recreational sports. Entrepreneur earns profit by the activities of coaching, perfecting of sports abilities and enabling exercising to third parties.

ENTREPRENEURS IN SPORTS SYSTEM

One cannot be a successful entrepreneur in sports if his legal position is not defined, which is regulated by articles 95. and 97. Sports law (Official Gazette Republic of Serbia no. 36/2011, 99/2011, if the Sports law does not state differently). The Law of business associations is applied to the individual dealing with sports activities if the sports law does not state differently (Sports law Official Gazette Republic of Serbia, 2011:12)

According to the article 13. Of the Law, top athlete (rated as such in accordance with the National categorization of the athletes) can professionally deal with sports activities in individual sports determined by a code 93.19, according to the Law on the Classification Activities, as well as an independent professional sportsman– entrepreneur. (*Sports Law*, Official Gazette Republic of Serbia, 2011:12)

Entrepreneur and sports company in the sports system, can interpose when a sportsman is transferring from one sports organization to another, if conditions for doing this activity defined by the article 96. Of the law are fulfilled.

Entrepreneur from the article 97. Sports law gains profit from activities such as coaching, sports perfecting and enabling physical exercise to third parties defined by the code 85.51, according to the Law on the Classification Activities (school of tennis, soccer, fitness centers) and it is not possible to use words like club and association in the name of the company.

Entrepreneur that deals with professional work in the field of sport has to have an adequate title according to this law. Minister in an article 33. act 2 of this law defines for which sport activities an entrepreneur does not need separate space, equipment and employees. Individual taking of sports activities is determined by the regulations which define entrepreneurship, if this law does not state differently.

Sports company and the entrepreneur can interpose when a sportsman is transferring from one sports organization to another if he has an employee with the appropriate sports title, and if he has a license issued by the authorized national sports association.

Authorized national sports association determines the conditions and the process for obtaining the license in the act 1. Of this article. Minister gives the permission for the act from item 2. Of this article. Authorized national sports association issues the permit and informs the Ministry about every issuing of permit, within 15 days of issuing.

Sports Law

Being a successful entrepreneur in the world of sports business cannot be complete, if the entrepreneur is not acquainted with the law. Everybody has a right to work in the field of sports, and to be an entrepreneur and manager in the same field.

For accomplishing entrepreneurial dream, (as it is emphasized), first it is necessary to get acquainted with the law, because the law represent framework that defines the rights and obligations of the sportsmen and other individuals in the sports system, legal position questions, organization and registration of legal entities in the sports system (further referred to as: organizations in the field of sports), general interest and needs, and the needs of the citizens in the field of sport, financing, categorization in the field of sports, strategy of sports development in Serbia, sport in schools, sports facilities, organizing of sporting events, national acknowledgements and prizes for special contribution to development and affirmation of sport, keeping records, monitoring the work of the organizations in the field of sport and questions of recording and privatization in the field of sport. Sport is an activity of great significance for the Republic of Serbia.

Playing sports has to be humane, free and voluntary, healthy and safe, environmentally friendly and in accordance with society, fair, tolerant, ethically accepted, responsible, without any misuses and goals which are opposite to sport spirit and available to all the citizens under equal conditions regardless of age, level of physical abilities, the degree of eventual invalidity, gender, and other personal traits.

Starting a business in sport

SCHOOLS OF SPORT AND FITNESS CENTRES - have to be entrepreneurs or companies

Legal and physical entities that do not participate in sport competitions and whose main activity is coaching third parties and not members (school of soccer, tennis, sport, camps etc.) or enables exercise (fitness centers, other sport centers etc.) can establish companies or become entrepreneurs, but cannot establish sports association. They can use words like “club” or “association” in their names.. (*Sports Law*, Official Gazette Republic of Serbia, 2011: 12)

SPORTS COMPANY:

- Main activity which brings profit has to be in the field of sport or to interpose when a sportsman transfers from one into another sports organization.
- Has to fulfill the conditions from the Sports Law (hired sportsmen and sport experts depending on the nature of the activity: suitable space, sports facilities and sports equipment)
- Has to reinvest in the main activity at least 70% net profit
- The name can contain word “club” only if it participates in competitions within the sports association.

Service of establishing entrepreneur in sport comprises:

- Check if the name is acceptable according to Agency for Economic Registries
- Getting an adequate code of activities according to the Sports law and Regulations,
- Filling in the necessary documentation,
- Filing the documentation and registration application for founding of a sports company,
- Getting the Resolution about founding a company in the Agency for Economic Registries,
- Getting the Resolution about VAT number of the entrepreneur in sports,
- Production of automatic stamp and
- Consultations and monitoring by the lawyer during the entire process. (*Sports law*, Official Gazette Republic of Serbia 2011:12)

PROFILE OF A SUCCESSFUL ENTREPRENEUR IN SPORTS

Personal traits of an entrepreneur and life circumstances, with four C (characteristics, capabilities, conditions and context) are prerequisite for creating the profile of a successful entrepreneur. Through the applied entrepreneurship and the motives of entrepreneurs, entrepreneurial society with the models of national economic growth, which is the essence of economy, is created. (Surbatovic, 2011:5)

Economists have developed several approaches and models such as: conventional, entrepreneurial and conceptual. The governments of many countries have realized the importance of entrepreneurship for the development of society so they took action towards stimulating it.

Observing the entrepreneurial actions in sport and the success of the entrepreneur, it is necessary to consider economic, psychological and socio-behavioural concept of an entrepreneur, with the objectives to examine the key factors of success of entrepreneurial companies.

The contribution of psychological and socio-behavioral theories explain the most important factors for the success of an entrepreneur, because if it is accepted that a successful entrepreneur has unique characteristics, then it means that the offer of entrepreneurial talent is limited by the number of people who possess these characteristics. And if we accept that the ability of learning and adjusting to the influences of the environment is the key factor to the success of an entrepreneur, then it means that the talent is not important, and that anybody can be an entrepreneur.

None of the mentioned concepts gives the entire examination of the key factors of the success of an entrepreneur but integrally they enable us to understand and explain the reasons of success of entrepreneurial companies. The success is the result of personal traits of an entrepreneur, the ability to learn from experience, as well as the ability to adapt to the influences from the environment. Personal traits of an entrepreneur are the most significant in the phase of starting a new business, the significance of the ability to learn from experience comes after setting up a business. The growth and development of the business depends on acquired experience and knowledge as well as the ability to adapt to the influences of the environment.

Entrepreneur creates entrepreneurship, that is a person who has the responsibilities and the characteristics of a businessman, he is creative, innovative, he discovers issues quickly and finds suitable situations for entrepreneurial activities, he deals with the capital necessary for accomplishing objectives and makes decisions on his own during the process.

Entrepreneurs are instigators and creators of changes and development in economy of every society. Every society has them and they make up 5 to 10% of the population. (Statistical Office of the Republic of Serbia 2011:9) No matter if they are oriented towards a significant market, with already known idea and with the goal of creating small or medium company, or they have great ideas and they are focused on an enormous market with the goal of becoming leaders of a great industry, they are instigators of great changes, innovations, efficiency and competitiveness in any economy.

Success of the entrepreneurial activities is influenced by many factors. These factors can be classified in two basic groups:

1. Personal traits and the potential of an entrepreneur
2. Characteristics and the potential of extreme environment (Karavidic&Ivkovic, 2011:10)

The most important things for managing an entrepreneurial business are personal traits of an entrepreneur. Is an entrepreneur born or is he created, and can we recognize a potentially successful entrepreneur early? Why do some people get business ideas more easily and are more successful in conducting them? These are the two common, similar questions.

Get or search for answers is impossible, because their similarity lies in this: The potential of an entrepreneur consists of an adequate combination of talent, abilities, knowledge and experience of the person who has an objective of successfully starting, developing and managing a certain business. (Karavidic&Ivkovic, 2011)

It is known that a successful entrepreneur is the person who recognizes opportunities, has knowledge, experience and skills to create an efficient organization that will use that opportunity and realize it. An entrepreneur is courageous, decisive, and ready to take the risk and face the challenges that come. He is an innovator, leader manager who has a proactive attitude about the future events, who desires to accomplish great things, and who is capable of competing with the rivals.

A successful entrepreneur is a person who has the abilities of finding new business opportunities, whether we talk about an entrepreneur who owns a business or the entrepreneurs who realize their ideas within large business systems.

A successful entrepreneur is a person who possesses:

- capability of recognizing opportunities,
- trust in his own idea, his knowledge and his skills,
- readiness to face all risks and challenges,
- proactive attitude and orientation towards future,
- organizational skills,
- leader abilities and skills,
- skills of good communication,
- flexibility, creativity, devotion and persistence,
- the wish to compete and defeat the rivals,
- absolute dedication to his job,

- passion for affirmation of his own business,
- passion for finding new opportunities and possibilities
- Tendency towards constant professional growth.

Mentioned characteristics define the profile of a successful entrepreneur in all areas of economy and society, as well as in sport. Entrepreneurship in sport is an expanding area in the entire world, because of the fact that sport is the fastest growing branch of economy, which generates huge revenue and constantly creates new buyers and new markets..(Surbatovic, 2011:5)

Sport as business, new industry with great potential, represents vast source of new business opportunities. An entrepreneur in sport is the one who recognizes these possibilities and has capacity to use them.

Entrepreneurial experience

Besides personal characteristics, the experience of an entrepreneur plays a very important part in the success of entrepreneurial activities. Beforehand managerial experience, like the one in starting a new business, can be of great assistance when starting a new successful business in sport. It is common for people who were on managerial positions for years, to start their own business and realize their entrepreneurial dream. They already possess knowledge, know the market own important contacts and then at a certain moment they recognize a new business opportunity.

The most important resource and the instigator of such entrepreneurial activity is the experience in the area that is known. In these situations, the risk, as an important factor influences the success of the future business, has to be controlled or reduced to minimum. (Dezeljin, et al, 1999:4)

This shows that an entrepreneur who starts its own business, based on experience, has a great chance to get competitive advantage in the market. That is why large number of entrepreneurs starting a business in this area are former sportsmen.

As J. Surbatović says, in our practice, the owners of newly built sports objects, football indoor courts, spa and recreational centers, gyms, schools of sport and special sports programs, are usually former sportsmen, coaches or sports workers. We should encourage an entrepreneurial activity based on authentic sports experience.

Experience as a characteristic of a successful entrepreneur in sport can have several forms: (Surbatovic 2011:5)

- beforehand managerial experience in any social or economic area,
- beforehand experience in starting any type of business,
- Beforehand managerial experience in the field of sport and
- Authentic experience as a sportsman (former sportsmen, coaches and sports workers).

Entrepreneurial skills

Besides personal characteristics and experience it is necessary to mention other important elements of a successful entrepreneur's profile. Entrepreneurial skills are essential and they are needed for starting a sports business.

Entrepreneurial skills can be qualified as:

- inborn skills
- learnt skills and
- Practical skills.

There are many opinions in theory and in practice that these skills are present in every successful entrepreneur.

Just as any successful sportsman has to possess inborn talent, as a necessary prerequisite for any sports achievement, which is developed by practices and trainings as methods of sports learning, in order for it to result in practical effects that are affirmed through sports achievements, every entrepreneur in sport has to possess the same range of skills in order to be successful in business.

Entrepreneur as a leader

As it is known **leadership** is the process of influencing people to voluntarily and with enthusiasm accomplish common goals. In order for an entrepreneurial business to function well it is necessary to have good leadership. Modern leader has to possess abilities and knowledge greater than others and to realize domination in every respect.

Leadership is the most complex function of management and entrepreneurship. It demands the ability of directing and organizing people so that they could accomplish set goals. That is the most expensive work in the modern business as well as in sport, because it represents the most expensive and the most lucrative entrepreneurial business.

The skill of leadership is a set of abilities and knowledge, acquired by learning, through experience and watching how it is applied with the goal of organizing and directing people in order to accomplish common goals. (Kastratovic, 2008:3)

Knowing all this, the key to success lies in clearly defined duties and authority. Leadership and motivation are interwoven. If we understand the significance of motivation, we will easily assess motives and needs of clients. (Dezeljin, et.al, 1999) Entrepreneur as a leader has to be able to use the potentials of everybody in his environment to the maximum.

The profile of a modern leader is based on knowledge, authority, charisma, ability to influence others, motivational skills, acceptance of risk, skills of communication and coordination, resolving conflicts, creating a friendly atmosphere and respecting employees.

Modern leader has to read between the lines, and hear even what cannot be heard. He has to know how to listen, because a successful leader has to be able to animate the group and have their attention.

During every contact with the group the first line is the most important element of communication. A true leader has to have an idea. Idea is the only element that cannot be done by the machines. The most valuable energy in the world of high technologies is still the creative energy of a human brain. It is the only authentic and irreplaceable thing.

The best and the most successful sportsmen of today are the best leaders for their teams. If they did not possess such strong leadership skills, they would not be able to reach the stars. This is especially true for sportsmen in team sports.

To emphasize it again, in entrepreneurial business, is the field of sport, leadership skills are of great significance. That does not necessarily mean that the one who was a great leader in the sports field will also be one in business, but it is clear that the one who does not possess leadership skills can hardly count on success in entrepreneurial business.

INFLUENCE OF SOCIAL AND POLITICAL FACTORS ON THE DEVELOPMENT OF A SUCCESSFUL ENTREPRENEUR IN SPORT

Every entrepreneurial activity, involving the one in the field of sport, starts with personal initiative, which comes from the healthy ambitions, the need to accomplish personal goals and the need for new things. For accomplishing personal goals entrepreneurial courage and willingness to take risks is important. In order to realize the entrepreneurial idea, it is necessary to possess qualified knowledge, the ability of forecasting and anticipation of the future events, as well as trends in a specific area of economy. If a business plan confirms the purpose and justifies the idea, entrepreneur then starts with realization, starting of the business.

In order for business to grow and develop it is necessary for an entrepreneur to continue his professional development and to be innovative. (Lajovic, Nikolic, Drobnjak, 2012:2) And for an entrepreneur to be successful in his business, he has to bear in mind social and political factors, which influence his profiling to a great extent.

As it is known entrepreneurial process consists of six stages:

1. Initiative
2. Entrepreneurial courage
3. Idea
4. Business plan
5. Starting a business
6. Developing (Ilic, 2010)

Anyone who starts their own business is considered to be an entrepreneur. He is an innovator. He does not necessarily have to create something new in order to be an entrepreneur, but it is enough for him to realize a new opportunity and the new approach to the market.

The examples of entrepreneurship in sport are many; we will name some of them, the most important to us. The real examples of entrepreneurship in our environment are: the international success of Serbian tennis players, which are the product of great family and personal investments – such as work, time and capital, when it comes to competitive sports: sports halls, bowling alleys and indoor football courts and other indoor sports, when it comes to practice processes and recreational practicing of sport; fitness centers and gyms, spa centers and other specific facilities adjusted to the needs of a modern man, which are the consequence of tendency towards healthy and new lifestyle. (Surbatovic, 2011)

Entrepreneurs are those who realized the possibility of new opportunities and services in the fields of sport and met the clients' needs in a rational way. Practice shows that a great number of entrepreneurial activities in sports industry have its value in sports industry. This is the way competitiveness is built the quality is risen and prices are reduced.

Government and legal system

The policy of developing entrepreneurship in sport, the so called small sports economy is the most efficient way towards economic development of any country. Entrepreneurs in the world of sport business represent the bearers of economic development and driving force of every society. Developing countries and the countries going through transition, just as our country is, see their prosperity in creating the conditions for encouraging the development of entrepreneurship in the industry of sport.

Serbia, just like the countries in the East Europe, after democratic changes from the beginning of the new millennium, heads towards European integrations keeping up with the developed countries. If we look at the economic consequences we can decide whether the movement of a society is progressing in the right direction. The history, or the life itself, showed which of the systems is the most

successful, progressive, efficient, and democratic. . That is why all the Eastern countries left socialism as a social system and using transition turned to the new future.

Just like these countries, Serbia is today still in the process of transition between unitary political system and democratic society, between controlled economy and market economy, between social self government and liberal capitalism. The focal point of transition is privatization – transformation of the government assets into private assets.

Consequently, sport is an important part of an economy of society because it has international value (for many years the sportsmen from the former Yugoslavia have been among 20 most successful nations in the world). Sport demanded the government reaction when it comes to its transformation and adjustment, to the new social environment and world trends. Unfortunately there was no reaction.

Serbian sport still obeys the rules from the Law of Sport made in 1996. New time and new circumstances require new systematic solutions. Although in the period from 2000 until today there have been many attempts to create new law and to organize sport system but that did not happen. (Tomic, 2007:7) . Serbia is, like in many other important segments of government organization, on the mere margins of modern world movements and is one of few states in Europe that did not transform sport.

Problems of transition connected to entrepreneurship in the world of sport are:

- Inefficient administration, bureaucracy,
- Corruption,
- Partocracy,
- Ignorance ,
- Lack of efficient control, protective mechanisms and punishments,
- Inadequate social component,
- Resistance and obstructions and
- Impatience.

Potentials of countries in transition: (Petkovic, 2006:11)

- Strong need for changes,
- Readiness of educated part of management and entrepreneurs to turn to ideals of professionalism and expertise instead of ideological dogmas and morally-political suitability,
- The potential human resources as the guarantee for the fast process of modernization and adjustment to the EU standards,
- Cheaper resources as an opportunity for accomplishing the main goal,
- The demand for new products that were not available
- Enthusiasm.

The objectives of transformation of the government and legal system: (Petkovic, 2006)

- Efficient state governance and administration,
- Political stability and reduction of political influences,
- Transformation of the assets in the function of more efficient economy,
- Legal security – equal rights for all,
- Application of the laws that are according the EU legislature,
- Institutional framework on entrepreneurship behavior,
- The laws to encourage entrepreneurship,
- Encouraging entrepreneurship and supporting every private initiative , (including sport),
- Competence instead of political suitability,
- Transformation and adjusting of social areas (including sport) to modern social trends and civilization achievements.

Social politics

It is known fact that the interest of every responsible government lies in employment of citizens. The higher the employment the more productive the nation is. Primary obligation of the state is to provide social security of its citizens.

We have to differentiate the objectives of an entrepreneur and entrepreneurship itself, which is not directed towards employing as many people as it can but towards gaining profit investing little. That is the philosophy of the market economy. The goal of the entire economy is gaining maximum profit with minimum costs. How can interests of the economy, the state and the citizens be brought together?

The answer is simple – well designed arrangements of economic policies:

1. Encouraging the development of small and medium sized companies – credits and subventions
2. Policy of employment – tax reductions and stimuli

The goal of these policies is higher gross social product, higher standard of the citizens, more intensive economical activity and higher employment.

Social responsibility of all the participants in market economy is a civilization standard in modern world. A successful entrepreneur has to make economically justified decisions. There has to be responsible social policy in order for all entrepreneurs not to be the villains of the society, burdened by social pressure and moral dilemmas.

Protective measures of social politic: (Kocovic, 2007:1)

1. Minimum wage,
2. Retraining,
3. New employment possibilities,
4. Early retirement,
5. Minimum wage in the period of searching a new job and
6. Prolonged healthcare.

Governments decide on the social politics, and not companies. It is financed from the taxes and contributions payed by entrepreneurs. Protective measures of social politics are in the best interest of every entrepreneur, but at the same time they must not burden economy to such an extent that it becomes uncompetitive.

Social politics is unique and it refers to all the areas of government organism, area of sport included.

Educational politics

Knowledge is the first and the essential prerequisite of good management and every achieved success. It is known that knowledge is acquired by learning and practical experience. The development of the educational system in the area of sport is very important for development of sports entrepreneurship. Knowledge is today one of the most expensive resources but also the most important one. Government investing in research and development projects is crucial for its prosperity and general development of knowledge.

As many theoreticians say, modern educational system of a country is a new form of infrastructure, which is just important as the energy infrastructure.

General characteristics of a modern educational system are:

- Freedom of choice in personal education,
- Constant education of people,
- Constant development of knowledge, investing in development and new researches and
- Standardization of educational process.

Well educational system has to be adjusted to general, international standards and achievements on one hand, and on the other, the characteristics of country (economic, historical, cultural and geographic) in which it exists.

Great expansion of the new educational profiles, programmes and institutions can be noticed, in Serbia today, which is essential for raising the quality of knowledge, higher competitiveness and democratization of knowledge. Educational system is the one that adapted best to international trends, which is

very important, because the people are the most valuable resource of the country. Because of this the area of sport created a wide range of new possibilities in schooling choices, special programmes and new knowledge.

New disciplines that represent combination of economic and sport sciences and doctrines, like management in sport, entrepreneurship in sport, marketing in sport, financial management in sport, management of sport events, management of sport objects etc. are explored.

Science

Science represents systematic knowledge that has its practical use. Science is the source of new discoveries, new technologies and general progress. Countries that invest most in research and development activities are the most developed countries. In developed countries, 1% of national income is allocated to financing of scientific projects. Scientific achievements give grounds to development of small and medium companies, the ones that have the most important role in developing of every economy.

Postgraduate, specialist, MBA studies and special courses are essential to development of entrepreneurial activities in all the spheres of social life, sport included. Today, sport is the best business and it is based on the newest scientific achievements. The role of the science in today's sport is more than obvious, and no sports accomplishments in modern sport can be the product of an improvisation or coincidence, but strictly of organized and systematic work based on scientific premises.

Technology

We already saw that science and research activity are the base of technological development. Technology is a systematic knowledge about technical activities. Only those entrepreneurs who use modern technologies and follow new trends have a real chance to gain advantage over the rivals in the market.

Using new technologies is directly in the function of economic growth. It is necessary for sports managers and entrepreneurs in sport to use new technologies in order for the sport product of our country to be competitive again in the international market.

CONCLUSION

Entrepreneurship in sport represents a very expansive area in the entire world, because of the fact that sport is the fastest growing branch of economy, which creates huge incomes, new buyers and new markets. It was created in modern sport and its organizations in the time when sport was in crises because of inability to generate enough financial means necessary for its further development and maintaining its social role of satisfying individual and group needs.

Process of entrepreneurial revolution in sport business can be noticed in the last twenty years, when large sports organizations started achieving significant success, which applied and developed its approach to managing processes and functions of sports organizations.

Entrepreneurs in their entrepreneurial activities, today, use techniques, processes and theories of management by which they provide sports and business efficiency and stabile, long term position of a sports organization.

They cannot be successful if they do not undertake a successful managerial activity and create a well-organized organizational structure.

In order for a sports organization to function efficiently and accomplish its objectives, nowadays, it is necessary to have a developed, complex organizational system which will be led by highly professional and qualified person or a group of people. Based on their knowledge and experience they are supposed to allocate the right jobs to the right people, the people who are ready to face the challenges they come across. Besides this, for the efficient functioning of the system of sports organization as well as further development, it is necessary to use general and specialized knowledge from the areas of management, organization, economic system along with the constant theoretical and practical professional development.

As such, sport becomes a very lucrative business, which generates huge profit for individuals, clubs and companies. Business becomes the way of life and behavior. The process of developing business and sponsorship in sport is very fast because people saw the potential of sport.

Only professional sport which is popular worldwide needs to be verified on the market. Where there are huge profit interests, huge investments will happen, and there will be successfully accomplished entrepreneurs. However, this does not mean that it is lucrative to invest in less attractive sports, because sport is a medium which promotes a healthy lifestyle and attitude. Because of that sport brings positive image, social affirmation and good marketing to sponsors and entrepreneurs. Only the most successful sport, as developed business, creates the possibility of earning huge profit. And only the most successful sport creates successful entrepreneurs.

Modern sport is characterized by high professionalization of clubs and competitions, as well as entrepreneurs and managers, and by the growth of income

and noticeable trend of corporate organizing and managing. Over the last hundred years, sport shifted from fun and game to being a great industry.

Entrepreneur in sport is the very foundation of entrepreneurship, the person who has responsibilities and abilities of a businessman, who is creative, innovative, able to recognize the problem early, as well as positive circumstances for entrepreneurial activities. Entrepreneur possesses rich knowledge about business and people, he is respectable, honest, open, cautious but not scared, and he trusts in people, communicates successfully, he is confident, hardworking and persistent. He knows how to set the right objectives and he is capable of understanding the signals from the environment. He is mainly motivated by the desire for success and victory just like a sportsman.

Regardless of sport becoming the most profitable branch of economy, it is necessary to set the limits and not to let the profit and money to become more important than sport spirit. While professionalism should be present, team spirit among sportsmen, managers and entrepreneurs, accomplishing top scores, sport should be considered primarily as a way of having fun, recreation, health and wellbeing.

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THE DYNAMICS OF DEMAND FOR ORGANIC FOOD IN EUROPE

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Apstract

As of lately, various aspects of organic food have been intensively researched, both in theory and in practice, due to its importance. The aim of the research presented in this paper is to present an inclusive analysis of developmental characteristics of organic food demand and distribution in different countries. A research has shown that shoppers' interest in buying organic food has increased. As of lately, growth in demand for organic food has been seen in all the countries internationally (but of varying rate and intensity). The organic food distribution channels' structure varies from country to country. Organic food sales is predominantly pursued by the global multi-channel retailers, other independent retailers (independent retail stores) and through other distribution channels. In supermarkets and specialized stores, organic food sales have grown. An important factor of the organic food sales growth is, among other things, the development of private labels.

Key words: *motivation, demand, income, health, distribution channels, private label / own brand.*

INTRODUCTION

In theory and in practice more and more attention has been paid as of lately to the research of importance and role of organic food in modern society. Various economic aspects of organic food have been studied.

Focus of attention in this paper shall be on maximising the variety of aspects that the organic food market development can be viewed from, along with the organic food demand factors, shoppers' motivation for organic food buying, organic food distribution channels' structure and influence of private label development on organic food sales.

All these aspects are being analysed by relying on available contemporary scientific studies and relevant empirical data, both on the global level and broken down per individual countries, retail stores, and product categories. In the context of the analysis of the observed topic per different countries, significant attention has been paid to the developing countries and countries going through the transition period – to the countries in the Balkans.

LITERARY RIVIEW

There is quite a rich body of scientific research works dedicated to economic aspects of organic food. It developed in the form of books, research papers and articles (Richards, 2011; Nastase, 2011; Brčić-Stipčević, 2011; Richards, 2012). These works are focused on the general economic aspects of organic food. Significant attention has been paid to the research of specific aspects of organic food demand and distribution in individual countries (Dimitri, 2009; Magdinčeva-Sopova, 2011; Schröck, 2012; Zanolli, 2012). Specific economic issues, such as the prices, costs, profits and privately owned label, among others, were studied in works focused on the topic of organic food (Xie, J. at al., 2011; Lukić, 2011a, 2011b, 2011c, 2011d; Larceneux, 2012).

Bearing in mind the significance and role of the organic food, the aspects treated in this paper will be researched through the following hypotheses: Hypothesis 1 (H1): influence of the available personal income share levels on the organic food buying; Hypothesis 2 (H2): influence of the economic downturn and environmental concerns on the organic food sales; Hypothesis 3 (H3): effects of price and private label on the organic food sales; and Hypothesis 4 (H4): influence of modern distribution channels' development, and especially that of the multi-channel retail sales, on the organic food sales.

All the above hypotheses are, to a certain degree, interconnected and have been confirmed in this study.

As for the methodology used in this paper, the research of the Hypotheses listed above was based on the research of relevant scientific studies and papers, qualitative empirical analysis and comparisons made between individual countries, distribution channels – different sales' points' types and product categories.

Sources of information necessary for study of the above defined Hypotheses by applying the given methodology are the primary empirical information collected from various Institutes, Agencies, as well as from the studies and papers used in this paper. Secondary data collection was formed based on the primary information to the extent necessary for getting the best possible insight into the researched, primarily economic, problems in relation to the organic food.

RESULTS AND DISCUSSIONS

Organic food buying is on the rise. Research has showed that consumers with higher personal income levels accounted for 71% of spending on organic products in 2011, compared to 67% in 2010 (Soil Association – *Organic market report 2012*). According to the importance of organic food buying to interviewed shoppers, consumers were categorised based on their replies as follows: the “Extremely important” category (5% of the total number of interviewed shoppers); “Very important” (12% of the total number of interviewed shoppers); “Fairly important” (36% of the total number of interviewed shoppers); “Not very important” (41% of the total number of interviewed shoppers) and to the category of shoppers who felt that it was “Not at all important” whether they bought organic food or not (6% of the total number of interviewed shopper) (Source: Soil Association – *Organic market report 2012*).

There are various motives for buying organic food. Main motives for organic food buying are presented in Table 1.

Table 1 Key Shoppers' Motives for buying organic food

Shoppers' Motives	Percentage of responses from the total number of interviewed shoppers in 2011
Fewer chemicals	62%
Natural and unprocessed	57%
Healthier for me and my family	52%
Better for nature / the environment	47%
Organic food tastes better	44%
Safer to eat	41%
Organic farming has higher animal welfare	34%
More ethical	33%
No genetically modified ingredients	29%
There are good offers	13%

Source: Soil Association – Organic market report 2012.

One of the buyers' primary motives for organic food buying is, as shown by the data from the Table above, avoiding potentially harmful chemical residues in food. Other important reasons, in addition to the mentioned one, are health-related reasons, organic food taste, environmental concerns, as well as the animal wellbeing.

Health concerns are an important factor in organic food buying. A research conducted in the USA has shown that recently (in 2008 – 2010), more than 80% of buyers trusted the food safety in supermarkets (Food Marketing Institute – *Food Safety*).

In addition to the reasons related to organic food purchasing, there are certain reasons in favour of refraining from organic food buying. These reasons are presented in Table 2.

Table 2 Motives for Refraining from Organic Food Buying

Shoppers' Motives	Percentage of responses from the total number of interviewed buyers in 2011
Organic food is too expensive.	91%
Organic food is no healthier.	21%
The range of products is not broad enough.	21%
I don't know enough about it.	15%
I can't always tell if it's organic or not.	13%
There is no nutritional benefit.	13%
I am not the sort of person who buys organic food.	13%

Source: Soil Association – *Organic market report 2012*.

Data presented in the Table above show that the primary reason for not buying organic food was that it was too expensive. Other reasons were of lesser importance.

Significant growth of global organic food market has been seen recently. If broken down per individual years, the organic food market growth was as follows (in billions of US dollars): 2000 – 17.9; 2003 – 25.5; 2006 – 40.2; 2009 – 54.9 and 2010 – 59.1 (*Organic Monitor*. According to: FiBL/IFOAM – *The World of Organic Agriculture. Statistics and Emerging Trends 2012*;). In 2010, global organic food market has grown significantly in comparison with 2000 (2010/200 index = 330,167).

In the *United States of America*, organic food sales amounted to USD 1,974 millions in 2010. In 2002, it amounted to USD 365 millions (*Organic Trade Association Industry Survey*. According to: FiBL/IFOAM – *The World of Organic Agriculture. Statistics and Emerging Trends 2012*;). The organic food sales have, thus, seen a significant upward trend.

Organic products sales – food excluded, in the United States of America in 2010 amounted to USD 26,708 millions. For comparisons' sake, back in 2002, it amounted to USD 8,635 millions (*Organic Trade Association Industry Survey*. According to: FiBL/IFOAM – *The World of Organic Agriculture. Statistics and Emerging Trends 2012*;). It has, thus, risen significantly.

In 2011, the United States of America exports' worth of organic products (fresh cherries, roasted coffee, fresh grapes, fresh apples, etc.) to the European Union member states (EU – 27) amounted to the total of 7 millions of US dollars. The main importers (among the European Union member states) of the organic products from the United States of America were the Netherlands, United Kingdom and Belgium. These countries imported 78% of all the United States' selected organic products (*USDA's Global Agricultural Trade System Online*. According to: The EU-U.S. Organic Equivalence Cooperation Netherlands EU – 27, Date: 2/15/2012, *GAIN Report* Number: NL 2006).

All in all, the organic products market in the United States of America is an important one and it has seen continuous growth trend.

The situation in other countries is similar to the situation in the United States of America. Thus, for example, the organic food and beverages sales in *Germany* in 2010 amounted to EUR 6,020 millions. In 2000, it amounted to EUR 2,050 millions (*Hamm/Rippin 2009*, AMI 2010-2012. According to: FiBL/IFOAM – *The World of Organic Agriculture. Statistics and Emerging Trends 2012*;). This means that the organic food and beverages sales have grown significantly over the observed time period.

The importance of the individual parts of the global organic products' market - differs if observed as a breakdown per individual regions. This is evidenced by the distribution of the global organic market generated income per individual region, which is as follows: in North America – 49%; in Europe – 47% and in other regions of the world – 4% (*Organic Trade Association Industry Survey*. According to: - FiBL/IFOAM – *The World of Organic Agriculture. Statistics and Emerging Trends 2012*;). According to data presented above, the global market of North America is better developed than the one in Europe.

When observed per individual countries, organic food sales' levels differ in individual countries. According to data presented in Table 3, countries with the largest organic markets in 2010 were the United States of America, Germany and France. The United Kingdom, Canada and Italy were ranked as countries with medium sized organic food markets. Other countries' organic food markets presented in this Table were of lesser importance.

Table 3 Organic Food Sales per Individual Countries in 2010

Country	Amount (in billions of Euros)
United States of America	20,155
Germany	6,020
France	3,516
United Kingdom	2,000
Canada	1,904
Italy	1,550
Switzerland	1,180
Japan (in 2009)	1,000
Austria	986
Spain	905
Total	44.5

Source: FiBL, based on individual national sources.

According to the data presented in Table 3, distribution of organic sales by individual countries, in percentages, in 2010 was as follows: the United States of America – 45%, Germany – 14%, France – 8%, the United Kingdom – 4%, Canada – 4%, Italy – 3%, Switzerland – 3% and other countries – 19%.

Organic food per capita consumption varies in different countries. In 2010, the organic food per capita consumption levels (in Euros) were in individual countries (with significant levels of organic food consumption) as follows: Switzerland – 153; Denmark – 142; Luxembourg – 127; Austria – 118; Liechtenstein – 100; Sweden – 86; Germany – 74; United States of America – 65; Canada – 57; and France – 55 (Data compiled by FiBL in cooperation with AMI and ORC 2011, based on data collected from national sources). High levels of organic food consumption per capita have, thus, been observed in Switzerland and in Denmark.

Market share of the organic food sales (in the total sales) varies in individual countries. In 2010 organic food sales market shares were as follows: Denmark – 7.20%; Austria (2009) – 6.00%; Switzerland – 5.70%; Sweden – 4.10%; United States of America – 4.00%; Germany – 3.50%; Luxembourg (2006) – 3.30%; the Netherlands – 2.70%; and France – 2.00% (Data compiled by FiBL in cooperation with AMI and ORC 2011, based on the national sources).

Significant organic food market growth trends were observed in Europe and in the United States of America (and other regions) as well. Based on data collected by FiBL, and based on USDA/FAS estimates, demand for organic food and beverages in the European Union in 2010 amounted to USD 24.5 billions (www.organic-world.net, USDA/FAS estimates. According to the EU-U.S. Organic Equivalence Cooperation Netherlands EU – 27, Date: 2/15/2012, *GAIN Report* Number: NL 2006). Organic food market growth in 2004 – 2010 in Europe and in the European Union member states is presented in Table 4.

Table 4 Organic Food Market Growth in Europe, in 2004 – 2010

Year	Europe (in EUR billions)	European Union (in EUR billions)
2004	10.8	10.0
2005	12.1	11.2
2006	13.5	12.6
2007	15.3	14.3
2008	17.0	15.9
2009	18.2	17.0
2010	19.6	18.1

Source: FiNL (2012) – *The European market for Organic Food* (www.fibl.org).

Data presented in the Table above is a clear indication of the organic food market growth trend in Europe and in the European Union. Organic food market growth index in Europe in 2010 in comparison with 2004 was 181.481 (2010/2004 index = 181.481), and in the European Union it was 180.000 (2010/2004 index = 180.000). Over the observed period, there was continuous growth of the organic food market in Europe, i.e. in the European Union, year after year. The overall situation is thus similar to the situation in the United States of America and in other countries, as well.

Organic food market growth differs in individual countries that are the *European Union member states*. This has been unambiguously evidenced by data presented in following Table 5.

Table 5 Organic Food Market Development in the European Union Member States

Country	In 2004 (in EUR millions)	In 2010 (in EUR millions)
Germany	3.500	6.020
France	1.785	3.385
United Kingdom	1.900	2.000
Italy	1.050	1.500
Switzerland	767	1.180
Denmark	305	7.91

Source: FiNL (2012) – *The European market for Organic Food* (www.fibl.org).

In the observed countries, as shown by the data in the Table above, organic food market growth has been evidenced. In 2004 – 2010, in all the observed countries, there has been continuous growth (but with differing growth rate) of the organic food market year after year, which was not the case in the United Kingdom. Over the observed period in the United Kingdom until the onset of the economic crisis (in 2008), the organic food market grew, and since this year and continuing into 2010, this market's growth has shown a slight decline (FiNL (2012) – *The European market for Organic Food* (www.fibl.org)).

Countries with large organic food markets in the European Union are Germany, France, the United Kingdom and Italy. Taken together, these markets make 71% of the European Union organic market (EU-27). High levels of the organic food and beverages' sales per capita (with more than USD 100 per capita on the annual level) have been seen in Denmark, Austria, Luxembourg and Sweden. At the same time, in many other European Union member states, the organic food and beverages sales was less than USD 10 per capita on the annual level, mainly in Eastern Europe (www.organic-world.net, USDA/FAS Estimates. According to: The EU-U.S. Organic Equivalence Cooperation Netherlands EU – 27, Date: 2/15/2012, *GAIN Report* Number: NL 2006).

There are different channels – retail stores' types for the organic food sales (Lukić, 2011d; Hsien, 2012). There are significant differences in this respect per individual European Union member state. Organic food has been predominantly sold in supermarkets with the market share ranging from 40 to 70% of the total organic sales. Experts in this industry have estimated that the supermarkets' market share in total organic food sales will continue to grow. In the United Kingdom, the Nordic countries and in Romania most organic food sales are generated in supermarkets. In France and in the Netherlands, the share of supermarkets and organic specialty shops is more evenly divided. In Germany, discounters and supermarkets dominate the distribution market for organic food, predominantly under private label. In Spain and in Poland, the biggest share of the organic food sales is generated in specialty shops (www.organic-world.net. According to: The EU-U.S. Organic Equivalence Cooperation Netherlands EU – 27, Date: 2/15/2012, *GAIN Report* Number: NL 2006).

Recently, organic food sales in the United Kingdom have fell slightly. The main causes of such downward trend were continuous savings among the general population caused by the general downward economic trends, continuous cuts by all retailers in ranges and shelf space for organic products, shrinking investments in the development of own-label organic products' ranges, coupled with minimizing of all marketing activities (Soil Association – *Organic market report* 2012).

The structure of organic food sales channels in the United Kingdom is diversified. Shares of individual sales channels for organic food in the United Kingdom in 2011 are presented in Table 6.

Table 6 Shares of the United Kingdom Organic Food Market in 2011

Sales Channels	Market Share (in %)
Multiple retailers	71.4%
Other independent retailers	14.8%
Box schemes / home delivery / electronic mail orders	10%
Farm shops	1.8%
Framers' markets	1.1%
Catering	0.9%

Source: Soil Association – *Organic market report* 2012.

Data presented in the Table above is an indication of the predominant share of multi-channel retailers in the organic food sales in the United Kingdom. There is additionally a significant share of other independent retailers (independent retail stores), along with the box schemes /home delivery/ electronic mail offer. More than 95% of the organic food sales were effectuated through these sales channels in the United Kingdom.

Market shares of individual categories of organic alimentary products differ among themselves in the United Kingdom. These market shares for 2011 are presented in Table 7.

Table 7 Market Shares of Individual Organic Products' Categories in the United Kingdom in 2011

Organic product	Organic Product's Market Share (in %)
Dairy products	29.2%
Fruit, vegetables and salad	22.9%
Baby food	13.3%
Beverages	6.4%
Fresh meat	4.8%
Fresh poultry	2.2%
Bread	1.1%
Fresh fish	0.5%

Source: Soil Association – Organic market report 2012.

Data presented in the Table above show that the share of more than 65% of all the observed organic products is made up of dairy products, fruit, vegetables and salad, as well as of the baby food. These products are already ranked high in the overall structure of the general population's spending in all the countries in the world.

Sweden is characterized by high consumption of organic food. In 2010, the share of organic food products in the total retail food sales in Sweden amounted to 4.1% (see Table 8). In the overall structure of the observed alimentary products, the biggest market shares are those of coffee, tea and chocolate beverages (7.8%), and the smallest market share if that of meat (1.4%).

Table 8 Organic Alimentary Products' Shares in Total Retail Food Sales in Sweden in 2010

Food category	Organic share (in %)	Organic Sales Worth (in USD millions)
Alimentary products, total	4.1	1,186
Milk, cheese, eggs	7.4	335
Fruit	6.5	122
Coffee, tea, chocolate beverages	7.8	63
Vegetables	6.1	167
Fish	7.1	109
Non-alcoholic beverages	3.7	41
Oil and fats	4.6	32
Other alimentary products	3.9	52
Bread and other grain products	2.2	92
Mineral water, soda and fruit and vegetable fruits	2.0	41
Meat	1.4	N71
Sugar, jam, honey, chocolate and candies	2.0	61

Source: Statistics Sweden (SCB). According to: Swedish Organic market, Date: 4/13/2012, GAIN Report Number: SW 1201.

Organic food sales have seen an upward trend in the Eastern European countries, as well. In Table 9, some of the general characteristics of the organic food markets in the Eastern European countries have been shown.

Table 9 General Characteristics of the Organic Food Markets in the Eastern European Countries

Country	Turnover (in EUR millions in 2006)	Turnover (in EUR millions in 2009/2010)	Average spending per capita (in EUR)
Bulgaria	1	5	1
Czech Republic	27	107	10
Estonia	6	12	9
Hungary	20	25	3
Poland	15	85	2
Romania	2	20	1
Slovakia	4	4	1

Source: Jansen, B. and Schaer, B. (Biofach 2012), A glimpse on organic markets in Eastern Europe, Ekoconnect, Ecozept.

Based on the presented data in the Table above, it can be concluded that the sales of organic food products reached highest levels in the Czech Republic, and also that it was lowest in Slovakia. The organic food sales growth rate was significantly higher in the Czech Republic and in Hungary than in Slovakia. Average spending on organic food products per capita was highest in the Czech Republic, followed by Estonia, and it was lowest in Bulgaria, Romania and in Slovakia.

There are differences in the organic food sales between individual countries in the Western Balkans, as well. Data presented in the Table 10 clearly corroborate this statement.

Table 10 *General Characteristics of Individual Organic Food Markets in the Western Balkans Countries*

Country	Turnover in 2010 (in EUR millions)	Average spending per capita (in EUR)	Market Growth in 2010/2009
Bosnia and Herzegovina	1	1	3
Croatia	40	9	20
Macedonia			
Montenegro	0.1	1	10
Serbia	40	5	12
Slovenia	34	17	8

Source: Focus – Balkans (February 2012): Organic markets in Eastern Europe.

Based on the data presented in the Table above, it can easily be concluded that the organic food sales has remained at the same levels in Croatia and in Serbia, that it has slightly declined in Slovenia, and that is at the lowest level comparably in Montenegro. Average consumer spending levels per capita range from 1 to 17 Euros. Average consumer spending per capita was highest in Slovenia, and lowest in Bosnia and Herzegovina and in Montenegro, and it was higher in Croatia than in Serbia. Organic food market growth was highest in Croatia and lowest in Bosnia and Herzegovina. It was higher in Serbia than in Montenegro or Slovenia.

Despite its growing demand internationally, organic food demand and consumption has remained on a low level. Organic land areas where organic food is grown grow from year to year. Regardless of this fact, organic food production levels lag behind those in the European countries. Organic food is mostly sold in small quantities in markets because it is more expensive than the "conventional food". In other countries, organic products are on average more expensive than the conventional ones by as much as 40%. This difference in prices in Serbia is much bigger, by as much as two to three times.

All things considered, the number of buyers in the Balkans market of organic food remains low (in comparison with the more developed organic food markets). It is expected that the buyers will gradually turn to buying organic food in greater numbers in the future. Shoppers' interest for organic food is expected to grow continuously.

Among the significant characteristics of modern day retail sales is the growing importance and upward trends of the private (own) labels or brands. Private label is being treated as the critical factor of competitiveness, costs and overall performances in the retail sales. There is a growing importance of the privately owned brands in food market, both for the "ordinary" and for the organic food. Private label data is presented in Table 11, as a percentage of the total food market per individual countries.

Table 11 Private Label presented as a percentage of the total food market per individual countries

Country	In 1999	In 2011
Belgium	35	40
Germany	27	40
The Netherlands	21	36
France	22	20
Italy	12	20

Source: Private Label Manufacturing Association, 2012. According to: The Benelux Food Retail Market, Belgium (without Luxembourg), Date: 6/27/2012, GAIN Report Number: BE2007.

Private labels or own brands in organic alimentary products, according to data presented in the Table above, in all the observed countries have seen an upward trend, except in the case of France. In 2011, it ranged from 20% (in France and in Italy) to 40% (in Belgium and in Germany).

There is a high share of privately owned labels or brands in the total sales in the supermarkets. Just as an illustration, data presented in Table 12 represent sales' shares in supermarkets for the categories of private label and total sales channels, for the period from 2005 till 2009.

Table 12 Sales Trends in Supermarkets

Year	Private label (in USD billions)	Total channels (in USD billions)	Private label share in total sales, (in %)*
2005	45	273.1	16.48
2006	45.7	277.4	16.47
2007	49.2	287.2	17.76
2008	53.9	295	18.27
2009	55.5	297.1	18.68

**Note: Calculations done by the Author*

Source: The Food Institute. According to: Volpe, R. (December 2011), The Relationship Between National Brand and Private Label Food Products, USDA, Economic Research Service, ERP-129.

It can be easily observed from the data presented in the Table above that the share of privately owned brands and labels in the total sales in supermarkets is on a high level, too. It ranges from 16.47% to 18.68%.

The share of the privately owned brand in organic food sales is significant. Thus, for example, the share of own brand in the sales of organic food in Spain broken down per individual observed years amounted to: in 2005 – 23.1%; in 2006 – 24.2%; in 2007 – 26.1%; in 2008 – 30.4% and in 2009 – 33.8% (*Euromonitor, Health and Wellness*. According to Agriculture and Agri-Food Canada, International Markets Bureau, Market indicator report, March 2011, *Health and Wellness Trends in Spain*). Growth tendency has thus been seen in the share of privately owned brand in the organic food sales in Spain. Situation has been similar in other countries, too. Thus, for example, the own brand share in the fresh fruit and vegetables sales in Canada has reached 21% (Newsletter, March 5, 2012, *Organic Food World Wide*).

CONCLUSION

Organic food importance and role in the modern societies are on the rise. In all the countries in the world, there is an evident tendency of growth in organic food demand. Organic food demand growth is higher in the United States of America than overall in the European countries. The largest organic food markets in Europe are Germany, France, the United Kingdom and Italy. These markets represent 71% of the organic market in the European Union (EU-27). In the Western Balkans countries, a significant growth in organic food demand is expected to emerge in the future.

Key determining factors in organic food sales are as follows: personal income levels, products' prices, health concerns, environmental protection, modern retail sales formats' development levels (retail stores' types) and private/own brand. By exerting control over these and other factors, significant influence can be exerted over the growth in demand for organic food in the future.

There are various organic food distribution channels. Organic food is currently being predominantly sold by the global multi-channel retailers, followed by other types of independent retailers (independent retail stores) and other distribution channels, i.e. by the supermarkets and specialized organic food stores. This has been the general practice in almost all the countries internationally.

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THE ROLE AND THE IMPORTANCE OF THE ECONOMIC EDUCATION FOR AGROECONOMISTS

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Abstract

The authors discuss the role and importance of economic education, then the link between education reform, new labor market and qualification profile of agricultural economists. The authors believe that education reform must be a function of changes occurring in the labor market. This hypothesis the authors are testing on the example of agricultural economists, who study at the Faculty of Agriculture in Novi Sad. Education reform elements are manifold: learning outcomes, competencies, curriculum, learning, employment, qualifications profile, evaluation, lifelong learning (European Qualifications Framework).

The analysis shows that the market is increasingly looking for professionals who have a greater range of skills, with ability to work independently, which are adaptive and are polyvalent. Employers insist on the total competence of individuals and particularly on their ability to communicate, solve problems, work in teams and know the languages of the world. Finally, to conclude, the authors recommend the need for management and evaluation of the program of study, as well as monitoring and frame for the curriculum, as control instruments.

Keywords: *education reform, labor market, agricultural economists.*

INTRODUCTION

"The best hope of a nation lies in the proper education of its youth." (Erasmus Roterdamsky)

The role and importance of economic education are positive in multiple ways. All their life, people are faced with huge economic problems at all hierarchical levels of the economy and society. Developed societies in the 21st century are striving to create "knowledge societies" and "a man of knowledge". This requires the establishment of flexible profiles for the market, on one hand, and the development of new curricula in higher education, on the other hand. New economy needs, namely, individuals who possess a wide array of skills, high level skills, such as critical thinking, problem solving, team work and decision making skills.

Success of every profession and every individual will largely depend on his ability: to think creatively, act rationally and effectively, adapt to change, communicate effectively and to be able to work independently. Learning for the 21st century includes four major categories: digital literacy, creative thinking, communication skills and capacity for high productivity.

Among theorists of education and employment analysts a series of questions raises, such as what is today learning for employment, what do the contemporary analysis show of the labor market, which experts are looked for in the 21st century, what are the key knowledge, skills and competencies of modern professionals, what influenced the change in the content and structure of the business, the concept that constitutes the competence in education? In addition, the scope and structure of economic growth in Serbia in the past two decades have led to massive de-qualification (in terms of loss of knowledge and skills of previously employed) and not allow the absorption of old and new employment. Serbia has one of the lowest employment rate of working age and the active population in Europe, and the question of finding a job is one of the key existential problems, especially for educated young people.

Education Reform or so called "Bologna process" puts the main focus in the education on qualification or the qualification profile of experts. The profile should be based on identified needs and recognized of society, employers and professional organizations. Each of them has a place in defining competencies.

Educational reforms include, in this regard, education based on learning outcomes and competence. Education based on the outcomes involves directing and organizing education and classes on what the learners will know and will be able to do at the end of the learning process. Outcomes are clearly and unambiguously defined work competencies, knowledge, skills, resources, attitudes and values that are obtained after some educational programs, actually education and learning process.

Learning outcomes define what students are expected to know, understand and/or are able to demonstrate after completion of learning. Outcomes can be defined: (a) at the level of individual institutions of higher education (courses, modules and study programs), (b) at the state level (for qualifications, qualifications frameworks and quality assurance systems), (c) at the international level (for wider recognition and transparency of educated system). Outcomes, according to EU documents, are expressed using active verbs that denote knowledge, comprehension, application, analysis, synthesis and evaluation. And as explained above, and the Bologna process confirmed that, outcomes have implications for qualifications, the structure and design of the curriculum, the process of teaching, learning and assessment (specification of an application for a loan - ECTS) and of course the quality assurance process.

Such understanding and defining of the learning outcomes is almost fully compatible set of outcomes in the field of lifelong learning from the European Qualifications Framework for lifelong learning (EQF). This imposes special demands on higher education, particularly in the area of curriculum development in defining the competencies that students should acquire at the end of the studies. One of the requirements is training for employment as a part of the learning for the 21st century.

ROLE AND IMPORTANCE OF ECONOMIC EDUCATION

At the beginning of this study a question was raised: why to study economics? People do this for many reasons. Many reasons make sense, but an overriding reason for learning the basic lessons of economics is consisted in the fact that the people are clashed with major economic problems at all hierarchical levels of the economy and society their whole lives. Many social, political and other problems that preoccupy contemporary world in its character are economic. Individuals, households, businesses, government and the world at large are faced with them in a greater or lesser extent. This is proved by the famous words of Keynes, economist whose ideas have had an enormous influence on the development of society in the 20th century: "Really, nothing much governs the world as economy does" (Keynes, 1936, p. 383).

Every time in the development of a given society has its specific and prevailing economic problems at the micro, macro, regional and global levels. The shape of their appearance has changed, but economic problems remain as such. Dominant issues of the 30's of the last century were the mass unemployment of workers and the resources available, known as the Great Depression. War economy in the 40's of the last century have resolved the problem, but also created new problems, particularly in how to rapidly reallocate scarce resources between military and civilian requirements.

During the 50's of the last century inflation has become a major cause of economic problems and imbalances in many countries. A slowdown in economic growth was the focus of the second half of the 60's of the last century. Central problem of 70's of the last century was the rise in energy costs. Oil prices increased ten times during the decade. There was also unsettling combination of rising unemployment and rising inflation (stagflation). High unemployment and record deficit in the U.S.A. balance of trade were the main problem of the world economy of the 80's in the last century. Acceleration of economic growth, based on the economic doctrine of neoliberalism (Reganizam and Thatcherism), was a feature of the 90's of the last century.

Last decade of the past century and the beginning of 21st century was characterized by the development of the process of globalization of economic trends on a global scale and the transition economies of the former socialist countries towards a market economy and private property and efforts to resolve economic and other issues (sustainable economic growth, unemployment, the deficit in the financing of the public sector, shortages of energy, environmental vulnerability, poverty, crime, corruption, terrorism, security, etc.) in a new way. At the end of the first decade of the 21st century came the global economic and financial crisis, caused by the application of neoliberal model of growth, particularly of the financial sector crisis (debt crisis).

What generates economic problems? At the center of the primary factors that generate economic problems is the discrepancy between unlimited wants and needs of people for a variety of goods and services, on the one hand and limited goods and services to meet those needs and desires, including limited economic resources to produce these goods and services (land, labor, capital, entrepreneurial ability), on the other hand.

1. *Unlimited wants and needs of the people.* Human wants and needs for commodities (goods and services) are unlimited. They have been rising steadily with the social, economic, technical and technological developments.

Needs for goods and services are also increasing because of the population growth in the world. World population increases every second for about 2.2 people or about 70 million people annually. Pressure of consumers on goods and services available is constantly increasing (FAO, 2010).

2. *Limited resources, goods and services.* For most human beings scarcity is a real and persistent problem. Because of insufficient food production in the world and its inadequate distribution, millions of people, particularly in Africa and Asia, die from hunger and poverty.

There are lacks not only in food but also in many other goods and services (dwellings, clothing, footwear, pharmaceuticals, automobiles, movies, theater and film shows, cultural events, health services, etc.). Various desires and needs of the people for commodities (goods and services) can only be satisfied by a proportional increase in the required quantity of goods and services. Because they

are limited by available resources and factors of production it is necessary to produce the required and desired amount of goods and services.

When there would not be rarity of available resources and goods, people would have everything they need and economic problems as such would not exist. Such a thing has not happened up to now and probably never will happen. Thus people, both individuals and households, and businesses, and the nation, and the state, and the whole international community need to relate to the limited commodities (goods and services) in the best possible way.

3. *Endogenous and exogenous factors.* Economic problems are generated by many other factors, of endogenous and exogenous origin, depending on time and space, which is almost impossible to completely specify.

Endogenous factors are, for example, inadequate institutions of the economic system (property relations, a way of connecting economic agents, the relationship between market and planning, the role of the state), inadequate economic policies (in prices, exchange rates, commodity regimes, etc.), the impact of political factors on economic life, unadjusted relationships between certain segments of the economic structure (primary production, processing industries, sector of services) and others.

Different levels of performance of certain economies are under the influence of the key ways of development institutions. They influence on the perception of reality. They impact on how people solve economic problems, make a selection, organize and interpret information, and so on.

Inefficient economic, legal and political system of the country strongly generates additional economic problems in it.

Exogenous factors are, for example, the impact of the world economic crisis on the national economy, individual companies (financial and price impact from the world market, oil shock, etc.), international sanctions against any country, military aggression, natural disasters (earthquakes, hurricanes, floods, fires) and others.

Solving economic problems of economic entities (households, firms or government) is the result of the action of individuals and groups. Behind each individual activity is decision. As a result of the scarcity of resources, people are forced to make choices and they choose one option of many available options. As well as individuals, business and economic system (companies, countries) are facing a different kind of choices in solving economic problems. Elections are contained in most of the decisions of companies. Decision-makers (entrepreneurs, managers, politicians) who are quick to approach the problem of complex economic and social reality, arguing that that economic decisions are simple, typically pay the "bill" of making the conclusion too easily.

The economy does not provide ready-made suggestions on what choices should be made. It points to the existence of elections and the possible benefits and costs that each choice entails. Knowledge of the existence of possible choices and their economic effects is the basis of good decisions.

In solving economic problems a special place has a role of the economic thought and a whole set of economic, and other scientific disciplines. They explore a variety of economic (material), institutional and wider social conditions necessary to solve the economic problems and are a valuable aid to decision-makers.

1. *The importance of economic thought.* Economic thought is more or less rounded theoretical examination of the particular economic situation at a particular economic case for an open economic issue or an acute economic problem that needs to be solved.

Economic thought is as old as society. It was created and molded together with its economic development. On one hand, economic thought was an expression and reflection of the achieved level of production capacity of the certain society, at every point of its historical development, and, on the other hand, it had return respective influence on the economic and overall development. Undeveloped forms of economic organization of society, such as, for example, it was the old East, ancient or medieval societies were accompanied by an underdeveloped economic thought. Only with the rise of the market, with the development of production and market expanding links between businesses, practically with the capitalist mode of production on the world stage of economic theory began to win recognition, it has become more important in influential (Schumpeter, 1975, p. 11).

Explanation of economic reality imposes the need for understanding the evolutionary development of economic thought. In addition Schumpeter says: "No one can hope to understand the economic phenomena of some epoch, including the present, which do not adequately government historical facts and an adequate dose of historical sense or what might be called historical experience. Most errors in economic theory today probably stem more from the lack of historical understanding, rather than as a result of the lack of economic classification."

It is believed that the theoretical concept of great economists can have a significant impact on the formation of people's attitudes about some key economic issues. In other words, economic theory offers businessmen, managers and holders of economic and political decision-making repertoire of possible options for solving a variety of specific economic problems, at the micro and macro level of economic organizations, with which they face in their daily activities.

The development of economic science is undeniable progress that is achieved. Numerous scientific knowledge are acquired and accumulated, it might be said, precise, about the behavior of the economy as a whole, businesses, households and individuals, and on the functioning of some particular economic system, some of the manifestations of economic phenomena (e.g., inflation, unemployment), and similar.

2. *Role of Economics.* Economic scientific disciplines seek answers to the basic question: How could result of limited resources and a good be brought to the appropriate functional and structural relation with unlimited and growing needs of the people, through the scientific explanation of the essence of economic phenomena and proposing appropriate economic policies.

Economics of every enterprise, every state and the world is a very complex, complicated mechanism, consisting of vast number of interconnected and independent segments, so that the alignment of its function is an open theoretical and methodological problem.

3. *The role of other humanities.* In order to better understand and solve economic problems, current trends in economics broaden the horizons of economic theory, analyzing the real world of uncertainty and dynamic change. It became unimaginable to analyze economic problems without the help of other humanities. Moreover, the contemporary reality imposed by the need for the synthesis of humanities into explained change in the socio-economic and socio-political structure of society.

Economy-law relationship is very close. In recent years, economic analysis has become a very common thing, not only in the economic but also in legal theory. Also, it has become unthinkable to have the functioning of the economy without the law. It is easy to see the natural affection between these two humanities. Both are aimed at understanding social institutions. Moreover, both of them contain strong normative science component. And economics and law are not only interested in how economic and social institutions function, but also on how to improve their work (Varian, 2003, p. 521).

Relationship economy-politics is contained in the name of political economy. The prevailing opinion is that economists study economic phenomena and that the state (political) structures make normative decisions. With its normative the state activity directly or indirectly regulates social relations in the sphere of production and distribution of social wealth.

Economics, psychology and sociology are closely related. Individual and collective behavior of people in different societies is related to the interpretation of the research focused on the role of culture, tradition, religion, and so on. By his introduction into the analysis of a wide range of non-economic category, economic theory itself changes. The object of research is no longer a "homo economicus" but a human being with cognitive, conative, emotional and social performance, and its relational connections with other people. All this has had a profound impact on the basis of a review of the current economics.

We can conclude that an understanding of the economic problems requires not only knowledge of analytical instruments in the neoclassical, Keynesian and institutional economic doctrine but also the theoretical basis of other social scientific disciplines such as law, politics, sociology, anthropology, psychology, and so on. They create the foundation for an understanding of the factors affecting the efficient resolution of the economic issues.

LEARNING FOR EMPLOYMENT

What is learning for employment? Learning for employment means developing the ability to find, keep and change jobs or to generate self-employment. Such skills enable vertical and horizontal mobility in the labor market and their adaptability to changes in technologies and new forms of work organization.

Learning concept for employment has multiple benefits. For the individual, learning for employment means achieving the principles of lifelong learning and individual achievement of competencies that enhance mobility and job skills. For businesses and employers employment skills mean that their employees are able to respond to changing demand jobs and strengthen the competence and enterprise development. For the state, this concept is about creating a workforce that has the adaptive capacity, which is in accordance with the requirements of the labor market.

What does market analysis shows? According to the analysis of labor market employers want employees who will continuously pursue and further develop their skills. The new economy requires individuals who possess a wide range of high level skills and abilities such as critical thinking, problem solving, teamwork, communication and decision making skills. The success of every profession and every individual will largely depend on his ability to think, do, adapt and communicate creatively. In these conditions, technology occupies a special place, because in the future it will continue to be a major force in the workplace, communities and individual lives.

Which workers are required? More and more they are looking for professionals who have a greater range of skills, with ability to work independently, which are adaptive in the manufacturing process and are polyvalent. The concept of competence and understanding is changed, namely, instead of the traditional understanding of the skills, employers are increasingly looking for and insist on the overall competence of individuals and particularly on their ability to communicate, solve problems, work in teams, rather than purely technical skills.

Which are the key knowledge, skills and competencies? Key knowledge, skills and competencies required in the modern economy include: intellectual ability, social and interpersonal skills and knowledge (communication, teamwork, decision making, responsibility), business and entrepreneurial skills and knowledge (entrepreneurial skills, creativity and innovation, self-employment); multiple technical skills and knowledge, knowledge of foreign languages.

What influenced on the change of the content and structure of the business?

In the opinion of competent authors there are two main reasons that influenced the change in the content and structure of tasks:

1. Ongoing development and introduction of new technologies that require more intellectual competence of individual than action competence,
2. Expansion of new organizational forms that set new requirements in terms of flexibility and quality business practices. Dissemination of information and the development of information channels have imposed a requirement that individuals possess new skills that can correspond to information flows.

Such changes illustrate the following pictures:

Figure 1. Changes in the area of competence

Elements of competence	Old context	New context
Responsibility	Based on individual behavior, such as effort and discipline	It is based on taking the initiative
Expertise	Based on experience	Cognitive aspect: identify and solve problems
The interdependence	Sequential hierarchy	System, group work
Education and training	Acquired once and for all	continuously
Learning	Passively, to be able to do something	Responsibility for their own learning, self-learning, lifelong learning

CONCEPT OF COMPETENCIES IN EDUCATION

In the field of education today, competence becomes an important element of education reform. Competencies become the key word in management in the context of socio-economic crisis when labor organizations are undergoing a process of change and transition. There is a growing demand to realize competence as what an individual must have to take up their place in society. Competencies are important because they are a key meeting place for education, training, employment and overall sphere of work, or a place where you harmonize the common interests of all stakeholders and social partners. Together with the knowledge and skills, competencies are becoming a major factor in innovation, productivity and competitiveness and thus directly contribute to motivation, professional staff satisfaction and quality of work.

Different interpretations and definitions of competence give a set of similar, but in some ways also different ideas. One of the older definitions is the definition from Glossary of the European Training Foundation in 1997. year where the competence is defined as *the ability to do something well and effectively, the ability to respond to the demands of employment, ability to meet the requirements of specific job roles*. According to the authors Bjornavold and Tissot, competence means proven ability of the individual to use the skills, qualifications or knowledge (R.P.), to respond to the familiar business situation and needs as well as those that arise.

Many analysts for employment and education theorists are engaged in analyses of the new understanding of competence and have posted a number of theoretical

approaches. Based on the analysis of French, British, German and American literature in the development of the European Qualifications Framework a new definition of competence is allocated, against which competence is defined as a combination of knowledge, skills and attitudes/skills in a particular situation (R.P.).

Competence includes: (1) cognitive competence involving the use of theory/concepts, and implicit knowledge (tacit knowledge), which is gained by experience, (2) functional competence (skills, know-how), which is necessary for the performance of specific activities, (3) personal competence, relating to behavior/actions to/from a specific situation, (4) ethical competence, which includes certain personal/social values.

Such comprehensively defined competencies offer the ability of individuals to various elements of their art alone, implicitly or explicitly and in a particular context. The acquisition of a certain level of competence can be seen as the ability of an individual to use and combine their knowledge and attitudes (competencies) for different tasks in different contexts, situations or settings of a problem. In other words, the level of competence of a person is determined by its ability to cope in complex, unpredictable and changing situations. This understanding is reflected in the competency levels of reference of the European Qualifications Framework with the distinction between knowledge (paragraph (1)), skills - know-how (paragraph (2)), and finally in the broad sense of competence (paragraphs (3) and (4)).

What are the elements of competence? Five elements are different levels of competence: knowledge and understanding, application of knowledge and understanding (transition from theory to academic practice) decision established assessment, communication skills, study skills for further study.

Based on Dublin descriptors, qualifications framework for higher education in Europe and the proposal of the Tuning project, a difference among them can be made: a) Subject specific competences and b) Generic competences.

1. Subject specific skills are key competencies for a particular level of study and relate to the specific skills selected of study areas. They are defined or designated as subject-appropriate academic skills and competencies. They provide a consistent identity to the individual study or program level.
2. Generic competences in whose work there is a special role of generic skills that actually create the essence of generic competencies. What are the skills? Skills are relevant knowledge and experience required to achieve a task or job and/or the product of education, training and experience along with relevant "know how" is characteristic of technical knowledge (Bjornavold and Tissot, 2000, p. 15). Generic skills are skills that support lifelong learning and literacy, and in addition to mathematical skills as basic skills, including communication skills, problem solving skills, teamwork skills and continuous learning skills (Bjornavold and Tissot, 2000, p. 15).

According to the Tuning Project, generic competencies are divided into three categories:

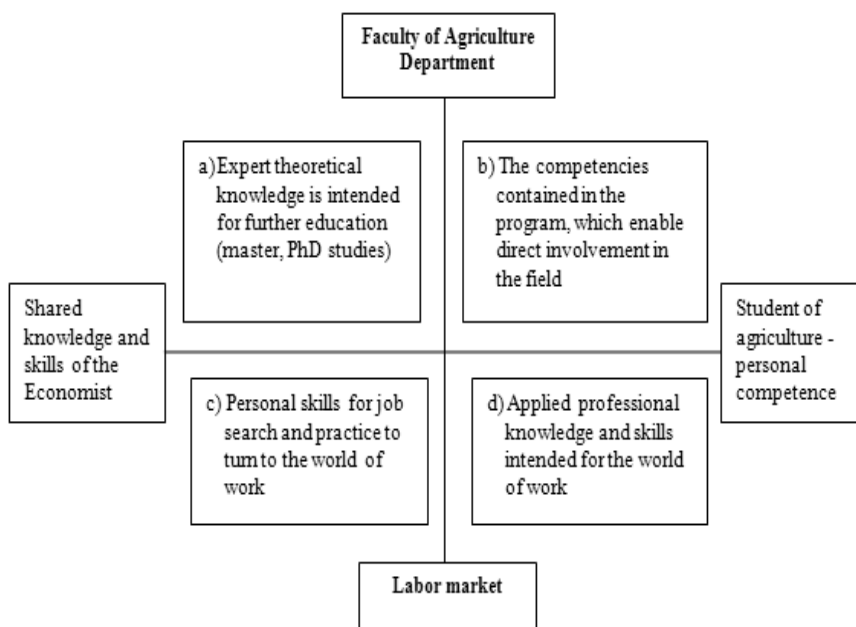
- *Instrumental competencies* that have instrumental function (cognitive abilities, methodological ability to use environment; technological skills, language skills);
- *Interpersonal competencies* include individual skills that mean the ability to express his feelings, critical and self-critical abilities. Social skills are related with interpersonal skills or teamwork or are expressing social or ethical views. These competencies lead to social interaction and collaboration;
- *System capabilities* and competencies are skills that encompass the entire system. They assume a combination of understanding, sensibility and knowledge which allows them to be seen as parts of a whole that match each other. These capabilities include the ability to change and improve the planning and design of new systems. Systemic competences require as a base some previously acquired instrumental and interpersonal competencies.

Generic competencies are also described as transversal competence and have been very significant.

NEW CURRICULUM FOR AGRICULTURAL ECONOMISTS

Curriculum (*curriculum vitae* - a stream of life) is one of the elements of education reform. Starting with the American educational experience, as well as elements of the European Bologna process, the development of a new curriculum in the Department of Agricultural Economics and Rural Sociology at the Faculty of Agriculture in Novi Sad, started from the need to establish a special "frame curriculum." Established "frame curriculum" is there to enable the management of the program of the study, both in function and in its area of evaluation and assessment. Starting from the above mentioned general frame, it is necessary to formulate the objectives of the curriculum (Figure 3).

Figure 3. *The main objectives of the curriculum of the agricultural economist*



Such objectives are provided: **(1)** Continuous monitoring of the program implementation and quality assurance, **(2)** Monitoring the development of higher education in other countries, **(3)** Realization of the principle of employability.

Agroeconomy curriculum is based on learning outcomes in accordance with the defined competencies. Curriculum of the agricultural economist has three basic elements of competence: (a) block of professional competence, (b) block of economic competence, (c) block of fundamental skills.

Block of professional competence relates to items that are directly related to the work that is to be performed (for example subjects like: management, organization, market, finance, and accounting). Block of economic competence is divided into two groups: general basic skills (macroeconomics, microeconomics, statistics); specific economic competences (agricultural policy, agricultural economics, economics of agricultural holdings). The third block is built on a series of cases involving important general knowledge and generic skills such as mathematics, computer science, sociology, languages, etc.

Beside the significance of the goals, the structure of the curriculum is very important. From that aspect, "Frame for the curriculum" consists of several parts that make up a common whole. Set in the form of blocks, which are interconnected and can be set for each cycle of higher education. In this connection it is possible to apply Barnett and Tribet scheme.

Figure 4. The structure of the curriculum agricultural economist

Professional courses in economics and agricultural economics	Monitoring competencies and graduate competency values	Theoretical and methodological and scientific and professional subjects which provide further transition	Student participation in the program through various forms of work
Practice and career guidance	TOTAL SPACE OF CURRICULUM FOR AGROECONOMY		Foreign and local literature and the use of the Internet
Subjects about skills used for jobs in agro economy (specialist skills, teamwork, presentations, computer science)			Teachers and open communication with students (highly competent in the area of work)
Language and communication skills	Informal arts programs, student projects, forums, tournaments	Cooperation with foreign universities and lecturers	Evaluation of knowledge and skills for further education

INSTEAD OF A CONCLUSION: THE NECESSITY OF ECONOMIC EDUCATION MANAGEMENT AND EVALUATION

In modern society, marked by the crisis, resource constraints and contradictions of economic education is a necessity. In order to achieve the objectives of education and provide balance in the structure of the curriculum it is required to have: **(1)** appropriate policies of the institution where the study program is implemented, **(2)** modernization programs as well as the ability to respond to the demands of the labor market, **(3)** analysis of key competencies and synthetic view position of the study program on the labor market, **(4)** analysis of the influence of internal and external factors on the construction of the curriculum, **(5)** vertical connection of the curriculum.

It is, therefore, necessary to have competence management, including management of the program of the study. Faculty should set up a system of measurement and evaluation of the study program. The Department should develop a group that deals with upgrading the curriculum and management competencies in relation to the needs of the labor market. In this sense, special assignments are given to the executives of the program of study, which should continuously monitor the implementation of programs.

The Curriculum Department and the Department of Agricultural Economics, Faculty of Agriculture in Novi Sad includes two study programs: agro-economics and agro-tourism and rural development. Both programs have, particularly in the first year - a common basis. General basic values of modern set of curriculum (agricultural)economics and management needs, in addition to superior knowledge to enable students to acquire general, communication and other skills, without which they can not take their tasks work environment. On the other hand, the curriculum and its implementation plan allow students to learn to build their own system of values, setting personal goals, time management, and the possibility of evaluating their own responsibility.

Offered study programs are set to allow students to train for self-learning, effective learning in groups, with the development of their own learning skills, and to learn how to break up the content and communicate it, express ideas and opinions in written, oral, and picturesque form, and to work in a team.

The structure of the curriculum includes vocational subject areas and clusters, along with general education, foreign languages and information technology, and practical work in companies and other organizations, which will enable students to work in the economy. According to its structure and curriculum, it provides the students with expertise, general knowledge and specific skills offered to them within the basic subjects, but also the number of elective courses which are of interest and that they were directed by mentors recognizing their interests, but also the interests of employers and with who the faculty should be in contact regularly. Therefore, this curriculum has important employability characteristics

which are reflected in its very structure, the delivery system through modularization and clustering. Therefore, the management of agricultural economist's curriculum is based on the use of "Frame" which allows evaluation of the degree of competence and employability.

Evaluation (fr. evaluation - the determination of the value) and evaluation (lat. for determining intrinsic value) means to determine the value, evaluate. Evaluation is basically in the process of implementing the new technology and it must be connected to a continuous process of innovation. Evaluation test in last years showed that this is one of the means to monitor the transformation of the study of the Bologna process, which makes it easier to manage the process of transformation. It should be noted that these instruments have their advantages, especially if you connect to the database and are processed electronically, and thus the ability to precisely locate the weak points in the curriculum and through the modular system are corrected. Evaluation and monitoring, beside the frame, are the instruments that are primarily intended for the transformation of the curriculum, but they can be instruments of control. In addition, they have the option of supplementing flexibility in terms of strengthening education for the labor market.

As an addition, however, the question of in what kind of world the young will live and work in, that we are trying to educate. By asking this question and answering it, sociologist Sigmund Bauman points out that the life of today's generation will unfold in a reality that cannot be long a "stick form", in which in the fluid market are given average short-term jobs, the reality in which future generations will have to rely mostly on themselves, learn that good risk assessment and to make good choices (emphasis by RP). Therefore, in our opinion, the key mission of education is to prepare the next generation for life in a world full of change, crisis and turmoil. It means to prepare them for download - professional work roles in the changed conditions of the labor market. Also, it is to encourage them to build their own experience of self and competence in dealing with life's demands, challenges and difficulties. The role of education, therefore, is to provide a creative and productive knowledge.

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"ENERGY GREEN" AT BRIDGES, FIELDS AND OVERBRIDGES

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Abstract

Serbia basically has mineral resources (mainly zeolites), agriculture with organic food production and energy. When it comes to energy, 16.7 Mwah of electric power is lacking in Serbian surroundings. It is a real challenge for domestic and foreign investment. If Serbia this year starts with investments in energy production, not only 20% of fossil fuel consumption will be eliminated by 2020. (Fulfilling the obligations under the Kyoto agreement), but the ability to export energy would increase from 2.5 to 3 billion euros annually.

Alternative energy resources represent the special direction of development. The aim of this paper is to inform scientist, experts and professional audience about current investigations and research in the domain of alternative energy resources, with the special emphasis placed upon Serbia and its potentials for energy production.

Key words: "green energy", alternative energy resources, energy production

INTRODUCTION

Within the established political relations in the world, main global problems in world economy are manifested through the lack of: *nutrition, energy, and mineral raw material*.

Serbia has got very solid potentials for development regarding nutrition and energy. Thus, energy production and management represent the biggest challenge for Serbian country and its national economy. Natural resources are exhaustible, and developing new technologies and manufacturing alternative (renewable) sources of energy is taking place. Naturally, the most developed world countries take precedence. Small countries are left with managing and using what they know about, resources they already have and the products, with which they have to face very strong competition in the world market. Therefore, apart from energy production investments, the key question in the small countries like Serbia relates also to power rationalization.

Energy efficiency represents decrease in power utilization per product unit with no influence on quality of products and services. Precondition for meeting this requirement presumes institutional frames in order to achieve this level of reasonable treatment, by means of legal, structural-organizational and financial economy reforms in respective conditions of energy sector.

Serbia has signed several very important documents regarding utilization of fossil fuels. Serbia has also signed several Protocols within International Renewable Energy Agency (IRENA). Moreover, Serbia participated in the Constitutive Conference of this international institution that took place in Bonne on January 26 and 27th, 2009.

Main goal of IRENA is to become major motive power in rapid transition towards widespread and sustainable utilization of renewable energy worldwide.

The second important document is so-called 'Green Book', namely – European Strategy for Energy Source Safety, forecasting that, by 2020, 20% of fossil fuels will be replaced by biofuels in road transport sector.

The third important document is ratification of The Treaty establishing the Energy Community that Serbia signed in 2005, in Athens. This Treaty, according to Article 20, binds signatory states to establish directive ES 2003/30. This directive implies introducing regulation of minimum content of biofuels in motor vehicle fuels.

Furthermore, Serbia has ratified Kyoto protocol forecasting reduction in greenhouse gases and necessary utilization of renewable energy sources. EU has the obligation to reduce CO₂ emission by 8% until 2012.

The research carried out in several companies from western Europe has shown that oil utilization with nowadays intensity could last 60-80 years more.

Fiscal policy of EU states is established through tax concessions.

Creating conditions for founding institution of managers of energetics

Rational consumption of electrical energy and energy sources, in general, is *conditio sine qua non* of resource utilization in sustainable development strategy. One of the features of Serbian industry is that there are no managers of energetics in firms. In developed European countries, manufacturing companies implement the concept of energy economizing and it is precisely the responsibility of managers of energetics. Their task is to observe energy consumption, create energy balance sheet, and to plan and implement measures for improving company's energy efficiency.

The Law on rational energy consumption in Serbia represents the main step forward in the domain of energy. One of the main innovations gained by this law is that it established the responsibility for economy entities, using larger quantities of energy, to carry out a detailed energy revision of their business conduct every two years, with the aim of raising energy efficiency of local economy. The fact that European institutions, dealing with sustainable development, KfW bank in Belgrade, for example, will provide support to that orientation and will establish Fund for financing renewable energy sources and energy efficiency in Serbia, also contributes to this.

Projects that provide 20% saving of less emitting carbon dioxide and other toxic emissions may be in a position to use assets from this Fund. It will also involve projects that have 20% reduced energy consumption compared to the current one, or have a return rate on capital employed minimum 8 per cent.

POSSIBILITY OF OIL PRODUCTION OUT OF OIL SLATES IN SERBIA

In the late 80s, and before, researches have been carried out in oil slates in Aleksinac. Total capacities were estimated to be around 2 billion tones of slate. Beobanka financed this project. If this quantity was to be refined, around 200 million tons of oil could be produced and that would fulfill decades-long need for oil. Likewise, oil slate deposit in south Serbia, concretely town named Vranje, is significant. Furthermore, the research on improving technology process of oil production in oil slates was carried out simultaneously, financed by United Belgrade Bank of that time, and it was made evident that, technologically, a high-quality product can be made in pilot production plant. Economy price of oil out of oil slates was somewhat over \$40 per barrel, and it was then one of the reasons why more in-depth research was not carried out and why the construction of oil production plant was not continued any further. Oil price of that time in world

market was \$22-25 per barrel. Otherwise, the quality of Aleksinac slate, compared to the slate used worldwide, is richer in oil and amounts to 10-12 %. If economic calculation was to be searched for in the accelerator, the long-term investment would be payable.

Canada's experience with oil production out of oil slates: Canada is in a possession of large deposits of oil slate used for oil production. Namely, deposits amount to 170 billion barrels. US imports around 1.8 million barrels a day.

Production process: Canadian experts made oil wells and put higher-profile pipes in them. Taking into consideration that slates are generally under the surface covered with sand, bringing water vapor to oil slates, heating and melting of slates occur, and they are thus lighter than sand and emerge onto surface, gathering into collecting lake. Liquid is then pumped out of there, practically crude oil, and is brought to refineries for cleaning out of remaining sand particles, and further refining. The costs of such refining are not high. The locations of the deposit and refinery capacity, as well as supply safety, are of great advantage while delivering to the consumers in the vicinity.

Furthermore, the research of western companies shows that there are rich deposits of oil slate in Kosovo and Metohia. The estimates are based on satellite snapshots. The experts from Serbia have also confirmed this information.

DEMAND FOR ELECTRICITY IN EUROPE AND EUROPEAN TERRITORY

There is a deficit in electricity supply in Europe for several years now. The problem is especially highlighted in southeast Europe. According to EFT group data, European territory is faced with increasing deficit in energy caused by lack of investment in new production capacities over years. Investment cycle in European territory has started, but new power plants will be put into operation in 2012. Due to greater demand for electric power compared to the supply, the price of electricity will be higher. The lack of electric power supply in European territory is at rate of 3% in relation to annual demand, and that is a problem because it is expected that, during 2012, crisis will be reduced and new production capacities will be introduced.

Serbia, with its new capacities for electric power production, will be mostly oriented towards southeast Europe, but there will be enough electricity to be offered to west European countries. That will also be the target group. The following table shows the lack of electric power in our area:

Table 1. Necessary capacity in electric power distribution of southeast Europe

Country	GW	Country	GW
Romania	3,36	Greece	3,00
Bulgaria	1,82	BiH	0,99
Hungary	1,75	Albania	0,88
Croatia	1,21	Macedonia	0,62
Serbia	1,46	Montenegro	0,25
Kosovo	0,58	Total:	16,70 GW

Source: EPS, Belgrade, 2010. (Adapted)

Analysis in southeast Europe show low energy efficiency and unreasonable consumption. It amounts to almost 40% compared with developed countries in the west. Even if the situation enhances, there will be no higher figures because the values of unreasonable consumption are high. Big need for electric power consumption will still exist, and it might be a good chance for Serbia to invest in its capacities. This is also emphasized by the fact that there is a constant tendency of growth in energy sources and electricity consumption in Europe. A great deal of attention is now paid to alternative sources of energy, and Germany leads the way.

CAPACITIES FOR ELECTRIC POWER PRODUCTION IN SERBIA

Reliable supply of energy to consumers under economically most favorable and ecologically most acceptable conditions implies a long-term assessment of needs for energy, on country level, based on insight into the reached level of energy development and current state of energy capacities, available energy potential, tendency of energetic development in the world, expected technology progress in area of energetics and reliable perception of economy growth of Serbian citizenship. It is the basic presumption for coordinated development of energetics and economy in general in order to create branch structure of energetics sector and provide safety and cost-effectiveness of supplying economy and citizenship with power.

Table 2 Installed power in power plants (at transmission point)

	Installed net power MW			
	With capacities in Kosovo	%	Without capacities in Kosovo	%
Coal thermal power plants	5.171	61,52	3.936	55,16
Thermal power plants – heating stations (gas, fuel oil)	336	4,00	336	4,71
Hydroelectric power plants	2.898	34,48	2,863	40,13
All EPS thermal power plants	8.405	100,00	7.135	100,00

Source: EPS, Belgrade, 2010.

The basic aim of reforms in energetics system is to establish, in terms of quality, new working conditions, operation and development of energy production sector that will encouragingly affect economy development in Serbia, environmental protection and integration of local energy sector into regional and European energy market.

Table 3 Distribution grid

	With capacities in Kosovo	Without capacities in Kosovo
Length of grid (km)	158.045	138.471
Transformer installed power (MVA)	30.911	28.301

Source: EPS, Belgrade, 2010.

When distribution grid is in question, almost all southeast European countries face the problem with transmission grids. Conditions are also to be improved because there is a loss of electric energy.

Based on aforementioned, it may be concluded that EPS undertakes all the measures to achieve energy effectiveness that they are in charge of. The biggest issue is the rate of charging the consumers, primarily citizens. For demonstration sake, citizens owe over 70 billion dinars, and three new excavators can be bought for that kind of money on the level of capacity recently installed in Kolubara.

Table 4 *Electric power consumption in Serbia*

No.	Consumption category	Achieved		Index
		2006.	2007.	4/3
		2	3	4
1.	Final consumption in Serbia	26.932	27.156	101
	- supply for average and high voltage	7.461	7.677	103
	-supply for low voltage	19.471	19.479	100
2.	Supply for other systems	2.051	2.021	99
3.	Loss in transmission and ED grid	5.905	5.753	97
4.	Pumping and one's own consumption	1.514	1.440	95
5.	Gross consumption	34.351	34.348	100

Source: Documentation from EPS, adapted

Price issues were always present in business of all companies affecting social state of the country. That is also the case with EPS. Monitoring prices in European centers, there is a bigger discrepancy compared to equivalent value of dinar. It is obvious that it is the reason why everything depends on purchasing power of consumers, on one side, and that bigger taxation on prices of economy companies would significantly reduced their competitive ability, on the other. There is a question, Till when will this last, since constructing capacities in terms of electric power is almost 10 years late.

Coal supplies and hydro potential

Serbia is in a possession of significant coal supply. There is a regular utilization of existent deposits in actual conditions, as follows:

Table 5 *Coal production capacities
in 000 t*

	With capacities in Kosovo	Without capacities in Kosovo
Open-pit mines	44.900	36.950

Source: EPS, Belgrade 2009.

As it was mentioned, the most recent research shows that Serbia has enough coal for electric power production. Lignite is mostly used in quality structure. Open-pit mines in Kostolac itself have enough coal for following 60 years, now being utilized. In unexplored deposit Dubravica there is 600 million tons of it. Kolubara field has enough coal as well.

Coal gasification, as a new method of protection against carbon dioxide, will provide environmental protection, and it is expected that new capacities of thermal power plants will be built, and driving fuel will be gasified coal.

Most part of coal consumption refers to that of heating households. Currently, our country is spending around 2.5 million tons of brown coal. One third of households use coal. There are 400,000 households in Serbia using coal or wood for heating, including distance heating, also using coal instead of gas or fuel oil.

Hydro potential in Serbia

Research carried out so far show that, out of total quantity of water flow in Serbia, only 9% is formed on the territory of Serbia, and 91% are transit waters. Danube is 2,845km long from its fountainhead to Black Sea, and 581km flows through Serbia. Thanks to that, there are two hydroelectric power plants built on convenient locations, and the third one, reversible one is planned to be built. The following table shows the hydropotential of our rivers:

Table 6 Hydro potential in Serbia

Water flow	Technically available potential (GWh)	
Drina	1.472	*
Danube, upstream from Novi Sad	1.045	
Sava	530	
Lim	439	
Velika Morava confluence	2.505	
Beli Drim confluence	517	
TOTAL	6.508	
Small hydroelectric power plants	1.699	**
Total	8.207	

(* calculation shows half of remaining potential belonging to Serbia

** power from 0,1 to 10 MW

Construction of small hydroelectric power plants – perspective of Serbia development out of renewable sources of energy

Renewable sources of energy are a real challenge to those involved in electric power production without environmental pollution. Namely, produced conventional kWh out of coal and oil, apparently cheap, has immense consequences for environmental protection because the country is to invest large sums of money into recovery of damage done to environment, caused by such capacities. Authorities in our country are aware of that, and year 2015 is priority in strategy of development of renewable sources of energy, along with hydro potential. What's more, the document named 'Strategy of Development of Energetics in Serbia until 2015' cites that 'increased utilization of renewable sources, except for obvious economic effects such as reducing consumption of imported energy sources and environmental pollution, there is a local capital involved, and small and middle size companies, as well as local production of equipment for utilization of these sources of energy are encouraged'.

According to data obtained from Ministry of Energetics, currently only 10% of total energy produced in Serbia, or 0.86% of million tens (ten is equivalent to oil quantity), is gained out of renewable sources, and total, or almost total production is done by big hydroelectric power plants, such as Djerdap 1 and 2, etc.

Economic calculation of constructing mini hydroelectric power plants implies the following relations.

Regarding construction costs, one watt of installed power equals €1. Therefore, €10,000 invested in construction may produce power plants of 10 kW. It is enough energy to supply a household. Total mini project involves 60% of money for machinery necessary for electric power production. The rest of the money goes for civil works. Furthermore, small hydroelectric power plants, of 1.5 MW, for example, can be built within 9 to 12 months. Recently, an investor has provided €7 million for construction of three mini power plants of total 3.6 MW. It necessitates water flow of 2.2 m³/s, which is provided by our every mountain spring or small river. Total water flow in Serbia in mini hydroelectric power plants construction may provide cca 500 MW of electric energy. The most convenient areas for building mini hydroelectric power plants are in Kragujevac, Uzice and Nis. Yet, saving money by building mini hydroelectric power plants and their connection to Serbian electricity grid with 500 MW power is a €50 million sum compared to building thermal power plants with the same amount of power.

Economic cost-effectiveness of building mini hydroelectric power plants certainly depends on their size. Mini hydroelectric power plants of 2MW will pay themselves off within 5 to 7 years. It costs around €2 million, as previously mentioned.

Problems potential investors in constructing mini hydroelectric power plants face are absurd, to say at least. Their requirements are efficiently resolved in Ministry of Energetics within 15 days or so, but big issues are related to obtaining permits for location and civil permits. Those permits are issued by local self-government, namely municipalities. Although according to law provisions they are bound to issue all necessary documents, many of them fail to do this under the pretenses that they do not have applied plan for space. Waiting for a permit may last for a year or more. Serbia has already signed respective documents with EU and it is bound to produce at least 20% of energy out of renewable sources until 2020. We are now behind Europe 15 to 20 years, and we produce only 2 to 3% of energy out of renewable sources.

ECONOMIC ASPECTS OF USING WIND FOR ELECTRIC POWER PRODUCTION, ESPECIALLY OBSERVING GERMANY

Electric power produced by using wind is the purest form of energy. Even with significant improvements in the area of using this type of energy, wind is used worldwide only by countries with explored potential or those having financial possibilities to invest in research and production of wind energy. Serbia would be able to produce 2.3 billion KWh of electric power by using wind and the profit would be around €120 million.

Wind power plants have become interesting again as a powerful power resource. Namely, besides US and European countries – Germany, Italy, Spain, and Denmark have started to use technologies for utilizing wind power in 1980s. The best propellers were made in Netherlands, and the highest quality generators were made in Denmark. To that effect, the most interesting fact is that one of the leading Denmark companies has used asynchronous motors made by Sever from Subotica and it used to install them into its final product exported to US market. Within 8 years, from 1991 to 2001, the average annual growth of wind power capacities was around 30%, while the installed power was quadrupled from 1999 to 2005. Wind power plants have the short period of investment construction, seasonal peak production of electric power overlaps seasonal peak consumption, and production is done with minimum environmental pollution.

Research carried out by professor Marko Popovic shows that cost-effective electric power production using wind generator needs minimum mean annual speed of wind of 5m/s on 50m above ground. There are locations in Serbia that are explored and estimated that they have the best conditions for wind power plant construction. Those are the areas of Midzor Mountain, Suva Mountain, Vrsacki breg, Stara Mountain, Krepoljin near Donji Milanovac, Tupiznica, Jastrebac, Deli Jovan, etc. Research was carried out in Dolovo village, Vojvodina, as typical location convenient for further analysis in the other areas. For example, area of Bela Crkva can be used for installing wind generator of 100 MW power, and in the

area of Indjija the one with 20 MW power, and so on. Total potential of wind power plants that may be constructed in Serbia would be of 1,300 MW power.

6 KW wind generator could produce 16,500 kWh of electric power. Research shows that the most profitable action would be to construct and combine solar module and wind power plant in the households. Thus, a great deal of utilization of natural resources of sun and wind would be provided, with significant financial effects.

Serbian meteorologists have developed worldwide-acknowledged method of airflow modeling, primarily because of more accurate weather forecasts. The method can be also used in wind power production, because, according to that airflow model, specified areas in Serbia are interesting for wind energy utilization.

Over 100,000 MW was installed for wind energy worldwide. Just in Europe it amounts 60,000 MW. It is estimated that, by 2011, 160,000 MW will be installed, and China and India lead the way.

Economic aspects of wind power plants construction: Windmill construction is very expensive. Investing in, for example, wind park costs around \$1.7 to 2 million per plant. Considering that there is no such production in our conditions, it is proposed that kWh cost of wind power plants be *11.5 eurocents*. Average, distribution cost of electric power from HPPs and TPPs is *5.7 cents* per kWh. Who will pay the remainder of kWh gained from wind power plants? Rich countries subsidize wind power plant construction; Germany, Austria and Denmark have gone furthest, as well as China, India, California, and Texas.

Electric power cost compensation can not be made only on side of individual consumers, and households. Here, also, a method of price dispersion ought to be used in accelerator, namely, on side of all users of electric power, meaning both households and economy. Serbia has anticipated respective support to 'green power' production, which will be discussed later in text.

Research shows the answers to a question – why is the construction of renewable sources of energy late? Namely, it is about inexplicable conduct of municipalities and local communities that have not, or have just started issuing location and civil permits.

Currently interested investors have provided around \$150 million for wind power plant construction. The first one was connected to electric power system of Serbia at the end of 2011, and the other ones are planned for years 2012 and 2013.

In order to resolve the issues in procedures of obtaining documentation for construction of these, (Serbian Wind Energy Association – SEWEA) was founded.

German experience: Electric power production out of renewable sources in Germany is constantly increasing. According to data provided by German Energetics Association, eco-electric power production is increased to 41.4 billion kWh. Thus, renewable sources of energy in total German production constitute 13.3%. Comparing these facts with the ones in possession of Serbia, values are incomparable because, as mentioned previously, in Serbia there is no any plants producing electric power using wind.

Germany has the production of 24,000 MW wind power. It is 10% of total installed power of its electric power industry, which, of course, does not provide satisfaction for the Germans. They plan to use at least 50% of total produced electric power from renewable sources – wind, sun or sea wave power.

In order to accomplish that, Germany developed measures for promoting wind power plant construction. Namely, besides determining the basic rules in terms of regulations, Germany also made a decision, due to long-term interest for electric power safety and stability, that ‘they will pay a bonus of 10 eurocents to everyone who uses wind and connect at least 1 kWh to the grid (professor Egbert Bake, interview made by well known daily newspaper ‘Politika’). Thus, the country encourages investors to consider this and increase the capacities of that renewable energy type.

Germany also detected that there is a smaller problem with wind power plants when it comes to stronger cyclones. The problem was resolved by shutting down the power plants during these weather conditions, and possible lack of KV is restituted from other production sources.

SOLAR ENERGY AS A NATURAL RESOURCE IN PRODUCTION OF RENEWABLE SOURCES OF ENERGY, ESPECIALLY OBSERVING GERMANY

Solar energy in Serbia is used only for heating of apartments or greenhouses. Therefore, as far as the solar energy is concerned, research for this paper could only be directed toward developed countries’ experience with a strong financial potential. Solar energy could completely meet the needs of humankind only if such ways of mass utilization of provided potential are found. Majority of Serbian public experts is not familiar with methods of electric power production using solar energy and this is a chance for highlighting important features, shortly. National Geographic magazine (September 2009 issue) describes the location of Nevada Solar One. When it is sunny and high temperatures are expected, and engineers are obliged to monitor solar cells, namely parabolic mirrors, that direct sunlight towards long steel pipes through which oil flows, heating them up to 400°C. From ‘mirror field’, hot liquid goes into giant radiators extracting heat and turning water into steam. Steam initializes turbines and dynamo-engine, producing up to 64 MW for voltage grid, enough electric power to supply 14,000 households.

American experts have also come to an interesting conclusion. Namely, humankind nowadays needs around 16 terawatts of energy (one terawatt = trillion watts). It is expected that, by 2020, that need would go up to 22 terawatts. Solar energy on inland part amounts to 120,000 terawatts. It practically means that solar energy is inexhaustible and limitless.

Innovations in production: Experts are also very close to finding solution regarding utilization of such great solar and heat potential of Sun. The previously mentioned magazine (National Geographic) cites that there are two ways for overcoming the problem of solar potential utilization. The first involves steam production through parabolic ducts, like the ones in Nevada, or through fields of flat, computationally guided mirrors, so called heliostats, which focus sunlight on receiver on the top of the huge tower. The other way includes sunlight directly to be turned into electric power by photo-voltage (PV) panels made of half-finished products such is silicon.

Now more in-depth research was carried out about the way solar energy power plants will operate when it is cloudy. Research about systems that are to be used for energy storage when it is cloudy (when solar energy can not be so efficiently used) is almost finalized.

In Serbia, there are preconditions for production of thermal and electric energy using sunlight. Namely, regarding insolation, Serbia have higher intensity for 20-30% compared to European average (M. Zezek – Energetics Secretary Office of Vojvodina). Based on number of sunny days, which is 267 days per year, Serbia have an average insolation of 1000 kWh per square meter. Considering Serbian economy power, capacities for supplying hotels and tourist facilities with power can be constructed. Alternatively, each house could have a single collector of 20 m² on its roof. There are 370,000 houses in Serbia, and if every other house has a solar collector, it would provide a several billion kWh production.

Research also shows that photo-voltage solar module of 3 kW can produce 28,500 kWh of electric power.

Examples of production and utilization of solar energy in Germany: Germany is a leading producer of solar energy equipment. Germans are so successful that, nowadays, it is estimated there is 53% of total PV energy worldwide is obtained on solar panels between the Baltic Sea and the Black Forest (German: *Schwarzwald*) which is 200km long and 600km wide.

PV equipment industry for solar energy has provided ten thousands of working positions in last few years, thus achieving very high growth rate. There are more than 300,000 PV systems in Germany (Source: RWA – German energy corporation, documentation by Igor Mihajlovic). Systems are spread all over the country thanks to encouragements by the country itself. Electric power companies are obliged to buy 20 years at a price that is 3 times higher than the market price. German PV systems provide around 3,000 MW of electric power, which is 1,000 times more than in 1990.

The point of stimulant for production of solar, wind and hydro energy is in so-called ‘feed-in tariff’, according to which all related to such production are guaranteed to be paid off by local electric power company. Companies are obliged to buy solar energy at the rate of € 0.49 per kWh. It is almost 3-4 times higher than the price on the market, as mentioned previously.

Germany will also, by its corporations, take around €400 billion for construction of solar power production plants in Sahara. Likewise, Germans are almost about to solve transmission of thus produced electric power because transmission costs are high due to the distance between consumers and base production. Experts from Siemens Company state that top-level technology will successfully solve the problem of electricity transmission, because modern electric long distance lines will reduce energy loss to acceptable 7%. *According to some estimates by German experts, solar mirror in a desert, size 360x360km, can collect enough energy for fulfilling the needs of the whole planet.*

ECONOMIC ASPECTS OF CONSTRUCTION OF ENERGY POWER PLANTS USING WASTE

High rate of climate instability, caused by global warming caused by people themselves, is a great environmental issue worldwide. Unfortunately, many mistakes have been made regarding “greedy” economy development, so that global technological boom has taken its toll, apart from current economic recession. In the world, annual amount of 30-50 million tons of waste of all sorts is dumped, and most part of it goes to developing countries. European Union, aware that so-called e-waste is the fastest growing category of waste, determined rules for a clear responsibility of each electronics producer to take over responsibility also for the waste left behind their products.

Situation with using waste is no better in Serbia too. Annually, around 460,000 tons of hazardous waste in Serbia is brought to dumps in various towns. Around 2.314 tons of that waste annually goes to medical waste in Belgrade, not to mention other towns.

According to data provided by World Health Organization, developed countries with established system of waste handling have daily amount of 0.35kg of medical waste per one hospital bed. It is 0.70kg per bed in our country.

Considering all relevant facts, Ministry of Energetics has undertaken necessary measures for utilization of such waste for thermal and electric power production. Namely, in the area of Uzice, there is a big dump for waste disposition and it has capacities that can satisfy complete area in next 12 years or so. In addition, the waste from other neighboring towns will be brought there.

In order to protect environment of beautiful Zlatibor, energy power plant is about to be constructed on, so that collected waste and the issue of environmental pollution will be solved, and receiving capacity of dump ‘Duboko’ will be prolonged for following ten years. It is efficient and non-polluting matter supported by the fact that there is such a facility, in Vienna, almost in downtown. There is no doubt that this project in Uzice will be successful, and other towns can also, by means of European Union or similar funds, solve this problem.

Around €40-60 million will be invested in energy power plant in Uzice, depending on chosen technology. Calculations show that around 250 tons of communal and other waste will be deposited in the dump on daily basis, and it is the quantity that can be used for construction of energy power plant of 8-10 MW. Price per kWh would be **3.33-6.5 eurocents**, and it would be cost-effective.

Otherwise, only 3% of waste is recycled in Serbia. Also, power plants using communal waste for water vapor production and electric power production startup cannot use plastic material and bottles. That type of material contains a substance called vinyl chloride, which is, when burnt, heavier than air and falls to the surface of the ground. Thus, it destroys flora and is very dangerous for fauna. For eliminating these gases, filters absorbing, and later depositing to a safe place can be installed. (Source: Doctoral thesis of the author of this study).

ECONOMIC ASPECTS OF WIND POWER USAGE AT BRIDGES AND OVERBRIDGES:

These are so far the newest trends in renewable energy usage for enlighting bridges, as well as for powering transport vehicles on the road. It is known that Serbia has 267 sunshining days per year, and that 1000 hours of sunshine per year belongs to every square meter of surface. Due to limited space, we will focus only on some important features of our investigation.

CONSTRUCTION OF WIND POWER PLANTS (USED FOR ENLIGHTING BY LED TECHNIQUE) AND LOCATING OF SOLAR COLLECTORS

At ends of railroad and road brigdes, overbridges and suitable surrounding land, there are different winds which may used for wind generators to produce power to enlight them. The same power may be used to enlight billboards along a road, and, if any, additional power may be delivered to Serbian electro network, with appropriate, stimulative price. Also, additional power may be accumulated in sodium-sulphur batteries and used for its own needs. Direct current (DC) from battery is transformed into AC and it voltage increased to 220 V by using inverters, so that it can be commercially used. As for the bridge structural integrity, due to eventual wind turbulences, experts predict no problems. Namely, wind blows thru the wind power blades transforming kinetic energy into electricity. Also, all bridges are designed to support load up to two and more tousends of tons, and finally, additional supporting concrete columns may be built at a brigde ends, not connected to the bridge, which are used for wind power plant. On the other hand

side, solar collectors are even more suitable. Namely, solar collector with e.g. 6 kW of power, is made of polyester material, which is very light.

Worldwide, there are more than 100,000 MW of wind power installed, including 60,000 MW in Europe. Estimate for 2012 are 160,000 MW, with China and India being dominant.

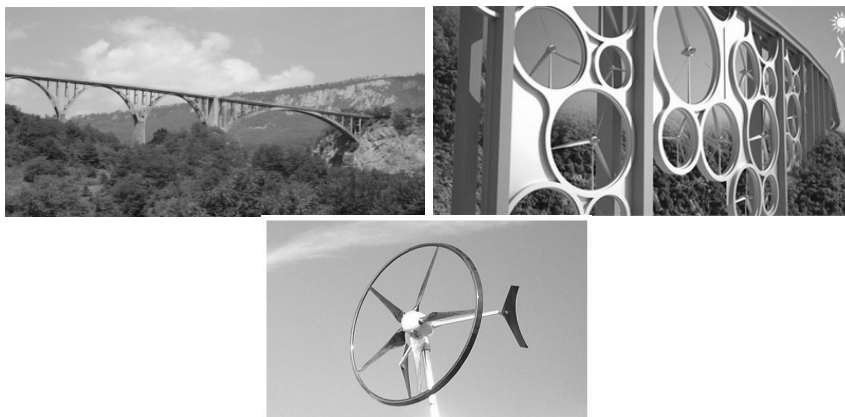
In order to turn attention of the experts to the Serbian potentials in the domain of wind power production (among other areas previously analysed), this research brings preliminary economic calculation for such an investments as well as their positive effects.

There are two long bridges on which ends two wind power plants can be built. To produce electricity it is enough to have 5 m/s wind at 50 m height above road, i.e. valley or river below a bridge or overbridge.

Total wind potential in Serbia is 1,300 MW. At some locations, like Bela Crkva in Banat, it is possible to produce 100 MW, whereas in Indjija it would be 20 MW.

Also, on the same locations or the the center of a bridge, solar collectors may be positioned.

An example of wind power plant and solar collector construction on the highway Beograd-Novi Sad, close to Beske or at the overbridges: (Bridge on Ada can be investigated in the same way).



1. Bridges on railroad Beograd-Bar
2. Computer animation
3. Wind power plant 6 kW

Solar collectors produce electricity using PV plates (high-voltage photo plates) made of semi-conductors like silicon. Produced electricity is accumulated in batteries, where voltage is stabilized and then it can be delivered to Serbian electro network or used directly in railroad electro network or to enlight bridges and roads. Calculation is following:

Bridge at Beska: (at both ends; the same case is with the bridge on Ada):

250 kW wind power x 4 (both bridges) = 1.000 kW

100 kW solar collector x 4 = 400 kW

250 working days for both wind and solar energy:

1.000 kW x 250 x 24 = 6.000.000 kWh x 9,5 euro cents = 570.000 EUR

400 kW x 250 x 12 = 1.200.000 kWh x 23 euro cents = 276.000 EUR

Total: 846.000 EUR

1 W of power = 1 euro

Financial effects of these plants will be even better if "LED" system is used. Namely, this system can save up to 50% of energy.

SOLAR ENERGY AS THE RENEWABLE RESOURCE WITH SPECIAL FOCUS ON GERMANY AND USA EXPERIENCE

In Serbia, solar energy is used only for house heating, and to some extent, greenhouses. Our investigation is focused on developed countries, with financial potential enabling usage of solar energy to produce electricity, as well.

American experts have made an interesting calculation. Namely, the mankind needs today 16 TW of energy (1 TW = 10^{12} W). It is expected that by Year 2020 this amount will increase to 22 TW. Solar energy on the Earth land is 120,000 TW. This means that solar energy is unexhausted and unlimited.

Innovation in production

Experts are, also, just a step away from finding a solution to exploit such enormous light and heat potential of the Sun.

Nowadays, research is well advanced on how to use solar light even when it is cloudy! Testing of systems for energy accumulation, like sodium-sulphur batteries, when it is cloudy are almost completed.

In Serbia there is potential to produce heat and electricity by using solar light. Namely, insolation in Serbia is 20-30% more than European average. Based on the fact that Serbia has 267 sunshine days per year, the average insolation per square meter per

year is 1000 kWh. Having in mind Serbian economical power, solar plants for hotels and tourist complexes may be built. Otherwise, every house can have one collector of 20 square meters. There are 370,000 houses in Serbia, so a solar collector is installed on only half of them, several billions of kWh would be produced.

During this research it is also found out that a photovoltaic solar module of 3 KW can produce 28.500 kWh of electricity.

Germany experience in production and usage of sun heat: Germany is the world leader in solar energy equipment production. Germany is so much advanced in this respect that nowadays 53% of total world PV energy is produced on solar panels located between Baltic Sea and Schwarzwald.

There is a strong stimulation to produce solar, wind and hydro energy because so-called 'feed-in' system guarantees 0,49 euro cents to be paid for any kWh of energy produced in this way, being three to four times more than the market price.

Germany will also invest 400 billions of euros to built solar power plants in Sahara. In addition, experts from Siemens claim that by using high tech solutions they will solve a problem of large distance transport of energy because modern energy transmitters will have only 7% of loss. *According to German experts and their calculations, solar mirror in Sahara, 360 x 360 km in size, can collect energy enough for the whole planet.*

ENERGY PRODUCED OUT OF BIOMATERIAL

Experts and professionals in Serbia, as well as wider public audience, were informed about this research project in December 2009 at the conference. The next intention will be to introduce basic parameters of high efficiency by using biomaterial for electric power production.

Each farm of 22 ha can produce energy necessary for its functioning. 12kW installation can provide around 32,500 kWh of electric power.

Likewise, it is very important to note the fact that 1ha of agricultural soil can provide around 3 tons of waste biomaterial which equals 1 ton of light coal per year, namely 1 ton of oil.

Also, by calculating soil and number of people involved in agricultural production, it may be concluded that areas providing raw material for biodiesel and bioethanol can provide work for 20,000 people, and whole Serbia can provide work for 100,000 people, because production will be steady, marketing certain, and raw material will be dispatched to main factories by logistics, and that will also provide work for many people. Ultimately, also the villages will be renewed.

"Wheat oil" (bio-diesel) is motor ecology fuel produced by process of fermentation of crude organic matter, wheat, sugar beet and corn, for now. It is consisted of 85% ethanol and 15% fuel, which, in motor exhaust gases, reduce quantity

of carbon dioxide, by 80%. It is direct replacement for fossil fuel, and the largest car companies, like Volvo, Ford and SAAB, are already producing so-called 'flexifuel' cars with motors driven by this fuel.

Bioethanol is pure fuel used in combustion engines, instead of gas and oil, and it is considered as energy imperative of 21st century. EU has provisions for non-fossil fuels to constitute at least 2% of its market in 2010, and this part will be increased over years by 0.75 points until it reaches 5.75 points in 2013.

According to our research, if upgrade of blowpipe only in thermal plants in most of Serbian towns was performed, it would provide savings of around 0.8-1 million tons of oil, surely, along with using biomaterial as a renewable source and savings of around \$800 million.

MEASURES UNDERTAKEN IN COUNTRIES FOR ENCOURAGING PRODUCTION OUT OF RENEWABLE SOURCES OF ENERGY

Policy of encouragement will guarantee redemption prices for all quantities of electric power produced in small hydroelectric power plants, biomaterial plants, wind power plants, solar and biogas plants, dump and drainage gas, and it will last within 12 years since beginning of production in these plants. Calculations currently show that country encouragement for energy production out of renewable sources is acceptable.

Serbia has Strategy of Development of Energetics Complex. Encouragement measures for electric power production out of alternate sources were defined last year, as follows:

Table 9 Prices of encouragement for power production out of renewable sources

Type of power plant	Redemption price (eurocent/kwh) x 107,00 din
Small hydroelectric power plants	7,8 = 8,35 din/kwh
Biomaterial plants	11,4 - 13,6 = 12,19-14,55 din/kwh
Biogas	12,0-16,0 =12,84 – 17,12 din/kwh
Drainage and dump gas	6,7 = 7,16 din/kwh
Wind power plants	9,5 = 10,17 din/kwh
Solar power plants	23,0 = 24,61 din/kwh
Geothermal power plants	7,5 = 8,03 din/kwh
Combined production power plants	7,6 – 10,4 = 8,13 – 11,29 din/kWh
Power plants using waste	8,5 – 9,2 = 9,10 – 9,84 din/kwh

Source: Ministry of Mining and Energetics, 2009

Depending on power utilization of renewable source plants, our calculations show that the most payable would be investments in small hydroelectric power plants of 2MW, within 7-9 years, while the period to be paid off is the longest regarding solar energy and wind power plants, estimated 10-15 years. Of course, this was calculated according to prices in our country. If we enter EU in that time, then the period for investment to be payable in some power plants is reduced by 1-3 years.

It is planned that, by 2012, at least 45MW be installed in small hydroelectric power plants, as well as 45MW of plants using wind power. Solar power plants should be constructed with power of 5MW, as well as biogas power plants, and 2MW for biomaterial plants. Anticipated assets for investing in different sources of energy would amount to €9 billion until 2015.

It is interesting to note that the first biomaterial power plant will be put into operation in Dragacica village, near Cacak, which is already finished and it is expected that it will be put into operation and connected to electric grid of Serbia next year.

OTHER RENEWABLE SOURCES FOR POWER PRODUCTION

Serbia stands great chance for power production out of renewable sources of energy and out of geothermal waters and biogas, namely liquid gas.

Geothermal energy: First research of hydrothermal bores was carried out in Vojvodina. Average productiveness of 9.5 l/s was determined on these 75 bores, and average temperature was 48.8°C (Source: M. Zezek, K. Dragutinovic). Total thermal potential of the bores is 54MW, and around 19MW or 26% of available potential is used. Utilization of energy, especially out of these sources, could be used in hotels and tourist facilities.

CONCLUSION

Based on the research presented in this work paper, main conclusions can be made. Concluding statements refer shortly to every aspect of energy issue analyzed in the text.

Serbia has signed documents regulating issues of electric power production out of renewable sources. It is also a member of International Renewable Energy Agency (IRENA). Documents from this conference are legally binding. Serbia has also ratified Kyoto protocol legally binding countries signees to reduce global heating due to environmental protection. It is also the obligation of Serbia to reduce fossil fuel consumption until 2020, and replace it by renewable sources of energy.

Out of renewable sources of energy, Serbia would be able to produce around 5,000MW of electric power in due time. If €2 billion was invested in renewable sources of energy, Serbia would not need to import electric power to 30% compared to hitherto import, and it could reduce fossil fuel import by 25%. Total balance of waste biomaterial is one third of total biomaterial, and calculating by kg/J, it is around 1 million ton of oil annually.

Biomaterial and biofuels (1.0 + 800,000 t biodiesel and bioethanol) in total equivalent annually could replace around 1.8 million tons of oil.

Measures for country encouragement, the way they are stipulated, are stimulating and enable guarantee of purchase of produced electric power for 12 years, since the moment of production beginning.

Comparing encouragement given by developed west countries, Germany in particular, our encouragement is low, and everything needs to be monitored and adapted. Level of encouragement and its adjusting will also depend on the origin of produced energy sources. Due to big delays in issuing location and civil permits, strict control of delays in issuing those permits must be performed. It would be justified because currently spatial plan of Serbia is being ratified.

Serbia, especially Vojvodina, has the conditions for electric power and thermal power production on farms, by using biogas as a basic starting point. Experts from Energetics Secretary Office in Vojvodina have calculated that small co-generative biogas plants for thermal/electric power production can provide 8,000 kWh of thermal energy and 16,450 kWh of electric power. Thermal power would be produced from thermal part of biogas co-generative plant, and electric power from part of biogas co-generative plant.

Total financial effect of connecting these potentials to Serbian electric grid would provide very high amount of foreign exchange assets to the country, at least €1 billion per year. Moreover, if solar energy was used and quantities were made available for export, financial amounts would be very high, at least €2-3 billion. Thus, lack of electric power would be resolved, and also of energy used in industrial production and thermal power production for households and heating spaces, in general.

Serbia will, by 2020, invest around \$9 billion in construction of power plants. It would be favorable that this money is invested in renewable sources of energy. Energy efficiency in Serbia compared to Europe is 40% lower. Therefore, there are several questions about standard implementation, for example civil engineering in building houses and apartments, business facilities, factory workshops, etc. It also implies the possibility of hiring managers of energetics who will professionally indicate unreasonable consumption of power in the companies.

Finally, investing in renewable sources of energy can be achieved also by respective credit lines. Interest rate, according to our calculation, should not exceed 4% per year. Therefore, the ones who invest in these sources would have a long-term stable source of income, and, practically, ensured existence of households for at least 30 years.

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THE ECONOMIC AND ECOLOGICAL IMPORTANCE OF BIOMASS PRODUCTION ON DEGRADED LAND

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Abstract

This paper looks at the possibility of establishment of biomass production of Miscanthus grown on degraded area of Prelići landfill, Čačak, and the analysis of results obtained over the first growing period. The objective of this study was to investigate the possibility of using biomass for heating PUC 'Komunalac', Čačak where gas and electricity are currently used for the purpose. Using biomass collected from degraded areas could reduce dependence on thermal energy suppliers. Additionally, the establishment of biomass on degraded landfill areas could ensure economic and environmental benefits for the community.

Key words: biomass, Miscanthus, energy fuel

INTRODUCTION

RS Energy Development Strategy by 2015 ('Official Gazette' 35/05) promotes and encourages projects in the field of renewable energy sources (RES) so as to reduce energy dependence and promote rational use of fossil fuels. Local municipalities and their activities are very important for the application of this strategy. Having recognised the importance of reducing energy dependence, the town of Čačak has given the support to some energy efficiency projects. The Strategy of Sustainable Development of the town of Čačak is another document that helps to reduce energy dependence and is in agreement with the Biomass Action Plan. PUC 'Komunalac' Čačak, founded by the town of Čačak, have elaborated the project 'Establishment of biomass on degraded area of Prelići landfill' and the town of Čačak and Ministry of Environment have supported this project.

The idea of biomass production on degraded soils is based on the fact that the energy from these energy resources is pure energy. Providing pure energy by new technologies is realized through a zero carbon emission along with much lower sulphur dioxide and nitrogen oxide emissions.

As it is generally known, biomass is renewed faster than fossil fuels and its growth is easily controlled, though its quantities are limited. Active use of biomass residues, primarily forest resources, can damage the environment and induce landslides, soil erosion, etc. The potential for the use of biomass in our country has not been sufficiently explored, therefore it is necessary to establish biomass plantings but not to the detriment of food production acreages.

PUC 'Komunalac' Čačak has been allotted by the town of Čačak to manage the landfill of Prelići. The landfill (280,000 m²) was initiated in 1973. The formation of the Regional Landfill 'Duboko' has provided conditions for closing down the Prelići landfill and has initiated re-cultivation of the entire surface for other purposes. The principal idea of the management board of PUC 'Komunalac' Čačak was to establish biomass production on the landfill, reduce the dependence on suppliers of fuels currently used for heating and, finally, cut down energy costs. Fuel prices are on the rise daily, the delivery is uncertain often depending on movements on the European and global markets. In the other hand, there is the consensus about the importance of active participation in environmental protection, and desire two awareness of the importance of active participation in protecting the environment and opportunities for retraining and employment of a large number of unemployed who currently belong to the susceptible population groups due to unemployment and weaker financial position. The company had an obligation to appoint a project coordinator. Role and tasks of the coordinator of the project involved the implementation of public procurement, monitoring and coordinating the activities of the company, the landfill and other sites, logistical support, control spending of funds for project implementation, monitoring. The reasons for the project and applying for a program budget in accordance with the development strategy of the city of Čačak, whose

vision for the protection of the environment through the use of renewable energy sources. Dependence of the Republic of Serbia and thus the city of Čačak imported energy stimulates the activity in this area, and the development of biomass on degraded land and its utilization for energy purposes, it fits in the overall interest of the city, the employees of this company and the community. The importance of resource management by a national economy is of great importance for any country. Serbia is scarce energy resources in terms of oil and oil products, which means that they must be imported from other countries. Energy resources play an important role in the development of the Serbian economy, and he is constantly struggle to conquer new fields of raw materials, and in this area strongly intertwined political and economic interests of countries. The impact of these resources on the development of the national economy may be different in character, size and orientation. For some countries, energy resources are a source of economic growth and development. The importance of managing energy resources derived from their renewability and large negative impact on the environment due to the exploitation and consumption. Their amounts in the earth's crust are limited and once removed and consumed nature can not compensate and unused products are returned to nature in the form of waste. This leads to savings and proper management of energy resources, and the search for alternative energy sources. Known oil reserves in the world are 160h109 tons while production and consumption around 4h109t. It is estimated that if we save these reserves will be spent over the next 40 years. Serbia does not produce oil but not enough for your needs. Own production meets about 40% of demand. According to data from 2006. The Republic of Serbia has produced 682 000 tonnes of oil. About 99% of the total of production comes from Vojvodina, and the remaining 1% from Stiga and Branicevo. Another problem lies in the length of time that the operation is estimated at 25 years. The third problem is reflected in the steady decline of oil production in Vojvodina, which is 6-8% per annum. Because of the limited oil from domestic sources is addressed to the Serbian imports from other countries, and at prices that are valid for the world market. Therefore, the scope and structure of energy reserves and resources in Serbia were unfavorable. Quality energy reserves, such as oil and gas are symbolic and represent less than 1% of the total balance reserves of Serbia, while the remaining 99% of energy reserves are various types of coal, which is dominated by low-quality lignite, accounting for over 92% of the total balance. This is especially true of lignite that is exploited in the surface mining of coal, which in total exploitation reserves of about 13,350 tons is the most important domestic energy resource in the Republic of Serbia. Geographically, in the Kolubara basin is 14%, in the Kostolac 3.3%, while in extensive Metal basin containing only 2.7% of these reserves. By far the largest part of the lignite reserves in the Republic of Serbia (over 76%) is located in Kosovo-Metohija basin. This amount of coal reserves and much better ratio of overburden coal, than in other basins in the long run, make the Kosovo-Metohija basin major energy potential of the Republic of Serbia in the future. Economics as a scientific branch must ensure economic growth, but also the creation of new values and create new jobs while reducing the consumption of natural resources and enhanced with a clear environmental policy. .

MATERIAL AND METHODS

Energy plantings

Energy plantings have a positive effect on environment and ecology in general as they serve as a means of rebuilding the degraded areas, re-cultivation of landfill Prelíci in this particular case. Heat value of energy crops is high, ranging 15–20 MJ/kg dry weight, while heat value of lignite-coal is about 10.5 MJ/kg.

The economy of energy plantings targets to a 20-year exploitation period. The technology of establishment of these plantings is cheaper than the one used to exploit other forms of renewable energy such as waterpower plants, solar panels or wind generators. Globally, there are a number of energy crops cultivated. Characteristics of some biomass products from energy crops are given in Table 1.

Table 1. Major characteristics of biomass products originating from energy crops

Agricultural by-products	Annual average yield (t d.m./ha)	Water content at the harvesting time (%)	Theoretical energy output (GJ/ha)
Hemp	5-15	50-60	128-270
Giant reed	15-35	50-55	240-600
Miscanthus	15-25	15-20	260-440
Switchgrass	10-25	15-20	174-435
Poplar	8-20	50-60	144-360
Willow	10-15	50-60	178-276
Robinia (Black locust)	10-13	50-60	128-270

Source (TENBIORE project 2011)

The criteria for the selection of an energy plant for planting establishment include as follows:

- Annual biomass yield;
- Moisture content at harvest time;
- Economic component of establishing and maintaining crops;
- Ecology and environmental protection.

The comparison of the given energy plants parameters and best growing practices recommend *Miscanthus x giganteus* as a favourable energy plant.

Planting establishment of Miscanthus x giganteus

Miscanthus x giganteus plant is a perennial, fast-growing hybrid grass that is native to Asia. It originated from the crossing of Miscanthus x Sacchariflours (diploid) and Miscanthus sinensis x (tetraploid).

Figure 1. Biomass fuel



Figure 2. Miscanthus Pellets (8 mm)



In its appearance, Miscanthus X giganteus resembles Johnson grass and Italian cane. However, Miscanthus reaches even up to 4 metres in height, developing vigorous foliage as well as parenchyma inside the tree which gives it strength. Plants develop from rhizomes or underground rhizomes which do not spread uncontrollably into adjacent areas. It is recommended that planting establishment be at soil temperatures lower than 10°C, i.e. April or early May, in Serbia [1]. If planting establishment is too early there is a risk of late frost damage, if planted too late, it may result in plants die back. Given low temperatures during dormancy, it is recommended that plants are planted deeper or covered with a protective layer of

straw [2]. Growing period is from early April, while harvesting is in mid-February or early March the following year, as humidity is lowest over that period.

The following aspects of *Miscanthus X giganteus* render it an environment-friendly crop [3-5]:

- Increases soil fertility and through the root system provides uptake of water and harmful substances from the deeper areas of the soil;
- Improves morphological and microbiological soil properties;
- Being a perennial plant it allows the accumulation of plant layer;
- Its vigorous foliage provides habitat for birds and mammals not being a competitive food crop;
- has zero CO₂ emission.

It was observed that rhizomes-propagated *Miscanthus X giganteus* is less prone to frost damage compared to micropropagated *Miscanthus x giganteus*. Optimum planting density is 1 to 2 plants per m². Crop growth is initially slow due to low resistance to cold. Fully grown crop grows up to a 3–4 m height by the end of growing period, whereas the annual dry matter yield ranges from 10–30 t/ha, varying by agro-environmental conditions. Growing period is between the latest spring and the earliest autumn frosts [6-8].

As plants grow, the aboveground biomass is growing faster in all aspects from the third growing period onwards. Full potential of *Miscanthus* is achieved from second to fifth leaf, depending on climatic conditions. Typically, maximum yield is reached in the second year in the southern EU countries, and the fifth in northern ones.

Quality and quantity of biomass of *Miscanthus x giganteus* is closely associated with harvesting time. Late September and early November is the period of maximum biological production. Over this period, the crop has high moisture content (about 60%) therefore is not suitable for storage and use (burning bales, briquette production, etc). Additional artificial drying of biomass raises final production costs. Delayed harvesting lowers the content of moisture and unfavourable components, improves quality of biomass burning, consequently leading to aging of leaves, shedding of plant tops and yield decrease.

The European *Miscanthus* Productivity Network reported on yields ranging from 7.7 to 26.3 t/ha in three-year old crops [9].

With regard to storage of harvested plant material, moisture content is a very important factor. High moisture content can promote development of mildew and mould leading to spontaneous burning in storage. Analyses show that *Miscanthus* can be safely stored after drying down to 15% moisture in open field or in a ventilated warehouse. If complete drying in the field is not available, additional drying is needed immediately after harvesting (if moisture content exceeds 25%), or during storage (if moisture content is up to 25%), if there is ventilation. At moisture contents in excess of 25% without ventilation the risk of spontaneous self-burning of stored plant material is possible [10].

Figure 3. Current state at the planting site of Prelići landfill

Energy crops and biomass plantations have been established on several locations with different soil characteristics and altitudes for the research and promotion (Table 2).

Table 2. The list of *Miscanthus* trial planting sites

No	Planting site	Surface (acre)	Number of rhizomes	Altitude (m)	Planting orientation	Germination percentage (%)
1.	Prelići landfill	2	120	242	W-E	80-90*
2.	Zablaće	2	250	230	S	80
3.	Gornja Gorevnica	1	120	317	S-E	80-90
4.	Rosci 1	1	380	593	S-W	80
5.	Rosci 2	2		762	-	-
6.	Slatina	2	250	263	W	60-70
7.	Trbusani	2	250	257	S-W	80

die back of individual plants at a plot part

Figure 4. *Miscanthus* photographed on 14 June, 2012 at Gornja Gorevnica site



With regard to the facts above, the location of the Prelići landfill is of particular importance for the project. Analysis of the other locations revealed that *Miscanthus* should not be grown at altitudes exceeding 593 meters, e.g. at Rosci 2 site no rhizomes were successfully grown. The locations above also differ in soil characteristics therefore soil analysis on these locations was done and compared with that of Prelići landfill. The comparison of the results showed that additional fertilization to increase yields is not required on the latter. Additionally, soil analyses and theoretical data infer that *Miscanthus* is tolerant of a wide range of pH values, but also suggest that optimal pH ranges between 5.5 and 7.5 [11].

RESULTS AND DISCUSSION

Based on the computed lower average yields of *Miscanthus* in the amount of 340 t/ha for a 20-year exploitation period, the total of 600t/ha replaces 250 tons of coal and 280,000 litres of oil or 280,000 m³ of gas for heating. In winter time, PUC 'Komunalac' Čačak uses electricity and gas for heating their business premises. The average annual consumption of gas for heating the administration building amounts to 12,000 m³. Based on the anticipated yield of *Miscanthus*, it can be used as a gas substitute for a period of about 24 years. Extending *Miscanthus* plantings from 2 to 4 acres would ensure heat supply to all the Administration building premises where gas is used as energy, as well as to another sector of the PUC 'Komunalac' which currently uses storage heaters. The planned extending of plantations would ensure significant saving of conventional forms of energy for heating.

Planting establishment cost for research purposes and transition into the second stage of heating by processing into briquettes or pellets is 2,725 €/ha (all costs included). Expanding plantations from current 2 acres planted with *Miscanthus* rhizomes would be brought out of its own resources in the years to come.

Table 3. Costs of supply of material and equipment for planting *Miscanthus*

No	Description	Value (€) with VAT*
1.	Rhizomes supply (0.17 Euro cent/com)	2,404.35
2.	Herbicides and treatments	166.6
3.	Tools, equipment and fuel cost for watering and transport of workers	153.33
Total (per ha)		2,724.28

1 € = 117 RSD

The internal rate of project profitability is 20%, which implies that the project is cost effective, the rate being higher than the interest rates on the market. Refund period is 7 years. The economic component of the project, computed by dynamic criteria, shows that the project is economically viable.

Using biomass energy can provide significant energy saving because of daily rise in price. Also, lower use of fossil fuels will allow for their longer use, which is an important issue given their ever decreasing supply. In this manner, future generations would be enabled to use this energy source, which is in accordance with energy efficiency and the requirement for the proper management of energy resources.

Table 4. Preview of crops for a period of 20 years with yields in t / ha.

In operation	Investments in EUR 2 ha per year	yields t / ha	Revenues and EUR at 2 ha	Revenues and EUR at 4 ha
1.	5448	0	0	0
2.	512	3-5	780-1.300	1.560-2.600
3.	512	5-10	1.300-2.600	2.600-5.200
4.	512	10-20	2.600-5.200	5.200-10.400
5.	512	10-20	2.600-5.200	5.200-10.400
6.	512	23	5.980	11.960
7.	512	23	5.980	11.960
8.	512	23	5.980	11.960
9.	512	23	5.980	11.960
10.	512	23	5.980	11.960
11.	512	23	5.980	11.960
12.	512	23	5.980	11.960
13.	512	23	5.980	11.960
14.	512	23	5.980	11.960
15.	512	23	5.980	11.960
16.	512	20	5.200	10.400
17.	512	20	5.200	10.400
18.	512	20	5.200	10.400
19.	512	10-20	2.600-5.200	5.200-10.400
20.	512	10-20	2.600-5.200	5.200-10.400
Total 20.years	15.176		87.880-100.100	175.760-200.200

Table 5. Preview of crops for a period of 20 years with yields in t / ha.

year (T)	net income (S)	discount factor q (p 8%)	The present value	cumulative present value
1.	268	0,926	248,17	248,17
2.	788	0,857	675,32	923,49
3.	2.088	0,794	1.657,87	2.581,36
4.	2.088	0,735	1.534,68	4.116,04
5.	5.468	0,681	3.723,71	7.839,75
6.	5.468	0,630	3.444,84	11.284,59
7.	5.468	0,583	3.187,84	14.472,43
8.	5.468	0,540	2.952,72	17.425,15
9.	5.468	0,50	2.734,00	20.159,15
10.	5.468	0,463	2.531,70	22.690,85
11.	5.468	0,428	2.340,30	25.031,15
12.	5.468	0,397	2.170,80	27.201,95
13.	5.468	0,368	2.012,22	29.214,17
14.	5.468	0,340	1.859,12	31.073,29
15.	5.468	0,315	1.722,42	32.795,71
16.	4.688	0,291	1.364,21	34.159,92
17.	4.688	0,270	1.265,76	35.425,68
18.	4.688	0,250	1.172,00	36.597,68
19.	2.088	0,232	484,42	37.082,10
20.	2.088	0,215	448,92	37.531,02
total:			37.531,02	
Less initial investment:			5.448,00	
net present value=			32.083,02	

Table 6. Net present value with a discount rate of 12%

year (T)	net income (S)	discount factor q (p 12%)	The present value	cumulative present value
1.	268	0,893	239,32	239,32
2.	788	0,80	630,4	869,72
3.	2.088	0,712	1.486,65	2.356,37
4.	2.088	0,635	1.325,88	3.682,25
5.	5.468	0,57	3.116,76	6.799,01
6.	5.468	0,51	2.788,68	9.587,69
7.	5.468	0,452	2.471,54	12.059,23
8.	5.468	0,4039	2.208,53	14.267,76
9.	5.468	0,3606	1.971,76	16.239,52
10.	5.468	0,3220	1.760,69	18.000,21
11.	5.468	0,2875	1.572,05	19.572,26
12.	5.468	0,2567	1.403,64	20.975,9
13.	5.468	0,2292	1.253,26	22.229,16
14.	5.468	0,2046	1.118,75	23.347,91
15.	5.468	0,1827	999,00	24.346,91
16.	4.688	0,1631	764,61	25.111,52
17.	4.688	0,1456	682,57	25.794,09
18.	4.688	0,1300	609,44	26.403,53
19.	2.088	0,1161	242,42	26.645,95
20.	2.088	0,1037	216,52	26.862,47
total:			26.862,47	
Less initial investment:			5.448,00	
net present value=			21.414,47	

The internal rate of return of the project

$$rs = p1 + \frac{SV1}{SV1-SV2} (p2-p1) = 8 + 3 * 4 = 20\% \text{ is greater than } 8\%$$

The project, based on criteria internal rate of return (refund rate), effective since $rs = 20\%$ higher interest rates in the market.

The period of return of funds

$$t = tk - \frac{Fk-Is}{Fk-Fk-1} = 8 - 0,969 = 7,03 \text{ which is approximately } 7 \text{ years}$$

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* 1 € = 117 RSD

The internal rate of project profitability is 20%, which implies that the project is cost effective, the rate being higher than the interest rates on the market. Refund period is 7 years.

Table 8. Analysis of the parameters of height and trunk diameter measured on the time of 14-22.06.2012.

LOCATION	Parameter tree height	Parameter diameter trees
Landfill Prelići	12,11	0,52
G. Gorevnica	18,06	0,45
Trbusani	8,15	0,37
Rosci 1 lower	7,62	0,37
Rosci 2 higher	-	-
Slatina	17,12	0,46
Zablaće	16,98	0,59
Sime Sarage	21,15	0,59

The economic component of the project, computed by dynamic criteria, shows that the project is economically viable.

Using biomass energy can provide significant energy saving because of daily rise in price. Also, lower use of fossil fuels will allow for their longer use, which is an important issue given their ever decreasing supply. In this manner, future generations would be enabled to use this energy source, which is in accordance with energy efficiency and the requirement for the proper management of energy resources.

Establishment and expansion of plantations, as well as the application of such plantations and requires further recruitment of workers. The success of this project can be viewed from several aspects:

- It is one of the examples that may encourage other companies with similar activities;
- Can affect the improvement of the ability of the company;
- Can affect the business networking company providing services in the field of environmental protection with the companies that are the generators of waste and pollutants;
- Can initiate cooperation between company, educational and scientific institutions;
- Can affect the changing business policy, which will be in accordance with the principles of the green economy, sustainable development and environmental protection;
- Able to raise the awareness, sharing knowledge and experience;
- Able to stimulate thinking about changing the necessary knowledge and skills for the future generations that are in line with the demands of the new economy and the economy;
- Can affect the recruitment and retraining of the unemployed in jobs easier and thus to improve the social status of vulnerable groups;
- Can affect the connectivity and collaboration with individuals who would thus start their own business...

CONCLUSION

From an economic point of view, in the use of energy resources and energy production, it is desirable to encourage the efficient use of energy. This method involves the use of energy sources that will bring the greatest economic benefit per unit energy unit consumed. This is not an easy task at a time when it is necessary to meet the needs of the world economy. However, one of the most important principles in the exploitation of energy resources and energy production should be minimizing the irrational use of energy (with large energy losses). Therefore, it is again a great interest in "smart" use and management of energy resources in order to maximize economic and social benefits. How are any questions about the use of energy resources and energy production and its consumption is important for the overall global economy and shaping the economic landscape in the area and speak to the fact that the country's impoverished south, which account for about 75% of the world's population consume only about 30% of energy produced in the world. However, one should bear in mind the fact that the intensification of industrial development in the individual countries of the South (India, China), energy consumption is growing enormously in relation to the consumption of the rich north (seven times annual rates).

This paper looks at possible usage of biomass aimed at reducing the dependence on energy suppliers and utilization of fossil fuels. Additionally, the objective of the paper was to investigate the ways of increasing energy efficiency and sustainable development PUC "Komunalac" Čačak and the town of Čačak, as the founder of the Company. Using biomass provides the decrease in greenhouse gas emissions and Kyoto Protocol greenhouse gases. Results obtained and analysis of all planting establishment costs as well as projected costs for 20 year-period of crop cultivation revealed that the production of Miscanthus, as biomass energy source, is feasible and economically acceptable.

By the result analysis of the plantations state in its first vegetative period on the landfill (with certain corrections) and on experimental plots, it is concluded that the establishment of these plantations, according to green economy, is justified not just for small and medium companies but for the individuals that cannot use the soil of lower quality and make any profit. Related to this subject it should be mentioned that 900000ha of soil in Serbia is not cultivated, of which 300000 ha is degraded or of low quality. The projects like this one, with government subventions and local governments, can improve employment, reduce the poverty, rise of biomass, usage of renewable energy with zero emission of CO² and cost savings of other energents.

The study found that there are certain problems in the establishment of energy crops plantings in the territory of the landfill – substantial die back of plants was observed, which is the indicative of existing activities within the landfill. Similarly, severe drought during growing period does not favour plant growth. A heavy

dependence on water supply was also evidenced because the landfill soil is composed of various animal, communal and industrial wastes which make it quite porous. These facts call to attention when estimating yields, as no precise conclusions can be made at this point.

Finally, to make this and similar projects have been implemented throughout the Republic of Serbia, it is necessary to perform the analysis of the enacted laws, policies and other legal documents, with a focus on the greening of the economy and sustainable steps are evolvent . Further and promotion of green public procurement and the encouragement of local governments to establish special budget for the green economy and sustainable development.

This way of thinking assumes compulsory education broadest layers of the population, retraining unemployed, continuing education to increase awareness of this important subject. This paper is to present and support public enterprises. However, state and local governments must be involved in supporting entrepreneurs, whether through subsidies, support programs for innovative work and the promotion of a green economy.

In addition to these activities, in order to preserve environmental protection, increase employment, reduce poverty, change the concept of the global economy, it is certainly planning and the introduction of domestic equipment manufacturing, and domestic materials. Certainly such an undertaking would require additional funds that must invest in clean technology.

As a good example of a company "Progress Engineering" Čacak, which is oriented to the development of green technology, specifically the whole range of stoves for heating with pellets and briquettes are exported to EU countries. This example shows that the economy is already focused on green technology and that these kind of companies employing more and more workers, increasing employment and reducing poverty.

Establishing energetic production plants, of which this work including talks, pointing out the necessity of association at the regional level, linking the city and the region. In fact, as the technology for the production of pellets or briquettes from biomass rather expensive it is necessary to conspiracy to obtain funds from various funds. In this way, the PUC "Komunalac" Čačak would provide services to businesses and households pelleting, for a fee, and therefore he would have to hire more, and a number of workers.

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ECONOMICS ASPECTS OF PRODUCING PELLETS FROM WOODEN BIOMASS IN SERBIA

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Abstract

Today, energy is one of the most important development and functioning components of the economy and society in general. The recent increases in oil and gas prices and climate change have boosted the demand for biomass. The pelletization of biomass process means the compaction or molding of chopped roughage plant material in a suitable form, which has a significantly smaller volume compared to starting material (raw material). The pelletization of forest biomass consists of a series of unit operations: drying, size reduction, densifying, cooling, screening, and warehousing. In spite of their many desirable attributes, biomass pellets cannot compete with fossil fuel source because it is still expensive to densify biomass. This paper also describes a number of research on employment and other socio-economic aspects of bioenergy systems as drivers for implementing bioenergy projects.

Key words: *Wood pellets, Pelletization of biomass, Cost analysis, Employment*

INTRODUCTION

Energy has the crucial geopolitical importance, while the dominant contribution to this state is produced by climate changes and energy supplies security, especially taking into account the fact that reserves of oil and natural gas are limited and concentrated in a small number of countries. The Middle East reserves amount to about 60% of the World's total conventional oil reserves. About 60% of natural gas reserves are located in only three countries (Russia, Iran and Qatar), whereas the third source of fossil energy – coal is evenly distributed in the world, so the coal is considered a future backbone of power systems of many countries. These statements are based on the premise that, supposing the current pace of the oil reserves exploitation continued, they would be depleted in less than 40 years, gas reserves in roughly 60 years, and coal reserves in about 200 years. The depletion of certain forms of exploitation energy reserves is leading to the significant rise of prices of the remaining forms of energy, which again is bound to result in the market price increase. Throughout the history, battle for domination over energy resources, often led to energy crises, which again, led to disruptions in energy supply on the market, and by the crises deepening- often generated many conflicts, including wars.

Although the scientists have been warning that the existing industry development is not sustainable on the long run, yet the recent global financial crisis, bankrupt countries, climate changes and the apparent increase in energy prices, with millions of people around the World protesting, began to reveal the problems we are to face in the modern World in decades to come. The World is facing a major energy crisis. Poor countries, underdeveloped countries and developing countries, would use more and more natural resources, which are scarce in many countries. Search for new energy sources has not been stimulated just by finiteness of fossil origin resources, but also by climate changes, which has primarily been reflected as an increase in average temperature and global warming. The increase in global temperatures can cause many problems. A possible effect is a rise in sea levels, which could change the shape of coastlines; cause changes in forests crops, and water supplies (most alpine glaciers will have melted away in 100 to 200 years); and harm the health of humans and animals.

BIOMASS ENERGY POSSIBILITIES

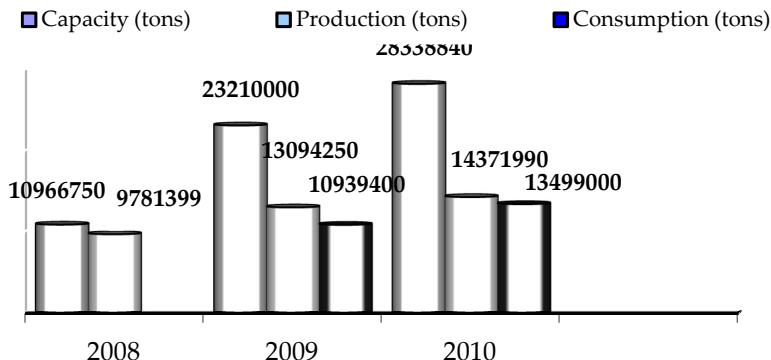
According to some authors, theoretically, biomass could meet global energy needs. However, the technically feasible potential of biomass is much less, because its amount primarily depends on weather conditions. Biomass-based energy accounted for roughly 10% of world total primary energy supply in 2009. According to IEA (International Energy Agency) data about 2,4 billion people, most of these in developing countries, consumed about 300 GW biomass energy for cooking and heating using very inefficient open fires or simple cookstoves with considerable impact on health and environment. On the other hand modern bioenergy supply is comparatively small, but has been growing steadily in the last decade. A total of 280 TWh of bioenergy electricity, i.e. 1,5% of world electricity generation, was generated globally in 2010, and 8 EJ of bioenergy for heat were used in industrial sector.

Biomass is a general term for material derived from growing plants or from animal manure. A wide variety of sources, are included in the biomass concept such as:

- Forestry waste: including under-utilized wood, logging residues, imperfect commercial trees or non-commercial trees, etc.,
- Energy crops: crops of fast growing, including both herbaceous plants (sorghum, thistle, sweet potato, etc) and trees (willow, hybrid poplar, etc),
- Agricultural waste (includes agricultural residues) and agricultural crops (sugarcane, corn and sweet sorghum, currently commercialized for energy use),
- Industrial waste (organic nature, such as beverage industry, food industry, etc.)
- Municipal waste: although the municipal solid waste usually contains a variety of potentially toxic materials, there are residues such as paper or purifying plants residues that can be used as biomass source.

Wood pellets

Today, wood pellets are probably the largest traded solid biomass commodity used specifically for energy purposes and in terms of traded volume can be compared to biodiesel or bio-ethanol (Heinimö and Junginger, 2009, pp.2955). Wood pellets have increased tremendously in popularity as a heating fuel during recent years, with many homeowners and commercial facilities choosing pellet stoves or boilers over traditional wood-fired equipment due to their relative ease of use. Biomass pellets are generally a superior fuel when compared to their raw feedstock. Not only are the pellets more energy dense, they are also easier to handle and use in automated feed systems. These advantages, when combined with sustainable and ecologically sound properties in the fuel, make it very attractive for use. As a result, the demand for fuel pellets has also grown quickly. (Daniel Ciolkosz , 2009, pp.1)

Figure 1 - Global wood pellet production and consumption

Source: Nikolaisen, 2011, pp.6)

Wood pellets are generally produced from the by-products of wood processing industries (such as wood shavings wood chips, wood logs or sawdust) or from forest residues. However, wood is not the only suitable feedstock for manufacturing pellet fuel. A wide array of biomass materials can be used to manufacture pellets. Agricultural crop residues, and energy crops can be densified into pellets too. Pellets are cylindrical, 6 to 8 mm in diameter and 10 to 12 mm long.

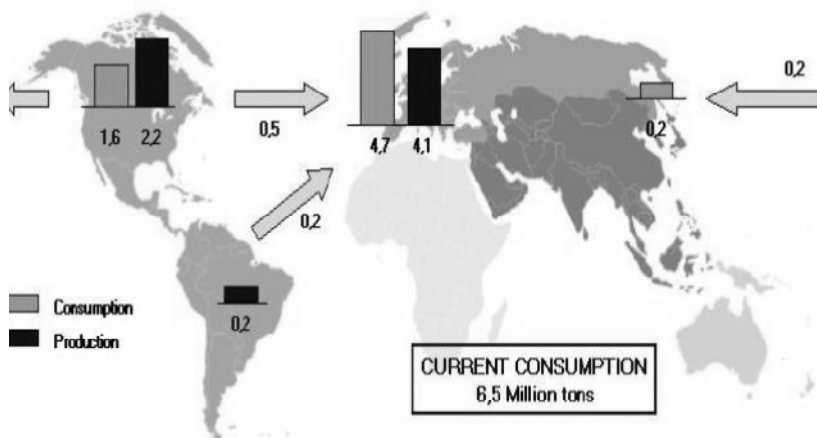
Between 2008 and 2010, the production of wood pellets in EU was increased by 20,5% reaching 9,2 million tons in 2010, equal to 61% of the global production. (Nikolaisen, 2011, pp.8) In 2010 the global wood pellet production reached 14,3 million tons, while the consumption was close to 13,5 million tons, thus recording an increase of more than 110 % if compared to 2006 (Figure 1)

Between 2009 and 2010 the global installed production capacity of the pellet industry has recorded a 22% increase, reaching over 28 million tons. In 2009 around 670 pellet plants were active in European Union (EU), 30% of them with a rather small production capacity below 10 000 t/yr. (Nikolaisen, 2011, pp.7).

Wood pellets are rapidly becoming a successful traded biomass commodity. (Heinimö and Junginger, 2009, pp.2953). The EU is still the main market for wood pellets and will be for the next several years. Over 1 million ton of wood pellets are imported to Europe from Canada and USA, and the Canadian wood pellet production is still growing. Russian wood pellet production is also increasing. (Figure 2) Part of the imported wood pellets is used in large CHPs in Belgium, Netherlands, Denmark and Sweden. Quality of these pellets can be lower than that of retail market produced pellets. In the same period, EU wood pellet consumption was increased by 43,5% to reach over 11,4 million tons in 2010, equal to nearly 85% of the global wood pellet demand. It is expected to double by 2020 up to 24

million tons, 11 million of which would be imported. The major part of the pellet production is thus exported to Europe, to the countries of highest demand.

Figure 2 -Wood pellet production and use (Pino Vivanco, 2008)



The increase of the EU demand is stimulating large investments in new pellet plants and a rapidly increasing production capacity in countries such as Canada, the U.S. and the Russian Federation, that are by far the largest exporters of wood pellets to EU (Figure 3). Several other countries exported pellets to Europe in 2010, although in much smaller quantities than those three major exporters. Serbia is ranked among the top ten exporters of wood pellet to the EU markets with 26 465 tons of wood pellet in 2010.

Figure 3 – Extra EU imports of wood pellets by country in 2010 (tons)
(Nikolaisen, 2011, pp.11)



Constant and rapid growth of the pellet market is driven by various factors related to the different market segments (industrial pellet for co-firing, industrial pellet for Combined Heat and Power (CHP) plant and district heating, pellet for residential heating). By research conducted in Sweden, Germany and in Denmark, pellets are used in medium to large CHP plant. Power plants, industries and large district heating companies may typically require from a few ten thousand up to several hundred thousand tons per year in a single plant. After experience wood is the best material for pellets in small scale use.

Potentials of forestry biomass use in Serbia

Wood-stock in Serbian forest amounts to about $235 \cdot 10^6 m^3$. Only 27,3% of the total Serbian territory is covered by forests (mainly central and southern Serbia). About 2/3 of all forests are state-owned (the public companies in forest management – "Srbija sume" and "Vojvodina sume"), while others are privately owned forests. Given the unsatisfactory coverage of Serbian territory by forests, Regional Plan envisages restoration of forests, so it is expected that until the 2050, forests will have covered 41,4% of the territory of Serbia. The land not suitable for growing conventional crops (about 200 000 ha of land in the plains (near rivers and canals)), should be used for the cultivation of fast-growing forests (hybrid sycamore, willow or poplar forests), which would lead to an increase in potential wood biomass. It is estimated that the total wood felling in Serbia amounts to about $3,3 \cdot 10^6 m^3$, and efficiency (the ratio between the volume of cut wood, and wood increment of forests) is about 55%, which is much lower than in developed countries where this rate is around 75%. According to statistics, about $1,2 \cdot 10^6 m^3$ of forest assortments represents fuel wood. Besides fuel wood, there are different kinds of biomass residues associated with tree falling in forests. About 58 % of total mass of the tree are different wood assortments for the market, wood processing industry, for heating as a fuel wood and for different technical purposes. The rest of 42 % of total mass tree represents different mass residues such as bark, small branches, tree stumps, which have no value on the market. (Table 1) Biomass residues in forests account for about $2,9 \cdot 10^6 m^3$ and their energy value is estimated to 549 500 toe. Leaves and needles from the trees are not included in the balance, inspite of the fact that their share in the total mass of the tree is estimated from 2-4%. These residues are usually dispersed in the forest. Their collection requires some energy for transportation vehicles. Depending on the terrain, collecting of the residues can be thoroughly or easily performed. In some cases, it practically cannot be done with today's machinery and today's condition of forest roads.

Table 1 – Average share of different categories of wood in the total mass of the tree (Ilić et al., 2004, pp.12)

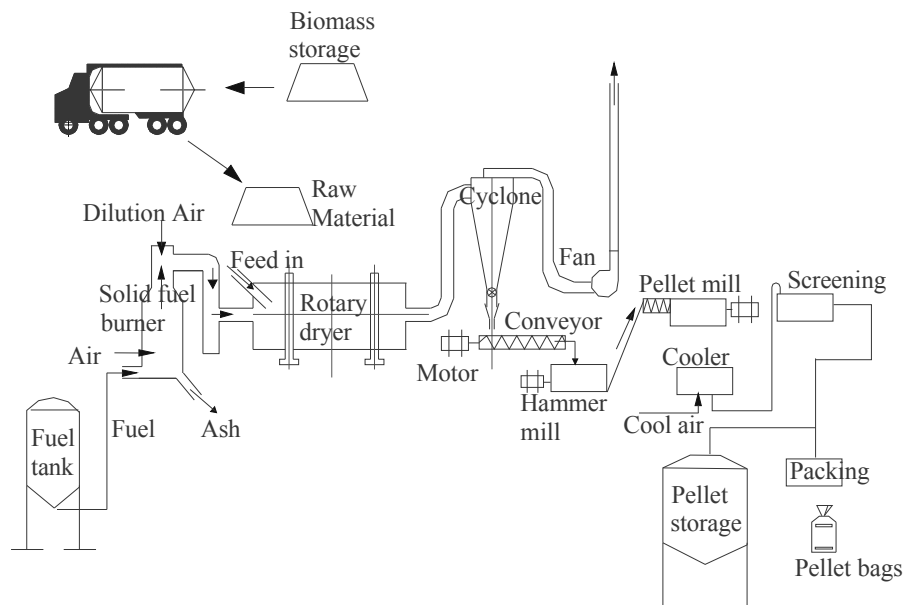
Wood assortment	Forest		Share in total mass(%)	Energy potential [TJ/god]	Comment
	State	Private			
Round wood	24	8	16		For the market
Stacked wood	34	50	42	852	For the market
Bark peeled from wood for the market	4	4	4		Left in forests
Residues of wood cutting in forest	9	9	9	1020	Partly used
Small branches	11	11	11	851	Partly used
Stumps	18	18	18	1422	Left in forests
Leaves and needles			Ignored		Left in forests

Estimated annual yield of wood residues resulting from the production of wood processing in saw mills, manufacturing of plywood and furniture, were $0,35 \cdot 10^6 m^3$, with energy potential of 66 900 tons of oil equivalent (toe). Besides statistically registered forest falling, there is unregistered tree falling, as well. According to the present utilization of forest tree felling and wood – processing, the total annual energy potential of different kind of wood residues, together with registered consumption of fuel wood, accounts about $1,2 \cdot 10^6 toe$. (Ilić, 2004, pp.13) The largest part of these residues could be used for the production of the bicquets and pellets, which are the most appropriate form of biomass for heat generation.

Economic consideration of biomass pelletization

To produce biomass pellets economically, a detailed economic analysis for the Serbian condition is required taking into consideration plant capacity, feedstock cost, drying cost, and plant utilization time. In addition to the above, pellet production costs depend on the type, methods and technique of collecting raw materials, as well as its transportation and storage technologies, type of packaging, performance line, the number of workers involved, the value of the facility and equipment, interest on loans and others. Figure 4 shows the unit operations and the flow of biomass in a typical biomass pelleting operation that consists of three major unit operations: drying, size reduction (grinding), and densification (pelleting).

Figure 4 – Schematic layout of a typical biomass pelleting facility



The biomass is being dried to about 10 % in the rotary (drum) dryer. After drying a hammer mill equipped with a screen size of 3,2 to 6,4 mm reduces the dried biomass to a particle size suitable for pelleting. The ground biomass is compacted in the press mill to form pellets. The individual pellet density ranges from 1000 to 1200 kg/m³, while the bulk density ranges from 550 to 700 kg/m³, depending on size of pellets. Pelletizing is done in a pellet mill, where feed is normally conditioned and thermally treated in the fitted conditioners of a pellet mill. The feed is then pushed through the holes and a pellet die and the output is pelleted feed. In some operations, the ground material is treated with super-heated steam at temperatures above 100°C before compaction. Biomass from woody plants contains higher percentages of resins and lignin compared to agricultural crop residues (straw and stover). When lignin-rich biomass is compacted under high pressure and temperature, lignin gains soft exhibiting thermosetting properties. The softened lignin acts as glue. The temperature of pellets coming out of the pellet mill ranges from 70°C to 90°C. After pelleting, the pellets are cooled with a cooler to bring the temperature of the feed down. Pellets are cooled to within 5°C of the ambient temperature in a cooler. The hardened, cooled pellets are conveyed from the cooler to storage areas using conveying systems. (Mani, 2006, pp.421-422)

Anyway, cost of setting up a pellet production plant is not cheap. The large variation in costs is a function of size, quality and availability of the equipment. If it is a facility that has been installed in sawmill with the capacity up to 300t/yr., where all activities beyond pressing (packing, internal transport, storage) were

performed manually, the only machine in the factory is pellet mill machine and the price ranges from € 1700-5700. If the raw material is made of bark or other rough piece of wood, wet sawdust, etc., and if the capacity is relatively large (over 10 000 t/yr.) then the pellet facility consists of several machines with different degrees of automation. (fuel burner, rotary drum dryer, hammer and pellet mill, pellet cooler, screen shaker, packaging unites, storage bin, etc.)

Investment costs for pellet production facilities (they include: costs of land acquisition, construction of warehouse and the building of facilities, equipment costs (dryer, mills, etc.), connecting the power supply, industrial trucks) with a maximum capacity for example 15 000 t/yr., amount to about € 500 000. Investment costs of the equipment for pellet production plant (capacity of plant is 6 t/h) are given in Table 2. Based on the presented table, the conclusion can be made: the cost of the dryer and pellet mill were the largest among annual capital cost. Given the relatively high price range of pellets on the EU market, even an investment in such facility would be able to return.

Some of the equipment manufacturers for the production of pellets are above: from Austria - Andritz, from Italy - Larus Impianti, Germany - Salma, Czech Republic - SG strojírna, Sweden - Sweden Power Chippers Ab, China - Xuzhou Orient Industry Co., Henan Double Elephant Machinery, Anyang GEMCO Energy Machinery.

Table 2 – Initial capital cost of the equipment for pellet plant production (capacity 6t/h)

Equipment	Purchase cost 10^3 €	Instalation cost 10^3 €	Expected life(year)
Solid fuel burner	112	56	10
Rotary drum dryer	235-315	165	15
Hammer mill	15 - 47	20	10
Pellet mill	247	125	10
Pellet cooler	25	20	15
Screen shaker	20	11	10
Packaging unit	47-63	12	10
Storage bin	20	11	20
Front and loader	80		10
Fork lifter	13,2-65		10
Dump truck	63-78		15
Office building	24-40		20
Land use	16-24		25

On the other hand, operating costs are high and often could be higher than the investment cost. Operating cost includes the cost of feedstock, energy, labor and maintenance of the equipment. In Serbia, purchasing of wood waste is available

from 17 - 22 €/t (the current price of wood residues in state forests designated by the “Srbija sume” in June 2012) amounts 4,4 to 11 €/m³, which represents about 50 % of operating costs. Transportation costs to the plant amount to 1,5 - 3 €/t (it is assumed that the plant was located within 5 to 10 miles of biomass source), maintenance cost amount to roughly 2 €/t, labor costs to about 1,44 €/t. Transport costs for the EU market sum up to around 36 €/t., energy costs to about 2,5 to 22,8 €/t (depending on the type of biomass, tariff structures, machines that are used in the process of palletizing, etc..) (Estimated price of electricity is 0,05 €/ kWh) (Table 3)

There is strong difference concerning the processing of different kind of raw biomass material, depending to a large extent on the resin content. Hardwood (such as oak or beech) sawdust requires higher pressure forces than softwood and conifers. The pressure forces lead to the specific energy consumption which is between 30 and 50 kWh/t in case of wood milling stage. For wet raw material processing, the energy requirement is at drying stage (approximately 950 kWh to vaporize 1 ton of water). Energy demand for wood pelletising (all stages are included) is comprised in the wide range from 80 – 130 kWh/t. The exact value depends on different production factors such as lubricants, screening, mill yield, etc.) (Pastre, 2002, pp.64)

Table 3 - Comparison of energy consumption between sawdust and woody raw material pelleting (Pastre, 2002, pp.64)

Energy consumption (kWh/t)	Sawdust	Woodchips
Grinding+screening	10-20	10-40
Drying	0-400	0-400
Conditioning	0-10	0-10
Milling	30-60	30-60
Cooling	5	5
Additional equipment	10-20	10-20
TOTAL	55-515	55-535

Taking into account all the above production costs, the price of pellets from wooden biomass should be around 100 €/t. On the domestic, still undeveloped market, the selling price of pellets in wholesale amounts to 100 €/t (bulk), and retail (includes pellets packed in bags) around 150 €/t. (Pejanović et al., 2010, pp.415). For example, in Germany, pellets from wooden biomass price changes in the range of 180 - 200 €/t. The fact that in the same country, 2 200 000 tons of pellets were manufactured and sold only in 2009, speaks enough about the popularity of this fuel. Pellets for the EU market must be produced according to European CEN standard or to the standard of the country intended for selling, so the price of the pellet is slightly higher than 100 €/t for pellet in bulk, 200 €/t for pellet packed in large sacks and 300 €/t for the pellet packed in small bags. The estimated usefulness of the plant is roughly estimated to 10 years.

EMPLOYMENT BENEFITS OF BIOMASS

Biomass has provided millions of households with incomes, livelihood activities and employment. Varying conditions and a lack of relevant data make it difficult to apply standard methods for appraisal of employment and earnings from biomass energy, especially when more sophisticated theories are applied. Human labour required for the production of biomass resources is about five times higher than that needed for the production of fossil fuels. An analysis from Brazil has shown that charcoal production contributes to national employment with some 200 000 to 300 000 jobs (de Carvalho Macedo, 2002). Studies show that wood and other biomass resources generate at least 20 times more local employment within the national economy than other forms of energy, per unit (Table 4). (Trossero, 2002, pp.121)

Table4 - Employment generated by different energy options

Fuel type	Amount of fuel per TJ	Employment per TJ energy in person days
Kerosene	29 m ³	10
Coal	43 tons	20-40
Electricity	228MWh	80-110
Fuel wood	62tons	100-170
Charcoal	33 tons	200-350

The essence of sustainability of biomass projects from a social aspect is how they are perceived by society, and how different societies benefit from this activity. Avoiding carbon emissions environment protection, security of energy supply on a national level or other "big issues" represent additional costs for local communities, but the primary driving force is much more likely employment or job creation, contribution to regional economy and income improvement. Consequently, such benefits will result in increased social cohesion and stability that stem from the introduction of an employment and income-generating source (Table 5) (Madlener and Myles, 2000, pp.11)

Table 5-Benefits associated with local biomass production (Domac., 2005, p.98)

Dimension	Benefit
Social aspect	<ul style="list-style-type: none"> ○ Increased standard and living <ul style="list-style-type: none"> ● Environment ● Health ● Education ○ Social cohesion and stability <ul style="list-style-type: none"> ● Migration effects (mitigating rural depopulation) ● Regional development ● Rural diversification
Macro level	<ul style="list-style-type: none"> ○ Security of supply risk diversification ○ Regional growth ○ Reduced regional trade balance ○ Export potential
Supply side	<ul style="list-style-type: none"> ○ Increased productivity ○ Enhanced competitiveness ○ Labour and population mobility (induced effects) ○ Improved infrastructure
Demand side	<ul style="list-style-type: none"> ○ Employment ○ Income and wealth creation ○ Induced investment ○ Support of related industries

Employment in biomass energy sector is better understood when fundamental assumptions are clarified. These could pertain to: element in the system (process flows); type of system (conversion process use, hence type of system); units of measure (energy units); scale (number of households or people involved) and total number of employment created per energy unit, per amount of land, per GDP measures. The last one is particularly true when biomass energy is for traditional uses. Add to these, employment creation was distinct and different for: traditional and modern biomass energy systems, skilled or unskilled labour, direct or indirect labour, formal or informal sector and direct impact or indirect impact, to mention only few cases. From the perspective of biomass projects, the term employment usually includes three different categories. **Direct employment** results from operation, construction and production. In the case of biomass energy systems, this refers to the total labour necessary for crop production, construction, operation and maintenance of conversion plant, and for the transportation of biomass. **Indirect employment** - jobs generated within the economy as a result of expenditures related to biomass fuel cycles. Indirect employment results from all activities connected, but not directly related, such as supporting industries, services and similar. The higher purchasing power, due to increased earnings from direct and indirect jobs may also create opportunities for new secondary jobs, which may attract people to stay or even move in. These latter effects are referred to as **induced employment**. The main issue is whether the biomass energy project will provide earnings that are high enough for long enough to make it worthwhile to mobilize local resources for implementation. (Domac, 2005, pp. 98)

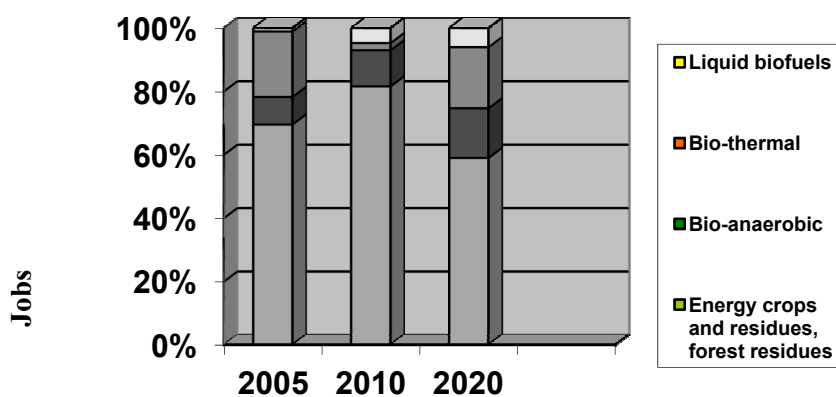
More detailed account of job creation and employment in biomass energy projects are shown in Table 6. Total employment per unit of energy in person-years was derived for the activities of establishment, weeding, harvesting, chipping and administration.

Table 6 - Biomass energy employment

(Manyyears/PJ)	Intensive production, farmers	Intensive inter-cropping	Large scale “energy forestry”
Establishment	112	71	34
Weeding	338	196	59
Harvesting	248	251	85
Transport	70	71	51
Chipping	13	13	13
Administration	19	19	11
Total	799	620	252

Although biomass-based employment has an impact primarily in rural areas of developing countries, it is also important in cities and in developed countries. European policy-makers recognize that renewables (in this case bio-energy) offer potential for employment creation in addition to environmental benefits. The renewable energy industry is one of Europe’s fastest growing sectors. The use of biomass for power or heat has the potential to create 323 000 jobs by 2020, while 515 000 jobs could be created in the provision of energy crops or forest or agricultural wastes as fuel. This predicted employment impact is far greater than that for other renewable energy sources. The analysis assumed that expansion of biological fuel sources occurs without displacing employment in conventional agriculture and forestry of fuel as energy crops, forestry or agricultural wastes. However, constraints pertaining to significant capital costs, the high cost of education and the availability of commercial technology all have to be overcome.

Figure 5 - Bioenergy employment in the EU (new net jobs FTE employment relative to base in 1995) (Source: EUBIA)



Employment-creation in the sector of biomass energy in particular is a challenge. Millions depend upon biomass energy as their main source of fuel not only for cooking and heating but also more importantly, as a source of employment and incomes. Various regions throughout the globe have documented various experiences. Certainly the potential for generating employment opportunities in modern biomass energy applications among developing countries is a topic worthy of serious study. It is imperative to understand the implications (and impacts) of these claims specifically from the socioeconomic point of view as it touches on fundamental aspects of the ways in which people live, gender, health, environment, poverty and rural development issues. Among developed countries, particularly in the EU, biomass energy (together with the other renewable energy technologies) is being promoted due to its potential contribution to energy security and environmental benefit (both local and global). Moreover, there is the realization that deployment of biomass energy has the potential for job creation, improved industrial competitiveness, regional development and the development of a strong export industry.

Serbia is well positioned to take advantage of growing commercial interest in renewable energy by developing its biomass industry. Serbia boasts a supply of agricultural and wooden biomass that is equivalent to $2,7 \cdot 10^6$ toe. Biomass offers considerable economic benefits. It has the potential to meet 40% of the Serbia's total coal energy production. Biomass has the potential to meet 30% of Serbia's energy needs while offering employment benefits to local communities in forested regions, which, among the others, includes Bor, Kraljevo, Prijepolje, Priboj, Vranje, Majdanpek, Kućevo, Zagubica, and Boljevac. Since some of these communities are located in some of the most underdeveloped regions of Serbia, employing the local population in activities related to wood waste could lead to a significant increase in jobs. Moreover, wood waste biomass could potentially serve as a substitute for fossil fuels, which Serbia currently imports. Serbia produces a considerable amount of sawdust and waste wood in saw mills and furniture plants that could be converted into high-energy pellets. There is a strong market for these pellets in Western Europe

During 2009 in Serbia was supposed to be put into operation six pellet facilities with a capacity exceeding 10 000 t/yr. Some of these companies entered the final stage before the start of production, and some are under construction.

Today, no major pellet facility (over 10 000 t/yr.) is working in Serbia. New locations for the construction of facilities for the production of pellets should avoid proximity to some of the existing pellet plants): Prokuplje, Negotin, Belgrade, Doljevac, Nova Varos, Bjelovar). Seven potential sites for a new pellet plant have been proposed, as shown in Table 7. As it can be seen from the table of the municipality with the highest possible pellet production (t /yr.) based on wood residues are Bor, Prijepolje and Novi Pazar. Selected sites would allow for production capacity of each of them larger than 10 000 t/yr. The assumption is that that the main part of raw material, which would consist of forest waste and waste from wood processing companies (mills), is to be collected only from the listed municipality territories, which means that transport distances would not be longer than 50 miles.

Table 7- Selected municipalities for potential pellet production, Serbia (Energy Saving Group , 2008, pp.50)

Municipalities	Forest Area (ha)	Possible pellet production (t /year) based on	
		Wood residues cutting in forest	Wood residues
Sremska Mitrovica	18 900	2 840	4730
Sid	21 370	3 210	5 340
Mali Zvornik	14 510	2 180	3 630
Krupanj	24 250	3 640	6 070
Loznica	36 205	5 430	9 010
Prijepolje	69 740	10 470	17 450
Priboj	36 060	5 410	9 010
Kraljevo	73 200	5 210	8 680
Novi Pazar	34 700	9 070	15 110
Raska	32 610	4 900	8160
Boljevac	31 700	4 760	7 930
Bor	80 600	12 100	20 170
Despotovac	34 910	5 240	8730
Vranje	37 060	5 560	9 270
Vladićin Han	16 200	2430	4 050
Surdulica	25 700	3 860	6430
Pirot	42 580	6 400	10 660
Babusnica	19 360	2 900	4 830
Bela Palanka	14 860	2 230	3710
TOTAL		97 840	163 010

Modern biomass systems are clean, efficient and safe. Application of such systems can also facilitate changes in biomass-based employment. Within short period of time, current consumption of more than 100 000 tons of coal to meet the need of heat energy production in all district heat plants in Serbia could be replaced with solid biomass, which would reduce dependence on fossil fuels, primarily on coal, and contribute to the sustainable energy development, that is inevitable.

Biomass utilization also opens the door to technology development, particularly for Serbian firms that produce stoves and boilers for the residential market and those that manufacture large industrial boilers. Local manufacturers of stoves and pellet boilers of biomass are: Bio-energy Point (www.point-group.com), Biotherm (www.biotherm.net), Alfa Plam (www.alfaplam.rs), Radijator (www.radijator.rs), Termoplin (www.termoplin.rs), Termomont (www.termomont.rs), and Kirka Suri (www.kirka-suri.com).

CONCLUSION

Although today, the primacy in fuel consumption is reserved for non-renewable sources of energy (due to opportunities to adjust consumers' needs, as well as to the relatively easy accumulation and transportation in natural form), the use of fossil fuels becomes more expensive, because of the smaller reserves and stricter laws of environment protection. Today, pellets are competitive to electricity, natural gas and light fuel oil in terms of convenience of use and reliability. However, considering current price of pellets and fossil fuel, using of pellets is not always justified. Pellet production costs depend on the type of forest assortments and collection techniques, types of lines and pellet mill technology, performances, the value of buildings and equipment, transport, storage and packaging methods. Economically acceptable price of pellets would be below 100 €/t, which is an exceptional case - when the chips are produced in the wood processing industry. As a result of the previous analysis we can conclude that the investment in the production of wooden pallets in Serbia is a very attractive solution financially, especially for companies engaged in wood processing. Others who want to be involved in the production of wood pellets in the future are likely to face a potential shortage of wood waste, due to increased demand for wooden residues on the market. An encouraging trend is that in many countries policy makers are beginning to perceive the potential economic benefits of commercial biomass e.g. employment/earnings, regional economic gain, contribution to security of energy supply and all others. Among other renewables, biomass energy is the most labour-intensive technology and has the highest employment-creation potential. The level at which it can contribute depends on local demographic and economic conditions. Throughout the EU, biomass is being promoted due to its potential contribution to energy security and environmental benefit. Moreover, there is the realization that deployment of bioenergy has potential for improved industrial competitiveness, job creation, regional development and the development of a strong export industry. Investment cost per job created in the biomass energy sector is lower than average employment costs of industrial projects, petro-chemical industry and hydro-power. As Serbia moves closer to the European Union, renewable energy will appeal to domestic and international investors alike. The use of renewable energy will paint more progressive, noncarbon-friendly image of Serbia. An encouraging trend is that Serbian policy makers are beginning to perceive the potential economic benefits of commercial biomass e.g. employment / earnings, regional economic gain, contribution to security of energy supply and all others.

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PART V

SETORAL SPECIFIC ISSUES



MARKETING CONCEPT OF HUMAN RESOURCES MANAGEMENT IN THE HOSPITALITY INDUSTRY OF SERBIA

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Abstract

In terms of the global economic crisis, which despite all the negative economic trends monitored and lay off employees, as well as the impossibility of hiring new staff, the challenge is to find an industrial sector in which there is a possibility to employment educated human resources. In this context, the aim of this paper is to draw attention to the needs of hotels and tourism companies in Serbia for different profiles educated staff at all organizational levels. Although hotel's offer consists of older hotel buildings, which need to be restructure and make them more competitive in the market of hotel services, in recent years, new hotels have been built, which are part of the largest hotel chains in the world. Expected investments in the future and building new hotel facilities, because of the increasing number of arrivals of foreign tourists and businesspersons, requires professional, trained and knowledgeable personnel. The authors attempt to point out that in addition to formal education acquired during schooling, cooperation of educational institutions and hospitality sector in the domain of practical training, are important for staff to respond on consumer requests. Permanent increase in the number of tourists visiting Serbia, opens the possibility of educated personnel in the field of hospitality and tourism for self-employment, by building own accommodation capacities and organizing different events for tourists.

Key words: *Marketing concept, education, employment, human resources, hotels, tourism companies, self-employment.*

INTRODUCTION

In the modern business environment, the main factor of competitive advantage are employees, their development, abilities, motivation, and work experience. Without people and their potential, there is no organization of any successful business, because although all the organization's resources are important human resources, connecting them into a harmonious structure. Therefore, management of human resources is a strategically important area for any organization, as it pertains to the management of an organization's most valuable asset, and that the employees who contribute to the achievement of its objectives.

Human resources are the most important resource of enterprises in post-industrial society. This is especially important for companies operating in the service sector, such as hospitality and tourism. The quality of service that these companies provide to their customers (clients or guests) affects customer satisfaction and loyalty. The quality of service is the factor that distinguishes successful from less successful or unsuccessful companies in the service sector. Material component of every hotel or restaurant is only one factor of competitiveness; more important is the intangible component as service. The quality of service depends on the employees themselves, who are in direct contact with the client, and the quality of their education, training and experience. Therefore, management of human resources in the service organization is extremely important in order to ensure quality of service, and thus customer satisfaction.

The main characteristics of human resource management is focusing on the future, education and development of people in accordance with the future competitive position of the organization and its business needs, while eliminating the weaknesses in the direction of achieving the strategic goals of the organization.

FROM THE MARKET TO THE COMPANY

The modern business, followed by the integration of national markets into a single global market, intensifying competition on a global scale, forcing companies to look for new sources of competitive advantage. Marketing orientation has become a dominant business strategy that focuses on the needs, wishes and requirements of consumers, and finding ways to satisfy them, which is a prerequisite for business success of companies. This is especially important for service organizations, because their success, market position and profitability are a reflection of the quality of services its provide, from the standpoint of how customers perceive.

The marketing concept holds that the key to achieving organizational goals consists of the company being more effective than its competitors in creating, delivering, and communicating customer value to its chosen target markets (Kotler, 2001, p. 12). Business orientation of companies toward customers means that business starts where the customers are, and in the focus of companies is information which receives from its customers. The goal of business-oriented marketing company is to satisfy the consumers needs, desires and requirements, which is the key to business success, profitable growth and development of the company.

Marketing orientation in creating and defining business strategy is especially important for all service organizations (hotel companies, travel agencies and organizations, restaurants, etc.) In addition to the material components of each hotel, the service is advantage that hotels differentiate on the market, and its quality is measured solely by the customer. Service means any activity or benefit that one actor provides the other and that is essentially intangible and does not result in the ownership of anything. (Veljkovic, 2006, p. 6). Source of competitive advantage may be different requirements of consumers, however, it will fail if whole organization, all its parts, and the people who make it, are not included. Therefore, the management of human resources is extremely important in order to educate employees and their integration in unique structure, in order to satisfy the needs and requirements of consumers for the purpose of retention and loyalty.

Beside marketing orientation in business, that put the needs and requirements of consumers in focus, it is necessary to accept this principle from the market to the organization in management of human resources. Management of human resources involves several phases such as: planning of supply and demand for human resources, job analysis, recruitment of potential candidates, selection, socialization, training and development, motivation, health care, compliance with laws and regulations (Cerovic, 2011, p. 23). Planning and development of human resources is one part of science of organization, which studies all aspects of employment in the organization (Bogicevic, 2003, p. 3). Therefore, human resource starts outside the company, in the market, reviewing supply and educational level of available human resources for concrete companies needs. In this regard, we can say that the management of human resources begins or should begin even in schools and colleges. The aim of the author is to present educational structure of the population, educational institutions in the area, employment in the hospitality industry in Serbia, the needs for personnel of the hotel and tourism industry in the future. In addition, we will point out the necessity of cooperation between educational institutions and companies in the construction of the required educational background of staff, as well as employment opportunities and entrepreneurship in this industry, as a result of the increase of number of tourists and business people in recent years.

EDUCATIONAL STRUCTURE OF SERBIAN POPULATION

Education in Serbia comprises four levels: pre-primary, primary, secondary, and higher education. According to the data of the Statistical Office based on the census of 2002: the elementary school had completed 23.9% of the population, average 41.1%, higher by 4.5% and 6.5% high. Without education is 7.7% of the population. Based on the data, we see that the majority of the population has primary and secondary education. We can conclude that the educational structure in the Republic of Serbia is very unfavorable.

By the number of highly educated, Serbia is at the last place in Europe. In Croatia, 15% of the population is college educated, while in the U.S. and Japan, the proportion of highly educated people in the population is 40% and 50%, respectively. The Strategy of Development in Education in Serbia until 2020. has goal to increase the share of highly educated in the total population of 30%.

Educational institutions for the purposes of tourism and hospitality

Taking into account the small number of highly educated people in the total population and the need to increase their numbers in the future, there is an opportunity for the establishment institutions for higher education of different population profiles. The Ministry of Education launched a reform of education and professional development, in order to identify the needs of the labor market. Considering the hospitality and tourism has become more important industry sector in Serbia, with more pronounced need for qualified staff, we can expect changes in education policy in the schools and colleges involved in tourism and hospitality. Except a few specialized high schools for tourism and hospitality, there are a small number of schools involved in education in this area. In Serbia, there are departments in some universities in this area, and only a few faculties, specialized in hospitality and tourism, as follows: High School of Tourism, the High Hotel school, Faculty for Tourism and Hotel Business and Faculty of Hotel Management and Tourism.

Recognizing the needs of the hotel and tourism industry for educated staff the government has launched a project "*Education in Tourism*" in 2007. The project included eight programs: Hotel Business, Executive Program for the hotel business, Business tourist agencies, Financial operations management in tourism, Organization management of tourist destinations, Tourism destination management, Management in health tourism and Training program in rural tourism. Education included about 3,000 students, who are employing in the tourism industry and work on different hierarchical levels. The program has shown that employees themselves recognize the need for continuing education and training in order to follow modern trends and tendencies in the market.

SERBIAN TOURISM MARKET

According to the data of the Statistical Office in 2011, total number of employees in Serbia amounted to 1.746 million, of this number in hotels and restaurants worked 20.467 workers, and business travel agencies employed 2.993 workers. The share of workers in the tourism and hospitality industry in the total number of employees is 1.34%. The total number of enterprises in this branch is 3.077, out of 2.259 hotels and restaurants and 818 travel agencies. Taking into account that Serbia has 83.787 active companies, the share of tourism and hospitality industry in the total number of the company is 3.67%. These companies are participating in GDP with only 3%.

Table 1 . *The number of enterprises, employment and total income in the tourism and hospitality industry*

2011	No. of companies	Share %	No. of Employee	Share %	Total revenue (mil. din)	Share %
Economy	83.787	100,00	1.746.000	100,00	6.303.515	100,00
Hotels and restaurants	2.259	2,70	20.467	1,17	38.041	0,60
Travel agencies	818	0,98	2.993	0,17	8.357	0,13
Total	3.077	3,67	23.460	1,34	46.398	0,74

Source: Statistical Office of the Republic of Serbia

Data released by the World Travel & Tourism Council (WTTC), in 2012. indicate that the total number of employees in the tourism industry of Serbia is 26.000, which is 1.5% of total employment. Indirectly, this industry employs 95.000 people, or 5.5% of the population. Expected growth of employment is to 29,000 by 2022., direct and 102.000 indirect employees, or 6% of total employment.

WTTC is the global forum of business leaders in the tourism industry, which consists of three areas: global activities, regional activities and economic studies involving current and future impact of travel and tourism on the national economy.

Table 2. Estimates & Forecasts – Serbia 2012-2022.

Serbia	2011 RSDbn ¹	2011 % of total	2012 Growth ²	RSDbn ₁	2022 % of total	Growth ³
Direct contribution to GDP	57,3	1,7	4,8	100,3	1,8	5,3
Total contribution to GDP	208,1	6,0	4,7	360,6	6,4	5,2
Direct contribution to employment ⁴	26,0	1,5	1,9	29,0	1,7	0,6
Total contribution to employment ⁴	95,0	5,5	1,7	102,0	6,0	0,5
Visitors exports	72,1	6,0	9,7	144,2	6,0	6,2
Domestic spending	79,8	2,3	0,6	129,7	2,3	4,9
Leisure spending	144,0	4,2	5,5	252,0	4,4	5,2
Business spending	19,3	0,6	-2,0	31,2	0,6	5,1
Capital investment	18,6	2,5	7,2	29,7	2,4	4,1

¹ 2011 constant prices & exchange rates; ² 2012 real growths adjusted for inflation (%); ³ 2012-2022 annualized real growth adjusted for inflation (%); ⁴ '000 jobs.

Source: World Travel & Tourism Council (WTTC), 2012

As Table 2. shows the total contribution of Travel & Tourism to GDP was RSD 208.1bn (6.0% of GDP) in 2011, and is forecast to rise by 4.7% in 2012, and to rise by 5.2% pa to RSD 360.6bn in 2022. Expected investment growth rate in this sector in Serbia is 7.2%, which is twice more than the world average in 2012. Interest is forecast that the share of tourism in GDP in Serbia grow above the world average in the period 2012-2022.

Ministry of Economy and Regional Development, Department of Tourism, announced, that the past several years have increased the number of tourists, especially foreigners, which resulted in increased revenues from tourism. The income of tourism in 2010 was 604 million euros, while in 2011 grew to 710 million euros, representing a growth of 17.4%.

Table 3. Number of tourists in Serbia

Period	Domestic	Foreign	Total	Index
2009.	1,375,865	645,301	2,021,166	100
2010.	1,317,916	682,281	2,000,597	106
2011.	1,304,443	764,167	2,068,610	112
I-VIII 2012	880,746	540,696	1,421,442	106

Source: Statistical Office of the Republic of Serbia

Looking at the hotel offer can be concluded that most of the buildings are lower category, hotels with three, two and one star, whose share is 74.6%, while 22.1% were four-star hotels and 3.2% the five-star hotels. If we add to this the fact that the average age of the hotel building is 42 years and that generates income 2.5 times less than the international standard for the same average category, we have a clear picture that the offer is not in line with market requirements.

Table 4. *Share of the hotel category in the hotel supply in Serbia*

Hotel Category	2010	2011	2012	Number of hotels (2010)	Number of hotels (2011)	Number of hotels (2012)
*****	3,6%	3,8%	3,2%	9	10	9
****	18,1%	18,5%	22,0%	45	48	61
***	35,3%	33,8%	33,9%	88	88	94
**	33,3%	33,8%	31,8%	83	88	88
*	9,6%	10,0%	9,0%	24	26	25
Total	100,0%	100,0%	100,0%	249	260	277

Source: Ministry of Economy and Regional Development

These data are encouraging, but require a planned approach to improving tourism and hotel supply, both in the area of infrastructure (construction of new and reconstruction of existing facilities, new tourist activities and animation), as well as the education and training of personnel who are ready to satisfy all costumers requirements and wishes with quality service.

The current state of human resources in the hospitality of Serbia

The qualitative aspect of skilled personnel can be looked at the SWOT analysis matrix of human resources and labor markets in the tourism and hospitality industry in Serbia. Application of SWOT analysis provides a comprehensive evaluation of the environmental opportunities and threats in the market, as well as their compliance with the strengths and weaknesses of human resources and labor markets.

Table 5. SWOT analysis of human resources and the labor market in Serbia

Strengths	Weaknesses
<ul style="list-style-type: none"> • Positive attitude of the population towards tourism and hospitality • The mentality and tendency quality of service • The quality and reforms in the system of general education • The tradition of higher education in the field of tourism • Diversification of vocational education to the professions • The establishment of private schools and universities 	<ul style="list-style-type: none"> • Insufficient awareness of the population about the potential employment in the hospitality and tourism • Lack of qualified international hotel and tourism manager • Lack of staff in new professions (animations, entertainment .) • Lack of labor mobility • Inflexibility employment system
Opportunities	Threats
<ul style="list-style-type: none"> • The availability of European funds aimed developing human resources base • The application of European laws and solutions in the field of labor and employment • The interest of foreign educational institutions in the field of tourism and hospitality in cooperation with Serbia • Internet access educational information and intelligence systems in tourism 	<ul style="list-style-type: none"> • Low quality of services and increase the level of customer dissatisfaction • Slow growth in productivity and performance of the Serbian tourism and hospitality in initial stage of development • Loss of starting a competitive advantage and advantages in the field of human resources in Serbia

Source: Tourism Development Strategy of Serbia, 2005, p. 95

In the Strategy of Tourism of the Republic of Serbia until 2015., a special emphasis has been placed on the lack of qualified international hotel and tourism managers and the need to build appropriate educational institutions for training future employees according to international standards. In addition, special attention has to devote tourism employees to their continuing education and training, in line with market requirements. One of the weaknesses is the lack of adaptation of curricula to new demands of tourism and hotel industry. As one of the most important factors of effective policy development of tourism and hospitality, is need to reform the education system to international standards. Accordingly, we conclude that the necessary changes in the education system in line with the needs of the market and the economy, in order to create human resources that are required in economy. Paradoxically, in Serbia, the unemployment rate is 25.5%, on the one hand, and on the other hand, employers cannot find staff in the labor market adequate educational background. This fact indicates the necessity of cooperation between the state, educational institutions and industry in creation educational policy in accordance with the requirements of the economy.

In this context, we talk about marketing concept of human resource management in tourism and hospitality industry. Access from the market to a buyer, who is the foundation of the marketing concept, involves understanding customer needs and their satisfaction. If in this case we look at the company as customers who are looking for human resources in the labor market, which will satisfy the needs of companies and personnel whose education and experience match the job description the company needs, it is clear that this is a marketing approach to human resource management. Companies are beginning their personnel policies in the labor market, identifying supply personnel and the need for them within the company. Only when identifying personnel who have the necessary competencies, access to the selection process and recruitment.

However, the essential problem for companies in the hotel and tourism industry is the lack of qualified staff appropriate profile for their needs. The cause is non-planned and non-market approach to education of future employees. Serbia does not have a professional care for young people in terms of perception of their desires, motives, and opportunities and skills in education. After compulsory elementary school, secondary school choice and faculty is a matter of personal choice. There is no state level guidance policy of children and youth by an occupation, that is in accordance with the requirements of the labor market. It is necessary that at the end of primary school, test capabilities and interests of each student. Based on the test results youth should be directed at the general secondary school or a special type. The same practice should applied in the selection of faculty. Thus would be performed early selection of young people in accordance with their knowledge, preferences, motivations and abilities to certain occupations.

Such a policy would contribute to create an optimal supply of personnel to meet the needs of the economy and employment. Longer term, this market approach would lead to directing youth towards occupations that are needed economy and reduce overproduction of staff that is unnecessary. Implementation of this program involves cooperation between the state, business organizations, and educational institutions. Ignoring this concept led to existence a large number of unemployed doctors in the labor market, while faculties does not reduce the number of medical students. On the other hand, the economy lacks all educational profiles in the construction industry, but the young are not direct to these occupations. In addition, there is a large number of unemployed economists the labor market, while hotels cannot find a receptionist or front office manager with formal education in the field of hospitality.

STAFFING NEEDS OF THE HOTEL-TOURISM INDUSTRY

The hotel industry in Serbia has a long tradition. The construction of the first hotel in Belgrade 1843rd year, which named "Staro zdanje", later renamed the Grand Hotel, sponsored and built Prince Mihailo Obrenovic. At the end of the nineteenth and early twentieth centuries, many hotels built, which today create a unique image of Belgrade and Serbia, such as the Kasina, Moskva, Balkan, London.

However, political and economic factors, last twenty years have caused slower development of hotel business in Serbia. A small number of well-known hotel chains that operate in the market, such as the Hyatt, Holiday Inn and the new investments that are expected in the future, such as building Falkensteiner and Marriotts in Belgrade, Serbia hotel services characterized by the old buildings that do not achieve any approximate operating results compared to the competition. Due to the closure of the market, restructuring and privatization process was delayed, thus was not significant investment from home and abroad, which led to inadequate and non-competitive supply in the hotel industry. (Sekulic, Mandaric, 2012, p. 46-47).

The Strategy of Tourism of the Republic of Serbia, defined conditions for the development of hotel business: 1) taking the necessary measures to attract global hotel chains in order to increase supply by building modern high class hotels in major cities (Belgrade, Novi Sad, Kragujevac, Nis), as well as a number of hotel chains, regional importance especially in spa centers; 2) Complete privatization of existing hotel companies, reconstruction, modernization of hotel and tourist services with international standards and classification; 3) The emphasis is on the lack of qualified international hotel and tourism managers and the need to build appropriate educational institutions for training future employees according to international standards.

The expected increase in investment in this area, due to the opening Serbian market to the European Union, growth in the number of visits of foreign tourists and business people and the arrival of the world famous hotel chains are important factors which require existence of highly skilled professionals for the hotel industry.

In Belgrade in 2009, was organized the business forum of major hotel managers in Serbia named "*Careers in Hospitality*". The conclusion was: "there are no one to manage hotels", actually there is a insufficient number of highly skilled professionals for the hospitality industry. In doing so, it is not important only diploma faculty, more important is practical experience acquired during education. According to framework data, about 300 students annually in Serbia receives a diploma of higher education in the field of tourism and hospitality, but the confirmation of this knowledge is only the first step, since the necessary practice, work, further training and gaining international experience.

The lack of staff is a result of adverse economic and political factors in Serbia 90-ies. Sanctions, civil war, the disintegration of the former Yugoslavia, have resulted in the collapse of the entire economy, including hotels and tourism businesses. Large companies that operated in the single Yugoslav market, such as *Putnik* and *Yugotours* were well-known in the European context. Due to all the negative circumstances, there was an outflow of quality personnel. A similar situation was with the hotels. In Serbia, until recently, there were only two hotels that are operated by world the highest standards; Intercontinental and Hyatt. All the other hotels affected by the crisis and business conditions in the isolated and closed markets left without guests and investments, which led to layoffs and outflow quality personnel.

With the opening of Serbian market and rapprochement with the European Union, in recent years, there has been a gap between the needs of hotel and tourism industry and the current supply of staff in the labor market. Lack of employment opportunities in this area in previous years, has led a small number of students to schools of this type. In addition, inadequate basic education in previous years, lack formal education and lack of practice have meant that our market cannot provide a large number of qualified managers who are required by international hotel chains.

In early years, schools and faculties for tourism and hotel business are enrolling worse students. In recent years, the situation has changed, so that these schools are attending better students. Based on the analysis of the data of the Faculty of Hotel management and Tourism in Vrnjacka Banja, in the last two years, there has been double increasing number of applicants for admission to the faculty. In sum, average score achieved success in secondary school applicants increased, and among the candidates has also increased the share of excellent students.

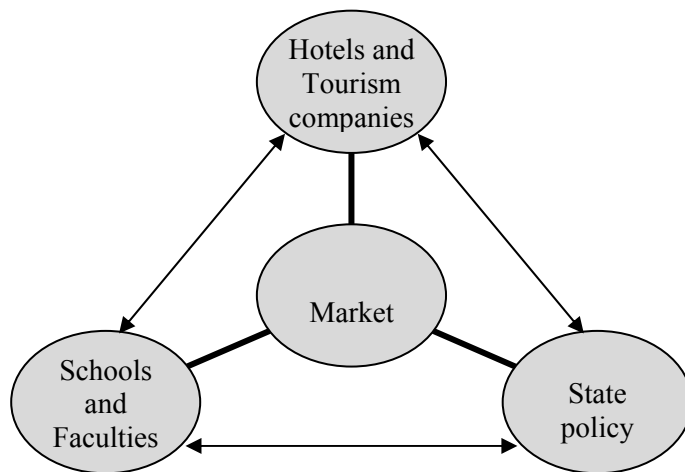
THE NECESSITY OF COOPERATION OF ECONOMY, GOVERNMENT AND EDUCATIONAL INSTITUTIONS

Lack of qualified staff for the hotel and tourism companies in the Serbian market is a serious problem. As eminent experts in this field emphasized the importance of this problem, its solution is vital. The cooperation of government, hotels, travel agencies and organizations, educational institutions and other interested stakeholders is necessary.

Diagram 1. shows the connection of hotel and tourism businesses, educational institutions and government through the market. Appreciation of market requirements should be the focus of all stakeholders, including the coordination of plans, programs, instruments and activities of all those involved. This cooperation requires creation of state education policy that will monitor the long-term supply and demand for different profiles of human resources. In this way, professional orientation of youth would be performed to the deficient occupation (short supply), based on their preferences and capabilities.

Educational institutions should cooperate more intensively with the tourism industry and hotel companies. Curriculum should be based on the needs of the company and change in accordance with changes in the market and business trends. Besides the practical teaching of pupils and students, indispensable is practice or training for teachers and professors. As well as to enhance their curriculum and students gave an answer to the question "how is it in practice and how companies really work?" Imagine a teacher who told students about manually managing guestbook, when today hotels guestbook are leading electronic using the most advanced computer systems such as Brilliant or Micros-Fidelio.

Diagram 1. *The relationship and coordination between businesses, government and educational institutions*



Source: Analysis by Author

Hotels and Tourism companies are looking for employees of different profiles in the market. Qualified staff are the main competitive advantage and significant resource service organizations. What makes a successful service organization is exactly the quality and level of service it provides to its customers. Responsibility for the service quality and customer satisfaction is just the employees. In this segment, require the cooperation of hotels and tourism companies on one hand, and high schools and colleges on the other. The problem that arises in organizing a practical education lies in the nature of work in hospitality sector, where the largest volume of engagement employees are necessary in the evening and at night, Saturdays and Sundays, which is not in accordance with existing law, which specifies term when pupils and students may be at practice. Although, there is a practical training in some companies, it is necessary to align program practices

schools and colleges with the specific needs of companies and deficient professions. Youth should be actively involved in the companies operations, which would allow them at the end of the formal education to obtain employment.

In recent years, there has been rapid development of the hospitality industry in Serbia, which requires an increase in employment in this field. According to the announcement, in the future, only in Belgrade, is expected to build 1.000 new hotel rooms. Based on the standard employment in five-star hotels "*one room - one employee*" only in the capital are needed 1.000 professional staff.

Lack of qualified personnel for the hotel and tourism companies in Serbia has been recognized by companies that are professionally engaged in education and training of professionals for the hospitality and other service organizations. Entry IFH Institute is a signal of large market potential of Serbia, but also recognized the problem with professional human resources for the needs of modern businesses in the service sector. This famous European Institute organizes training programs ranging from- how to answer a business phone call, through specialized training for finance, reservation systems, appearances at trade shows and fairs, to the very sophisticated and exclusive training for top management.

In 2008. was founded the organization to promote Serbian hospitality and gastronomy (HGS). The initiative for the establishment of such an organization of hoteliers and restaurants in Serbia lies in the fact that the country does not have adequate business association, which will cover all the needs of the hotel industry. HGS has three main objectives: training employees, creating a unified database of all those involved in the hospitality industry, as well as stock market job creation and potential candidates.

How important is human resources is the fact that some banks prior approval of the loan seek from investors a list of managers or signed contracts with management companies, which in the long term manage the hotel. Thus, banks conditional investors, because it is not enough to make a hotel building, more important question is who will manage the hotel.

The importance of employee training indicates the research in 1998. year, which shows that the budget the largest hotel company in the world dedicated to training of employees was increased by 16% over five years. Part of the budget that hotel chains are spending on training is relatively small, 1.9% of the operational budget. In developing countries, hotels don't allocate substantial resources for training employees, as is the case in developed countries. However, it is interesting that a large hotel chains allocate more resources for training in developing countries than in developed countries, because in developed countries the level of education and qualification of personnel is higher. (Spasic, 2003, p. 232-233)

A good example organization of practice and training of new employees and students are Hyatt and Holiday Inn hotel and travel agency Kon-Tiki Travel.

Hotel Holiday Inn founded in 2007. in Belgrade. Employment policy differed

greatly from the employment policies of other companies, which insist on years of experience in this sector. Employees are people who had no or very little experience in the hotel industry. The reason for this policy is the attitude of management that easier and better is to form employees through own rules and policies in accordance with the hotel brand, if they did not work in the hotels. Most of the employees just graduated from college and this was their first job.

In selection process of candidates emphasis is on service, willingness to satisfy different requirements, teamwork, verbal and nonverbal communication. Personality of candidates, smile and cheerfulness are the prerequisites for work on the reception, bar and restaurant. Also, all employees are familiar with all departments within the hotel. In addition to formal education through training, Holiday Inn invests in its employees in the field of formal education, paying bachelor and master studies. Priority hotel investment in employee development through improving the level and quality of service, because employees and providing services are the most important forces in today's hospitality industry.

Hyatt Regency operates in Belgrade since 1989. Hyatt believes that the most important asset are their employees worldwide. The mission of Human Resources is responsible attitude towards employees, who need to ensure ethical work environment. For all new employees is organized general orientation training to obtain all the necessary information concerning the hotel operations, departments, tasks and activities in order to fit quickly in new environment. Hotel used to give new employees Welcome Kit. This booklet contains details about the training, examination topics for training, facility map, and important phone numbers. For employees who already work, hotel organize training for staff which are in direct contact with guests, employees in the sales department, managers and employees with potential for further development. Sometimes the training carried out abroad, in Hyatt's hotels around the world. There is interesting example of cooperation between Hyatt and the Harvard University. This cooperation enable e-learning, and all of Hyatt's hotels are able to give their managers a wide range of quality on-line courses in leadership and management. This program allows managers to self-improve and advance in their careers.

In the Serbian market, Kon-Tiki is a leading tour operator, which founded its own training center in 2007., with the aim of training and employment in the field of tourism. Training includes familiarization with the agency and ways of doing business, tourist destinations and their offerings, introducing a computer system that enable to monitor vacancy in hotels and airplanes and method of calculating prices. The last part of the training involves working in a call center, answering the phone, communicating with clients, booking arrangements and transportation. Kon-Tiki's practice is to keep the best students in the agency after the summer season, and employ them, as an illustrative example of the recruitment and selection of staff.

EMPLOYMENT OPPORTUNITIES IN THE HOSPITALITY AND TOURISM OF SERBIA

Based on data on growth in the number of tourist arrivals and overnight stays in Serbia, increase in foreign currency inflows from year to year, bringing Serbia closer to the European Union, WTTC forecasts until 2022. which heralding the growth of investment in this sector and increase the share of tourism and hotel industry in GDP, which will cause an increase in employment, we find that the hotel and tourism companies, as well as the whole branch has the bright future.

However, in addition to infrastructure problems, the main deficiency in this area is the lack of qualified staff. In this regard, should to be improved cooperation of all interested stakeholders (companies, government, educational institutions and so on.), in order to obtain highly skilled professionals for the hotel and tourism industry. Except to formal education, that gained in schools and colleges, through a collaborative process of educational institutions and companies, pupils and students should get the necessary knowledge and practical experience, working in various positions in hotels, travel agencies and organizations. The quality and performance that young people have in practical activities could be a key reference for the employer, which would employ them.

Furthermore, growth in the number of visits of foreign and domestic tourists, and government policy in the direction of further development of tourism, creates opportunities for trained staff for self-employment. Besides the traditional tourist places such as spas and mountain resorts in Serbia, where tourism has a long tradition, more important is development of rural, ethnic tourism and special forms such as culinary and wine tourism. Adoption of the *Master Plan for Sustainable Development of Rural Tourism in Serbia*, rural tourism has gained an important place in the tourism development strategy. Evaluation of the World Tourism Organization is that rural tourism has great potential in Serbia. This is supported by the fact that 85% country is rural area. The Master Plan predicts that Serbia should has about 68.000 places in the rural areas with developed base to provide tourist services by 2020. The interest of tourists, especially foreigners for the history, cultural heritage, customs, untouched nature, active holidays and their involvement in various events, allowing the development of entrepreneurship in this area by establishing own accommodation, excursions and organizing various events.

CONCLUSIONS

Service organizations, including hospitality and tourism are activities where consumer satisfaction is directly relate to the quality of service that they provide. In this context, the employees who are in constant contact with customers (guests, clients) are the most important competitive weapon of hotel and tourism companies, because the quality of service depends on the education, training, motivation and experience of the employees who deliver the service.

Marketing concept of human resource management for the hospitality industry in Serbia highlights the need of creating and implementing a uniform policy by government, hotel and tourism industry and educational institutions in the direction of managing supply and demand for human resources, as well as their formal education and training toward their employment in accordance with the contemporary market needs and challenges.

Markets principles should be the focus of all participants in tourism and hospitality market. The goal of high schools and colleges should not only be entering a large number of pupils and students, but attractive curriculum based on business practice, in order to enable pupils and students to work in the industry. The government through monitoring market trends should direct youth toward deficient occupations in the labor market, which would allow easier and faster employment in the profession at the end of school and college. Companies in the labor market looking for potential candidates to get hired, and who also have an education that is in line with contemporary challenges and business principles. In this domain is needed the solid cooperation between educational institutions and industry in provision of adequate practices for youth in hotels and tourism businesses, as well as periodic practice of teachers who would implement modern business concepts in their curricula.

Thus we would provide educated and qualified human resources in accordance with the needs of the hotel and tourism industry and the labor market, which according to the current state in this branch, expected growth trend of investment and the number of tourists and business people in the future could be employed in tourism and hospitality. Also, the incentives of the Serbian government create the space for development of entrepreneurship and self-employment in this industry by establishing own accommodation and organizing various activities, excursions and events.

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ANALYSIS OF THE INSURANCE MARKET IN SERBIA DURING THE ECONOMIC CRISIS

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Abstract

In recent years there has been a collapse in the U.S. Financial System, which had a negative impact on global economic and financial system. The financial crisis has spread rapidly and had devastating effects on the global economy: a large number of companies went bankrupt and millions of people were left without a job. Serbia, as a country that is going through a transition period and belongs to the group of developing countries, indirectly felt the domino effect of the global financial crisis.

The first visible signs of the global economic crisis in Serbia have been identified in the financial sector (decrease in liquidity and difficult reform of financial institutions), first in the capital market in the form of the withdrawal of foreign investors. In the past few years (before onset of the crisis and the recession) the financial system of our country was rapidly developing, modern legislation was introduced and new financial institutions that have contributed to the maintenance of macroeconomic stability were established. The data from Serbia shows that from 2000 to 2010 significant real growth in gross domestic product with an average growth rate of 5.4% per annum was recorded. However, with the beginning of the global economic crisis, the decline in living standards and reducing the GDP of 4% are a bad sign for the financial sector and insurance industry, which, before the onset of the crisis, were developing a bit faster than expected.

Compared to the average of the EU countries where the insurance premium per capita was 2.009 Euros and made 8% of GDP, total premiums per capita in Serbia in 2009 was only 76 Euros, and it accounted for 1.9% in gross domestic product; in 2010 it amounted 73 Euros and accounted for 2% in gross domestic product.

Key words: *insurance, market, economic crisis in serbia*

FACTORS AFFECTING THE INSURANCE MARKET

The insurance market is a very important element in the financial sector and plays a significant role in its development. A number of factors affect the insurance market and its growth and development depend on them. Basically factors can be divided into two groups. The first group includes factors that insurance market participants do not have influence on while determining the strategy of development and growth of insurance, and in the second group we can place the factors that we can have influence on, and, in that way, affect the growth and development of the insurance market.

Factors of growth that we do not have influence on

Factors that we do not have influence on when deciding on a strategy of growth and development when it comes to life insurance market in Serbia are:

1. Changing the behavior of institutional systems: Pension Fund, Health Insurance Fund;
2. Gross domestic product;
3. Cuts in public spending;
4. Changing perceptions of responsibility and
5. Legislation and regulators.

Each of these factors requires a brief elaboration.

First, the existing system of social and health care for the citizens, based on a socialist, or rather historical, Bismarck model of intergenerational solidarity, in which employees set a part of their income aside to pay pensions to people when they deserve it and retire, cannot function anymore. Bismarck model of social and health care was launched at the end of the 19th century in a united Germany by Chancellor's decision to help the working class in meeting their health problems, accident insurance, and receiving pensions. The model is based on the principle that 8 people worked and just one of them enjoyed his pension. Since then, the model has taken root in many European and non-European countries where the labor force greatly exceeded the number of pensioners.

This situation began to change dramatically in the late twentieth century, and it culminated in the first decade of the 21st century by the fact that the unemployment rate is rising even in the most developed countries, but when it comes to Serbia, the data were devastating. Recent reports suggest that the ratio of the number of employees vs. retired is 1, 16:1 for the benefit of employees (Agency for Statistics of Serbia, January 2010).

Thus, the model collapsed by itself, that is, soon we will not be able to make even a simple transfer of collected funds to retirees, because their number will increase, and the influx will not cover the liabilities and expenses that such system entails. Because of that, in Europe and the region, activities about so-called three financial pillars that solve this crisis started a long time ago.

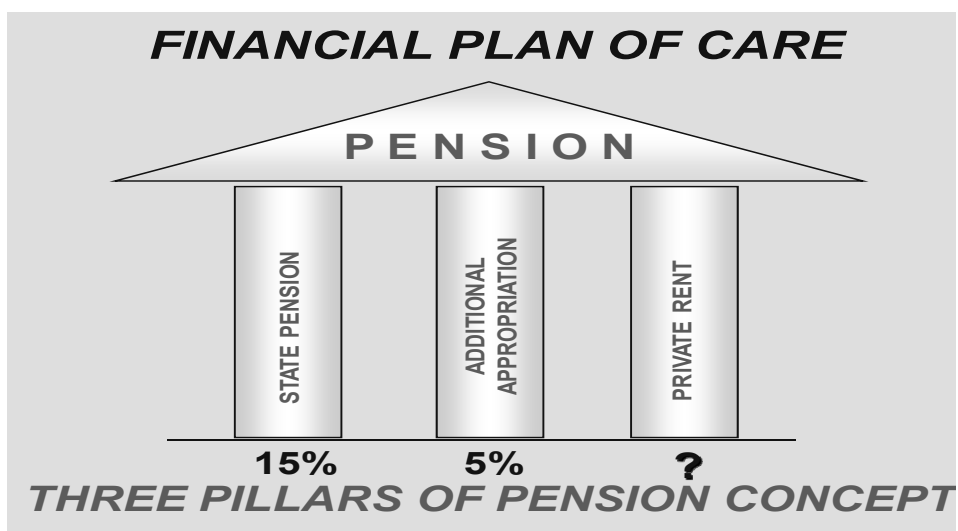
The first pillar, until its complete closure, would be an investment in the existing fund and the system of intergenerational solidarity, which means the required separation which should be reduced to 15% from the current 22% in Serbia.

The second pillar of financial security should be voluntary pension funds, which would be created by banks, insurances and other Institutions and which would be managed in a way where transferred funds are fertilized and where the invested assets of the citizens are attributed to some profit. Proposed and used percentage would be about 5%.

In the region (Croatia, Slovenia, Slovakia, Hungary), this model was issued as mandatory by the state; that is, companies had to set aside 5% of the income in these funds, but the employee himself decided which fund he wants to set aside in. Unfortunately, these funds and this model experienced a fiasco and collapse especially in 2009, when the global financial crisis occurred because the bulk of the funds were invested in stocks and funds, whose value dropped dramatically at the securities market in 2008 and 2009.

The third pillar of finance ought to be presented by voluntary pension funds where the best form of investment is a mixed life insurance which has the character of savings and where the insurance company manages a portfolio of life insurance by investing in insurance premiums in the various sources through making risk diversification according to issued models which are regulated by the law.

Graph 1: Three pillars of pension concept



Disadvantages of this model are that insurance companies currently can do little or have no effect on the transition in this direction, regardless of a slight increase of impact that life insurances have at the total insurance market. In developed countries, the share of life insurance compared to non-life insurance was 60:40 in favor of life ones, and in Serbia, on 31st December 2010, the ratio was 83,5:16,5 in favor of non-life insurance.

The situation with the Health insurance fund is even worse, because the costs of medical care, diagnosis and treatment costs are being dramatically increased by the introduction and use of more sophisticated methods of treatment, and soon, recently proclaimed definition that a medical treatment is free of charge, will become just a mere fiction, because treatment is not free nor accessible to everyone any more.

The situation is especially complex in urban areas where almost 40% of the population, according to unofficial data, has no health insurance.

The existing health care system in Serbia is additionally burdened by legal regulations. Here, also, a part of the answer could be found in cooperation with insurance companies and private health care practice, but so far there is little understanding for possible cooperation, even though it is considered as inevitable.

The factor on which we currently do not have impact on is GDP per capita, which, among other things, shows the ability of the population to participate in solving their own social and health problems. Data for the year 2010 show that GDP in Serbia was 43.6 billion USD. In 2009, it was 42.9 billion USD, which is an increase for about 3% compared to 2009 (www.stat.gov.rs).

Table 1: GDP in Serbia in the last 10 years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP in billions of USD	8,7	11,5	15,3	19,8	23,8	25,3	29,7	39,9	49,3	42,9	43,6
Increase of GDP in %	4,5	4,8	4,2	2,5	8,2	6,0	5,6	7,1	5,6	-4,0	1,9
GDP per capita in USD	1.160	1.536	2.036	2.640	3.186	3.408	4.009	5.387	6.685	5.808	5.898
BDP (PPP) per capita in USD	5.713	6.177	6.512	6.857	7.638	8.357	9.141	10.071	10.821	10.635	10.897

Source: www.nbs.rs

What effect it has on the life insurance market is best shown by the data on the share of insurance premiums in GDP in the countries that dominate in the insurance world and in the countries of the region (the first 6 countries are arranged by size of GDP) (SIGMA - Swiss Re - no 2/2011) which are shown in Table 2.

The table shows that here the leaders are: the UK with 8.9%, Japan with 8.17%, and France with 7.43%, and then the U.S. with 3.50% and China with 2.51%. The table shows that Serbia and the former Yugoslav republics are at the very bottom according to the participation of the insurance premiums in GDP. This small share of life insurance in GDP in the countries of former Yugoslavia clearly shows that this factor can not be influenced, that is, the realization of the importance of life insurance for the increase in GDP is not satisfactory. Of course, the enormous potential that can be properly utilized can be found in this segment.

Table 2: The first 6 countries arranged by size of GDP

2010					
Country	Population in millions	GDP in USD billions	GDP real change (in %)	Life insurance premium per capita in USD	Life insurance premium in % GDP
USA	310,2	14.490	3,0	1.633,3	3,50
China	1355,2	5.708	10,5	105,5	2,51
Japan	127	5.485	2,5	3.529,9	8,17
Germany	81,8	3.278	3,5	1.391,9	3,47
France	64,9	2.561	1,4	2.930,3	7,43
UK	62,2	2.255	1,2	3.223,3	8,90
Austria	8,4	380	2,4	1.194,1	2,64
Croatia	4,4	61	-1,2	100,8	0,73
Slovenia	2,1	47	1,2	423,9	1,84
Serbia	7,3	40	1,8	15,2	0,28

Source : Sigma Word insurance in 2010, No 2/2011, January 2012

The factor that we do not have an impact on is the cuts in public spending. When it comes to Serbia, these indicators are perhaps the most devastating. Public spending is expenditures or public sector costs. It includes budgetary, fund and other extra-budgetary public expenditures. So far, the data on public spending, which relates to budgetary and extra-budgetary fund expenditures in Serbia, have been published only by the National Bank of Serbia.

The next factor that we do not have an impact on is population responsibility. Of course, this sociological phenomenon was caused by almost 50-year-old socialist way of management and thinking about strategic decisions. An average Serbian citizen thinks that the state is fully obliged to take care of his health and

social and financial status. This perception is changing slowly, but in a very painful way. Middle classes, which generated the creation of the new value, melted and turned into two polarized groups of the population.

The fifth factor has already been mentioned in the interpretation of the factors of changes of the perception of the citizens' responsibilities. In fact, without positive legislation in this area, we will not be able to expect rapid growth and development of this insurance segment.

Factors of growth that we have influence on- marketing development

Factors that we have influence on in defining strategies of market growth and development of life insurance in Serbia are related to the acceptance of the marketing strategy as a business philosophy of insurance companies which are engaged in the service.

What characterizes the marketing of financial services is a huge competition in this segment, resulting in an ongoing process of globalization on the world level, and the process of enlargement of companies, groups or systems by their consolidation through acquisition, association and joint appearances at the global and local markets.

In this respect, Serbia can be characterized as a market dominated by financial services offered by companies owned by foreign corporations, concerns, groups and associations.

Thus, for example, 5 leading banking groups (Unicredit Group, Raiffeisen Group, Hypo group, Intesa Sanpaolo Group and NLB Group) hold 80% of the banking market in Serbia (NBS Banking Supervision Department Report).

It is a similar situation in leasing and insurance companies, investment funds and brokerage houses in Serbia.

Life insurance in the world has become very important part of social protection and financial status of the population, especially in the later years of life. As the developed countries have realized the importance and necessity of such insurance, they have begun to stimulate this type of insurance which is experiencing steady growth and in some areas and regions even explosive one in the last 10 years and they have been doing it by taking legal and other measures. The driving force of this insurance is the fact that the premium life insurance may be linked to savings and thus may create a fund that can be invested in long-term development of the economy of each state. In this way, the accumulated funds under the state guarantee are directed into the development of infrastructure, employment and development of production and eventually make a profit, which is in many cases much higher than the profits in other financial investments. The tables below show the trends in life insurance premiums in the six most developed countries of the world and in some countries in the region.

Table 3: Trends in life insurance premiums in the 6 most developed countries of the world and regions in the mill. of U.S. dollars

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	World market share in % 2010
USA	443 413	480 452	481 527	494 818	499 112	533 649	579 215	578 211	501 675	506 709	20,21%
JAPAN	356 731	354 553	371 831	386 839	378 729	362 766	297 040	367 112	413 536	448 206	17,87%
CHINA	15 556	25 054	33 093	35 407	39 604	45 092	58 673	95 831	109 175	142 999	5,70%
GREAT BRITAIN	153 753	159 656	161 220	189 591	231 032	311 691	423 743	342 759	216 719	200 571	8,00%
FRANCE	75 676	80 411	103 947	178 813	150 472	177 902	189 626	181 146	193 950	193 133	7,70%
GERMANY	55 623	60 860	76 246	84 535	90 225	94 911	102 084	111 278	115 290	122 063	4,87%
AUSTRIA	5 162	5 321	6 469	7 695	8 854	9 018	9 874	10 831	10 335	10 013	0,40%
SLOVENIA	203	252	344	531	578	678	835	946	879	870	0,03%
CROATIA	111	146	201	260	319	373	463	515	471	447	0,02%
SERBIA	2	4	15	34	47	57	79	114	108	111	0,00%
THE WHOLE WORLD	1 445 776	1 536 122	1 682 743	1 848 688	2 003 557	2 209 317	2 441 823	2 490 421	2 367 419	2 507 715	

Source : Sigma Word insurance in 2010, No 2/2011, January 2012

The first 6 countries are treated as largest by the realized GDP. The six most developed countries (according to the size of GDP) make 64.35% of the total world market of life insurance. Secondly, Europe has taken primacy in the overall market with 38.10% of the world market share compared to Asia with 34.23% and North America with 22.21% of the world market share. Thirdly, countries in the region (Austria, Slovenia, Croatia) have an extremely fast market growth over the past 10 years. Fourthly, transition countries generally are becoming more and more powerful factor in the total life insurance segment. People's Republic of China, for example, from the 20th place in the list of the largest life insurance premiums in 1999 became a country no. 6 according to the premium size in 2008. Fifthly, the countries of the former Yugoslavia had a double-digit and three-digit growth over the past 10 years. (Serbia, with less than 1 million USD in 2000 came to 111 million USD in 2010.)

Why is all of this important for us in Serbia?

Guided by the fact that Serbia is willing and able to enter the European Union in the next 10 years, these processes are an essential part of that future economic growth. Life insurance has a clear function of social, health and financial protection of citizens, so that, at this time, there is no adequate alternative.

INSURANCE MARKET ANALYSIS IN SERBIA AND COMPARISON WITH THE COUNTRIES IN THE REGION

The insurance sector significantly affects the development of the financial system, but also the economy of the country as a whole, because it directly reflects the state and level of economy development. Starting point of the comparative analysis of the insurance market in Serbia and neighboring countries is that the domestic insurance sector is not well developed since it is, according to all relevant indicators, well below the average development in the member states of the European Union as well as in neighboring countries.

In this context, in order to determine the position and level of development of the domestic insurance market made, a comparative analysis of the structure of insurance in Serbia and selected countries in the region (Croatia, Bulgaria, Romania and Slovenia) and the EU27 Member States in the period from 2004 to 2010 was done. The three most important criteria in the insurance activity are:

- realized insurance premiums;
- structure of portfolios of insurance companies (life and non-life insurance)
- level of the insurance market development (insurance penetration and density);

Since the new insurance law clearly stipulated the legal framework for carrying out the insurance activity (which contributed to restoring public confidence in the insurance sector) in Serbia in 2004, this year, essential for the domestic financial market and the insurance activity, was taken as the starting point in the analysis.

Realized insurance premiums and structure of portfolios of insurance companies

Numerical values of the insurance premium as well as the insurance structure in the European Union, Serbia and selected countries in the region in the period from 2004 to 2010 are shown in Table 4. Total premiums of the European Union in 2008 grew by 13% compared to 2004, where, inside that aggregate rate, the growth of life insurance was 12.2% and non-life insurance 14.2%. Countries in the region were located well below the average of the European Union premiums, recording several times lower insurance premiums. For example, in 2004, Serbia had the insurance premium of only 318 million Euros, Bulgaria 428 million Euros, and Romania 614 million Euros. So, in this period, Serbia had the least developed insurance market with the lowest premiums in the region. Romania had the most dynamic growth of insurance premium in the observed period and, in the conditions of the global economic crisis, it managed to increase insurance premiums four times compared to 2004 and, with realized 2.403 million Euros in 2008, it had the highest insurance premium in the region. In 2009 and 2010, there was a premium decline which was a result of the global economic crisis influence. It is characteristic for Serbia that the premium was growing until 2008 and reached a value of 589 million Euros, and then, in 2009 and 2010 it had a slight decline as a result of the global economic crisis. It is interesting that in this period life insurance share was growing and it reached its maximum in 2010 with 16.5 percentage points.

Table 4: Insurance premiums and insurance structure in the European Union, Serbia and neighbouring countries in the period from 2000 to 2008 (in mill. of EUR)

	2004	2005	2006	2007	2008	2009	2010
Insurance premium	886.69	962.56	1.046.69	1.127.14	1.001.81	999.17	1.035.10
Life insurance	61,5%	63,3%	63,3%	65,2%	61,0%	61,5%	61,6%
Non-life insurance	38,5%	36,7%	36,7%	34,8%	39,0%	38,5%	38,4%
Insurance premium	318	406	485	566	589	558	536
Life insurance	7,5%	9,5%	10,6%	11,0%	12,2%	14,7%	16,5%
Non-life insurance	92,5%	91,5%	89,4%	89,0%	87,8%	85,3%	83,5%
Insurance premium	884	993	1.118	1.235	1.341	1.282	1.268
Life insurance	23,6%	25,8%	26,6%	27,4%	26,2%	26,4%	26,5%
Non-life insurance	76,4%	74,2%	73,4%	72,6%	73,8%	73,6%	73,5%
Insurance premium	428	554	571	769	926	850	813
Life insurance	12,1%	13,9%	16,6%	15,7%	15,3%	12,1%	13,5%
Non-life insurance	87,9%	86,1%	83,4%	84,3%	84,7%	87,9%	86,5%
Insurance premium	614	890	1.276	2.018	2.403	1.804	1.988
Life insurance	22,3%	26,4%	19,7%	22,2%	18,8%	12,7%	19,5%
Non-life insurance	77,7%	73,6%	80,3%	77,8%	81,2%	87,3%	80,5%
Insurance premium	1.457	1.547	1.726	1.894	2.019	2.070	2.094
Life insurance	29,4%	30,1%	31,3%	32,2%	31,8%	30,4%	31,3%
Non-life insurance	70,6%	69,9%	68,7%	67,8%	68,2%	69,6%	68,7%

Source: Calculation of the author, www.cea.eu CEA Statistics No.44, European Insurance in Figures, Brussels 2011, Annex I, www.nbs.rs, Supervision of Insurance Companies in crisis, 2010, Business Monitor, Serbia Insurance Report 2009, 2009, p.17, www.huo.hr The Croatian Insurance Bureau, Insurance market in Republic of Croatia in 2008 and 2009, p. 15

If we take into account the fact that in countries with a developed insurance market, share of life insurance in total insurance premiums is increasing year after year, it is not surprising that in the European Union countries this type of insurance has precedence over the non-life insurance. Unlike the European Union countries, situation in Serbia and the neighboring countries is diametrically opposite. For example, the lowest share of life insurance premiums was recorded in Serbia (from 7.5% in 2004 to 12.2% in 2008), and then in Bulgaria, Romania and Croatia. When it comes to Serbia, we must take into account the fact that the share of life insurance (Hanić H., J. Kocovic, 2006) in 2001 was less than 1%, and that a considerable progress in providing positive conditions for more dynamic development of life insurance was made in recent years. Slovenia recorded the largest share of life insurance in the neighboring countries about 31% in 2008, which is still twice less than the average of life insurance premium in the European Union member states.

According to Business Monitor International's analysis in the next five years, all the countries in the region will record the growing trend of insurance premiums, where Romania will have the most dynamic market growth in 2014 compared to 2009 (179.8%), Croatia (142.2%) and Serbia (91.7%) while Bulgaria and Slovenia will record significantly lower growth rates of insurance premiums (45.5% and 34.6% respectively). In terms of the global economic crisis, Romania had the biggest shocks at the insurance market with reduced insurance premiums for a record 15%. Only Bulgaria, among the countries in the region, recorded a positive growth trend in insurance premiums (3%) during the last year. However, the negative effects of the global economic crisis will hit the Bulgarian insurance market this year. Bulgaria should be the only country in the region that has a negative growth rate of insurance premiums (12%), while the other countries analyzed in this study, are gradually coming out of the financial crisis and achieving positive growth rates of insurance premiums (the highest growth is expected in Croatia, about 18%).

Table 5: Insurance premiums in Serbia and neighboring countries in 2009 with projections for the next period (in mill. of EUR)

	2009	2010	2011	2012	2013	2014
Serbia						
Insurance premium	584	641	732	864	988	1.120
% of changes (year on year)	-4%	10%	14%	18%	14%	13%
Croatia						
Insurance premium	1.247	1.472	1.731	2.052	2.495	3.020
% of changes (year on year)	-3%	18%	18%	19%	22%	21%
Bulgaria						
Insurance premium	884	775	862	997	1.126	1.286
% of changes (year on year)	3%	-12%	11%	16%	13%	14%
Romania						
Insurance premium	2.138	2.308	2.946	3.971	4.660	5.983
% of changes (year on year)	-15%	8%	28%	35%	17%	28%
Slovenia						
Insurance premium	2.214	2.281	2.368	2.587	2.731	2.981
% of changes (year on year)	-2%	3%	4%	9%	6%	9%

Source: Business Monitor Serbia Insurance Report 2010, 2009, p.20, Business Monitor, Croatia Insurance Report Q2 2010, 2009, p. 17, Business Monitor, Bulgaria Insurance Report Q2 2010, 2009, p. 17, Business Monitor, Rumania Insurance Report Q2 2010, 2009, p.17, Business Monitor, Slovenia Insurance Report 2010, 2009, p.17

INSURANCE MARKET IN SERBIA IN TERMS OF THE GLOBAL ECONOMIC CRISIS

Deep recession, which is the basic characteristic of macroeconomic ambience of Serbia in which insurance companies run their business, is the result of both domestic social-economic and world financial crisis. Before the Insurance Law and the establishment of supervising agency by National Bank of Serbia, domestic market of insurance was controlled by disloyal competition, lack of transparency of financial reports, absence of unique insurance statistic, a small number of insurance products and undeveloped segment of life insurance.

By adopting the Law on Insurance of Property and Persons (the Law on Insurance of Property and Persons, Official herald RS no. 55/2004), Bank Law (Bank Law, official herald RS no. 107/ 2005), the Law on Foreign Exchange (the law on Foreign Exchange, Official herald RS no. 62/2006), the Law on Payment Transactions (the Law on Payment Transactions, Official herald RS no. 43/2004, 62/2006) and the Law on Securities Market and other Financial Instruments (the Law on Securities Market and other Financial Instruments, Official herald RS no. 47/2006), a good starting position for functioning of financial system in Serbia has been defined. By becoming effective the new Law on Insurance, the National bank of Serbia took control and supervision on insurance companies that Ministry of Finance did until May 2004. Insurance functioning on domicile market, besides the

Insurance Law, is also regulated by other legal sources, bylaws and regulations that the National Bank of Serbia has set with the aim of protecting insurance users and improvement of insurance functioning. Besides, the new law has clearly issued legal regulations that contributed to reestablishing citizens' trust in the insurance sector, which did not exist in the past years because of economic and political instability in the country.

By Insurance Law, life insurance and non-life insurance, insurance and re-insurance, are demarcated, capital census for all kinds of insurances is enlarged and the entrance of foreign investors is legally enabled. By bringing new law insurance company can get a working license only from the National Bank of Serbia (for doing business of live and non-life insurance).

Serbia is working actively on integration in European Union, and in order to become its equal member one of the conditions is adjustment of legal regulations to EU instructions. According to lawyers and experts in the insurance area, domestic insurance law is basically qualitative. However, certain corrections have to be done in order that our country more easily integrates on EU insurance market. In other words, for countries that want to modernize their legislature in the area of insurance is important to know and adjust legal regulations with European countries that apply them for years. In comparison with regulations of European countries our insurance law is very modest. It is incontestable that European legislature has helped insurance development, not only in the countries that are members of European Union but also in other countries that have accepted this legal regulative in the insurance area. That Serbia could join EU in the insurance business it must comply with the following four conditions (Balaban M. 2008):

- possibility of free entry on the market for foreign investors;
- abolition of price control;
- regulation of minimum necessary capital;
- establishing of professional supervisory agency in the insurance sector.

The rate of insurance market development

In the last five years domestic insurance market, although it enlarged insurance premiums more than twice, in comparison to other Western European countries it belongs to a group of undeveloped markets. The level of insurance development measures on the basis of two indicators: premium per capita (indicator of ability to make payments request, and at the same time it indicates insurance density) and share of total accomplished premium in gross domestic product (*penetration*). In relation to the average of countries that are members of European Union (in which the insurance market is developed with 2.009 euros and 8% of share in BDP) the total premium per capita in Serbia was 73 euros in 2010, while density of life insurance was only 12 euros (the average on the European Union level is 1.400 euros). From the above mentioned

we can conclude that the insurance market in Serbia is still undeveloped which is understandable if we take into account negative effects of the world economic crisis that transferred on domestic financial market as well:

- low gross domestic product per capita – 4.304 euros (Memorandum about budget and economic and fiscal policy for 2010. with projects for 2011. and 2012; Forecast for 2009, page 18, www.mfin.gov.rs/pages/issue.php?id=6525)
- high rate of unemployment – 16% (Republic Institute for Statistics, <http://webzr.stat.gov.rs/axd/index.php>;
- reduced inflow of direct foreign investments;
- insufficient consciousness about the need for protection from person and property risk as well as insufficient information and education of citizens,
- high risk rate of the country (Serbia is according to qualification of OECD still ranked in the category of the riskiest countries).

Chart 2: Density of insurance in Serbia in the period from 2004 to 2010 in EUR

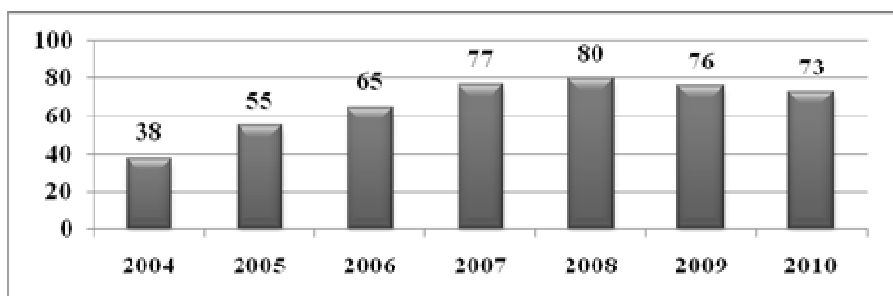
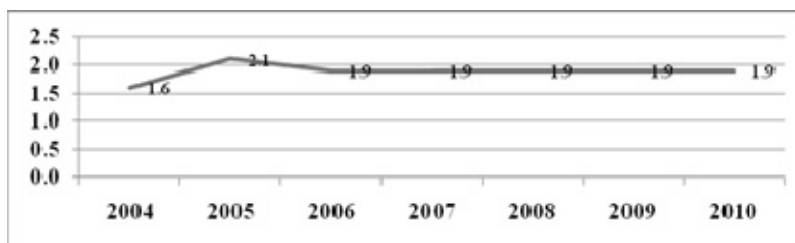


Chart 3: Penetration of insurance in Serbia in the period from 2004 to 2010 in %



Source: www.nbs.rs, *Supervision of insurance society in condition of crisis, May 2010*

The indicator of total premium per capita (density ratio) was increased from 38 euros in 2004 to 73 euros in 2010, and the indicator of life insurance density from 3 euros in 2004 to 10 euros in 2010. The share of total premium in BDP was increased from 1,6% in 2004 to 1,9% in 2006, while the insurance penetration in the next four years remained unchanged.

Table 6: projection of insurance density and penetration in Serbia

Insurance Density in euros				
	2011	2012	2013	2014
Non-life insurance	89,59	107,18	124,10	142,40
Life insurance	10,72	11,18	11,20	11,08
Insurance Penetration (%)				
	2011	2012	2013	2014
Non-life insurance	1,75	1,78	1,90	2,03
Life insurance	0,21	0,19	0,17	0,16

Source: *Business Monitor, Serbia Insurance Report-Includes 5-year forecast to 2014, December 2009, page 20*

According to Business Monitor analysis in the following years the indicator of insurance density should continue with the trend of growth, with which the premium of non-life insurance per capita will be multiply higher than the premium per capita of life insurance. As for insurance penetration in 2011, insurance premiums should be, after several years, on the step to 2% of gross domestic product. The fact that the indicator of insurance penetration, in the observed period, will not decrease is encouraging and brings hope that domestic insurance market will get closer to European Union countries in the following period.

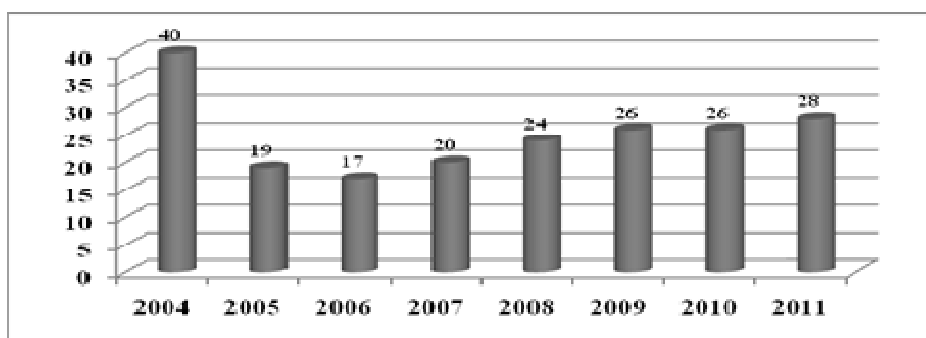
NUMBER AND PROPRIETOR'S STRUCTURE OF INSURANCE COMPANIES

Insurance companies did not adequately manage collected insurance premiums so numerous compensation demands were not paid off, which resulted in citizens' distrust in insurance sector. After introduction of new regulative and appointment of a new supervisory agency by the National Bank of Serbia, all insurance companies that did not do business by law were closed up.

On the territory of Serbia, at the moment when the new insurance law became valid, 38 insurance companies, 2 reinsurance companies and 152 intermediary agencies and advocacy were doing business. Until January 2005, 15 insurance companies lost their working license (7 of them in December 2004 and 8 in January 2005, from which 3 stopped working willingly), because they did not adjust their business with set standards and regulative of the National Bank of Serbia. At the same time, the work was also forbidden to agencies that sold insurance policies of foreign insurance companies. During 2005 number of insurance companies was halved and it did not increased until the beginning of 2008.

On the insurance market remained only those insurance companies that could, with their capital, trained personnel and technical-technological support, respond to responsibilities. In other words, only insurance companies that got the working license could continue business on domestic insurance market.

Chart 4: Number of insurance companies in Serbia in the period from 2004 to 2011



Source: www.nbs.rs

Table 7 shows insurance companies on the territory of Serbia from 2004 to 2011 and their participation in the total business during the year.

Table 7: insurance companies on the territory of Serbia in the period 2004-2011, participation in the total insurance premium in %

	2004	2005	2006	2007	2008	2009	2010	2011
AIG								
AMS	2,66%	2,24%	2,21%	2,34%	2,47%	2,87%	2,67%	2,51%
AS insurance					0,06%	0,91%	1,63%	0,58%
Alico a.d.o.						0,03%	0,07%	0,00%
Axa Non-life								
Axa Life							0,29%	0,22%
Basler Non-life					0,01%	0,08%	0,14%	0,26%
Basler Life					0,01%	0,02%	0,06%	0,07%
Credit Agricol Life				0,03%	0,14%	0,24%		
DDOR	35,48%	31,36%	29,13%	28,20%	25,10%	20,86%	18,50%	17,21%
Delta Generali	5,15%	9,55%	11,43%	14,02%	16,30%	17,52%	18,51%	19,00%
Dunav	38,77%	33,52%	34,23%	30,84%	28,16%	27,42%	25,93%	26,93%
Dunav TBI	0,56%	0,70%	1,05%					
Energoprojekt	0,33%	0,34%	0,52%	0,40%	0,43%	0,34%	0,51%	0,29%

Globus	0,38%	0,67%	0,61%	0,64%	0,67%	0,58%	0,57%	0,64%
Grawe	1,25%	1,62%	2,37%	2,90%	2,91%	3,23%	3,57%	3,48%
METLIFE								0,09%
Merkur Insurance				0,01%	0,24%	0,48%	0,69%	0,83%
Kopaonik	1,90%	2,74%	2,37%	0,00%	0,00%	0,00%	0,00%	0,00%
Milenijum	0,24%	1,05%	1,34%	1,53%	1,56%	1,84%	1,65%	2,11%
Sava Non-life	1,11%	0,00%	1,79%	1,81%	2,08%	2,51%	2,80%	2,14%
Sava Life						0,01%	0,06%	0,10%
Societe Generale							0,01%	0,18%
Takovo	1,77%	3,29%	3,77%	3,01%	3,39%	3,94%	4,00%	4,02%
Triglav				2,56%	3,27%	3,31%	3,52%	3,70%
Uniq Non-life				1,72%	3,97%	4,33%	4,90%	5,27%
Uniq Life				1,89%	0,82%	1,08%	1,24%	1,40%
Wiener	3,09%	4,60%	6,37%	8,09%	8,41%	8,40%	8,67%	8,96%
Zepter	3,51%	4,07%	2,82%					
Others	3,79%	4,27%						

Source: www.nbs.rs

In 2011, in Serbia, twenty-eight insurance companies were doing business, two more than in the previous year. Twenty-four companies were doing only insurance business, and four companies were doing only reinsurance. From companies that do insurance business, seven companies do only life insurance, eleven companies do only non-life insurance, and six companies do both life and non-life insurance.

In the selling net, besides insurance companies, also take part 19 banks, 79 legal entities, 109 entrepreneurs, while certificate of representation or intercession got all together 13.363 individuals (Business report of insurance sector for 2011, the National Bank of Serbia).

CONCLUSION

Insurance sector has an important influence on economic and business development of the country. Insurance market in Serbia belongs to a group of developing markets with the important potentials, first of all in the life insurance segment and very dynamic growth of this sector is expected in the following years.

The insurance market in Serbia has had the constant growth for the past ten years, but the speed of that growth has been different and it has been very exposed to external and internal influences of various factors. One of characteristic cognitions was that citizens of Serbia did not have adequate awareness and consciousness about the significance, the content and the need for life insurance as a solution for social, health and financial problems in the future of every individual. This lack of consciousness or rather inadequate perception of life insurances led to the fact that significant investments, which insurance companies from Austria have made in promoting and placing life insurances in Serbia, did not give results in a sufficient number of people who have made the life insurance policy until now.

In order to achieve preferred growth in the future, besides an adequate marketing strategy, certain political and market processes have to be started, and they will, with transitions of existing pension and health system, lead to the higher level of consciousness or citizens' perception about the need for life insurance. Life insurances, as all other insurances, have they objective faults which are reflected in impalpability, indivisibility and lack of coordination or abstract usefulness for a buyer- a policy-holder. This influence that is manifested in subjective expectation of the insurance user is an element on which present and especially future life insurers have to concentrate their attention.

Empirical researches have showed that there is a causative connection between macroeconomic indicators on the one hand and the size and the level of development of insurance sector on the other hand. The growth of life standard and the growth of BDP in the years before world economic crisis were certainly a good sign for the insurance sector that started to develop in more dynamic rate than it was expected. Negative factors of crises resulted in recession of financial sector and the drop of business activity in Serbia for 3% last year. Besides, domestic insurance market did not have real ground for development if we take into account low gross domestic product per capita (4.304 euros), high rate of unemployment (16,1%), reduced inflow of direct foreign investments (1,3 billions of euros), insufficient consciousness about the need for risk protection of property and persons, high common risk of the country (Serbia is still classified in the category of the riskiest countries by OECD classification).

Experiences of developing countries and countries in transition show that development of insurance market needs time and that the insurance sector develops after the banking sector. Financial system of Serbia has been bank-centered for

years: banks are, according the two main indicators (balance sum and capital), dominant in distinction from insurance companies, which as institutional investors have far less share on financial market. After noticeable crisis of financial sector in IIQ 2009, there was a slight recovery of domestic insurance market. Share of insurance companies that ran business of insurance and reinsurance in 2009, in comparison to 2008, was higher for 17% or from 84,8 billion of dinars to 99,2 billion of dinars.

In 2010, in relation to 2009, the increase was 18%, or from 99,2 billion of dinars to 117,1 billion of dinars.

According to the National Bank of Serbia insurance companies that run business on the territory of Serbia, made the total insurance premium in the amount of 53,5 billion of dinars (558 million of euros) in 2009, which represents the growth of 2,6% in relation to the previous year, when it was 52,2 billion of dinars (589 million of euros). In 2010 they made the total premium of 56,5 billion dinars (536 million euros) which represents 5,6% increase in relation to previous year.

Historically observed in the structure of insurance business portfolio in Serbia non-life insurances have dominant share. The market of life insurance in Serbia is still undeveloped in relation to European Union countries in which this form of insurance dominates and approximately makes 2/3 of realized insurance premiums. Although in the last five years life insurance has gradually increased its share in the total premium, in order to become modern and efficient domicile market it has to change totally the current insurance structure as soon as possible and to realize more dynamic growth of life and non-life insurances.

According to Business Monitor analysis in the following years the indicator of insurance density should continue with the trend of growth, where the premium of non-life insurance per capita will be much higher in comparison to the premium of life insurance per capita. Besides, insurance density at non-life insurances will have more dynamic growth than life insurances which is, in the long run, not good for domestic insurance sector.

With all negative effects of recession that hit the insurance sector (limits for taking out new funds, high incipient deposits in relation to European Union, low culture for insurance and citizens' distrust in the insurance institution, bad credit rating of Serbia) in the next period we can expect the entry of world leaders on domestic market: Allianz, VHV Group, Eureko, KBC, AXA. They show great interest for beginning business in Serbia and it is expected of them that, in perspective, take over the leading position on financial market, contribute to development of the whole domestic financial system and intensify competition on the insurance market.

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PART VI

***INDIGENOUS ENTREPRENEURSHIP &
SMALL BUSINESS PERFORMANCE***



MANAGING OF ACCOUNTS RECEIVABLE IN THE BUSINESS OF SMALL AND MEDIUM ENTERPRISES FROM SERBIA

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Abstract

In conditions of growing competition and difficult economic conditions imposed by the global economic crisis, small and medium enterprises very difficult find buyers for their products. Entrepreneur - the seller in addition to good prices and quality must something more to offer, and these are attractive payment terms for the buyer which are defined with credit policy.

This paper discusses about problem of collection receivables, which is inevitable in the business of small and medium enterprises when selling goods or services on deferred. This research is especially of great importance, because it informs entrepreneurs to conclude secure business and operate with minimal risk, and develop strategies for prevention, monitoring and management of receivables and decide which improvements should be introduced to create the basis for the efficient collection of receivables in the future.

In times of economic crisis and general illiquidity enterprises authors suggest the factoring as one of the alternative forms of payment claims, which is becoming increasingly important form of modern finance in the domestic and international transactions. Also, in this paper the authors are presented the results of the Company's Yellow Pages Co. – the problem of collection of receivables in the business of entrepreneurs in Serbia.

Key words: *managing, accounts receivable, entrepreneurial risk, competitiveness, factoring, SMEs*

INTRODUCTION

If you're not looking for information about the risks, you're looking for the problems!

Tom Gilb

In the transition period, almost all countries, including and Serbia are turned to supporting the development of entrepreneurship toward the model of developed countries. During this period there is a constellation of private businessmen and entrepreneurs, owners of small and medium enterprises. Large companies in the European Union supporting the development of entrepreneurship, because they use small and medium enterprises as the subcontractors.

In conditions of growing competition and in difficult economic conditions, the small and medium enterprises very difficult reach to buyers for their products. Entrepreneur - the seller must in addition to good prices and quality of products must something to offer, and those are attractive terms of payment for buyer defined by credit policy. Mitigating of credit standards and terms of sale on the loan will result in increased binding of funds in the form of receivables, it may endanger the enterprise's ability to perform accrued liabilities. Accepting these conditions, the entrepreneur - the seller of their business exhibits by very serious risk. The two biggest of risks are: 1. the risk that this will endanger the enterprise's liquidity and 2. the risk that the buyer fails to pay within the agreed time.

Because the entrepreneurs which perform all or most of business ventures, they must be trained in extent necessary for the level of complex business operations. Also, they must in defined business processes to proactively make decisions taking into account the present risks and manage risks. An entrepreneur is a person who organizes and manages by business undertaking, and who downloads the risk for acquiring profit. The risk is the possibility of performing a situation which may adversely affect the business, which can lead to disorder in achieving of enterprise goals. The entrepreneur takes the initiative, showing responsibility and manage risk. Entrepreneurial characteristics and behaviors include the motivation to achieve of goals and exercising ownership, independent decision making, creativity and flexibility in thinking, awareness of risk and risk management.

Entrepreneur - the seller has two conflicting objectives which are relating to trade receivables. On the one hand an entrepreneur - the seller wants to realize as much revenue from the sale, and gives to buyers longer terms of payment with little interest or no interest. On the other hand, each firm would prefer to sell for money and not deferred payment, so the aim of entrepreneurs - the seller to minimize the amount of money in the form of accounts receivable.

Accepting the risk and uncertainty is an important characteristic of entrepreneurs. Risk management has focused on the preservation of property, profitability and to prevent the risk of loss. The risk can be reduced so as to are

take preventive actions and measures or that the risk be transferred to someone else, such as banks or specialized companies as the factors.

Subject of research is the management of accounts receivables that arise as a result of sales of products and services to buyers on deferred payments. Effective management with accounts receivables, can enable small and medium enterprises to realize significant economic benefits. These aspects relate to the politic of lending of buyers, terms of crediting and politic payment of receivables.

The main purpose of this paper is to introduce the reader with entrepreneurial risk in connection with crediting buyers as well as with instruments of protection against this risk. Optimal liquidity is crucial for a stable business and secure financial future of small and medium enterprises, and hence these enterprises implemented various measures to that effect. Among them an fundamental role belongs to the factoring as an alternative form payment of receivables. Factoring as a relatively new way of financing in our market, is servis simple and effective to solve the need of enterprises for the liquidity. If small and medium enterprises have quality buyers whom sale the goods or services with deferred payment period, and the money they need before the due date of payment, they will have are decide for factoring. Factoring is a very important form of loans and servicing of receivables from buyers.

The paper starts from the following research objectives: 1. prove the presence of entrepreneurial risks with crediting buyers (liquidity risk or risk of non-payment by buyers) in small and medium enterprises (SMEs) in Serbia (investigate problem payment of receivables), and 2. promote the factoring as a modern financial tool to ensure the liquidity of SMEs.

To be achieve the research objectives set are the following hypotheses:

H0: Entrepreneurs (SMEs) from Serbia are faced with the problem payment of receivables;

H1: Entrepreneurs (SMEs) from Serbia insufficiently use the factoring as an alternative source of funding, which can to help solve the problem payment of receivables.

For research purposes, we used primary and secondary sources of information (interview, poll, relevant literature, internet).

In this paper is briefly presented the credit policy of small and medium enterprises. Then, are detail explained the liquidity risk management and factoring arrangement (OTP Factoring) as an alternative form payment of receivables. Also, we present the results of research – the problem payment of receivables in small and medium enterprises from Serbia. At the end of paper are give the conclusions and a list of references.

CREDIT POLICY FOR SMALL AND MEDIUM ENTERPRISES

Owners of small and medium enterprises and entrepreneurs have become an important lever of economic development of Serbia. This sector has offered in previous years, most new jobs and now employ 67% of all employees in the economy. Of the approximately 333.500 of all registered enterprises, in this group are 99.8% (Vasić, s.a.).

Van Horen N. (2004) studies the use of trade credit in 39 countries and finds that credit is used a competitive tool, particularly for small and young firms. As with corporate enterprise, credit policy of small and medium enterprises is directly related with policy payment of receivables of the respective enterprises. Credit policy (Vunjak, 2002, 560) is viewed in terms of: 1. quality of future receivables, 2. credit period, 3. cash discount, 4. special terms of crediting (deferred payment).

If the total profit of small and medium enterprises is decreasing, it is a sign that should be changed credit policy enterprises. By applying more stringent of credit standards, overall profit of enterprises receives a moderate growth and gradually eliminates liquidity risk. Credit standards (Krasulja, Ivanisević, 2005, 202) are defined as the minimum criteria that must be meet the buyers in order to permit them credit. Financial justification for lowering credit standards is present only if differential profit on additional sales volume greater of differential cost of the additional investment in accounts receivable.

Credit terms are payment terms which defined by enterprise – seller with the buyer in performing certain business transactions. Loan terms are related to (Vunjak, 2002, 565): 1. discount or percentage reduction (from 1% to 5%) cost of goods for the buyer if the buyer pay the debt before the end of the discount period, 2. discount period or number of days that is offered to the buyer since the beginning of the credit period until the realization of monetary of discount (from 5 to 20 days), 3. credit period or number of days from the first until his last day on which the buyer is obliged to pay the full amount of debt to supplier (from 0 to 120 days).

Enterprise's liquidity depends of the security of payment receivables and quality of trade receivables from buyers. In order to protect against this risk, the seller is obliged to carry out the selection of buyers by way determining their creditworthiness.

Small and medium enterprises that decide to sell goods on credit, with the aim of eliminating excess inventory needs to have information about (Vunjak, 2002, 115): 1. current financial situation of the buyer, 2. basic financial indicators of business buyer (turnover ratio of buyers = net income from the realization/average balance of buyers, this growth means that buyers pay faster, the average payment of receivables = 360/turnover ratio of buyers, what is the larger the number of days the larger is probability due to the loss of unpaid claims, etc.), 3. previous experience related with term payment of receivables (the average payment of receivables should not be longer than 1/3 of defined term of payment, for example: if is a payment term 45 days, average payment of receivables should not be longer than 60 days) etc..

The risk includes any event that may affect the decline in financial performance below expectations. Risk management is a management tool that serves as a system early warning of business crisis. Today, the tools in the field of risk management are work mainly in the softwares area. The main purpose of risk management is:

- reporting to management on the identification of key risk indicators,
- monitoring of risk exposure - monitoring analytics buyers,
- early warning,
- monitoring of all risk reduction activities.

By establishing the criteria for the classification of risk distinguish the following areas:

- high risk (mandatory reaction to reduce the risk),
- medium risk (action to reduce the risk is not mandatory but is recommended),
- low (small) risk (no required action for further reducing the risk).

The level of risk is calculated by multiplying three variables:

$$RPN \text{ (Risk Priority Number)} = S * P * D.$$

Where:

S - Severity (severity, impact strength),

P - Probability (probability of event),

D - Delectability (visibility, ease of spotting errors).

Enterprises that sell their goods or services on credit (Me&gs, et al. , 1993, 358) in the course of its operations will are meet with uncollectible receivables, which are the result of errors in the assessment or unexpected of development events. Trade receivables that are declared uncollectible are no longer an asset.. The loss of these assets is an expense on loans and advances, which is originated in the month when the sales made.

Small and medium enterprises as creators their own liquidity policy, they can decide for some of next radical measures payment of receivables with which can be reduce the risk of uncollectible receivables: 1. shortening the term of crediting buyers, only under the conditions big demand on the market, 2. stimulation of the debtor (buyer) through the discount, that is. the buyer has a discount if a certain percentage of its debt before a certain time limit pay of and 3. elimination the sale on the loan in the conditions prevailing demand and slow payers.

The degree of collection risk of short-term claims (claims under short-term to credit) (Vunjak, 2002, 244) can be reduced by contracting default interest, provided that the buyer (debtor), the claim is not on time settled toward the seller (creditor). Final method payment of receivables is realized and by way raising a lawsuit, which is a long process. Therefore, SMEs often resort to alternative forms payment of receivables, for example such factoring.

ALTERNATIVE FORM PAYMENT OF RECEIVABLES – FACTORING AND PROBLEM PAYMENT OF RECEIVABLES IN SMALL AND MEDIUM ENTERPRISES FROM SERBIA

In the economy of the 21st century, where demand exceeds the offer several times, the easiest is to produce quality product, but the hardest is to sell product. It is almost impossible to sell goods if the buyer does not offer deferred payment. Payment of receivables is an integral part of the sales process. Enterprises are required to carefully take care of their account (balance) of receivables from customers and manage them properly, how the company's liquidity would not be called into question (Knezević, et al., 2011).

In the life cycle every business organization is faced with the problem of payment of receivables. Alternative form of payment of receivables involves the agencies for payment of receivables and credit bureau. Entrepreneurs before entering into a business venture should check the solvency of partner enterprise, and in such way ensure payment by legal means. Credit bureau or authorized agency to appropriate remuneration may give all necessary information about business enterprises with which it intends to achieve business contact. For estimate of credit rating of potential buyer are used: 1. information from financial statements, 2. information from the bank in which a potential buyer has an account, 3. information between enterprises that do business with the same buyer, information about the buyer on the basis of experience in the previous period of operations.

Problems with payment of receivables and difficult access to sources of financing, are forcing the entrepreneurs to increasingly use other alternative forms of payment of receivables, such as compensation, assignment (assignment of receivables) and purchase (sale) of receivables and factoring.

In times of economic crisis and general illiquidity, the economy has a right to protect and provide liquidity through its own sales. One of the models which this allow is the factoring that becoming an increasingly important form of modern financing in the domestic and international traffic (Spasić, 2010). Factoring involves the purchase of accounts receivable, it is attractive financing instrument chiefly for larger and older companies (Demirguc-Kunt, Beck, 2006).

The first forms of factoring, appear are 5.000 years ago in Babylon. Later, as a modern legal business, factoring widely is applied in the U.S. in the late 19th century. Factoring is appeared in Europe the sixties years last century, in countries that were major exporters and importers. In Central and Eastern Europe, international factoring has achieved the greatest application in the Czech Republic, Poland and Hungary (Tegla, 2005).

Factoring (Merton, Bodie, 2001) means that enterprises legally sell their claims to the Factor (the bank or specialized company), and afterwards have no

powers with sold receivables. It is a legal business which the claims of factoring creditors in contract to supply goods or services is assigned to the Factor (the bank or specialized company) that takes risk payment of client's debtors. Functions of factoring are: 1. funding, 2. insurance billing (delcredere) and 3. manage receivables. The main purpose of factoring business is to immediately provide the necessary money, especially for small and medium enterprises.

Key benefits of factoring are (Vukotić, s.a.):

- Simply obtaining the funds, typically with no insurance. It is not necessary to engage additional bank loans and administrative procedures.
- Rational and efficient use of funds. The option of permanent factoring allows better planning of market growth in conditions of high market supply, because the enterprises are able offer by new buyers favorable terms of deferred payment.
- Greater efficiency of operations. So, the factor takes the payment of receivables (contact the buyers, send reminders, etc.).
- Increased security operations. Checking the credit worthiness of buyers at home and abroad becomes a liability factor, and a team of experts. So, the entrepreneur gets a clearer picture of business partners and greater safety in making business decisions concerning the expansion of cooperation with individual buyers.
- Extension of payment deadlines. Factoring Financing enables buyers to are approve a delayed payment.
- Favorable impact on the balance of the company. Financing through factoring, unlike loans, do not increase debt in the balance sheet reports, so positively affects the calculation of the enterprise's solvency.
- Easier planning cash flow. Factoring allows the control and simple planning cash flow.

Factoring by downloading receivable, it is downloading and timely managing with the accounts of receivables, harmonizing of openly items, and performing of operational payment. The advantage to the seller is the fact that factor (a bank or a specialized service provider) undertakes to perform all activities related to recording and monitoring the due date of invoices, so it achieves significant savings in time and costs. When are conclude a contract about continuing factoring, all invoices are sent immediately Factor and in accounting of companies instead of a large number of individual accounts of buyer have an account receivable of the Factor.

Paying cash in advance on the account of enterprises, Factor allows the enterprises to freely pursue business activities, for which on the time have the necessary funds. On the other hand, buyers are able to buy on credit and With their obligations pay after of loan period. The key advantage of factoring for the seller is to the collection risk is transferred to the Factor (the bank or specialized company) and so increases their own liquidity. Also the seller to buyers can offer longer payment terms, and so increases the sales of enterprises.

Advantages of factoring in relation to financing through short-term loans are: 1 factoring primarily examines the value and quality of client assets (receivables), while the credit bank examines buyer's credit value, 2 rapid liquidation of invoices improves the liquidity of the business, creditworthiness and solvency, and profitability of business enterprises, 3 credit indebtedness of the client in the credit bureau does not increase.

Factors Chain International is a global network of leading factoring companies, whose common aim is to facilitate international trade through factoring and related financial services. Currently the FCI network counts 254 factors in 68 countries, actively engaged in more than 80% of the world's cross-border factoring volume.

*Table 1. Total Factoring Volume by Country in period 2004-2010
(in Millions of EUR)*

	2004	2005	2006	2007	2008	2009	2010
EUROPE							
Austria	3,692	4,273	4,733	5,219	6,350	6,630	8,307
Belgium	13,500	14,000	16,700	19,200	22,500	23,921	32,203
Bosnia & Herzegovina	0	0	0	0	0	35	45
Bulgaria	0	0	35	300	450	340	550
Croatia	28	175	340	1,100	2,100	2,450	2,793
Cyprus	2,140	2,425	2,546	2,985	3,255	3,350	3,450
Czech Rep.	2,620	2,885	4,025	4,780	5,000	3,760	4,410
Denmark	6,780	7,775	7,685	8,474	5,500	7,100	8,000
Estonia	3,920	2,400	2,900	1,300	1,427	1,000	1,227
Finland	9,167	10,470	11,100	12,650	12,650	10,752	12,400
France	81,600	89,020	100,009	121,660	135,000	128,182	153,252
Germany	45,000	55,110	72,000	89,000	106,000	96,200	129,536
Greece	4,430	4,510	5,230	7,420	10,200	12,300	14,715
Hungary	1,375	1,820	2,880	3,100	3,200	2,520	3,339
Ireland	13,150	23,180	29,693	22,919	24,000	19,364	20,197
Italy	121,000	111,175	120,435	122,800	128,200	124,250	143,745
Latvia	155	20	276	1,160	1,520	900	328
Lithuania	1,040	1,640	1,896	2,690	3,350	1,755	1,540
Luxembourg	285	280	306	490	600	349	321
Malta	0	0	1	25	52	105	136
Netherlands	19,600	23,300	25,500	31,820	30,000	30,000	35,000
Norway	8,620	9,615	11,465	17,000	15,000	15,100	15,075
Poland	3,540	3,700	4,425	7,900	7,800	12,000	16,210
Portugal	14,700	16,965	16,886	16,888	18,000	17,711	20,756
Romania	420	550	750	1,300	1,650	1,400	1,800
Russia	1,130	2,540	8,555	13,100	16,150	8,580	12,163

Serbia	0	0	150	226	370	410	500
Slovakia	665	830	1,311	1,380	1,600	1,130	981
Slovenia	185	230	340	455	650	650	650
Spain	45,376	55,515	66,772	83,699	100,000	104,222	112,909
Sweden	14,500	19,800	21,700	21,700	16,000	18,760	18,760
Switzerland	1,400	1,900	2,000	2,513	2,590	5,000	4,000
Turkey	7,950	11,830	14,925	19,625	18,050	20,280	38,988
Ukraine	0	333	620	890	1,314	530	540
United Kingdom	184,520	237,205	248,769	286,496	188,000	195,613	226,243
Total Europe	612,488	715,471	806,958	932,264	888,528	876,649	1,045,069
AMERICAS							
Argentina	101	275	333	362	355	335	350
Bolivia						18	18
Brazil	15,500	20,050	20,054	21,060	22,055	29,640	49,050
Canada	3,157	3,820	3,386	4,270	3,000	3,250	3,723
Chile	4,200	9,500	11,300	14,620	15,800	14,500	16,422
Colombia	0	0	100	2,030	2,100	2,392	2,784
Honduras							160
Mexico	4,600	7,100	8,150	9,200	9,550	2,120	14,538
Panama	201	240	607	483	460	500	600
Peru	0	95	563	648	875	758	2,712
United States	81,860	94,160	96,000	97,000	100,000	88,500	95,000
Total Americas	109,619	135,240	140,493	149,673	154,195	142,013	185,357
AFRICA							
Egypt	1	1	3	20	50	110	200
Morocco	300	430	440	660	850	910	1,071
South Africa	7,100	5,580	7,800	9,780	12,110	13,500	15,120
Tunisia	185	226	270	245	253	276	295
Total Africa	7,586	6,237	8,513	10,705	13,263	14,796	16,686
ASIA							
Armenia	0	1	50	50	7	7	14
China	4,315	5,830	14,300	32,976	55,000	67,300	154,550
Hong Kong	4,800	7,700	9,710	7,700	8,500	8,079	14,400
India	1,625	1,990	3,560	5,055	5,200	2,650	2,750
Israel	155	325	375	800	1,400	1,400	1,650
Japan	72,535	77,220	74,530	77,721	106,500	83,700	98,500
Jordan						43	43
Korea	32	850	850	955	900	2,937	5,079
Lebanon	41	61	95	176	306	420	450
Malaysia	730	532	480	468	550	700	1,058
Mauritius						121	125
Qatar						23	23

Singapore	2,600	2,880	2,955	3,270	4,000	4,700	5,800
Taiwan	23,000	36,000	40,000	42,500	48,750	33,800	67,000
Thailand	1,500	1,640	1,925	2,240	2,367	2,107	2,095
United Arab Emirates	145	440	810	340	1,860	1,910	2,000
Vietnam	0	2	16	43	85	95	65
Total Asia	111,478	135,470	149,606	174,244	235,418	209,991	355,602
AUSTRAL ASIA							
Australia	18,181	23,130	27,573	33,080	32,546	39,410	44,915
New Zealand	236	250	280	700	700	700	600
Total Austral Asia	18,417	23,380	27,853	33,780	33,246	40,110	45,515
TOTAL WORLD	859,588	1,015,798	1,133,423	1,300,666	1,283,559	1,283,559	1,648,229

Source: Factors Chain International

Table 2. Factoring Turnover By Country 2010 (in Millions of EUR)

Nr. of Companies	Country	Domestic	International	Total
	EUROPE			
5	Austria	6,646	1,661	8,307
6	Belgium	24,203	8,000	32,203
1	Bosnia & Herzegovina	30	15	45
7	Bulgaria	400	150	550
19	Croatia	2,736	57	2,793
3	Cyprus	3,400	50	3,450
8	Czech Rep.	3,425	985	4,410
6	Denmark	5,000	3,000	8,000
4	Estonia	992	235	1,227
5	Finland	10,800	1,600	12,400
11	France	127,193	26,059	153,252
100	Germany	99,411	30,125	129,536
12	Greece	13,465	1,250	14,715
22	Hungary	3,024	315	3,339
8	Ireland	18,947	1,250	20,197
45	Italy	125,777	17,968	143,745
8	Latvia	235	93	328
8	Lithuania	590	950	1,540
1	Luxembourg	177	144	321
2	Malta	105	31	136
5	Netherlands	25,000	10,000	35,000

7	Norway	13,150	1,925	15,075
14	Poland	12,823	3,387	16,210
14	Portugal	18,800	1,956	20,756
13	Romania	1,300	500	1,800
28	Russia	12,083	80	12,163
12	Serbia	430	70	500
6	Slovakia	701	280	981
5	Slovenia	550	100	650
23	Spain	101,796	11,113	112,909
40	Sweden	17,760	1,000	18,760
5	Switzerland	3,500	500	4,000
70	Turkey	34,931	4,057	38,988
25	Ukraine	530	10	540
44	United Kingdom	210,745	15,498	226,243
592	Total Europe	900,655	144,415	1,045,069
	AMERICAS			
5	Argentina	330	20	350
1	Bolivia	18	0	18
1,120	Brazil	49,000	50	49,050
53	Canada	3,158	565	3,723
130	Chile	15,108	1,314	16,422
30	Colombia	2,726	58	2,784
3	Honduras	5	155	160
11	Mexico	14,507	31	14,538
12	Panama	600	0	600
9	Peru	2,613	99	2,712
300	United States	85,000	10,000	95,000
1674	Total Americas	173,065	12,292	185,357
	AFRICA			
5	Egypt	50	150	200
4	Morocco	905	166	1,071
5	South Africa	14,895	225	15,120
4	Tunisia	260	35	295
18	Total Africa	16,110	576	16,686
	ASIA			
4	Armenia	10	4	14
23	China	119,960	34,590	154,550

15	Hong Kong	6,000	8,400	14,400
11	India	2,600	150	2,750
6	Israel	1,300	350	1,650
7	Japan	97,700	800	98,500
1	Jordan	35	8	43
2	Korea	0	5,079	5,079
1	Lebanon	354	96	450
6	Malaysia	1,030	28	1,058
2	Mauritius	122	3	125
1	Qatar	20	3	23
9	Singapore	3,800	2,000	5,800
18	Taiwan	30,300	36,700	67,000
10	Thailand	2,000	95	2,095
4	United Arab Emirates	1,800	200	2,000
7	Vietnam	40	25	65
127	Total Asia	267,071	88,531	355,602
	AUSTRAL ASIA			
19	Australia	44,830	85	44,915
7	New Zealand	600	0	600
26	Total Austral Asia	45,430	85	45,515
2437	TOTAL WORLD	1,402,331	245,898	1,648,229

Source: Factors Chain International

The new Law on banks enacted in 2005 year regulates that the banks in Serbia can be involved in the deals of buying and selling accounts receivables (factoring and forfaiting). Factoring companies and banks that participated actively on the factoring market in Serbia in 2010 year are: A faktor d.o.o., AOFI, Banka Intesa a.d., EFG Eurobank a.d., Finera faktoring d.o.o., GREX Factor d.o.o., JUBMES bank a.d., Marfin factors & forfaiters d.o.o., Raiffasen banka a.d., Societ Generale banka a.d. (Denčić - Mihajlov, Milenković - Kerković, 2011, 413-414).

Financial service - factoring, which involves the purchase of receivables under certain conditions, has great potential for development of small and medium enterprises in Serbia, especially in condition illiquid domestic economy. Factoring can be used in the early years of the development of SMEs that export in developed countries (Kovačević, 2005, 91).

OTP Factoring is a new service OTP Bank of Serbia, which allows the purchase of short-term receivables with a term of maturity of up to 180 days for the goods sold/service provided, before the due date for payment (http://www.otpbanka.rs/p_factoring/pravna_lica.php).

OTP Bank of Serbia offers its clients two types of factoring: 1. domestic, 2. international - export. International factoring is much more complex, and riskier. Participants in a factoring are: 1. the seller of goods/services - Client, 2. OTP Bank of Serbia - Factor, 3. the buyer of the goods/services - Debtor.

Factoring is designed:

- For clients who have a need for additional working capital, and do not want or can not get them on the conventional way through loan,
- For clients who have signed commercial contract and long-term cooperation with buyers/ debtors,
- For clients - to exporters who want to offer more favorable payment terms to their foreign buyers than competitors.

OTP Factoring procedure involves the following steps:

- Client - the seller of goods/services is sold and delivered goods to the debtor - the buyer and turns out his invoice;
- OTP Bank submitted to the client a copy of invoices and other documentation which proving the existence of receivables;
- After the analysis of creditworthiness, the bank and the client sign a contract for the purchase of receivables;
- The client informs the debtors of the assignment of claims;
- The debtor delivers to the client signed and sealed statement;
- OTP Bank pays to the bayer an advance in the amount of 70% to 90% value of the invoice;
- Upon maturity claims, the debtor remits the total amount of the invoice to the account of OTP Bank;
- OTP Bank paid the difference to the client funds in the amount of 30% to 10% value of the invoice reduced for the factoring interest and fee;

Necessary documents for domestic factoring:

- A questionnaire for the client (form of OTP Bank),
- Request to purchase short-term claims (form of OTP Bank),
- Invoices that are subject to redemption,
- Packing lists,
- Commercial contract, stamped and signed by the client and the debtor.

Necessary documents for international factoring:

- A questionnaire for the client (form of OTP Bank),
- Request to purchase short-term claims (form of OTP Bank),
- Invoices that are subject to redemption,
- Packing lists,
- Commercial contract, stamped and signed by the client and the debtor,
- Export control list,
- Customs documents.

Price of factoring depends on the type of services, creditworthiness of the buyer, business volume, etc. It includes these costs: 1 interest and 2 factoring fee. In other words, the seller for a factor of service has to pay the interest and factoring fee. Factoring arrangement often includes a clause on mandatory reserves (Krasulja, et al., 2005, 432), from 5% to 10% nominal value of receivables.

OTP Bank for factoring services calculated factoring interest at a fixed amount per month, calculated on the amount of the advance paid for the duration of factoring to the due date of each invoice. Interest is determined depending on the client's solvency. The interest rate is variable and depends on market conditions and for short-term loans (usually is 20% to 40% higher than the interest rates for short-term bank loans).

Factoring fee includes: one-time fee for processing the purchase of short-term claims and administrative costs for each individual invoice. The fee is an administrative expense factor which is calculated as a percentage of the amount of purchased receivables and usually ranges from 0.5% to 2%. Useful is pre-calculate the cost of factoring. For example, costs of factoring are shown on following simplified example:

Table 3. Data for design

Amount of the invoice:	100.000RSD
Maturity date:	30 days
Factoring fee:	2%
Interest rate:	12% per year, variable
The advance:	80%

Table 4. Factoring procedura

First day	Seller shall issue an invoice and submit is to the buyer and Factor.
Second day	Factor after signing the contract paid 80% of the invoice value on account of seller. The amount of the advance: $100.000 \text{ RSD} \times 0,80 = 80.000\text{RSD}$.
Thirty – first day	Factor paid to the seller remaining 20% of value of the invoice , ie. 20,000RSD less for: Factoring interest is accrued on the amount of the advance: $80.000\text{RSD} \times 0,12 \times 30 \text{ days}/365 = 789,04\text{RSD}$; Factoring fee is accrued on the total value of the invoice: $100.000\text{RSD} \times 0,02 = 2.000\text{RSD}$; Rest of payment : $20.000\text{RSD} - 789,04\text{RSD} - 2.000\text{RSD} = 17.210,96\text{RSD}$.

Source: Author's calculation

The total actual cost of factoring in the business amounted to 2.789,04 RSD (789,04 RSD + 2.000RSD), ie. 2.79% of nominal amount of the invoice. The advantages using of the factoring:

- The financing without taking collateral (mortgage, pledge, bank guarantee);
- Credit indebtedness of the client is not increased;
- Improve liquidity - through the arrival of the money is significantly improving the enterprise's liquidity;
- Increase the creditworthiness of the buyer and profitability.

Factoring arrangement often includes a clause on mandatory reserves (Krasulja, et. al, 2005, 432), when the Factor takes part of nominal value of receivables, usually from 5% to 10%, because in this way the Factor ensures against loss because of returned goods or additional discounts which must be approved.

Company Yellow Pages Co. is 15. February 2010. year at the request of many entrepreneurs in Serbia who are faced with more and more with present the problem payment of receivables from its debtors has initiated a poll on the Internet that enables entrepreneurs to speak out on this issue. Call for participation in the poll are have received more than 73.000 entrepreneurs, and in the same poll is at 31. March 2010. year have participated 34.723. Survey consists of seven closed questions (answer Yes and No) and the possibility for participants to write their comments on this topic.

Table 5. Poll - Company Yellow Pages Co

QUESTION		ANSWER YES	ANSWER NO
1.	Does your enterprise have a problem with payment of receivables?	89,66%	10,34%
2.	Do you think that is it in Serbia often the case?	99,03%	0,97%
3.	Have you been in a situation where you have to start court proceedings to payment of receivables?	65,52%	34,48%
4.	Do you think that the credit bureau should to take into account the informations about the enterprises that irregularly settle their obligations?	92,56%	7,44%
5.	Would it helped you in business if you would had access to the database of enterprises that do not pay their obligations?	94,18%	5,82%
6.	Do you think that the public disclosure of information on the Internet about enterprises that do not pay their obligations can be of benefit to our economy?	90,52%	9,48%
7.	Would you be publicly announced that the enterprise does not settle debts?	86,64%	13,36%

Source: <http://www.yellowpages.rs/ankete/rezultati/duznici/komentar01.htm>

Some of the comments and proposals of entrepreneurs for solving the problem payment of receivables were:

- "I think government can solve the problem of slow payment, with adoption and strict enforcement of appropriate laws";
- "I thought to create a site about it: www.dugovi.rs";
- "You need to create a database that will contain information about the types of enterprises a good payer and enterprises of a bad payer, or to create a forum for entrepreneurs which exchange experiences about bad companies";
- "I am familiar with this problem, I think that only controls and sanctions may to solve the overall problem";
- We need to make a series of laws, in order to solve business through compensation ...";
- "The state should not recognize the exemption of VAT for accounts that are not paid. The courts should respond on the complaints about non-payment of bills;
- "I know of several agencies that have tried to make perform so-called black list of enterprises that do not pay duties regularly, but few people understand other such purpose. I think people do not want to criticize their partners, buyers ...";
- "Over the Court is not possible to payment of receivables " etc..

Based on the replies of entrepreneurs can be done the following conclusion, that most entrepreneurs in Serbia are face the problem of debt collection and that most of them wanted to publish a public list of its debtors to find out which companies do not pay their obligations and with which enterprises should be careful to enter in business arrangements. Credit Bureau should take into account the data on enterprises that irregular pay their obligations. Some other suggestions of entrepreneurs are relate to: the adoption of adequate legislation, enhanced scrutiny and sanctions, payment of VAT on a cash basis, constantly reminding the debtor with telephone, etc.

Problem payment of receivables is present for a long period not only in Serbia, but also in neighboring countries, for example in Croatia. According to data from Financial Agency (FINA) in late november 2009. year total outstanding liabilities of the enterprise are reached 2.84 billion euros. Three-quarters of outstanding obligations are relating to trade, industry and construction. The benefits of factoring services are noticed small and medium entrepreneurs in Croatia (Financial Agency - Fina, Croatia).

In Bosnia and Herzegovina as well as in other transition countries, the problem payment of receivables is also present. According the results of research from 2008. year (Ljubić, 2008, 120-123) the accurate and specific data on the amounts of uncollected receivables could not be reached because these datas are treated as confidential. In the same year private and state-owned enterprises in Bosnia and

Herzegovina are collected outstanding debts using: 17% compensation, 9% cession, 2% assignment, 4% factoring, 10% through the courts, etc..

The global financial crisis and liquidity problem are encouraged the enterprises from Serbia and neighboring of countries to use new services from banks and other financial institutions, such as the factoring. With the factoring is not possible to resolve all crisis problems, but the enterprises may obtain necessary funds as soon as possible. The main reasons for insufficient use of factoring by the individual owners of small and medium enterprises from Serbia and neighboring of countries are: 1. lack of awareness of entrepreneurs about the benefits of factoring as an instrument for managing liquidity risk, 2. habit of using compensation in business and 3. high factoring fee.

Also, factoring has remained a marginalized option for solving problems concerning claims collection for most entrepreneurs in Serbia. The reasons for such behaviour should be sought in the following (Jelenković, Milić, 2010, 63):

- Being unfamiliar with the product,
- Prejudices that label factoring as expensive,
- Tradition,
- Insufficient and unclear existing laws and regulations.

CONCLUSION

Owners of small and medium enterprises should to adequately manage the risk in connection with crediting buyers. The purpose of risk management is to increase transparency in order to facilitate risk management process and decision making. Risk management provides a clearer view of the future and potential outcomes, it opens new horizons to the entrepreneur-management. In the transition period, almost all countries, including Serbia, are turning to support small business development on the model of developed countries, and hence research on this subject is only a confirmation of that.

On the basis results of research , we can conclude that are small and medium enterprises from Serbia faced with the problem payment of receivables. So, autors are confirm the hypothesis H0: Entrepreneurs (SMEs) from Serbia are faced with the problem payment of receivables.

The problem is insufficient use alternative forms payment of receivables by the entrepreneur-manager: compensation, assignment, factoring, and others. The problem is complicated by the fact that on Serbian market operates many insolvent enterprises, so should be carefully enter into business arrangements (necessary to check solvency of business partners (buyers)).

On the basis of information supplied by banks as a factor it can be concluded that entrepreneurs (SMEs) from Serbia insufficiently use factoring as an alternative source of funding. So, autors are confirm the hypothesis H1: Entrepreneurs (SMEs) from Serbia insufficiently use the factoring as an alternative source of funding, which can to help solve the problem payment of receivables.

Factoring (selling receivables) is a convenient form of short-term financing for all legal entities that have a high-quality short-term claims, and can not or do not want to raise funds in the classical way through loan. Rapid liquidation of invoices (assignment of receivables) seller improves: the liquidity of its operations (reducing the risk). Advantages of factoring to the seller are multiple, because small and medium enterprises from Serbia and neighboring of countries should more to use the factoring. Therefore, to entrepreneurs recommend the continual education about it. Also, preferably is in business of enterprises introduce the standards Total Quality Management (TQM).

This research is especially crucial, because inform entrepreneurs to secure business cooperation and conclude business with minimal risk, to identify strengths and challenges in their own system of operations, and develop strategies for the prevention, monitoring and manage the receivables in the future.

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SPORT MARKETING AS DEVELOPING FUNCTION OF SPORT INDUSTRY

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Abstract

Sport uses different processes and activities in order to meet the desires and needs of the consumers in the sport industry. This paper analyse the sports marketing from it's first steps in the sponsorship to its large expansion in the sports industry. The search results include marketing principles in different situations of sport.

Keywords: *sports marketing, sports industry, marketing principles, sponsorship*

THE DEFINITION OF MARKETING IN SPORT

American marketing association defines marketing as "An organisational function and union of creational processes, communication and value deliver to consumers and managing relationships with customers, in a way which benefits the organization and its stakeholders".

Mullin, Hardy and Sutton (1993) gave the following definition, "Sports marketing encompasses all those activities, using different processes of mutual exchange, meet the needs and wants of sports consumers." Sports marketing has evolved in two directions: direct - in which the marketing of products and services were designed for consumers directly and indirectly - where marketing is done through the promotion of sports activities. In the performance of direct marketing manager, sports activities, is facing unusual challenges, which, in some cases may be quite different from traditional marketing for products and services (see table). Ways that marketing managers take into account these differences vary from organization to organization. In general, the sports industry, which reacts more slowly to changes than other industries, mostly follows the trends in other areas, because there is a steady influx of marketing managers in the sport industry. The sports marketing include:

- Products Marketing (equipment, sportswear, sports shoes)
- Services Marketing (training, membership in the club), and
- Entity marketing (league, team, individual)

It is interesting to note that individual sports marketing involve conscious risk-taking. As an example may be given a former star of professional boxing, Mike Tyson, who was, at first, reached the stellar moments of success and popularity, only to become a loser and antihero.

Sport is the place of implementation of marketing goods, services, personalities, places, ideas, programs and organizations. The specific thing about sport is that it uses marketing of profit, as well sa, non-profit organisations.

Table 1. *Marketing types in sport for non-profit organisations*

Type	Explanation	Example
Marketing Personality	Marketing effort and attention is focused on market interest and priority to sports personalities	Andre Agassi, Michael Schumacher, Michael Jordan, Eric Cantona
Marketing of place	Marketing effort and attention is directed to the athletic facilities and the sale of space users, sponsors, advertisers ...	Madison Square Garden, Luzhniki stadium, Wembley stadium, Camp Nou, Garmisch Partenkirchen ...
Marketing ideas	Marketing effort and attention is directed towards sociological ideas in sport and values within sports activities	Sports-fitness, sports for children, sports and health, action "Thousands of sports facilities for the people" ...
Marketing Organization	Marketing effort and attention is directed to the organizers of sports events with different profiles and their participants, in order to attract sponsors, advertisers, viewers and the mass media	Olympic Games, World, regional and national championships, Universiade, and their participants

A BRIEF OVERVIEW OF THE HISTORICAL DEVELOPMENT IN SPORT MARKETING

During time, a handful of important concepts in sports management appeared. They have designed to assist in solving specific problems or as a communication object with selected market place. Thanks to inventiveness and intuition of sport marketing managers the concepts were made, or they were the result of experience by proving success in the mainstream business marketing.

The first steps in the sponsorship and its expansion

One of the first sports competition held in 1852 in New Hampshire (New Hampshire, USA) under the sponsorship of the railway company, was, from that moment until the today, a traditional rowing contest between Harvard (Harvard) and Yale (Yale) University. The earliest attempts and the influence of large non-sport companies such as Coca-Cola, Fuji, Gillette, Peugeot, Philips, Toyota, etc. in sports marketing in order to achieve its own goals of promotion, are observed and recorded by Bert Sugar in 1978. Although, perhaps, financial means then were not even close of today's, in the world of sport this was marked as the beginning of corporate involvement in sport management.

In today's sport marketing, one company left an undisputable mark - Nike. From the beginning, when it was called Blue Ribbon Sports (1964), through the appearance of distinctive marks (1972), up to dominant role in the sports industry (1997), Nike Company was facing a different market and other challenges, and generally won a victory on all fronts. Using creative and visionary management team under the leadership of Phil Knight as a founder, Nike has passed the way from the little-known company to one of the largest giant ever established in the footwear industry. Many people know or assume that one of the key moments in the development history of this company, which resulted it's role as a leader in today's world is Nike's recognizable mark, product, advertising, and sports idols identification with Nike brand. One such move was made when the Nike created "Air Jordan" (Strasser, Becklund, 1991), with the famous, American, professional, NBA basketball player, Michael Jordan. Nike's attitude was clear in terms of athletes who have successfully marketed their products - a successful advertising athlete deserves to become a part of „the team". The result of this strategy is the most successful sports promotion of a company realized via one (top) athlete -over \$100 million Air Jordan products sold in just one year.

Development, impact, and importance of media

One of the most important changes in sport marketing happened with development of sport in media, including reports from arena, up to complete entertainment a large group of visitors. These are designed and implemented by the first world's most powerful TV networks (ABC, CBS, etc). Placing a lot of additional cameras that monitor and record the event from various angles and unusual positions, a large TV screens, expert comments, criticism, are just some of the activities that are resorted to in this area.

Research in the field of sports marketing for better reception and performance

Although from the very beginning there was a good communication with customers (through informal contacts, letters, interviews) there was a need for a prominent articulation of opinions and attitudes of the audience. Matt Levine, who worked as a consultant for NBA Golden State Warriors basketball team, used a concept of evaluation by the audience (audience audit) to collect demographic and psychographic information from the fans who come to the games. The main objectives of Levine's research were:

- insight into demographic, geographic and psychographic characteristics of users,
- categorization of visitors behaviors and isolation of groups interested in buying a joint ticket packages,
- analyzing a purchasing power on expansion activities (sale of goods, concessions, etc.)
- an assessment of other aspects of the work (different customer service, fun, efficiency of employees)
- measuring a level of interest in new concepts which are in process of preparation,
- document the reactions and behavior of viewers and listeners;
- offer communication with the target group in both directions,
- access to database of a user in order to create new, more efficient methods of communication

KEY FACTORS THAT AFFECT SPORTS MARKETING

Marketing is a complex process that requires the formulation of appropriate methodology and approach to the strategy of attracting customers. This formulae consists of eight separate, interdependent pieces (8P - Product, strategic Planning, Packaging,

Promotion, Price, Place, Positioning, Perception), which vary depending on the type of product, nature of the service and target market. Examining these eight units helps us to understand the whole complexity of the marketing mix. McCarthy and Perreault (1988) define marketing mix system as the ability to control those variables so the company can meet a specific, targeted group.

Product

Sport industry products, as previously discussed, are unique, and have specific qualities and limitations and express disability to use marketing treatment in a way that is used in traditional products. Luck and Ferrell (1985) product (sports industry) defined as a set of pleasures that are offered to potential users who enter the appropriate transaction. This set includes both favorable and unfavorable experiences that users can get through exchange. According to the interpretation of Lazer and Culley (1983), a product has three dimensions - distinguishing features, advantages (benefits) and an appropriate support system. Properties relate to the essential characteristics of the product itself, such as building blocks, the quality, look, mark (a sign of recognition), packaging, color, and style of construction. These properties can be seen, tracked, measured and are essential for the product. Product benefits include all those observations of users to whom it meets their needs - taste, warmth, durability (endurance). The third dimension, a marketing support system, includes some or all services related to the product itself.

In addition, for each product is said to have a life cycle. The products life cycle, from the marketing aspect is, in simple terms, the life story of its sales performance. Applying strategies and procedures to ensure profitability, increase sales, and reduce losses, four basic stages in the life cycle products can be considered: a product, increase sales, maturity (saturation) products and a drop in sales of products.

Strategic planning

Every serious sport organization must, at least once a year, conduct a review of its marketing policy, the result should be a response to change, adaptation, and its reconstruction. A marketing plan depends on the level of research activities and development of planning activities, which enables the manager to gain insight into the effect of previous, present state and predict future trends and consequences. One of the basic and most important steps in the strategic marketing planning is the art of recognizing the target market. Market research must identify the cause of dissatisfaction or partial satisfaction. As for the large differences in desires, needs, habits and customs of the people. It is impossible to satisfy all the marketing managers, the property population divides it and focus on specific, selected

structure. This classification of people falls in certain categories (like age, gender, education level, interests, etc). Once the selected target group, the manager can plan a methodology that will apply and begin the process of mutual exchange.

An important phase of the strategic marketing planning is the implementation of environmental analysis. Here we mean score sheet and "climate" in relation to the existing environment that includes both internal and external factors.

Price

Price is one of the most visible parameters (variables). It determines the type of goods or services and defines the boundaries, which can move the rates of exchange. In the field of classical marketing, pricing, often plays a key role in strategic considerations, and sometimes in the whole process of marketing mix. According to research from the USA in 1989, which included more than 3,000 fans who attended NBA games, put cost as the fourth factor (in one city) or fifth (in another city) behind the opposing team, the current position on the table, the presence of major stars (super stars) and protocol events.

Consumers often identify the price of product with its value. A product that has a very low price may be considered to have little or no value.

The question is how to determine product prices, especially prices of products of sport industry. Prices are determined through the following four steps:

Step I: Implementation of the analysis ("break-even"), which gives the cost of production, distribution, promotion, presentation and packaging products. This is realized by identifying and calculating fixed (rental costs, fees, equipment) and variable costs (the salaries, materials, repairs, utilities).

Step II: Knowledge of market conditions. Where is the competition of similar industry? To what extent is competition fair? What is marketing environment in relation to the product?; What is the local economy?

Step III: Assessing the structure of prices, offers direct competitors.

Step IV: Estimation of the amount of profit that the company expects or wants to achieve. Here we use "cost plus" approach. In other words, if the cost analysis showed that the cost of a pair of basketball shoes is \$10, and the competition sells its product \$16, if we want to earn 50% on each pair of sports shoes, the price should be a minimum of \$15 per pair.

The promotion (the promotion of products)

Under the promotion, we mean all forms of communication between managers and target market (Govone, Galper, 1986). This type of communication has a primary role to forward the message, and usually occurs in one direction (towards the consumer). Basic forms of promotional products in the sports marketing are advertising, publicity, sales promotion, and individual sales. A key moment for the effective implementation of appropriate promotional strategies is to precisely define what we want to achieve (the goal) to apply the appropriate promotional activities to achieve the final aim. In considering options to increase the number of visitors at the games, the marketing manager must consider the structure of spectators who came, and the profile of the same. Also must consider all of the previous promotional activities and their effects, to observe what are the activities and programs that can attract attention and attract new viewers, and to determine factors that repulse fans to come to the arena.

According to a study conducted in Cleveland, USA on a sample of 3,009 fans, which come to the NBA basketball game, the factors that affect the visit were ranked as follows:

- Opponent
- The presence of a superstar
- Standings
- Record (Preliminary results)
- Price
- Weather conditions
- Ambient on/in the sports facility
- Duration of sports event
- Television
- Event/Promotion

Location (place)

Location type is a factor that defines the considered geographical area of the target market, indicates ways to distribute products, and the place (means) in the marketing mix systems that want to attract potential users. By distributing products, include all activities related to the transfer of products, goods, and services from producer to customer or user. Another aspect of the site refers to the attractiveness of the place where the sporting event takes place (hall, stadium, track, etc). Important issues of internal and external decoration of the object must be considered.

PR - Public Relations (packaging, packing, pack)

PR (packaging, packing, pack) or the external appearance of a product is one of the key factors for the success of marketing efforts and its effects on the long-term nature and limitations in controlling organisational activities, and acceptance by the public.

Positioning

According to Ries and Trout (1986) positioning "begins with a specific product, a commodity, service, institution, company, or individual." Positioning, however, does not apply to an activity that is directly related to the product, but to the influence on awareness of potential observers. Commonly used are cost, method of distribution, usage, size, time of day and the technology used to transmit messages. The most important factor in positioning the marketing trial and listening to the reactions of potential users. This is important because the marketing solution shouldn't be found in the product itself, but must be incorporated in the awareness of potential users.

Acceptance

Acceptance of product marketing can be defined as an act of receiving messages and accompanying feelings and opinions about this message. Opinions about the message can be quite different: from the due respect to a complete lack of interest.

All factors considered and concepts affect the system of sport marketing, and they are interrelated and influenced by each other. For example, a sudden increase in prices of tickets for major league competition, due to a fall visit to the audience, may encourage the development of new, lower ranks of the competition. When we talk about related products and locations (places) should be said that the sports event visitors often develops a sense of attachment (positive or negative) for the place (sports facility) events. In addition, in many cases the product itself, determines the kind of media promotion and communication with potential customers. There is a category of user willing to pay a high price for better conditions, facilities, equipment (this is especially true for fitness industry). In addition, the price of a product usually dictates the way of its media promotion. In the last 10 years, due the explosion of development and massive use of the Internet, relatively cheap advertising products are available.

APPLICATION OF GENERAL MARKETING PRINCIPLES IN SPORT

Since it was previously discussed about theoretical foundations of marketing in sport, it is interesting to analyze the application of these concepts to different situations in observed area. Special significance has the ability to recognize the market focus on the selected target audience.

Strategic Market Management

Strategic market management is a system that is designed to help a leader in bringing key marketing decisions. Philip Kotler (1987) strategic planning process sees the market as a managerial process of developing those strategies that fit the organizational goals, available resources, and changes in the market. Marketing manager in the sport uses different research methods and techniques to detect, and then, classify certain elements of the market.

Awareness of the market

Identifying target markets and users

In the middle of all marketing activities is always a user (consumer). If they want to be successful in the world of sport, marketing managers must know a lot of parameters and characteristics related to the users. The quantity and quality of this information is a prerequisite for maximum meet users' needs, their discontent to a minimum and simultaneously survive and remain competitive in the market. Here are some important questions that the marketing manager needs to answer:

- Who is the user of the product or service? In this case, the marketing manager is trying to find out who is the end user (the person who made the decision to purchase products or request for service).
- Where a potential customer lives?
- What is the source from which the user is informed about the sport, product, or service?
- What media influence on user?
- What actions have the user immediately before and after sporting event?

After analyze and the answers to most of these questions, marketing manager builds the demographic picture of potential customers. The demographic picture of the consumer is a collection of statistical information concerning the properties and

characteristics of the population. Reviewing the information gathered demographic marketing manager can build a proper picture of the user's preferences, both positive (attraction) and negative (refusal).

Table 2: *Key factors for profiliation of potential customers*

FACTORS	DETAILS
Geographical	Current Town (residential, commercial), place of birth, other dwelling (residential, commercial)
Demographic	Age, occupation, education level, family situation, social class, income
Behavior	Search well-being, attitudes, perception, motivation (participation), knowledge, personality, culture, lifestyle, reference groups, the type of behavior

Lifestyle and marketing activities

Although demographics provide lots of information on potential users, this research does not include psychological and social aspects that affect users. Marketing managers need to know why user made such decision. One way is to analyze the bound between demographics and lifestyles of potential users. For the measurement, evaluation, and analysis of ways of life of uses, manager needs to create a psychological picture (psychographics) of users. In order to find out the activities, interests and opinions of customers it is necessary to know as much about their work, sports, family, social life, education, political orientation - in a word, to know all about style and lifestyle of potential users. The performed analysis is of great importance to obtain a psychological picture for obtaining a complete picture of the user. The following table shows the specific variables that are analyzed in the formation of psychological images classified into three categories -activities, interests, opinions (attitudes)

Following the analysis of marketing methods and style of life of users, a real platform for the delivery of products and services creates. A key dimension of the most important link in the process of segmentation style and way of life is the use of the product. According to the classical division of the use of products, it can be divided to low, medium and large. The following table shows four additional categories of sport (Mullin, 1983).

Table 3: Different categories of users

User category	Characteristics
Loyal (big) users	Holders of annual season tickets, members of the club
Mean (average) users	Frequent (occasional) visitors, visitors of the large (derby) matches
Less common (weak) users	Occasional (rarely) visits
"Deserters"	Visitors who come to at least one sporting event, but in the next 12 months, did not return to the sports arena
Members of the media	Individuals who do not come to follow the live sporting event, but are informed and follow the sport only through the media
Uninformed users	Users not aware of the benefits and pleasures that sport and products provide
Uninterested users	Users who are fully aware of the benefits and pleasures that sports and products can provide, but they do not accept or enjoy them

Development of the target market strategy

After acquiring an insight into the demographics and the style and way of life of users, marketing manager focuses on the selection and segmentation of selected (targeted) groups would qualify as the message. T. Levitt, in his book from 1986 „Marketing Imagination“, says that manager who does not consider market segmentation - does not think at all. Target market strategy is based on the concept (statement, paragraph) that is much more cost effective to focus on a particular group rather than thinking about sending a message to all potential users.

Defining o the target market

In practice, three methods are known as a definition of a particular market and meet their needs:

Mass marketing (intact) - marketing strategy without sharing the market, which is used to send messages to broadest range of users? In the past, a lot of money was spent

on marketing the product for a "typical" or "average" user. Today, however, no company or organization can survive thanks to the sale of the average user. Different segments of the market do not recognize mass marketing - it focuses on the common characteristics of users, rather than on their differences. Although this approach cannot register the different consumer groups in the market, nor it represents the basic method to reach users, it has its place in sports marketing.

Marketing segmentation (focused) - a marketing plan projected to apply to well-defined market segment or group of users. Because of the pronounced advantages, this form marketing has greater application.

Marketing segmentation (focused) - a projected marketing plan to apply to well-defined market segment or group of users. Because of the pronounced advantages, this form of marketing has greater application. The fact that the future position (share) of the sports organizations on the market will largely depend on the quality and faster focus on the target market, and identification of different market segments will much contribute to carry out market segmentation in all areas of business and organizations. Marketing segmentation and focused approach focuses on a specific target audience and its specific needs and is an effective way to take a firm stance on a particular market segment. After separating two or more potential market segments, the target market should choose one that offers the most features. This may not be a segment with the highest number of users, because this pattern does not have to provide the greatest opportunities (stiff competition or the user's satisfaction with the competition).

Multiple segmentation (separated) - a marketing plan to apply to two or more market segments, with separate access for each user group. It combines the most useful aspects of the appropriate previous two forms of marketing. It is very similar to marketing segmentation, except that the sports organization is focused in several different segments for which (for each) has prepared appropriate plans. As there are more unique segments that are discussed in the market, the segmentation will be more successful.

Stages in planning the strategy of segmentation

There are six main stages in the development of segmentation strategies. First, the marketing manager must determine the characteristics of consumers and their needs for specific products and services, which have a crucial role in the formation of the data collected for creating demographic and psychological images of users (Phase 1). After assessing the similarities and differences between users (Phase 2) and developed a typical picture of consumers (Phase 3). This allows definition of market segments uniting users with similar characteristics and needs within the segment (Phase 4). At this stage, it is necessary to choose the segment that offers the greatest opportunities. The existing financial and human resources sports

organizations must be compared to the cost of the development strategy for the selected segment. Then, when you select the segment of the market, organizations need to compare the position of products and services with the competition (Phase 5). Finally, an appropriate marketing plan for each target market is developing.

The process of product development

In the process of product development, we can observe five basic steps. The first phase -testing the concept - which includes the first three steps involve testing products or ideas before starting the process of production or marketing activities .Here are these five steps:

Gathering ideas for development of new product. It is necessary to collect all available information (business, sports and leisure) in order to understand the market needs. It is necessary to conduct a brainstorming among colleagues in order to get some new creative ideas related to the sport. You should not drop the idea in this step.

- ***Assessment (grade) on new product ideas and product analysis.*** Estimate of the product's market value. To suggest or anticipate market demand, cost, start-up costs, and if necessary, develop a product range.
- ***Product development.*** A clear picture of the product development ideas, and in case of specific products, such as sports shoes or athletic equipment, building of prototypes.
- ***Test marketing.*** Testing products in a variety of target markets to make a decision on continuation of investment in financial and human resources for its full development. Test marketing of a new sport or league competition is the first played season. However, it is more difficult to realize the test marketing in the case of a new league competition but the new sports product the manufacturer. When in this stage of product development collect and analyze all data and information the final decision to commence or complete implementation of production is made.
- ***Implementation and commercialization.*** At this stage there is the actual realization of the product or idea and begins with the development of marketing campaigns. When an individual or a company comes to this step, the question of validity of the product or idea and the justification of marketing investments is already resolved. If at any stage of product development a company finds there is no market for that product, the idea of such a product is rejected.

Promotion of products

Promotion represents a means and technique of communication with users. Sporting promotion is considered to be the most successful if desired message of marketing managers is passed directly to the target group on the market. Coverage of sports in electronic and print media has grown and together with the existing competition between different entertainment products, transformed sports markets to high profit industry.

The process of communication

The process of communication used in sports marketing is no different from marketing that applies to other products. Knowledge of the communication process is useful in terms of understanding of the way of forwarding messages from its source, a sports marketing manager, to the recipient of the message, supporters, or customers. The communication model consists of the following stages: Sources of the messages are usually sports marketing manager or sports organization. Bearing in mind the philosophy and mission of the organization, marketing manager needs to decide what message about the product or service is going to be sent (in relation to the club, team, sports event) and to whom (target market) will be forwarded. Marketing manager sends a message using words, sound signals, symbols, or pictures. An asset is a medium used by marketing manager to convey a message to the recipient. Different ways are used here - from individual activities to electronic means. Message recipient is the target market where sports marketing manager wants to send a message. Interpretation is the way the message is understood and accepted by those who receive the message. The response is a reaction of the target market to sent message. Are users motivated to order a product or service? or score is a measure of success is sending the desired message to target market. Marketing researches, ticket sales and other indicators provide feedback to manager.

SPORT INDUSTRY

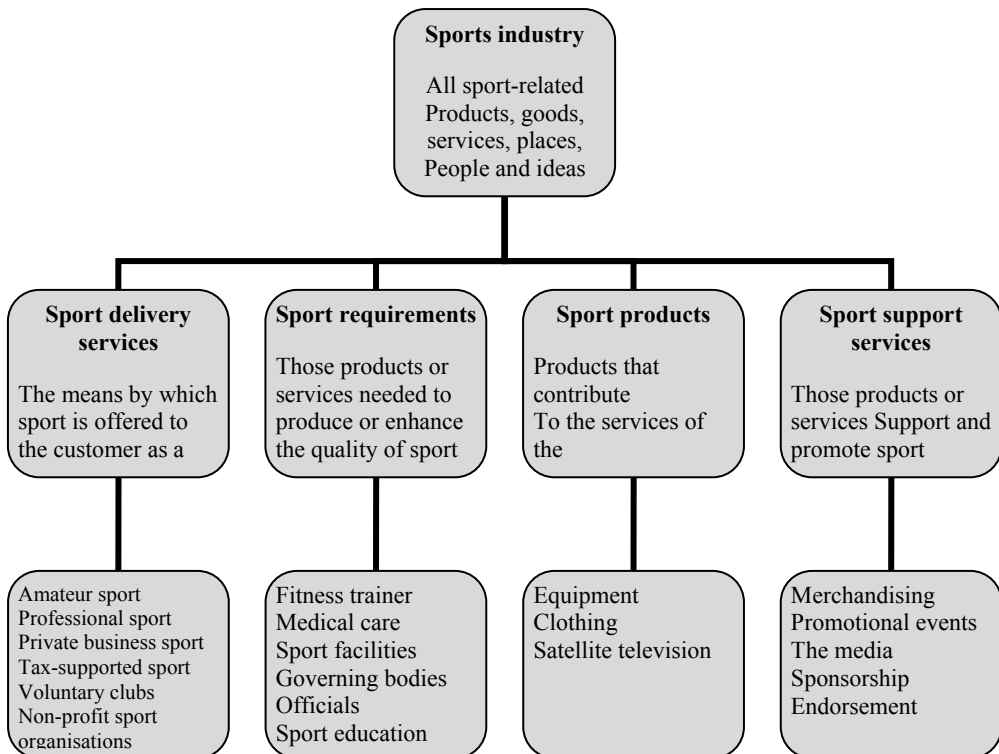
Sport industry is a market in which exists equal and simultaneous exchange of goods entities in internal and external environment of sport activities.

The external environment of the sports industry - includes companies (producers) of sport equipment, accessories, clothing, trading companies, production companies, advertising agencies, mass media, sponsors, advertisers and others who offer their products to sport organizations, athletes and sport auditorium.

The internal environment of the sports industry - includes athletes, coaches, managers, sports organizations, sports event organizers, sports facilities, which together offer a sporting event as a final product.

The sport industry is arguably one of the most complex to be found as it incorporates the voluntary, public and private sectors and can be broken down into manufacturing, retailing, entertainment and service segments, each containing specialised subfields. This chapter goes on to consider the three aspects of the sports industry which are considered to exemplify the dynamism, breadth and diversity of the business of sport.

Figure 1. Structure of sport industry



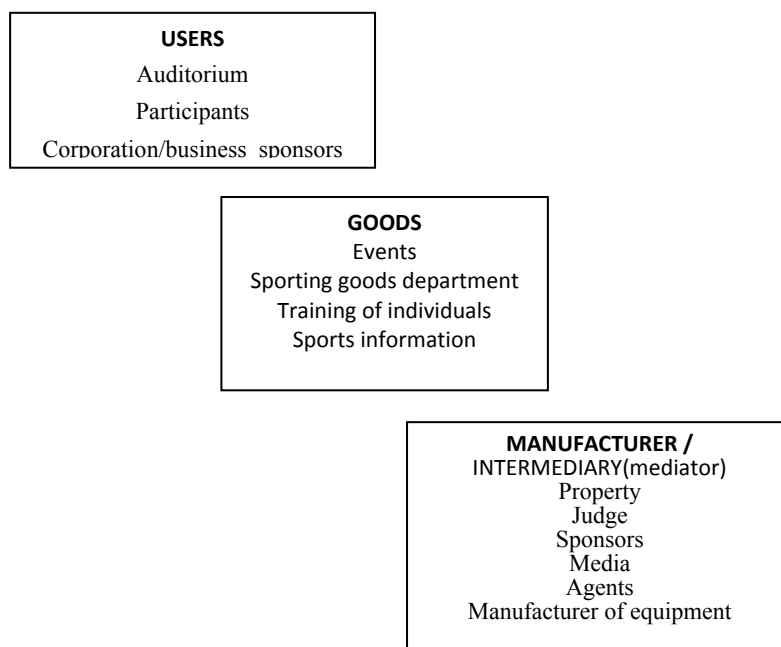
Customers and products in the industry of sports

Simplified example of "customer - supplier" relationship in sport industry consists of three main elements: a) sport consumer b) sport products and c) the manufacturer / agent (Figure 1). We can make a distinction between three types of users: the viewers - those who watch a sporting event, the participants – who are directly involved in a sport event, and sponsors - who invest money or sport equipment, and advertise it during sport event.

Sport product is mostly an object of goods, service or a combination of those two, designed to provide certain benefit (purpose) to its consumer. The main product of sport industry which is offered to customers and sponsors is a sporting event. Sporting event products, like volleyball player Nikola Grbic or Red Star football club stadium has, every for itself a specific characteristics.

Producers and intermediaries are the third element of this model. This category includes all those organizations and individuals which promote a sporting event: the owners, the part of managing structures responsible for punishing any kind of riot on sporting event, accessories providers, etc. Intermediaries are also an important link in this chain, because they represent a bond between seller in sport industry and end-user.

Figure 2. Model relationships "user - supplier" in the sport industry



CONCLUSIONS

Sport industry represents a market where products such as: sport, fitness, recreation, activity, goods, services, people, places and ideas are offered to its customers in the sport market place. Sport industry is one of the fastest growing industry in the world. Competition in this area has become global, which is enabled by technological growth. The success of many sport teams and individual athletes are possible because of the modern technology which allows broadcasting of sport events around the world. Sport managers of different organisations are facing with increasing expectations of customers and users of their services. Modern sport managers must have the skills to identify appropriate resources for fundraising. They must recognize and use all sources available, and use them in responsible and functional way.

It is out of question that the initiative for development of management concepts in sport is given by sport marketing managers thanks to their inventiveness and innovations. They are facing challenges due to the fact that, in some cases, carrying out marketing sport activities could be quite different from traditional marketing of products and services. Sport industry products reacts more slowly to changes and they follow trend in other areas which is confirmed by a steady influence of marketing managers in the sport industry.

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SUCCESSFUL ORGANIZATION – THE ROLE OF PERSONNEL AND CONTROL OF THEIR EFFICIENCY

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Abstract

It is hard to achieve personal development unless there is a commitment and consistency, while organizational development, besides the commitment of an individual, is always marked by absolute commitment of the top management. The managers, in an organization of internal relations, have to start from themselves, from the way they lead the organization, how they affect development of the organization with their behaviour, how they listen to the needs of their colleagues and associates etc. Personnel, as the most important resource in every system, demand constant care. The company has to be a preferable employer, who will create and ensure quality and motivating working atmosphere in which their potentials will be revealed. If the company has satisfied employees who do their job passionately and who are proud of the business role of the system in which they participate, then the users of company services are also satisfied. In the limits of business system there has to be a free fluctuation and exchange of professional personnel, who, with constant education and improving, make servicing, or in other words working people to be the sign of recognition on the market or the factor of competitive advantage.

Key words: *commitment, employees' satisfaction, professional personnel, competitive advantage.*

INTRODUCTION

Market conditions, which create miles of earning, privatizations of public companies, more increasing presence of foreign capital, companies that in their ownership portfolio have mostly foreign capital, impose essential changes in the relation towards employees and managing their work and development as social, public and business categories. Career managing, enables employees to note their skills and interests, and by constant education to contribute to better business result and participate in business system

The accent is on constant, continuous improving which is seen as a process. It starts much before the worker combines his work into a concrete company, and it does not end with the change of his working position. The approach to personnel, as a key resource of the company, is planned, special-purposed, and by working on individual motivation the staff is directed to a mutual aim. Direction to a mutual aim is achieved when an employee completely consciously controls his skills, knowledge, factors that motivate him, as well as when he takes over total responsibility for his own progress but also for the business progress of the company as a whole. Analogously with the business system, an individual has to find the way to coordinate his own advantages and flaws with the challenges and restrictions that are offered by career development. It is necessary to choose a profession and career according to existing and foreseeable future demands that exists for various personnel profiles. In addition, the chosen profession has to have its demands, where skills and knowledge will come to a complete expression with realization of optimal result. Every employee has to be prepared to make decisions about his career, inside the business subject and outside of it. Fluctuation of working class contributes that the needs of working position are fulfilled, and business tasks optimally realized. It is necessary to work unburdened, researching, always be prepared for dialogue, learning and cooperation. Dialogue has to exist, between workers, management and employers. Cooperation has to function between teams, gathered around various tasks, but also between teams and individuals that work in other companies of the same, similar or complementary activity.

KNOWLEDGE- THE MOST IMPORTANT RESOURCE OF THE COMPANY

Workers are often satisfied with the company, in other words with the employer, but not with their working position. It is necessary to reorganize work then. It can be experimented with working hours, from full, through flexible or part time to work at home. The content of the working position is made of works and tasks that can be the subject of change, by adding works that encourage creativity, and abandoning those which are not suitable for the individual, and the like. Managers have to take up a role of special mentors who can contribute, with advices and experience, in solving actions and tasks that build-up a successful career.

Knowledge can be observed as the most important strategic resource, and ability for acquiring, integration, depositing, transferring and use of knowledge is considered as the most important ability in achieving competitive advantage. The highest value of managing knowledge in an organization is the possibility of continuous progress of competitive advantage. Specific abilities of organization that contribute to creation and transfer of knowledge are characterized as key elements of organizational advantage. Knowledge is inexhaustible, restorable resource that enlarges the values of an organization through the enlargement of employees' experience. Knowledge is impalpable, dynamic and it has no boundaries. In order to establish the connection between strategy and knowledge, organizations have to define strategic intention, identify knowledge that is necessary for its realization and carry out comparison between knowledge that company possesses and knowledge that is necessary for realization of the chosen strategy.

When the organization estimates its resources and abilities based on knowledge, only then it will be able to identify which knowledge has to be supplemented, completed and developed. In order that managing of knowledge gets strategic focus, organizational managing of knowledge has to be directed to supplementing or closing of a strategic gap in knowledge. Coordination of strategy and knowledge is the crucial element of the strategy of the organization. In most organizations managing of knowledge is observed separately from strategic planning and realization. However, to have an adequate strategy based on knowledge insures that managing of organizational knowledge supports competitive strategy of the organization.

It is a real challenge for organizations to survive, develop and achieve competitive advantage on the market in global environment. Dynamic business environment demands constant changes, innovations and improvement. That is why human resources are significant for organizations, and in micro-boundaries, recruiting of the right person for the right working position gives a base for prosperity to organizations. In the heart of successfulness of an organization, realization of its missions and visions lays in highly-qualified staff that is motivated, loyal and concentrated on achieving aims. Complex processes of

recruiting and choosing personnel are characteristic for big organizations in developed economies. The practice also confirms this need and necessity in use, both from small and medium companies all over the world. Some servicing companies, such as "T-Mobile" in Croatia, were the first to introduce the way of employing, where, on an open competition for choosing the best candidates, the users themselves could take part in.

Management of human resources, as a discipline in scientific management, has been rapidly developing in the past few years, which is directed by demands and needs of the modern society. Human resources for every organization represent the value, the characteristic of trade and social image, the base for acquiring prestige, growth, development and determined factor of the very essence of an organization. People are the key of success in today's competitive world economy.

It is necessary for an organization, in order to achieve its goals that, with the process of planning, provide its employees with adequate knowledge, abilities, personal characteristics which are necessary to achieve business activities and goals. It is also necessary, by selection, to choose between many candidates who possess those characteristics which in the highest rate correspond to work demands, and the main goal is the best coordination between demands of work and conditions in which the work is done and goals of an organization on the one hand and abilities and characteristics of a person on the other hand.

Education and training represent the basic instrument for activating and directing of human potential towards achieving goals of an organization, while estimation of successfulness gives very important recurrent information about available personnel potential, abilities, and person's characteristics that are necessary for fulfilling demands. For those reasons, human capital becomes a function of strategic significance for organizations that take care of their development and achievement of optimal production and economic results.

HOW TO CREATE AN EFFICIENT ORGANIZATION?

Creation of an effective and efficient organization demands constant changes and adjustment. Changes happen in the working process and working practice, in setting goals, leading and managing, as well as in the ways of estimating of efficiency. Total changes in an organization, according to modern practice, show that over ninety percent of changes happen in people and only ten percent in reorganization of the process. Changes in people concern the inner state, the ways how business conversations are led, listening to conversationalists, without beforehand set goal, in order to put one's own opinion in the first place. By emphasizing dialogue, representation, as well as thinking about learning, and not about winning, effects the change of process and the way of working.

Efficiency of control of business process, and personnel as its carriers, is directly conditioned not only by managers' activities but also by devotion of subordinates who are directly engaged on carrying out adopted goals. The task of the management is to introduce employees with necessities of control and importance of effects of system of control. The employees have to understand the need for control and to make a feeling that it helps in organizing a team work and achieving goals. Negative relation towards controlling, which is in the very human nature, can be reduced or totally eliminated if employees are included in activities of control with different methods and techniques of the management. Personal directing of performers and the system of self-control helps in achieving organizational goals, which reduces the need for control from the top of the hierarchy downwards, as well as the need for strict and constant supervision of achieved goals.

Logically, people in one organization will react more positively and productively if there is a high rate of their involvement in business flows and decisions, if they are aware of achieved results and if they are allowed to adjust and direct their actions. An organization as a whole will easily accept the system of control if the authority is delegated to connect the actions with the place and the carrier of the problem that appears. That is why there has to exist a strong feedback between lower-ranked and higher-ranked that is related to business. Besides we should not forget that control is done by people and that it is carried over people. Placing business results in relation to employees provides a feedback with them so that they can take adequate corrective measures.

Practice, nowadays, imposes numerous ways for solving complex problems in an organization, which are not strictly based on the system of unilateral control. Common denominator for all of them is creation of specific relation of cooperation and learning between leaders, or in other words between managers and performers on lower hierarchical levels in a company. The essence in common identification and definition of problems, their causes, completed with real state of things based on prompt and actual information. This way of managing, is also based on the set of values and assumptions, strategies and consequences of strategic decisions.

Basic values on which this kind of managing system should be based upon are primarily creation and possession of correct and timely system of information. Information has to refer to creation of the real picture about the state of subjects that the system is dealing with, relevant and punctual, without partial estimate of particular teams, department relations in a company and their personal attitudes, both negative and positive. Good system of information will enable that people make decisions in conviction, without force or manipulation. In this way, marketing manager makes a sense of internal commitment to a decision, when employees on the high level of motivation will do anything to perform the decision that has been made. The manager has to be ready to neglect some of his considerations for some time, showing, in that way, the respect towards someone else's attitudes and thinking. In that way, both the employees and the management

are not maintaining on manipulations, but they create the responsibility for made decisions and business moves. Managers, led by this way of managing the company, believe that other managers and other employees will observe on time the things they missed and vice versa. Differences do not make stimulus for a significant chance for learning and acquiring of new knowledge and experience. Every member of a collective tries to act according to his own integrity. Interactions that exist in a collective are the part of the puzzle where everybody with its part contributes to the whole, and the common task is to find out how the whole "picture" functions in the end.

INTRODUCTION OF MODERN MODELS FOR PERFORMING BUSINESS TASKS, MANAGING AND CONTROL

People are curious by nature and that characteristic is the initiator of the wish to learn something. It initiates and motivates us to reveal information that somebody else has, as well as the ways of how some other participants in the process of work came to certain conclusions, without the need to assure them if these attitudes are right or not. Information has to be accessible and shareable with everyone, even including those about one's own strategies, in an accurate and prompt way. In this way it is possible to come up with a strategy together, with a free cooperation and communication in both vertical and horizontal directions. Each of these assumptions gives a base for sharing the common responsibility for the present state of things and circumstances in a collective and for consequences that they bring. Solving the problem of relation with others directly is the question of responsibility, which is better than avoiding and looking for the way that somebody else does that in our name.

The modern systems of managing and control are based on productive functioning of teams. The rules of behavior are defined for generating accurate information. All assumptions that concern others have to be checked as true before they are used as a base for making decisions and acting. Relevant information has to be shared with others even if they do not reflect our attitudes. Managers have to bring decisions closer to performers by explaining thinking that led to such solutions. In the base of brought solutions the needs, interests and criteria that are considered as relevant, are transparent. For successful conducting of strategy managers have to give a chance to associates to bring out their own facts that possibly went unnoticed, and they give a new perspective on the problem that is being observed.

The next steps that follow should raise the freedom of choice and intern commitment maximally, so in that way they have to be thought out together. The questions that have to be solved concerns the advents where the members of the collective had unanimous opinions, as well as those that led to opposite attitudes

and because of which the team productivity was on a low level. Questions that bring disputes do not always have to be solved by consensus which only one of desirable options. Marketing managers have to try to enlarge understanding and trust between members of a team. Sharing information enables to reduce the possibility for dealing with inaccurate information about someone else's attitudes and opinions, which encourages learning, bringing of more quality decisions in a team, commitment in conducting decisions is higher and working relations are better and healthier.

World economic crisis and the problems that companies faces on a global level define the need for changes on the labor market and in new strategies of employment. Development of new technologies dictates new, flexible organizational structure that impose flexible models for employment which demand highly qualified human resources whose competitiveness will be displayed strictly in the field of knowledge and skills.

Flexible models of employment include engagement of labor from companies on temporary and periodical jobs, and some scientists such is professor Helio Zylberstein from Brazil (University of Sao Paolo) predicts that only 20% of jobs in the future will be jobs that mean regular employment and everyday leaving for work (in an office, a factory, etc.). Such thesis is based on higher expansion of new technologies and informatics society that on global level mean flexible models of employment so that in a few years most of us will be in one global stock market of labor and we will compete daily, weekly and monthly with the competition with the aim of gaining quality job arrangements. Before they even could participate in such a game, workers have to improve and study permanently, to be creative and pro-active which will determine their successfulness and results for a long term.

Special accent in creating new strategies of development that will be in agreement with global economic changes and new constellation of relations in the world, will be on employing young people as future carriers of economic development who will be able to predict on time mistakes and anomalies that modern capitalism carries within itself and to create confident and stable societies that will base their development on making additional value. The role of management of human resources will be, in the future period, of crucial importance for development of economy both on micro and macro levels and it will represent the integral part of developing strategies of economy as a whole.

COMMITMENT OF EMPLOYEES TO THE COMPANY- A NECESSARY CONDITION OF WORKING SUCCESS

Commitment of employees is a stressed emotional connection that employees feel towards their company, strengthened by rational reasons that influence them to put an extra effort in order to provide a quality service to clients of their company (Robbins, 2003). Commitment of employees represents the sum of what an employee think, how he feels and what he does for the company. Employees with the positive attitude toward company are the key potential of the company in order to grow and prosper and they have a positive influence on the client's experience- they work as representatives of that what the company and its brands promise.

The most important among all of the employees' attitudes is the attitude towards their work. That attitude is called satisfaction with work and it can be defined as cognitive, affective and evaluative reactions of an individual on his work (Grinberg&Baron, 1998). Satisfaction with work is a compound attitude that includes certain assumptions and beliefs about that work (a cognitive component), feelings towards work (an affective component) and evaluation of work (an evaluative component). Satisfaction with work represents one of the most inquired themes in the area of human behaviour in organizations. The reason for this is certainly in established belief that a satisfied worker is a productive worker, and that successfulness of an organization cannot be achieved if employees are not satisfied.

Some modern theories are based on a viewpoint that satisfaction with work exists in that measure in which people are satisfied with the outcome of the work itself. The more an individual gets from the outcome that he appreciates the more satisfied he will be. So, satisfaction is not only influenced by the size of an award but also which award is received or in other words if the worker gets, for invested work, those awards that he according to his own system of values he puts on a high level. A compound "commitment of employees" appeared for the first time in the study about morality or the will of a group to achieve organizational goals, and that dates back at the beginning of 1920s. The moral value in an organization was developed in American army during World War II with the aim to predict the readiness of soldiers for a battle before the battle began. In the after-war period of mass production moral of the working group was used as the indicator of speed, quality and readiness for work. With the development of the understanding the way of behaviour of employees and with the development of employees' talents, expression of employees' commitment was necessary to describe individual emotional commitment to a company, colleagues and work. In this way the expression of employees' commitment is connected with individual aspect and moral represents the aspect of a group. Objects of commitment can be different because people can connect with different entities in their organizations. People can connect with the organization itself or with certain individuals or groups in it. Objects of commitment can be on two levels: the level of the working group and

the level of the organization. On the level of the working group an object of commitment can be informal or formal group of colleagues that an individual works with or direct manager of an employee. An employee can connect with and feel a high level of commitment toward his direct colleagues at work. That feeling of commitment can result from close and friendly relationship that has developed between them and from long-time common work and mutual helping.

Employees with a positive attitude towards company will more probably be:

- emotionally and intellectually devoted to the success of a company and more ready to invest additional effort,
- ready to stay longer hours in a company and work as its ambassadors,
- ready to create/keep positive experience of clients,
- satisfied with their private life and their work if their personal values coincides with the values of a company.

The price for the low rate of employees' connection with their company can be high for many reasons: fluctuation will be higher, and with the leaving of employees there is a risk not only the people with certain knowledge and experiences are leaving but also because they can take some clients with them, the quality of service that a company provides will be lower since it is mostly connected with the fact how much employees are ready to spare no effort, the loses of money set aside for the training of employees who will leave the company are irretrievable, the remaining employees will be affected by the leaving of their colleagues because there will be extra work for them and also "working moral" will decrease.

Capital that one company has at its disposal is not only lodged on material goods that it possesses, but it seems is much more on organizational culture, leadership, team work, information and human capital. Still, even an important part of costs of a company is connected with working costs, investments in the human capital is mostly very rarely questioned and analyzed, despite the fact that satisfied employees are in the basis of economic prosperity of a company. Numerous studies of multinational research company Gallup, Corporate Leadership Council and Towers Perrin, HR consultant show the same picture. In the terms of typical organization it can be said that 20% of employees in one period are not committed to the goals of an organization, next 60% can be described as medium committed to the goals of organization (they come to work regularly, do their job and go home after work but they are not ready to give more effort for the development of the organization). Only 20% of labor of an organization is actively committed to the organization and its goals. More and more cases from practice confirm that there is a connection between consumers and actively committed employees, operational and financial achievement of a company. For that reason employees' commitment is seen as a key starter of achieving and keeping consumers and that is a critical link in strengthening loyalty of consumers.

Tower Perrin (2010) in a study “Understanding of the Starter of Employees’ Commitment”, identifies a set of attributes that are important for strengthening employees’ commitment. In order of importance the factors are: interest of management about employees’ satisfaction, demanding and challenging work, focus of a company on consumers, authority at making decisions, possibilities for developing employees’ careers, team work and cooperative working environment, reputation of a company, clear vision of the management about future success. For companies, influence of employees’ undedication toward the organization, can be very serious. Gallup’s study from 2001 shows that actively undedicated employees cost American economy between 292 and 355 billion of dollars a year. These speculations are based on a study about American labor that considers that there are 24,7 million of employees or 19 % of actively employed who are not committed to the organization. The research reveals that actively undedicated employees are absent from work 3,5 times more days in a year than other workers or, presented in days, they are absent 86,5 million of days. Maximal possible improvement of business results for a company means fulfillment of four conditions among which exist a high rate of mutual dependence:

- engaged employees,
- loyal clients,
- strong brand
- strong reputation.

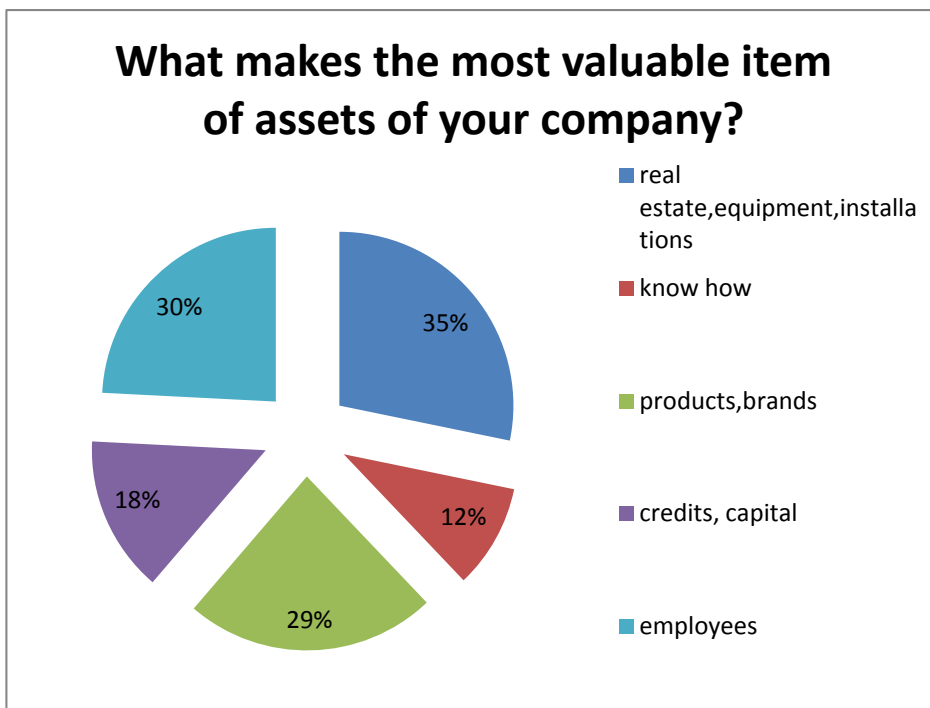
In order to have a positive business result it is necessary for all four factors to have harmonious relations and relationships. With the aim of enriching empirical practice a questionnaire for marketing oriented company on the territory of our country is ambitiously defined (Dimitrijevic, 2011). The sample on which researches were done is an imposing list of 50 companies that do business on domestic market with long-time practice, significant capital and human potentials. For unknown reasons to us, some companies did not show interest to be a part of the sample for planned research, so the conclusions are limited only on those who had time and business “sense of hearing” to respond to a specific business challenge and opportunity for “self-check” and control as the author sees the outlined research.

In the question where was demanded from interviewed companies to rank factors that they consider as key for success of their company, as an interesting fact that was pointed out was that business subjects in their answers mentioned a wide range of factors starting from investments in IT, readiness for innovations, professional education of employees, to competitive products and services, successful/efficient promotion, leading position on the market, personnel, improvement of old and inclusion of new services, widely-spread business net, products and services, service, efficiency, privileged position on the market, public service, assortment of services, market, financial stability, competitiveness of products, efficient organization, optimal working procedures/processes, investment in people and technique, advertising of own brand, constant development and advancement of business, payment, etc.

The encouraging fact is that more than a half of questioned companies (55%), quoted as leading factors of their business success, factors of structure, organization and inter-sectional cooperation, as well as importance of personnel potential, their expertise, investment in personnel's development and team work through the vision of a goal of the organization (47%). However, the thing that worries is the occurrence that marketing, except sporadically (through the advertisement of a brand and efficient promotion), is nowhere decisively pointed out as the leading and uniting factor of growth and development that leads toward business success of a company.

On the question what makes the most valuable item of their assets, 35% of examinees put an accent on so called hard features of a company: equipment, real estate, installations, objects, etc. Human factor, its knowledge and skills, as a "soft" factor of a company, 30% of examinees set into assets, or in other words see it as its most important factor. Some companies, primarily from banking sector-financial business, consider as their most important factor credits, investments and capital (18%).

Picture 1: The most valuable item of assets of a company



Source: Dimitrijevic, Lj. (2011) Modern Challenges, Critical Factors and Models of Organizing, Control and Revision of Marketing, PhD thesis, University of Slobomir

SYSTEM FOR EFFICIENCY EVALUATION

In the market game when management of performances becomes important, managing of working efficiency and evaluation of work are often used as tools. Modern concepts of measuring of working efficiency, its estimation, as well as measuring of performance, make the whole system of efficiency evaluation (performance appraisal). It is a complex process which is used for evaluating employee's contribution to an organization in a specific period. The significance of this concept is dual. First of all it serves as an instrument for employees' development because it is integral part of rewarding and punishment system in an organization. On the basis of it, an employee can get good marks, which is evaluated with money awards and bonuses (stimulations), and if estimation brings bad marks, there are sanctions such as transferring to a lower position, reduction of salary (discouragement) and dismissals. Evaluation of efficiency serves as a feedback to employees about how the organization sees their performances.

On the other hand, system of efficiency evaluation represents highly efficient managing instrument because it coordinates and improves the work of the most important resource in the company- human factor. Efficiency evaluation is a useful tool in the hands of managers for making personnel decisions. Theory has defined several comparative procedures that are used in the efficiency evaluation system. Some of them are:

- Ranking, according to which all employees are ranked from the best to the worst,
- Forced distribution, where an evaluator has to put a certain number of employees in each of several categories (unsatisfactory, satisfactory, good, excellent),
- Paired comparison, at which pairs of employees are formed and evaluator has to evaluate who was a better performer in each pair and the employee who is chosen most times is ranked as the first

Evaluation can also be done according to beforehand defined absolute standards. The following can be used as standards: person's characteristics, behaviour, results and strategy of managing through goals can also be used (MBO). Efficient system of evaluation means that course and direction of evaluation can be multidimensional. According to that a superior evaluates a lower-ranked, a lower-ranked evaluates a superior, colleagues and team members evaluate each other. The important segment of the efficiency evaluating system is the evaluation of outer sources such as clients, consumers and suppliers. Employees have to be trained to do self-estimation continually, objectively and realistic.

Positive files of our companies define criteria for evaluation of working efficiency on the basis of:

- quality of performed work,
- range of performed work,
- deadline for performing work, and
- relation of the employee towards working duties.

Management of performances, as a process of evaluation of personnel, is the process in the context of which multinational companies estimate and continually improve working efficiency in branch offices and companies, on the basis of clearly and in advance defined goals and tasks. This system provides a good start for a research of connection between the strategy of internationalization of multinational company, the goals of its individual brunch offices and their contribution to global profit in a relation to managing the working efficiency of individual workers. This connection is important if the working efficiency of individuals is estimated on the basis of expected solutions and behaviour as a contribution to fulfillment of organizational goals.

Multinational company has specific expectations from foreign brunch offices in the sense of market efficiency and contribution to total profit and competitiveness. When we evolve, the efficiency of brunch offices in this context should recognize different limits that can influence achievement of goals. They refer to the following facts:

- The whole against the parts. Observing a multinational company as a whole on the global market which can be against demands of national market. It can happen that the company decides that the common good is more important than individual success of brunch offices, especially if they are short-term.
- Incomparable data. It can happen that the data that brunch offices have delivered are neither translatable nor reliable. The sale in Brazil can be extremely high but there are reports on the basis of which it is seen that Brazilian government can accept a new system of control in the next year and if this happens a multinational company will not be able to restore profit. Does this mean that they do business effectively?
- Turbulence of global market. It demands long-term flexible goals so that it would be able to respond to changes. If they are not flexible it can happen that brunch offices realize strategies that do not fit in new environment.
- Separation both time and spatial. Additional difficulties arise connected to time zone, from a need for more frequent contacts and bad communicational system that unable them. it happens sometimes that besides all technical and technological facilities one has to travel and personally attend meetings with the aim of solving problems.
- The rules according to which we work. Without supporting infrastructure from a parent company development of the market in foreign brunches is generally more slowly and more difficult to achieve than domestic, where already determined brands can support new products and new business areas can be cross-subsidized from new departments. More time is necessary to achieve results than it is the case on domestic market, and it can reflect on the process of measuring of working efficiency. For example: we will not dismiss the Mexican manager because he works less than the American, because in Mexico it would mean that he works three times more than average.

Managing of working efficiency is the part of control system in a multinational company. Through mechanism of control and communication, through feedback and aspects of estimate, managing of working efficiency has effects on forming of corporative culture, formally and informally, by having features of informal mechanism of control as well as a part of bureaucratic system of control. By accepting a certain approach for managing of working efficiency, a company starts many functions of human resources' management in order to achieve goals set during the process of measuring working efficiency. Effective system of measuring working efficiency is useful both to a company and to an individual. Besides, clearly setting of goals and their constant monitoring and measuring are the key elements of the system for evaluation of individuals' working efficiency because they include both training and development, in other words rewarding by efficiency.

The goals are often transformed into criteria for measuring efficiency. Hard goals- they are objective, quantified and directly measurable, such as ROI (return of investment) or market share. Soft goals- they are connections and relationships, like the style of managing or interpersonal skills. Contextual goals- they take in consideration factors which are the result of a situation in which work is done. They should be combined in order to emphasize specific qualities of international work in relation to domestic context and forms should be assembled which will lead to valid information necessary for estimate.

Evaluation of performance in multinational companies can be done by managers from a multinational company or brunch office, than HR managers, direct executives, and self-evaluation is also conducted. National companies usually design forms for every work, if we observe by categories. On their basis we can compare workers. System standards and forms should be used when they are well tested and when the context of doing work does not change. Evaluation of performance is usually conducted once a year although the practice orders that it becomes a continual process. One of key elements of evaluation of working efficiency is giving feedback to employees about the results of evaluation. It is just at annual evaluation that the problem is time interval because we do not have continual information in order to improve work performance. These results can often influence the revision of goals. At virtual teams this is even more difficult when the communication is mostly done in electronic way.

There are numerous studies of cases which show that growth of employees' connection to a company leads to improvement of clients' loyalty, and consequently to improvement of profitability. Employees can, in direct contact with clients, supplement technical solutions with adequate skills and knowledge, and create emotional bond with clients in that way. Employees who are bound to the company are more ready to act as its ambassadors and to promote its values and brands in every occasion than those who are not bound to the company. Integration of research about clients' loyalty and employees' bound to the company can give important insights in the way in which service for clients can be improved, through strategies of managing human resources which would be coordinated with the employees' needs.

INSTEAD OF CONCLUSION

Changes in marketing management that are the result of expressed trends in business and macroeconomic environment of organizations and which will be relevant in the next decades of 21st century, give new roles to trained personnel. Survival and development means investment of efforts in re-evaluation and repeated affirmation of competitive advantages of companies and their positions on the market. Managing changes demands from employees in an organization to acquire new knowledge, collect more information, handle new tasks, and improve their skills, often to change their working habits, values and attitudes. This includes changes within people- at management and employees, their abilities, motivation, behaviour and work efficiency. It also includes changes in organizational culture- changes of values, settled habits, information relationship, influence and style of managing. This range of fundamental changes should be adequately managed because they make a process which will not develop by itself. Principles of market economic activity, on which lies dynamic economic ambience, demand affirmation of business philosophy, which is based on demands of modern entrepreneurship, marketing and management. Managing becomes a process with which, through planning, organizing, leading and control, with the help of people and other resources, provides effective and efficient realization of the mission and goals of an organization.

Flexibility and stability are the two main elements of management changes, but they are at the same time the base of creativity of marketing managers. Managers need to transform themselves. They need to have a better framework for thinking about and understanding organizational change. Additionally, continuous learning is the key competency required by any organization that wants to survive and thrive in the newknowledge economy (Radovic - Markovic, 2008)

A creative marketing manager will not panic facing new challenges and new circumstances, instead he will step back to perceive them in a new way. Successful business future demands a new way of thinking and will to perceive new answers. Marketing managers see creativity as a great challenge that they have to use in order to strengthen them in the first place and then those who are the part of an organization and wider. In this way creativity can become the base of business life.

If economy is a complex, dynamic, stochastic and with many teams connected system, and cycles its natural phenomenon, then it is inevitable to expect their rises and falls. A company, especially a small one, as an integral part of economy system, during its development experiences certain oscillations, which in conditions of deeper disruptions can lead to business crisis with prospects to grow into a danger that can seriously endanger market position, competitiveness or the very existence of a company. Proactive functioning, that has for its aim to prevent consequences of instability, no matter if they are generated inside or outside an organization, can efficiently contribute to prevention of crisis developing and its dangerous influences on economy of a company. Proactivity is and should be the main attribute of marketing.

Effective system of control provides that activities are done in such a way in order to lead to achievement of organizational goals. The quality of a system of control can be observed from the point of its relation with planning, possibility to give permissions of employees, towards creating working ambience that encourages self-control. If managers do not control set goals they will not be able to know if their goals and plans are performed, and also which steps should be taken. Managers always have difficulties with establishing the rate and the level of permissions that they transfer to performers. Effective system of control, which provides recurrent information about employees' efficiency solves, to a large degree, overcoming of this dilemma. By control there is a periodical and systematical following of the activity of a company in accord with defined control points. With control function a company shows that it does not accept the existing situation and wants to try to find out causes for unfulfilling the plan and tools to correct mistakes. If you do not correct the mistake which is observed with control means that you are going to make another which is even bigger.

System of control enables manager to follow the work and engagement of workers with the aim of business prosperity, without limiting their creativity and skills. From the aspect of business efficiency it is always more productive to act preventively than subsequently in relation to a planned direction of the action and goals that are set. In this way information recurrent connection is supplied, on the input itself, and taking of corrective measures, before it starts to influence badly outputs of working process. Control has, as its goal, enlargement of effects, marketing actions and decisions that represent business orientation on which are based all activities and pervaded all business processes. Control enables that marketing activities are approached creatively, much wider and deeper than the executive role, influencing in that way creation of better climate and working conditions, actively participating in measures of business progress, better motivation and wider influence on making business decisions. Control also enables better assignment of work and duties to departments and individuals, as in the marketing sector and departments so in relation to other functions and their relation to marketing department.

The duty of the management is to lead an organization that gives noticeable results, directed towards common goal. For creation of better working climate and improvement of working conditions, bigger focus on clients has to be in function, and that is achieved with better quality of communication and cooperation between organizational entities. Difficult times will pass but talents should stay to lead a company toward better tomorrow. In the time of crisis everybody is tenser and insecurity about the working position grows, and initiatives of management should level unnecessary excess of pressure. Employees' commitment is one of more important factors that will prevail in the benefit of an organization in relation to competition, today and in the future.

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IMPLEMENTATION OF HUMAN RESOURCE MANAGEMENT

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Abstract

Human resource management (HRM) is a set of scientific principles, methods and techniques of planning, recruiting and retaining people for the purpose of achieving organizational and individual goals. It involves a large number of activities, from human resource records and job analysis to the selection of compensation system and labour relations. Its implementation in the Serbian economy is seen in the human resource management organizational unit. The constitution and development of such a unit depends on the organizational size, the selected strategy, the development factors and the existing conditions in this area. These also condition the selection of the organization model of this business functionality. This paper deals with the analysis of certain HRM activities as well as with the possibilities of their implementation in the current economic conditions.

From a scientific point of view, this paper is an attempt to describe, analyse and improve the possibilities of human resource management implementation. From the social point of view, the aim of the paper is to help solve concrete problems of HRM implementation in the Serbian economy. The research process conducted in this work is largely based on the application of the following methods: content analysis method – research into and description of the HRM state of art; analytical-synthetic method – defining the major problems in the activities in HRM implementation, and inductive-deductive method in the inferring process. The research corroborates the possibility of phase implementation of HRM. Resolving the above listed problems and establishing the basic HRM activities in the first place make the necessary precondition for this. This work can be implemented in the economies of the transition countries as well as countries that have completed the transition process.

Key words: *human resources, human resource management activities*

INTRODUCTION

The implementation of human resource management, a discipline dealing with people in the process of work or related to work in the Serbian economy is marked by the transformation process. Until this process, theory knew it as the personnel functionality, and in practice it was called the personnel department. With the completion of the transformation process and under the impact of corporate literature and the experiences of developed western companies, a majority of companies set up a separate organizational unit under the title of human resources. Thus, from the point of view of the development and implementation of this discipline, one can talk about the periods before and after this process.

EMPLOYEES AS RESOURCES

A frequently asked question in practice is whether the people in an organization can be viewed as resources, such as materials, raw materials and energy, having in mind the uniqueness of this notion. People are, without any doubt, a production factor, similarly to means of production, tools, materials and energy. Employees, however, have intellectual, physical, psychical and social energies, they are the source of strength, power, potential which are reflected in an organization in the attitudes, motives, behaviours and beliefs.

The argumentation that an inadequate and unsatisfactory development of this discipline in the past period was caused by avoiding to treat people as resources is neither satisfactory nor justifiable. Even if the assumption that people are the most important organizational resource is accepted, this does not mean that they are a resource bigger than others; they simply are just a resource – no less, no more.

PERSONNEL MANAGEMENT – HRM

It is worth mentioning that there have been a number of attempts to constitute an integral theory in Serbia, primarily among academics. Regardless of different approaches and controversies in the name of this discipline: Organization and personnel, Personnel functionality, Personnel theory, Personnel sector, its development in 1970s and 1980s was rather expansive. It is most often defined from the aspect of the organization as a basic economic entity, although certain authors assign a significantly broader meaning to it (Kavran, 1991), (Brekić, 1981), (Vujić, 2005), etc.

This can also be seen in the launching of study courses at the then newly established faculties and colleges, but also in numerous research projects commissioned for the needs of the economic sector and public services. Thus Čamilović lists the following personnel processes: job and job requirements classification, personnel planning, attracting and recruiting new personnel, personnel development orientation and monitoring, pay and other forms of material stimulation for work and personnel protection (Čamilović, 2000. p. 71).

This largely contributed to the existing activities of personnel services being enriched in practice with new contents such as record keeping, personnel planning, education, protection, etc, which further fostered the development of this discipline.

Orlić lists the following activities of the personnel management: job and work task analysis, personnel planning and recruitment, personnel selection, orientation and training, personnel development and career planning, appraisal, compensation, rewards, benefits, personnel health and safety, coordination, research into personnel and personnel information system, and finally unions and management. This author equals personnel management to HRM (Orlić, 2005. p. 8).

According to Dessler (2005) the most important issues in HRM are the following: job analysis, planning, attracting and selection of candidates, orientation and training of new employees, salary and wage payment management, provision of facilities and benefits, appraisal of performance, manager training and development and building the feeling of commitment in the employees (Dessler, 2005. p.4).

Armstrong (2005) views the HRM activities in the broader context of organizational activities and relations with the employees. From the point of view of the relations with employees, the activities involve: personnel policy (human resource planning, talent management, attracting and selection, organizational performance management), human resource development (organizational and individual learning, management development, career development), compensation management (payment systems, conditioned payments, non-material awards), relations among employees (relations in production, employee participation, communication), health and safety at work, social services and employees and HR services (Armstrong, 2005. p. 9).

Both national and foreign authors generally agree as regards the areas of personnel management and HRM.

HUMAN RESOURCE RECORDS AND JOB ANALYSIS

What are the existing records in our firms and can they be effectively used so that they should serve as basis for the HRM implementation? Doubtlessly, records are kept in a majority of firms, however, they are inadequate in nature and insufficient in contents. This can be understood because in the existing macroeconomic environment they are created rather as the response to daily-operational needs of the practice than as a result of objective scientific knowledge in this area. They are generally based on the data that lack a legal justification in the ruling laws and regulations and present the minimum indicators of personnel structure. (21) Then, they are modified and adjusted in the economic practice to suit the needs and capabilities of the firm, the competencies of the management, and often even the personal enthusiasm of an individual. As such, they cannot satisfy the needs of neither organizations, nor the employees, nor the macroeconomic environment.

All these call for a repositioning of the existing and introduction of other activities, hence it is necessary that a qualitatively different information system should be built as a support system, from which the direct goals of the human resource information system are derived. It is primarily necessary to analyse the existing personnel records, the scope, type and contents of the data on the employees, the access to data, the update dynamics and the method of use.

Records creation requires a certain period of time (questionnaire creation, polling the employees, data entry and organization) and a phase approach that means collection of the data that accompany the phases of HRM introduction. Hence it is necessary that effective collaboration with the top of the firm and the line managers is ensured.

For this task to be accomplished in a given period, it is necessary that a number of questions be answered. Are there enough people on the firm level that can directly be involved in the execution of the job? Can others be timely included through an adequate system of training? Finally, what is the situation like in the environment and on the labour market as regards the engagement of prospective candidates?

Defining the job weight and basic pay of the employees is a problem to a majority of firms in Serbia today. To avoid oscillations and arbitrariness in the description and analysis of various jobs it is necessary that a job analysis be performed.

In comparison with the period prior to the transformation, the firms only have the inventory of jobs that are part of the employment contract. Job analysis provides two groups of information. One refers to the nature and contents of the job and the manner in which the job is performed; the other refers to the incumbents, i.e., the knowledge and competencies required for the job to be effectively performed (Stanković, 2007. p. 50).

Only on the basis of the analysis is it possible to group jobs so that they can be compared.

Job classification and grouping in our organizations is made without a previous job analysis, relying mainly on the past experiences. There are certain differences from firm to firm, however, in a majority of firms classification is made in four levels. Each of the levels is assigned a respective coefficient or a number of points that are multiplied by the value of the work hour and the time spent at work to get a basic pay. If the levels of management that range from 6 – 12 in the circumstances here are added to these job groups, a large number of coefficients or points is obtained, as well as a rather short span among the employees' earnings. (13) It should also be noted that the middle-level and top managers determine the differences in coefficients.

To perform the job analysis, define a pay scale and basic earnings in such a situation is by no means easy. This job has so far been mainly in the jurisdiction of the financial department that could only state the facts and put the decision into practice, due to the recruitment policy and an artificial addition of new jobs. Such a pay system has in practice led to other weaknesses and restraints, therefore the implementation of job analysis becomes a *sine qua non*.

HUMAN RESOURCE PLANNING

The practice in our organizations shows that human resource planning is generally conducted within the economic and financial sector and is viewed exclusively as part of costs of business doing, taking an average number of employees in the previous year as the basis of the plan. Planning, equally important for both small, medium-sized and large enterprises, has not been conducted where the statute provided it, either. The situation in the theory and methodology of planning is actually the other way round. In the past, there were several successful attempts to plan on the basis of a developed methodology; one example is the Belgrade Electric Power Industry, Inc. (Petrović, 1984).

The planning process itself can run in two ways. One is through anticipation of offer and demand separately. In the next step, the results of the planned offer and demand are compared, and then adequate measures are taken (DeNisi, 2005. p. 60). The other is through the implementation of specific methodology that includes both offer and demand, where their adjustment is performed simultaneously (Petrović, 1984).

The selection of the planning method is also conditioned by the information system development level in this area, or software programmes for planning. Hence it is necessary that they should be properly prepared and profiled. The ready-made software packages that can be found on the market should be additionally adjusted (Vuković, 1999).

The existing database and the development level of the information system should allow for the inflow of the required data from the sections and organizational units of the firm that are important for planning. Vertical coordination should also be ensured in addition to the horizontal links in the planning process.

For the human resource planning to come into effect in the manner theory and methodology define, it is necessary that it should be “detached“ from the economic and financial department and positioned within the human resource organizational unit.

Secondly, in the absence of expert knowledge and experience in the area of planning, one should start from the qualitative methods of planning. Thirdly, it is necessary that principles and opportunities for promotion be defined. This would bring up the issues of internal dynamics that have so far been mostly neglected.

CANDIDATE ATTRACTING AND SELECTION

In the times when the majority of organizations focus their activities on an efficient and effective firm management, attracting the right person for a certain job is a priority. Here, organizations have to master certain general conditions for performing this job, but also to be well aware of the consequences this attracting will have as regards other HRM activities.

In the absence of job description and classification, as well as of the human resource plan, organizations turn to attracting as many candidates as possible, believing this is a good method of selecting the best. Without the knowledge of methods and techniques of attracting, without a system and consistency in the procedure, however, the chosen method may prove to be more difficult and uncertain. Byars and Rue maintain that in recruiting people, organizations should observe the need for an equal presence of both internal and external methods of attracting, having in mind both their advantages and their disadvantages (Byars and Rue, 2006. p. 117).

When implementing internal methods, the organization should define the applicable principles of attracting, so that the publicity of selection should be ensured and discrimination be prevented, and then proceed to define the conditions, the procedure and the method of candidate selection. This leads to a conclusion that organizations should adopt an appropriate set of regulations to deal with these and other issues.

The regulations on the internal organization and other acts are to define the internal mobility of the employees, set parameters and criteria for monitoring this mobility, and devise adequate organizational measures to conduct and value it. Petrović maintains that it should include all the forms of horizontal and vertical mobility as well as the promotion of employees connected to training and development (Petrović, 1989. p. 63).

This would make internal mobility objectively set, based on the criteria of success and as such, it would become a constituent part of human resource records. Thus it would be at the disposal of not only the management of the firm, but also of any interested individuals.

The success in the candidate selection largely depends on the solutions to certain organizational problems. The first refers to the selection of jobs that require a selection method to be implemented in the recruitment of candidates. The selection of candidates using tests is not conducted in all cases, but only in case of jobs and of incumbents where the problem of an adequate selection can be solved only by using tests. The criterion can be the answer to the question of whether the use of the test can help clearly define the difference between successful and unsuccessful candidates. The justification of using tests also depends on the number of jobs for which selection is necessary.

The second problem is institutional in nature. Is there a human resource organizational unit and a required number of collaborators – psychologists capable of successfully conducting the selection process? In case adequate specialists are lacking, the organization may hire organizers, economists and others who are well familiar with the organization and job requirements, who are communicative and excell in competences required from the candidates.

The third problem refers to the selection of tests. A large number of known tests can be used provided that the most economic and the simplest ones are used in this phase of implementation. In the beginning, organizations can use others' tests, selecting and adjusting them with utmost care though. Expensive and complicated tests, such as measuring centres, job samples and others should be avoided; priority should be given to aptitude tests.

Methodologically speaking, the selection of candidates in our circumstances can be significantly simplified using the elimination method. In the conditions of low demand and high offer of candidates, the analysis of the application and the curriculum vitae is to be the first elimination criterion, where all those who do not satisfy the formal legal requirements and terms stipulated in the job announcement or competition announcement are rejected.

This is followed by the aptitude test. The obtained answers are rated and all those beneath the set minimum of points are excluded from the further selection process. The process ends with interviewing candidates. The line managers concerned should participate in these interviews.

EMPLOYEE TRAINING AND DEVELOPMENT

In the process of firm recovery, when certain jobs are abandoned while others are designed in accordance with new requirements of the market and technology, employees increasingly need training in order to retain or improve the existing level of performance. Aware of the importance of training, a majority of organizations intensify the training processes to correct the identified weaknesses. Training is especially important when certain smaller or bigger errors are made in the previous phases of HRM implementation. Here training gains in importance as it becomes a correction factor for the errors made as well as a necessary precondition for the successful positioning of the ensuing activities. According to Ivanovich the organization may choose among a large number of training methods and techniques (Ivanovich, 2006. p. 408).

The improvement of the knowledge level and of the necessary skills should result into a higher competence of the employees and a more adequate allocation of the employees to the jobs that remain.

Another sine qua non condition is forming the organizational unit for employee training and development. The task of a selected team of collaborators in this area is to define a minimum number of indicators required to launch and monitor the training activities, their assessment and importance for the organization. Training should ensure an active position of the trainee in the training process, provide a feedback information on the outcomes and define the direct benefit for both the employee and the organization. This means that it is necessary to establish steady forms of collaboration with operations managers in all the phases of training realization. According to Armstrong there are four levels of evaluation: as regards the trainees' reactions, as regards the knowledge acquired, as regards the change in behaviour and as regards the cost and benefit ratio of the training (Armstrong, 2005. p. 566).

The period to come will require considerably more time to plan and prepare training for employees and managers. Finally, an important problem can also be the evaluation of the already conducted training due to an inconsistent approach and partial valorization of outcomes in practice on condition training was rather formal in character. Hence it is necessary that parameters of implementation of knowledge and skills acquired through training be established, as well as those concerning a more efficient task accomplishment, achieving a standard level of performance and connecting it with the achieved level of earnings and the compensation system.

As a set of measures and procedures oriented to adjusting knowledge, skills and competences of employees in practice, the employee development entails the solutions to the following organizational problems:

Ćamilović stresses that in implementing the employee development, the organization aims to set up and permanently maintain an optimum composition, number and structure of incumbents (Ćamilović, 1998.p. 257).

Such a composition is hard to achieve, both at the beginning and later, in the course of organizational activities. This optimum is threatened by numerous subjective factors within the organization, as well as by objective factors coming from the environment. The employee development in the past was not adjusted to the requirements of production and business doing, which resulted in a dramatic deviation in the number and composition of incumbents as regards real needs. This problem was overcome in the transformation process in that a large number of employees were made redundant. Simultaneously, employees are faced with the problem of inadequate and obsolete knowledge.

Secondly, the organization is faced with a large number of environmental factors that force it to respond, among them market, competition, technology, etc. Structural changes in economy mean the change in the range of products and, as such, involve the change in the technological and organizational setting. According to Stanković the change in organizational setting results in the change in job classification, i.e., in the human resource setting (Stanković, 2009. p. 209).

Thirdly, the employee development means a more active individual response. Legislation is oriented towards entitling employers to more freedom in their selection of candidates and setting looser connections between employees and employers. A contractual relationship between the employer and the employees contributed to the rise of uncertainty and mobility of labour force and also imposed a permanent obligation to learn and develop.

Fourthly, team work and the project type of organization require that employees master specific knowledge and skills. According to Dessler (2005) such changes will impose new obligations on the employees in an organization as regards career development (Dessler, 2005. p. 350).

EMPLOYEE COMPENSATION

From the organizational point of view, introduction of compensation is a final phase in the process of the human resource organizational unit creation. For an efficient compensation system to be created it is necessary that certain conditions be met.

The first refers to the human resource records. These should contain a set of data that are the result of the implementation of law and of collective agreement, as well as other indicators necessary in the HRM implementation. Hence the records are a databasis, programme and content designed to support the compensation system.

The second condition is defining the compensation system as regards the job analysis. The primary result of the analysis is a written document, the job description and specification that, among other, includes obligations or functions, responsibilities required for each job and a standard level of performance. In the next step, the job analysis allows for the job evaluation to be made. In this process a relative value of each job in the firm is defined (Stanković, 2002).

The third condition, defining the compensation system, includes the normative component, one that means the implementation of the Labour Law and the collective agreement, in addition to the economic and the organizational components.

A specific type of restraint may emerge when devising a review of earnings per firm within the same branch or industry. Here, information obtained through the Internet, reports or bulletins of competent institutions can be useful. Byars and Rue propose that earnings reviews should be performed in connection with the point method or comparison of factors in evaluation, so that the selected key jobs in both cases should be equal (Byars and Rue, 2006. p. 328).

By filing and the analysis of the data obtained through job evaluation and crossing them with the compensation review, the organization will be in a position to define the earnings baseline.

The implementation of the individual stimulation model would be made possible by defining the standard level of performance for each and every job. In case of team stimulations on the basis of cost reduction and improving performance, however, this would require that the organization should prepare adequately:

- transition to more flexible organizational structures and a different management style meant to affirm team work;
- creation of necessary conditions for monitoring and evaluation of savings realized and productivity trends; and
- defining the principles of distribution on the basis of benefits and savings realized.

LABOUR RELATIONS

The theoretical development of this discipline and modern experiences in this area corroborate the assumption that the area of labour relations is an important and specific HRM activity.

The primary task in this area is that of normative regulation. HRM should be presented in the existing normative acts as a whole, so that all the activities pertaining to it should be included. These jobs would thus be integrated and preconditions would be created for performing all the jobs in the competence of this section.

Second, this managerial functionality should be constituted vertically on the top, on the middle-level and on the operations levels, and horizontally, including operations managers of the other business functionalities. This will help define an adequate legal position and status of the organizational unit in the existing organizational structure (Stanković, 2009).

Third, labour relations play a key role in the enforcement of laws and provision of necessary acts in the phase of defining the subject and contents of other HRM activities. Organizations are expected to adjust their general legal regulations with the ruling legal regulations on the basis of defined priorities and phases in the development of HRM. These are the issues of job records and analysis, planning, attracting and selection of candidates, employee training and development, leaving the organization, or a social and health care aspect of employee engagement.

Fourth, the regulations will define the internal mobility of employees as basis of internal candidate attracting, improving the employees as well as the compensation system.

CONCLUSION

This paper is an attempt to identify and solve organizational problems in establishing and implementing HRM in the economy. In practice, human resource management should include all the listed activities through forming a separate human resource organizational unit. An optimum approach would be a phase implementation where the number of phases and the sequence of activities would depend on the strategy adopted. Adjusting the HRM strategy to the corporate strategy would be performed at the top of the firm. Hence it is necessary that the human resource deputy director should be at the top of the firm.

The paper identifies only a number of basic problems as their real number is by far larger. They accompany organizational HRM activities in medium-sized and large enterprises and may be of help to the selected team of collaborators in charge of this problem area.

On the basis of the theoretical knowledge and acquired experience, the selected team could use the solutions to these problems as basis on which they would propose activities of key importance for HRM introduction. They would simultaneously be the activities of the first phase of HRM introduction. These activities are the following: human resource records, job analysis and planning.

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THE HUMAN RESOURCES INVESTMENTS AS A PRECONDITION FOR SUCCESSFUL MARKETING MANAGEMENT OF SMEs

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Abstract

Market-oriented business systems are characterized by global competition, intense turbulence, a high level of uncertainty and business risk, rapid technological progress and a high level of quality in satisfying the product and service needs of the customers. Thus, business systems adjust to new conditions and direct their operations and resources for survival on the market, realizing a competitive advantage. Here, the marketing management process has a special role, whose modern conception requires integration, synchronization and coordination of all activities related to market-oriented business systems, meaning, business system managing which provides an adequate valorization and symbiosis of the market and economic and broad social interests. This is possible only with appropriate personnel. Business systems adjust to changes in the environment will well-designed and implemented marketing management and through constant investment in human resources and information technologies, and thus the marketing management process is considered a suitable instrument for enforcing the needed structural changes.

Keywords: *marketing management, customer satisfaction, market, business systems, intellectual capital, knowledge*

INTRODUCTION

Modern business is carried out in an environment of general globalization. It is characterized by intense turbulence, and a high level of uncertainty and business risk, which, along with rapid technological process, requires a high level of quality in satisfying customer product and service needs. Market-oriented business systems (hereinafter: BS), with the help of well-designed marketing management (MM), adjust to new business conditions and direct their operations and resources for survival on the market and to realize a competitive advantage. This is possible only with the appropriate personnel, which are carriers of all BS activities. An adequate choice of required personnel and further investment in human resources increase the level of intellectual capital and knowledge management, which is a precondition for successful management.

THE ROLE OF MARKETING MANAGEMENT IN MODERN BUSINESS

Modern business systems are in a constant interaction with the environment (the market, political, legal, economic and other systems) (4, p. 81). In real life, changes are inevitable, caused by existing numerous interconnections, which make marketing management BS hard to contend with.

The marketing management concept

Marketing management represents a dynamic process which continuously moves and directs marketing activities in the purpose of satisfying the needs of customers, the economy and society at large with products and services and by making a profit (14). Thus, MM represents “an analyzing, planning, applying and controlling of programs intended to create, build and retain useful trade and relations on target markets in the purpose of achieving the goals of the organization” (14, p. 293). It is obvious that MM marketing activities of business systems are directed toward the constant and complete satisfying of the needs and requirements of customers, but also toward the realization of an efficient and effective business system functioning by achieving a competitive advantage and realizing maximum profitability.

In a dynamic environment, changes are happening rapidly, so it is very uncertain and difficult to predict future conditions. As the uncertainty of environmental change grows, the work of BS marketing management becomes increasingly more difficult, as the planning process is based on the predicting of certain environmental factors in the future.

In his book, *The Management of Marketing*, M. Wilson points out that in the past the environment was less turbulent, and that marketing management activities in that surrounding were focused on rent ability, long-term planning, the national market, with possible exporting to traditional foreign markets, as well as price changes once a year, an organization of the distribution system, etc. Today, intense environmental changes in all areas of economic and social life obstruct the applying of traditional marketing management methods, based on certainty and centralization. Circumstances impose intense work on improving the existing and developing new methods and techniques of marketing management, with a particular emphasis on constant monitoring, analysis and adaptation to the external and internal business factors of BS (8, p. 272).

Marketing management processes

Marketing management is a continuous process consisting of planning, organizing and activity control in business systems, in order to provide an adequate evaluation and uniting of commercial, economic and broader social interests.

Marketing planning is the first stage of marketing management processes by which the marketing activities of BS adapt to the changes in the environment, meaning, the needs and demands of the market. In this stage, decisions are made about the goals, politics, strategies, programs and plans of marketing activities.

The marketing planning process (Image 1.1.) consists of the following:

- Marketing odds analysis,
- Target-markets selection,
- Marketing strategies development,
- Marketing program development,
- Management of marketing efforts (11, p. 27).

Modern business imposes the need for planning to be a continuous process of defining goals, policies and strategies in marketing from qualitative and quantitative aspects. Planning is a process, and the plan is a specific managing tool, with a qualitative, quantitative and time dimension.

Figure 1.1 The marketing planning process



Organizing is a stage in the marketing management process during which the organizational structure is made, and where all marketing functions are organized. The organizational structure is defined as a formal division of work inside the organization (18, p. 234). Organizing demands a comprehensive approach and understanding of environmental conditions and BS, which is reflected in satisfying the needs of consumers, customers and service and product users. For a better understanding of relations between BS and its environment, it is necessary to stress that the external environment of the organization is divided into two parts. The first is the specific (immediate) environment, which is made up of the business systems which exert a direct influence on individual business systems (suppliers, buyers, competition, etc.) and the other, the general environment which depends on the political, social, technological, cultural setting of a certain country, as a system of a higher order (15, p. 57). An environment undergoes analysis with the purpose of comprehending the state of individual systems, their settings and mutual relations in a particular point in time, from which the odds and dangers for the system should be recognized together with the weaknesses and strengths and thus, responses to the challenges of the environment should be made.

Organizing, as a subprocess of marketing management, is viewed as managing and business activities directed toward the market, in order to satisfy the needs of consumers, buyers, and users of products and services, and thereby achieving benefits. A good feedback between a business system and its environment ensues from the circumstance that information ensuing from the market is constantly taken into account, thus establishing work coordination and a synchronizing of activities within marketing, but also coordinating marketing with other system functions.

A business system which acknowledges the philosophy of marketing as the essence of its business thinking and behavior should create the following:

- Organizational preconditions and
- Conditions for a successful application and development of the function of marketing.

Organizational preconditions and conditions relate to creating expert staff capable for team work, developing the culture of the organization and demands of the employees for change, a continual researching of the market and the environment, investigating products and innovations, improving business dealings on the market, achieving benefits by satisfying the needs of consumers, buyers and society and improving the standard of living. On the other hand, a business system, by organizing, implementing and developing marketing, creates the basic preconditions for its work and activities on the market in accordance with its growth and development, but under the condition of an optimal usage of disposable resources (8, p. 293).

The conditions for implementing and developing a marketing organization are the following (8, p. 293):

- A complete marketing orientation of the BS (the organization must be set in such a way to allow, at any moment in time, the performance and procedure to be directed toward the satisfying of market needs, and enabling a quicker reaction to the changes in the external environment),
- A business system which can completely master not only the current market, but also potential ones, has to be directed toward achieving long-term goals,
- The positioning of such an organization so that it can coordinate all the work within marketing and BS and orient them toward creating and producing products/services which have a real value for buyers and consumers.

Control is the indispensable stage of the MM process and represents a systematic analysis of the achieved results of BS in regards to the planned goals, strategies and programs, as well as internal strengths and weaknesses, the odds and the limitations of the environment. The achieving of planned decisions is measured (the goals, policies, strategies, programs and plans) and the efficiency of a BS and corrective actions within the organization and the functioning of marketing function take place within it. Control is also a function of management, which consists of the determining and adjusting of the achieved activities in order to fulfill the set goals of a BS. It is also a basis for analysis of strengths and weaknesses, possibilities and dangers of the system. Therefore, it is necessary to identify the factors that significantly affect the results of the system. An efficient control of MM is based upon the ability of the BS to adequately react to corresponding impulses from the environment.

Efficient control begins with the identification of the appropriate indicators, which allows for a timely detection of possible discrepancies from planned goals. The next step is measuring the achieved effects on the basis of the determined indicators and criteria. The following step, after comparing the measured results and determined indicators, is to establish the causes of possible variations and if necessary, to formulate the appropriate corrective actions which reduce the differences between the achieved results and the planned volume. In order to carry out successful control, besides the established points and standards, an appropriate number of experts with analytical capability are needed, together with a good organization and a good marketing information system.

The process of MM contains an analysis of the complete market possibilities, a formulating of goals which the BS wishes to achieve on the market, finding the optimal combination of a marketing mix and distribution of production factors and the selected paths of action, as well as creating an efficient organizational structure which implements the programs and plans on the market, and permanent control of the achieved results of marketing activities and the questioning of the rationality of the activities carried out on the market (21).

The MM processes of a successful business system take place continuously. Thereby, marketing activities are being directed by planned decisions, the marketing section within a BS is being enabled by organizing an efficient achieving of the planned decisions, and control allows for results which are realized by previously defined planned activities. Thus, MM can be efficient only in the case when all three stages are mutually complemented and interact together. Without an efficient organization, decisions made during the planning stage cannot be put into practice. Only on the basis of the control of marketing activities is it possible to establish causes which negatively influence the efficiency of a system in achieving the planned decisions.

The importance of marketing management in business systems

The importance and the role of MM are reflected in the constant contact between a BS and the environment. A BS with its activities directly affects the market, predicts changes and adapts to them by satisfying the needs of product buyers, securing for itself survival on the market and achieving a competitive advantage.

The goal of marketing activities is to achieve the planned results and carry out trade on the targeted market in the long term. In that regard, appropriate marketing actions take place, which causes a desirable demand in regards to the supply, in the way that a marketing department analyzes customer wishes and expectations, and puts together a list of wishes of the potential buyers, which is the starting point when creating supply (21). Also, additional information is provided, related to the customer responses to different marketing incentives which are often an integral element of supply. Supply needs to motivate buyers to buy a product, but it is also a foundation for structuring management activities of marketing which should provide a continuity of demand, bearing in mind the goals and tasks of BS related to particular target segments.

The responsibility of marketing management is related to creating the conditions and settings in which all activities of the BS will be directed toward the target market, and providing a value chain for customers which results in needs satisfaction, as well as creating a loyal consumer of products and services. The target market is a homogenous group of buyers for which a company creates and develops a marketing program adapted to their needs and preferences. When choosing a target market, marketers have to keep in mind the potential and the period of exploitation for evaluating marketing costs, and the expected profit and size of sales which can be achieved. The size and number of competitors should also be taken into consideration. Marketing managers have to define the target market and the identification and analysis of the target buyers creates the basis for the developing of marketing mix instruments (7, p. 8).

The value chain concept was developed by M. Porter, and the goal of this concept is to identify the potential competitive values. According to this concept, nine activities of the company are especially important: the primary five which represent the value, the introducing of materials into the business, activities-inbound logistics, converting materials into the finished products activities, production, the transporting and distributing of final products-outbound logistics, marketing activities - marketing and sale and service activities; as well as four secondary activities: procurement, the development of technology, HR management and the infrastructure of the organization which includes marketing research activities, organized on the level of the organization or as services of a marketing research agency or auditing companies. The basic idea of the value chain is the analysis of each activity and comparing it with the competition, in the purpose of providing a competitive advantage (7, p. 128). That is the reason why MM has the task to use all advantageous possibilities at midpoint, and thus remove all barriers and obstacles to realize exchange. According to P. Kotler, exchange is an act of obtaining something from someone and giving something in return. It is also the part of the market process upon which marketing is based. It is necessary to satisfy numerous conditions to realize an exchange, which are: the existing of at least two sides ready to negotiate on the conditions of exchange, each of them possessing something of value for the other side, as well as each one being capable of communication and deliverance, and being free to accept or reject the offer, and both sides considering it appropriate and desirable to trade with the other (11, p. 6-7).

PRODUCT AND SERVICE QUALITY AS THE KEY TO INCREASING CUSTOMER SATISFACTION

The main requirements of buyers are related to product and service quality. In order to define quality, it is important to take into consideration its parameters and characteristics, which depend on the type of product. For example, for mechanical or electric products, performances such as consistency, safety and form (6, p. 43) are important. For pharmaceutical products, the physical and chemical characteristics, as well as the medicinal effect, toxicity, taste and duration are relevant, and for food products, the taste, nutritional properties, texture, and the expiry date. If a product satisfies a buyer's expectations, the buyer will be pleased and will consider the product acceptable and of good quality (Image 2.1). But if expectations are not fulfilled, the consumer will consider the product to be of poor quality. It means that product quality can be defined as "the ability of the product to meet customer needs and expectations."

Quality and product and service quality production (Image 2.2 and 2.3) with which a BS performs on the market is the result of a harmonization of all the functionally related processes. The quality grade of products and services largely depend on customer expectations, which are determined by the BS image, promotion activities, by "word of mouth" advertising and the price of the service.

A high quality product level has a direct influence on high customer loyalty and creates extremely positive “word of mouth” advertising.

Image 2.1 *Quality of Service Model (13)*

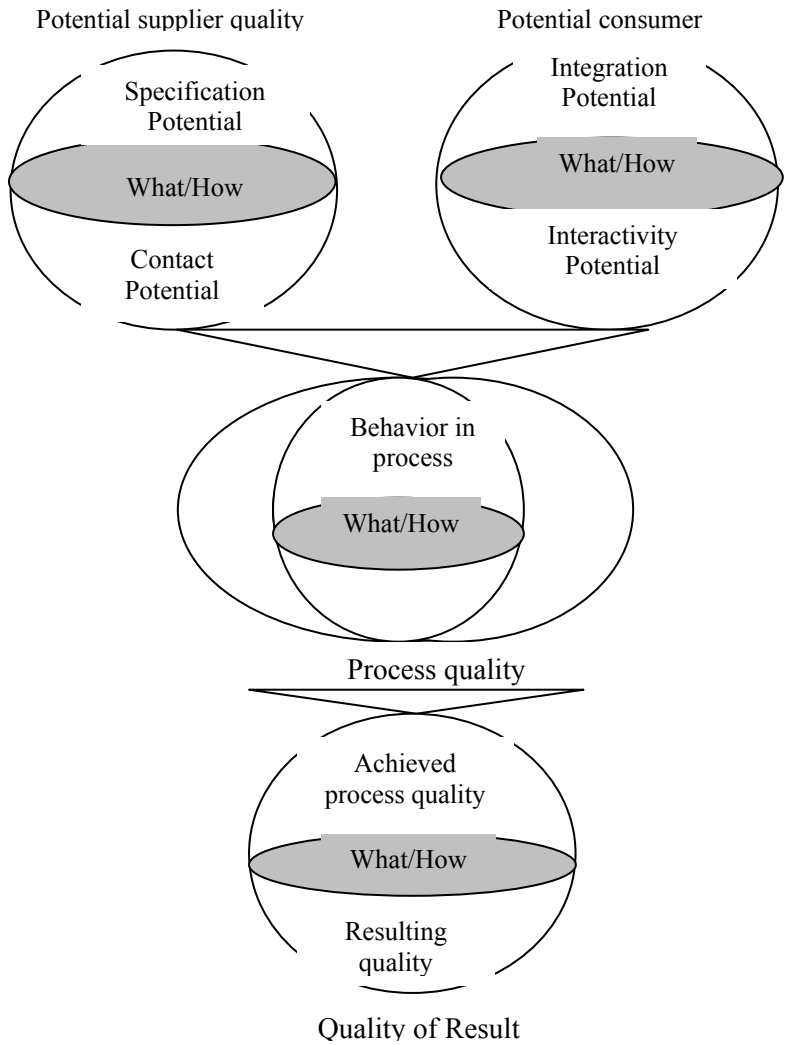
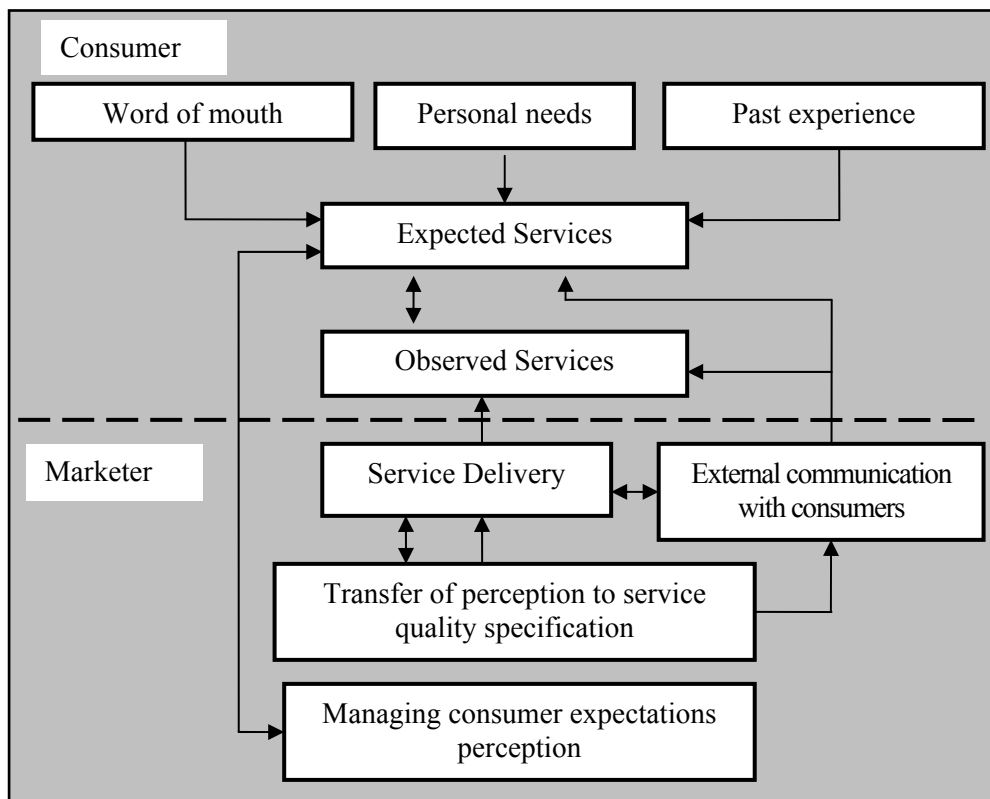


Image 2.2 Conceptual model quality of service (12)

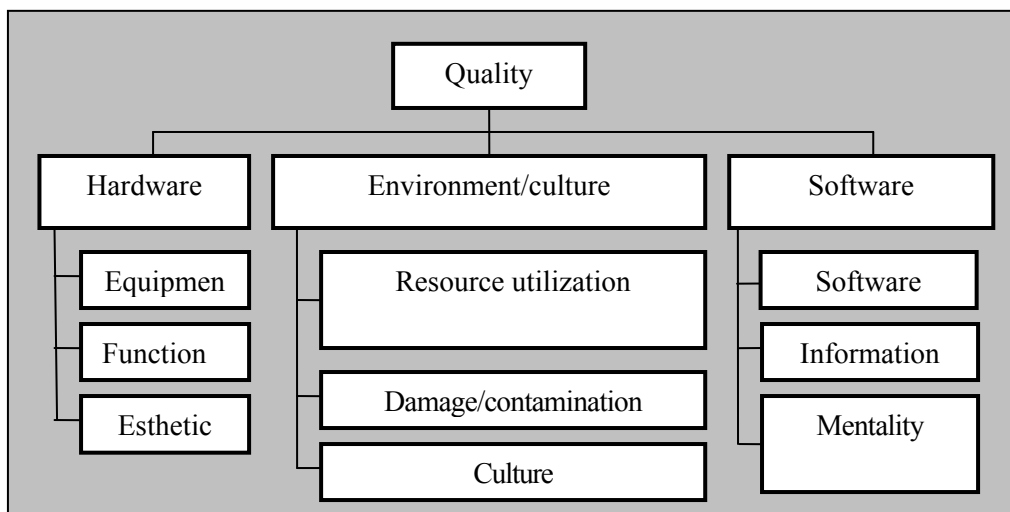
Today's consumers are more and more informed and less ready to forgive certain errors, and the competition is very strong. Quality products have become the condition of survival on the market. Research indicates that if the consumer has a significant objection to product or service quality, as many as 91% of the consumers will not be users of these products or services again, but if the reaction to their complaints is immediate and the reasons of the complaints are taken away, some 82% of them will be consumers once more. When a consumer complaint appears, the reaction to it must be immediate. The longer the time of problem-solving, the bigger is the possibility for the business system to lose a potentially loyal consumer. The problem is that often it is the case that many consumers have no formal complaints, they just stop using some services. Thus, managers have to find a way to encourage consumers to indicate the reasons of their dissatisfaction, as then the BS is in a situation to be acquainted with the problem and thereby to resolve it.

Services are the focus of interest for the consumer (Image 2.2.), as well as for the service provider (5, p. 12-18).

The service provider is interested in quality, not only due to image or affection for the consumer, but also because of profit and a long-term presence on the world market. To realize the mentioned, it is necessary to achieve product quality to satisfy the needs and desires of clients.

Customers wish the provided service to fulfill all the requirements on service functionality and reliability, manner of use, etc. and it is without doubt that the consumer wants services at acceptable price and timely delivery. It implies a respect for the structure of service quality: adequate hardware, environment/culture and software (Image 2.3).

Image 2.3 Quality of service structure (16)



Development of market relations and constant consumer requirements for better, more functional, complementary needs and information, have stimulated BS to develop constantly. From that ensues the need for the procedure of every product and service to be in accordance with quality standards. To achieve quality, it is needed to direct market conditions, market relations, customer demands, goal achievement, system strategies and policies, rapid new technology development, etc.

Modern business is characterized by product-making and product use at the same time. It implies customer presence as a necessary condition for product-making; meaning that there is a need for direct contact between the producer and customer. Thus, product quality depends on the customers, as they are the ones who choose, combine and form the product. They also, with their education, general and special culture, are in touch with the employees which represent to them the product or provide the service. Only a consumer who is informed, educated, sophisticated and above all, open for every kind of communication is a potentially satisfied product and service user, meaning that he/she is ready to ask for the maximum, but is at the same time competent to recognize unintentional errors. That is why a continued educating of potential consumers is necessary, as it is necessary to inform potential product users about quality, as well as some facts on the product and the conditions for their satisfaction with the product (5, p. 155).

Thus, it can be said that quality is essential for conquering new markets as well as retaining the existing ones and achieving business success on both the domestic

and international markets. Quality implies retaining the existing quality level within a limit of exceptions and within a given time and environment. The competitive parameter which exists in all the development stages of the market economy is very important, and it determines the conditions and dynamics of exchange in all parts of the world market. The instigators of all the mentioned activities and results is the personnel, i.e., human resources, which should be invested in wisely.

THE NECESSITY OF INVESTING IN HUMAN RESOURCES AND IT AS A PRECONDITION FOR SUCCESSFUL MARKETING MANAGEMENT SYSTEM APPLICATION

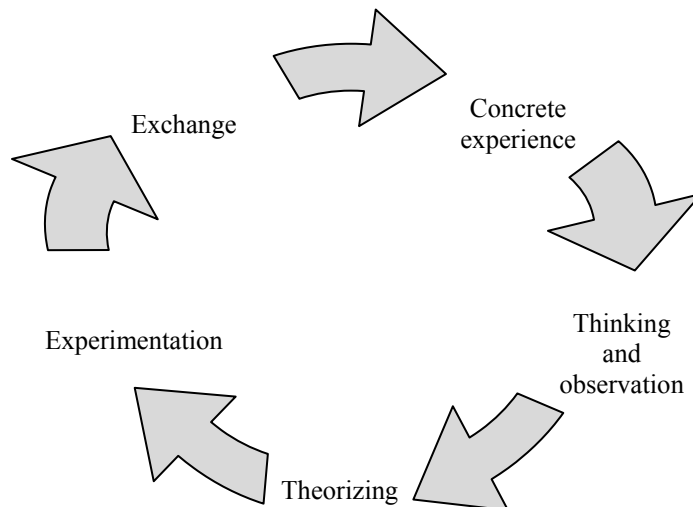
Modern business considers the participation of employees in product realization as the most important facet of the process. It is impossible to operate an organize business without paying necessary attention to human resources. The BS which has intention to constantly improve its overall quality has to provide personnel which are capable of carrying out tasks at the right time and the right way. This is not just a matter of a mere execution of the standard work activities, but also creativity, innovativeness, a high level of motivation and proper organizational behavior. Today this can be achieved through human resources management, as a model of recruitment, with the goal to discover, express, develop and apply the realization of business goals, as well as the hidden possibilities, capabilities and talents of personnel, which occasionally remain undiscovered in a traditional work organization (5, p. 155).

The business process of a system occurs by a proper combination of labor force, work resources and materials. HR management is closely linked with the role of man in organizational system functioning, as the labor force represents a collection of mental and physical abilities of humans and is inseparable from individual personality. Managing activity is focused on recruitment, usage, development of the labor force and maintaining high performances of the employees, and it falls under the auspices of HR management. Recruitment and selection of personnel, their helping the organization to function successfully, continuous development, education and stimulus to be creative, represent the essential strategy and component of management. "The essence of organization strategy becomes a development of human resources as a whole and of every individual person, and the creating of a creative atmosphere in which all those potentials can be used in the function of goals and development of the organization." (9, p. 232)

The main segments of HR development are:

1. *The HR development plan*, which includes the program of structured education, training and development, implemented with the purpose to realize strategic goals with limited resources and with defined time limits, as well as programs which help employees develop their fullest potential and a successful performance.
2. HR resource development which is:
 - strategic planning and priorities which are determined by management;
 - clear competence criteria and standards; and
 - control and analysis of the HR development plan results, and also continuous training and new skills application, as a permanent task of top management.
3. *Individual HR plans*, which include the work position, name and surname, age and date of employment, education, previous work experience, previous training, manager assessment, training for specific knowledge/skills, training for general knowledge/skills, expected impact on job and career planning, and,
4. *The learning cycle*, which includes the number of processes of exchange, specific experience, thinking and observation, theorizing, and active experimentation (Image 3.1).

Image 3.1 *The learning cycle*



Insight into the learning cycle is the source of managerial wisdom, as without an integrated acting and thinking, there is no learning.

The globalization of knowledge disproves the stereotypes and invokes changes in all processes, including knowledge acquisition and ways of thinking. Knowledge is the wisdom of a systematic adoption of skills and experiences, in other words, knowledge is materialized intellectual capital. Thus, a knowledge management strategy is a precondition of a successful determination of coordinated development between the material and human nature of activities, in the new stage of civilization (10, p. 209).

Knowledge, education and human capital are bases of modern managing of BS, so managers must at every moment know the place of human capital within BS organizational resources, as well as its influence on business. Education and learning are the foundation of every growth and development, and thus also HR development. The adhering to the principles of learning and education and the applicability of study and research results is directly in the function of HR development. They are also in the function of creating forms of action, which is determined by system characteristics.

As a rule, the behavior of the managers, organizational policy, and personal preferences create the ethical code of organizations. Creating an ethical code, together with developing and sustaining high ethical standards, requires an ethical training of the employees and, above all, a developing of an ethical leadership (10, p. 210).

It is very important for BS management to understand the work environment through a joint collaboration of work space design, tasks and activities at work and the behavior of employees. At the same, work space should include not only functional, but also psychological significance and represent a work context personalized in spatial, organizational and substantial characteristics of work together with an inclusion of its impact on motivation, general satisfaction and performance.

Business systems employ a wide circle of people with all levels of qualification: from top managerial positions to physical laborer placements. At the majority of levels, there is a possibility for career enhancement and achieving additional qualifications.

It is well known that in small and middle sized business systems, there is a great possibility of the mechanization and automatization of the work process, but the human factor remains the most important one. Because of that, there has been an increase in the importance of HR management, whereby special attention is given to human resource planning, selection, training, salaries and benefits, as well as discipline, execution and improvement. Along with planning the needed size and structure, HR planning also includes a planning of promotions, education, protection, requalification, dealing with personnel surplus, etc. What follows planning is a description and division of work. The description contains information about the duties and responsibilities, about the given job and general work terms. A specification of work (5, p 157) requires the qualifications necessary for work performance, and it is used in the selection and recruitment of individuals for particular positions.

The USA and other developed countries are making great efforts to raise the quality of their products by carrying out numerous activities, such as the following:

- training of employees
- discussions about various programs and stimulating better results.

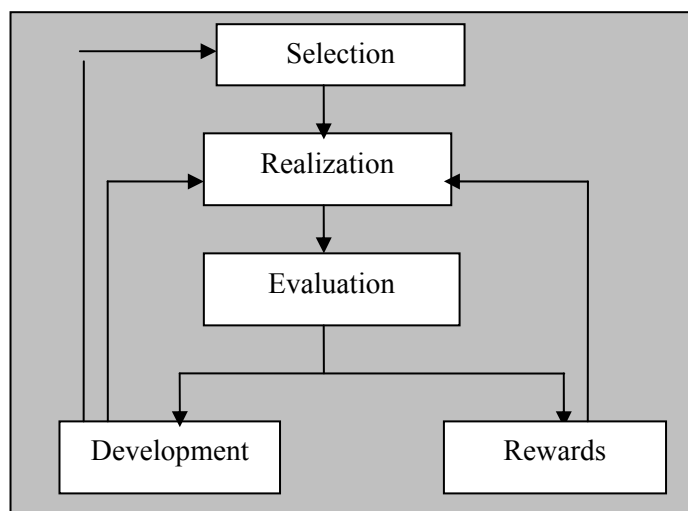
All these activities are assigned to the HR department (5, p. 157.), and not some other organizational part of the system, due to the importance of HR in all aspects of constant product quality improvement. This is logical if it is taken into account that new management solutions, with quality as the focus, demand significant changes in the approaches and motivation of the employees, together with behavior improvement at the work place.

Education and training take place on several levels, and include institutional and informal education. The training of personnel, in accordance with programs which are constantly being innovated, is organized in different ways:

- short specialized courses organized for learning specific skills
- study trips
- seminars
- exchange of experiences between employees of similar organization types
- week-end seminars
- online training, etc.

Image 3.2 presents the cycles of human potential, which is applicable in business systems. The cycle allows for a constant advancement of personnel, as a foundation for constant marketing management system developing.

Image 3.2 Human potential-capital cycle



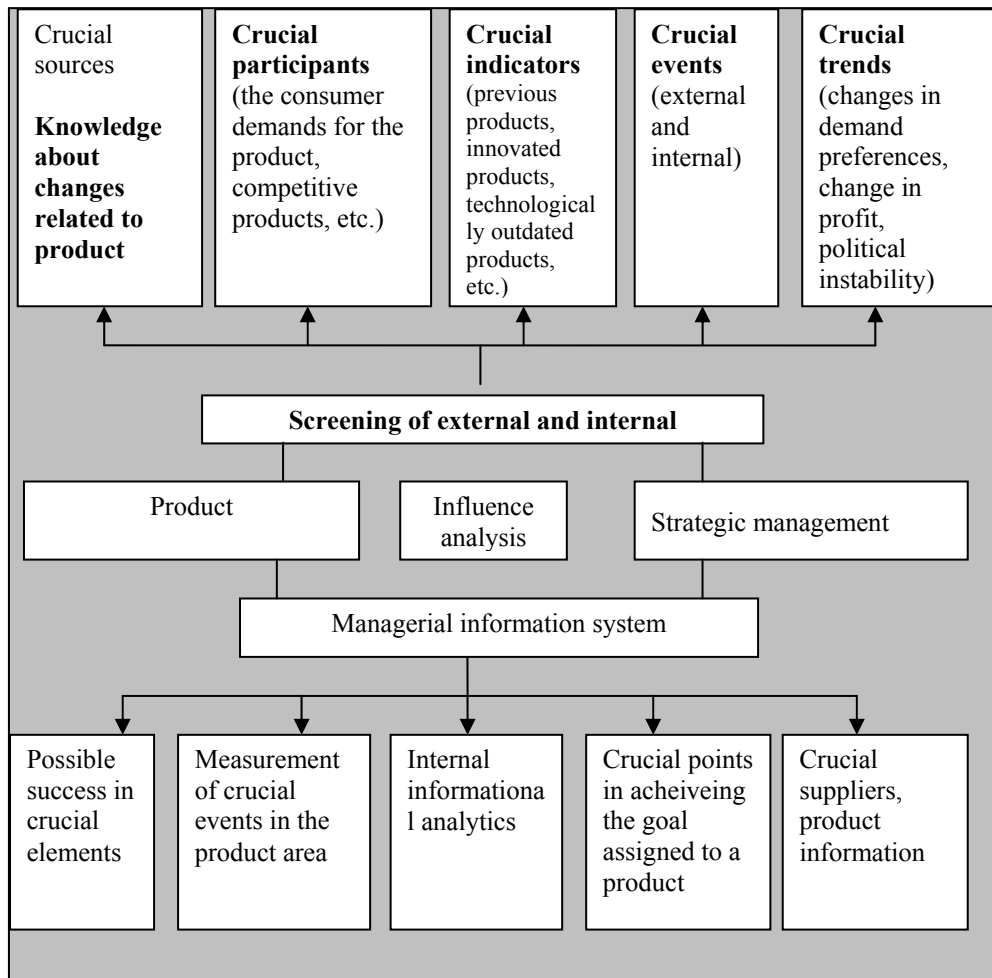
Considering the previous, it can be concluded that only trained and motivated personnel will develop and include new technologies into the system, creating

possibilities of making new products and services of a desirable quality. Also, they will constantly improve product quality, the quality of work conditions and system quality.

In order for the model of the integrated marketing management system to be optimal, it must follow a strategic IT business system, whose structure is presented in Image 3.3.

The model of integrated marketing management system can be created and implemented by trained and qualified personnel.

Image 3.3 Strategic management IT system



Nowadays, management in business systems, as a modern approach in business management, includes organizational behavior and within that, the forming of a work group with appropriate practical organizational behavior. All of

that points to the specificity and importance of HR management, and to the role and the importance of managers in modern business.

Managers are on a daily basis faced with the problem of adapting to numerous structural, technological, social transformations and changes. Thus, HR management is becoming completely different in comparison to what it was previously, as it is no longer considered to be only a functional activity, but a new business philosophy that should be implemented at all management levels. This new business philosophy has become a necessity of a modern leader and a term that inevitably requires changes in management skills to attract, hold and motivate those workers who have know-how (10, p. 212-213).

Knowledge management ability is of key importance for achieving a competitive advantage of an organization, particularly in the conditions of a modern economy. The crucial issues are innovation and integration of knowledge, which present specific demands to managers in terms of complete knowledge.

The future of every organization and its comparative advantage depends mostly on the ability and knowledge quality of the managerial team to predict future changes, in order to provide well-timed strategies in accordance with new circumstances.

The essence of MM, thus, relies on the ability to adapt itself to new changes and the demands of society and the market, through a constant investment in personnel and IT, and therefore the process of marketing management is considered to be one of the instruments implementing the needed structural changes.

CONCLUSION

The importance and the role of marketing management are considered to be providing a constant adaptation of the business system to changes and demands of the market and society. It is achieved through a constant contact of the BS with the environment, as well as by way of optimally defined marketing activities that directly influence the market, predict changes and adapt to it. Thereby, each and every time the assumed needs of the consumers can be satisfied in full. By doing so, the business system can survive on the market and achieve a competitive advantage.

The responsibility of marketing management is to create such conditions and an environment in which all the activities within the system will be directed toward the buyer and also to provide for it an appropriate chain of value, which in turn satisfies needs and creates loyalty in a buyer. Therefore, marketing management is presented with the task of using all optimal possibilities within an environment and in that way to remove all the barriers and obstacles in order for trade to occur.

The basic demands of buyers are related to the quality of products and services. Thus, product and service quality and its achieving, with which the system represents itself on the market, is a result of unity and a harmonious organizing of all functionally related processes. Rating product quality largely

depends on consumer expectations, which are determined by the system's image, promotional activities, "word of mouth" advertising, and the price of the service.

Today's consumers are more informed and less willing to forgive certain mistakes, and the competition is very strong. Quality products have thus become a condition for survival on the market. The development of market relations and the constant demands of consumers for better, more functional, complementary needs and information have encouraged the business system to constantly develop. Therefore, the need for each production or service process is to be in line with quality. In order to achieve quality, it is necessary for the conditions on the market, market relations, buyer demands, goal achievement, the system's strategies and policies, rapid development of new technologies, etc. to function well.

Thus, modern business systems require a very significant participation of employees during the realization of the product. It is impossible to organize business and not pay sufficient attention to human resources. The business system, which aspires to constantly improve its overall quality, must provide personnel capable of performing each task at the right moment and in the right way. This does not imply a mere execution of standard work activities, but also creativity, innovation, a high level of motivation and proper organizational behavior. Today, this is achieved through HR management, as a model of recruitment with the goal to express, develop and direct hidden human possibilities, capabilities and talents, which mostly remain passive in a traditional work organization.

Managers are daily and on different levels faced with the problem of adapting to numerous structural, technological, social transformations and changes. HR management is no longer considered to be just a functional activity, but a new business philosophy that should be implemented on all management levels. This new business philosophy has become a necessity of a modern leader and a concept that inevitably requires changes in managerial skills in order to attract, hold and motivate the workers with know-how.

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UNDERSTANDING ORGANIZATION – IMPACT MANAGERIAL WORK AND LEARNING ON SMALL BUSINESS SUCCESS

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Abstract:

Many people call themselves managers. But, what is a manager? What does he/she actually do? Sometimes, managers have developed over the years with organization, sometimes they are brought in especially because they have specific knowledge of a certain skill which the organization is lacking. Management has, apparently, changed a lot over the years. In practice, however, on closer examination, most of the activities have always been broadly similar with trends in management-speak giving them differing names as management has developed as an art.

The acknowledgement of managers as key organizational actors has generated an interest in what managers do. Research on what managers do has long traditions, and many studies have been conducted on managers at many different managerial levels, and from many different perspectives. A review of the literature, however, shows that there has been little research on the relation between managerial work and learning.

Key words: *small business, learning, organization, managerial learning, managerial work*

INTRODUCTION

The world is moving more quickly than ever. In business and society, the rate of change is occurring faster than any time in human history. Machiavelli – a relentless strategist if ever there was one – once said: "Whoever desires constant success must change his conduct with the time." Five hundred years later, that observation is perhaps more relevant than ever.

Change is occurring faster than ever in business today, due to advances in technology and distribution as well as increasing globalization. It's not enough to cope with change; we need to be able to take advantage of it. That requires innovation and the implementation of it. Darwin was right. In order to survive, you need to continually adapt to meet the challenges of your environment. If you're not willing and able to change, your company will wind up like the dinosaurs – extinct.

This paper deals with the work of top managers in small firms and how their work sets the agenda for managerial learning. The acknowledgement of managers as key organizational actors has generated an interest in what managers do. Research on what managers do has long traditions, and many studies have been conducted on managers at many different managerial levels, and from many different perspectives. A review of the literature, however, shows that there has been little research on the relation between managerial work and learning.

Top managers are generally assumed to affect learning in organizations, and in small firms the impact is perhaps even greater than in larger firms. Together with recent developments within organization theory that stress the importance of learning in organizations, and contemporary learning theory that points to the importance of understanding learning from both a situated and a cognitive perspective, this makes the scarce research on what managers do and on their learning a bit unexpected.

In this paper, the relation between managerial work and learning in small firms will be investigated from a socio-cognitive perspective. A first step towards a better understanding of how the work of top managers in small firms sets the agenda for managerial learning is taken by delineating the basic characteristics of managerial work in small firms, after which the socio-cognitive perspective is deployed to analyze the impact of managerial work on managerial learning.

SOME BASIC ASSUMPTIONS

Small and medium enterprises (SMEs) operate in the same environment as their larger counterparts, but without the associated benefits such as adequate capital and extended human resources of the larger organizations. SMEs encounter increasing competitive pressure fuelled by globalisation, legislation and the relaxing of trade barriers, as well as an increase in market expansion due to emerging technologies and innovation. Small and medium enterprises often survive and maintain on their adaptability and agility such as their close proximity to their customers, their openness towards new ways of working, and their risk taking approach, but many micro, small and medium enterprise are susceptible to major external shocks (Berry, 2002; Laforet and Tann, 2006).

The importance of small businesses is recognised in numerous countries. In countries like the United States of America and the United Kingdom or European Union, small enterprises play an important role in the economy, accounting for an estimated one third of industrial employment and a lower percentage of output. Caution should be levied against viewing SMEs as smaller versions of larger enterprises as SMEs do not in any regard resemble large organizations. Generally, SMEs experience a scarcity of resources (Wong, 2005; Jun and Cai, 2003) such as time, financial and human resources.

Studies have identified a number of factors that influence enterprise expansion and success. A fundamental element (McGrath and King, 1996; Rogerson, 2001) that has a positive impact on an organization's growth is the depth of "human capital" or "brain power". The importance of human capital as a critical success factor was also confirmed in a study conducted on enterprises where it was determined that successful entrepreneurs have a greater level education and training. Entrepreneurs with a greater level of education and training are more able to adapt their business to the ever changing business environment. In a study conducted on enterprise success factors in SMEs, it was concluded that a lack of technical and managerial skills (Brink et al., 2003; Rogerson, 2008) impedes on business development.

A critical challenge facing by the organizations is the dilemma of maintaining the capabilities of both efficiency and flexibility (Lant & Mezias, 1992) this dilemma become wide when organization is operating at small or medium sized scale, Thompson (1967) called it the paradox of administration. The development of a country is comprehensively based on the growth of the SMEs. For endurance and escalation, SMEs should support their competitive advantage on intellectual assets and deem strategic role of knowledge and human skill, since it ensure the market survival of a small and medium sized firm. Most studies that have made use of comprehensive stakeholder models are supportive of a positive relationship between managing for stakeholders and firm performance (Berman et al., 1999; Sisodia et al., 2007; Waddock & Graves, 1997). Several observers postulate that constructing and then resolving organizational crises can be an effective means of opportunistic learning (Pitt, 1990; Weick, 1988).

Many researches endorsed that to meet the needs of organizational learning; managers should promote learning opportunities and growth of talents among staff members. Learning is generally viewed as distinct from working and problematic in the face of change and learners can in one way or another be seen to construct their understanding out of a wide range of materials that include ambient social and physical circumstances and the histories and social relations of the people involved (Brown & Duguid, 1991). Concepts of knowledge or information transfer, however, have been under increasing attack in recent years from a variety of sources (Reddy, 1979). Accordingly the change of management paradigm fostering organizational learning prepare organizations to work in a real world business and provides them the means to achieve efficiency, sustainable competitive advantage, self-adjusting (Marquardt, 2006) and outperform others (Rumelt et al, 1994).

In years when large firms often are forced to adopt downsizing measures to keep up with global competitiveness, SMEs have been found to be vital to national growth. Research has also found that SMEs are the key to stability of the economy. For instance, in the recession of the 1990s they were better at retaining jobs than large companies. As a result, the importance of SMEs is often stressed in national policies in Europe and elsewhere, which in turn has made SMEs and their management the subject of various research and support activities. Accentuating the need for support are recent findings on the importance of learning in organizations.

The topic of skills, knowledge and innovation has generated a vast body of research over the last four decades across several discrete disciplines including innovation studies, sociology, economics, economic history, psychology and education. More recently it has also attracted increased interest from public policy makers.

A manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. For many people, this is their first step into a management career.

Managers may direct workers directly or they may direct several supervisors who direct the workers. The manager must be familiar with the work of all the groups he/she supervises, but does not need to be the best in any or all of the areas. It is more important for the manager to know how to manage the workers than to know how to do their work well. A manager may have the power to hire or fire employees or to promote them. In larger companies, a manager may only recommend such action to the next level of management. The manager has the authority to change the work assignments of team members.

A manager's title reflects what he/she is responsible for. There are many management functions in business and, therefore, many manager titles. Regardless of title, the manager is responsible for planning, directing, monitoring and controlling the people and their work.

Small and medium enterprise or small and medium-sized enterprise are companies whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO). In most economies, smaller

enterprises outnumber large companies by a wide margin. SMEs are said to be responsible for driving innovation and competition in many economic sectors.

EU member states have had individual definitions of what constitutes an SME. For example, the definition in Germany had a limit of 255 employees, while in Belgium it could have been 100. In Europe, there are three broad parameters which define SMEs: micro-entities are companies with up to 10 employees; small companies employ up to 50 workers, whilst medium-sized enterprises have up to 250 employees. SMEs are also defined as firms with either revenue (turnover) of €10–50 million or a balance-sheet total of €10–43 million.

Learning is acquiring new, or modifying existing, knowledge, behaviors, skills, values, or preferences and may involve synthesizing different types of information. The ability to learn is possessed by humans, animals and some machines. Progress over time tends to follow learning curves. Learning is not compulsory; it is contextual. It does not happen all at once, but builds upon and is shaped by what we already know. To that end, learning may be viewed as a process, rather than a collection of factual and procedural knowledge.

Human learning may occur as part of education, personal development, schooling, or training. It may be goal-oriented and may be aided by motivation. The study of how learning occurs is part of neuropsychology, educational psychology, learning theory, and pedagogy.

PROBLEMS EXPERIENCED BY SMALL AND MEDIUM ENTERPRISES

SMEs owner-managers are most conversant with their enterprises, but are frequently not able to identify all the factors impacting on their enterprise activities and/or overrate the significance of external factors, while underrating internal weaknesses (Kesper, 2000). According to Naicker (2006), problems experienced by SMEs can be categorised as follows:

1. **Economic based problems:** SMEs success is tied in with the local economic conditions as the SMEs sectors market growth is usually at the same rate as the macro economy as a whole, therefore, if there is an economic downturn, SMEs will usually also experience difficulty (Berry et al., 2002).
2. **Enterprise based problems:** Internal factors such as human resource problems encompassing poor staff planning, multi-functional management, high employee turnover rate, inadequate trained employees, low productivity and difficulties in recruiting quality staff (Rogerson, 2004; Beaver, 2002; Williamson, 2000; Lighthelm et al., 2002; Watt, 2007) are impediments to SMEs success. It is argued that the role of labour, labour markets and skills levels are the most important factors contributing to small enterprise growth (Berry et al., 2002).

Managerial skills not only influence owners perceptions regarding their business, but various literature sources (Watson, 2004) acknowledge that a lack of managerial skills and training is an important cause of enterprise failure (Naicker, 2006) complimented by lack of experience and lack of organizational culture acting as an impediment to the establishment of SMEs. The owner-manager's characteristics can also act as a barrier to growth in that the personality, managerial skills and style including the entrepreneur's and/or management's negative attitude towards change can negatively influence an enterprise (Leopoulos, 2006; Naicker, 2006).

3. **Industry related problems:** According to Naicker (2006), market related factors that exerts the most negative influence on enterprise success are increase competition, limited market size, low demand, inefficient marketing, poor competitor understanding, poor location and market understanding and the inability to identify the target market (Naicker, 2006; Watt, 2007). For SMEs owner-managers it is important to identify the most problematic areas in managing their small enterprise. By identifying the problem areas, owner-managers can address problems through education, training and information gathering activities (Huang and Brown, 1999).

RESEARCH ON ORGANIZATIONAL AND MANAGERIAL LEARNING

To discover what managers do and how they spend their time, researchers used descriptive methods such as direct observation, diaries, and interviews. The researcher attempted to find answers to questions such as how much time managers spend alone or interacting with different people, how often managers use different forms of interaction (e.g., telephone, scheduled meetings, unscheduled meetings, written messages), where the interactions occur, how long they last, and who initiated them.

The descriptive research found that managerial work is inherently hectic, varied, fragmented, reactive and disorderly. Brief oral interactions predominate, and many of these involve people outside the manager's immediate work unit and chain of command. Decision processes are highly political, and most planning is informal and adaptive. This activity pattern occurs, in part, because managers face several dilemmas. To carry out their responsibilities, managers need to obtain recent, relevant information that exists only in the heads of people who are widely scattered within and outside the organization; they need to make decisions based on information that is both overwhelming and incomplete; and they need to get cooperation from people over whom they have no formal authority.

The typical manager works long hours, and many managers take work home. This workload can be traced to the preferences of people in managerial positions. Having trained their minds to search for and analyze new information continually,

most managers do this type of searching automatically and find it difficult to forget about their jobs when at home or on holiday. The typical manager's day seldom includes a break in the workload. Managers receive almost continuous requests for information, assistance, direction, and authorization from a large number of people, such as subordinates, peers, superiors, and people outside the organization. The research on managerial activities contradicts the popular conception of managers as people who carefully plan and orchestrate events, and then sit in their office waiting for the occasional exception to normal operations that may require their attention. Managers typically engage in a variety of activities each day, and many of them are brief in duration. The activities of managers tend to be fragmented as well as varied. Interruptions occur frequently, conversations are disjointed, and important activities are interspersed with trivial ones, requiring rapid shifts of mood.

In the wake of an increasing interest in knowledge and its meaning and significance in society, it is possible to identify an interest in knowledge and learning in organizations. Now is widely accepted that the competitive advantage of a firm emanates from its unique knowledge, and that the ability of organizations to learn and to change continuously during their lifetime is central for their competitiveness. From this has followed an abundance of descriptive and prescriptive research that strives to understand learning in organizations and what makes up the "learning organization". Scholars have studied learning on different levels of organizations: inter-organizational learning, organizational learning, learning in communities of practice, and individual learning.

One reason for the interest in managerial learning is that the impact of top managers on organizational learning has frequently been recognized. Behind this recognition lies an assumption that organizational learning is the "... process in the organization through which members develop the ability to discover when organizational changes are required and what changes can be undertaken which they believe will succeed" (Duncan & Weiss, 1979, p. 78).

More specifically, it has been claimed that managers serve a significant cognitive function in organizations. Hence, managers have both a direct and an indirect effect on the firms they manage: a direct effect as they are the ones making the strategic decisions and determining the strategic posture of their firms, and an indirect effect as they – at least to some extent – define for others what is perceived as the firms' environment. As a result, managers can be argued to be the background-generators and context-composers, or creators of meaningfulness, for the members of an organizational world.

The management situation in SMEs has been noted to differ from that in larger ones by several authors. Already in the early sixties, Stewart argued that "Managing in a large company has important differences from managing in a small one; for instance, both the amount of specialization and the type of contact with staff will vary" (1963, p. 66). A similar statement is made by Dandridge (1979), and it has been argued that the impact of a single director can be much greater in SMEs where he will tend to do more by himself (Miller & Toulouse, 1986).

Consequently, the area of small business management has established itself as a distinct area of research and much has been said about the importance of small-firm top managers. The personality and characteristics of directors in SMEs affect the structure, planning, technology policy, and strategy-making of SMEs. Studies on strategic management have more specifically shown that the impact of top managers is great on the strategic posture of SMEs, where inflexible and defensive directors can be a major cause of strategic stagnation (Kimberly & Miles, 1979, in Miller & Toulouse, 1986).

The director's influence on strategic failure has, furthermore, been noted to be especially severe in smaller, tightly controlled organizations where the director has a great deal of impact, often due to the directors almost neurotic rigidity which prevents the manager from changing his/her view of the organization and its environment. Research has also found that SMEs managers' (inadequate) competence is a potential barrier to SMEs growth and innovation (Barth, 2003; Freel, 1999).

As noted, following the recognition of the impact of top managers on their firms in general and on the learning of their firms in particular, an interest in the learning of these individuals has arisen. The number of studies on managerial learning is still small. Research has been done on how managers learn from everyday practices, how managers construe key events over time, and how managerial learning relates to strategic reorientation and to organizational learning.

A review of the literature on learning in organizations and on managerial learning shows that a salient feature of contemporary scholarly discourse is that it recognizes individual learning as something that is experiential, which means that humans learn from experience and within the frames of previous experiences (Kolb, 1984; Argyris and Schön, 1996). This means that if one wants to understand managerial learning in small firms, one needs to understand both the cognitive prerequisites for learning by the top managers and the work practice of the top managers. In the light of these findings, a review of the literature on managerial learning shows that our understanding suffers from a lack of insight into the practice in which it takes place. More generally, it could be said that managerial learning studies have not sufficiently elaborated upon the relationship between management practice and the learning of managers. Thus, the literature on managerial learning tells us little about the practice of small-firm managers and gives little concrete information about how the work of small-firm managers affects their learning.

A field that could provide evidence on managerial work in small firms is that of research on "what managers do". A review of studies of managers' jobs, however, shows that these studies only rarely draw on research about managers in small firms. Consequently, our understanding of managers' jobs is clearly biased towards the situation in large organizations; and as a result, our understanding of managerial work in small firms is limited.

Still, a small number of studies of small firms have been made. From these studies we begin to understand the basics also of managers' jobs in small firms. A closer examination of these studies reveals a number of shortcomings. To conclude, available studies of managers' jobs are few, and it is hard to depict managerial work in small firms

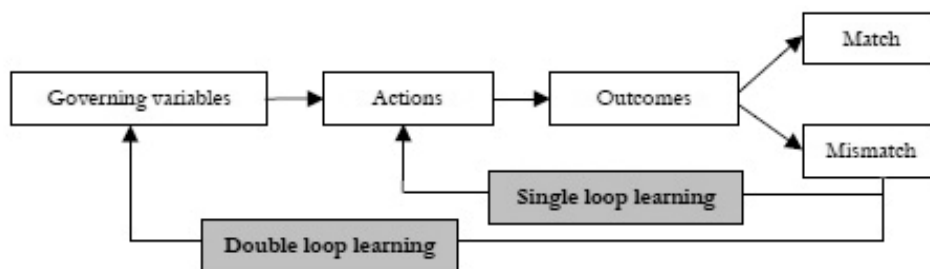
in a valid manner based on these studies due to the fact that no cumulative work has been conducted. Hence, even though we know that top managers in small firms are of great importance for their organizations, our knowledge about and understanding of what they actually do is limited. Consequently, our understanding of managerial work in small firms is insufficient to elucidate the learning of top managers in small firms.

IMPORTANCE OF ORGANIZATIONAL LEARNING

Current economic, technological and social developments place increasing demands on the organizational capacity for learning. As a result, companies start looking for strategies to enhance organizational learning. Organizational learning is a process whereby organizations realise improvements or innovations in their processes, products or services, in order to solve problems or to respond to changing circumstances.

There are several classifications of organizational learning processes (e.g. Fiol & Lyles, 1985; Bomers, 1990; Pascale, 1990; Swieringa & Wierdsma, 1990), practically all of which are based on the typology of Argyris & Schön (1978). This typology distinguishes between two basic types of organizational learning: single loop and double loop learning. Figure 1 depicts both processes.

Figure 1 Single loop and double loop learning (Argyris, 1992)



An organizational learning process can occur at two levels. First the level of single loop learning: this means the organization makes small adjustments in its actions, but doesn't radically change its strategy or its products or services. A renewed version of an existing product or an intensification of a marketing strategy is good examples of outcomes of single loop learning processes. However, making small adjustments on the activity level is not always enough to solve problems. Sometimes the reason for the mismatch is located at a deeper level: the organization's governing variables. Then a double loop learning process is required in order to reach the intended outcome. In the case of organizational learning the outcome of a double loop learning process could be, for example, the introduction of a completely new product, or introducing an existing product in a totally new market.

Double loop learning processes thus have more far-reaching consequences than single loop learning processes do. To illustrate this point, single loop learning is often compared to keeping a ship on course by making small adjustments (Morgan, 1997), whereas double loop learning resembles the process of changing a ship's course. Single loop learning leads to incremental changes in organizational functioning, whereas double loop learning results in renewal or innovation of existing practices, services or products. Therefore, both kinds of learning processes complement each other.

The idea that organizations can learn is not new. But even though theories on organizational learning were already formulated in the 1970s, they only gained widespread attention in the beginning of the 1990s. The interest in organizational learning, and ways in which this can be supported, reflects changes in the demands placed by the organizational environment. Concepts such as the learning organization, the intelligent organization, the knowledge-creating company, knowledge management and knowledge productivity all reflect the strategic relevance attached to knowledge and learning.

Characteristic for companies that adopt the concept of the learning organization is that they are aware of the type of demands for organizational learning. In order to increase their capacity for organizational learning they subsequently make changes in the organizational configuration. Such firms can de facto already be considered as learning organizations and they deliberately strive to increase their capacity for realising improvements or innovations in their products, processes or services, based on new insights (Bolhuis & Simons, 1999; Kessels, 2001a; Tjepkema et al., 2002).

LEARNING FROM CHANGE

The nature of managerial work has undergone radical change in recent years. Among other developments, there has been organizational de-layering, self-managed teams, guru-driven change (such as business process re-engineering) and IT-enabled home-based working – all driving the creation of leaner, more flexible organizations in a globalized environment. Dixon (1998) predicts that "either we take hold of the future or the future will take hold of us". Commenting on the pace of change, and the turbulence it creates for organizations, Dixon wonders whether management gurus are partially to blame:

Every week there are more books on management. Each one often contradicts what has gone before, struggling to find a fresh view...Expert confident managers will continue as before to dismiss management fads in favour of their own intuition and intelligence, working out their own solutions, adapting and borrowing as they go from a wide variety of sources. However the speed of change will guarantee an almost permanent supply of semi-neurotic managers who are constantly on the lookout for some new, comprehensive solution to their day-to-day problems (Dixon, 1998 p.4).

These changes, among others have radically affected the skill set that managers need in order to be effective in the context in which they now operate. Many writers say that constant innovation is the best way to secure both individual and the organizational success. But what types of change can any given organization realistically handle? Even where capability is characterized by talented managers, leading edge technology, strong product portfolios and finances, managers rarely consider their organization's capabilities as carefully as they think about individual capabilities. The key skill that managers develop is the ability to "make sense" and take effective action. If it were as simple as this, then change would merely sharpen these skills. Faced with ever shifting priorities, it generally falls to the director and his executive team, to shape an organizational culture and structure that values and practices ways of learning from change.

At any given time, an organization operates in a state of dynamic equilibrium. This means that the set of external and internal forces acting on it are held in balance with the aim of satisfying the dominant stakeholders. But does the "theory" truly mirror the realities of organizational life? The answer is almost certainly "no" for most medium to large organizations, where the relentless pace and pressure to perform tends to overshadow the opportunities for learning and in particular, structured learning from change. What then is the solution? Perhaps the key to successful change lies in "dynamic stability". Here, organizations deliberately intersperse major change initiatives with carefully paced periods of incremental, organic change by deploying the following guiding principles:

- Borrow and adapt (don't reinvent the wheel),
- Capture learning (what we know and what we are learning dynamically),
- Manage internally (stability is easier to manage from the inside),
- Encourage a generalist, "open minded" approach.

Constant, reactive change or "fire fighting" undermines any serious efforts to learn from change. It is most likely to occur when:

- **Insufficient time to solve all the problems.** In fact, many more problems than managers can deal with properly.
- **Solutions are incomplete.** Many problems are patched, not solved. That is, the superficial effects are dealt with, but the underlying causes are not fixed.
- **Problems recur and cascade.** Incomplete solutions cause old problems to re-emerge or actually create new problems, sometimes elsewhere in the organization.
- **Urgency supersedes importance.** Ongoing problem-solving efforts and long-range activities, such as developing new processes, are repeatedly interrupted or deferred because fires must be extinguished.
- **Many problems become crises.** Problems smoulder until they flare up, often just before a deadline. Then they require major efforts to solve.
- **Performance drops.** So many problems are solved inadequately and opportunities forgone that overall performance declines steeply.

Here, renewal of the enterprise is the main driver and organizational learning is principally a means to this end. So in practical terms, what might this mean? Four propositions (P) underpin this approach:

- P1:** Organizational learning involves a tension between assimilating new learning (exploration) and using what has been learned (exploitation).
- P2:** Organizational learning is multilevel: individual, group, and organizational.
- P3:** The three levels of organizational learning are linked by social and psychological processes: intuition, interpretation, integration, and institutionalizing (4I's).
- P4:** Cognition affects action (and vice versa).

It has been argued that contemporary organizations should strive to:

- Work, plan and think more creatively,
- Build from its knowledge about its products and processes (rather than re-inventing the wheel),
- Engage with its workforce at a deeper level, via concerted and cooperative action with internalized long-range commitment, and
- Embed learning as a way of responding to and understanding the challenges of complexity (markets, products, and the organization itself).

So then, what might happen if executive's couple change with structured learning? First, individual managers will be more engaged and second, they are more likely to take seriously their own personal learning and career development. It is our contention here that organizational learning is a myth – learning from change can only benefit the enterprise as a whole if individuals take learning seriously and are recognized for their efforts.

In cultural terms, this is unlikely to happen unless individual managers feel:

- That they can state their view openly,
- Their separate creative contributions can be integrated into a "holistic" corporate effort,
- That "active" learning is valued and practiced by senior management, and
- That the new knowledge and insight that is generated by learning from change will be embedded and used to deliver benefits for all. Can action learning help organizations to learn from change?

Many writers describe the role and influence of leaders on the formation of organizational values. Perhaps the three main channels of influence are:

- *Time devoted by the manager* – to daily tasks in meeting short-term schedules, often takes precedence over dealing with important long-term issues. Allocated "manager time" is thus a clear signal to the staff as to where the priorities lie.

- *Managers' attention* – which has a similar effect to "management time" allocation. Managers, who consistently pay attention to certain aspects of their work, send clear messages about its relative importance.
- *Reward and recognition* – via bonuses, letters of appreciation, promotion, attractive assignments, allocation of resources, etc. Positive reinforcement increases the probability that the same behaviour will be repeated and negative reinforcement acts in the opposite direction. Managers who value and reward learning activities, reward people who contribute to organizational learning, use aspects of learning as part of the process of evaluating employees, and make learning activity a criterion for promotion, reinforce the behaviours required for maintaining organizational learning.

In combining leadership and learning, the executive must then model and practice at least three things. He/she must:

- *Ensure that learning is a key agenda item* as reflected by the manager's time, manager's attention, and the organization's reward and recognition channels of influence.
- *Build the structural foundations* needed to turn individual learning into organizational learning, namely to create learning mechanisms such as debriefing, learning teams, improvement teams, and so forth.
- *Create cultural and psychological conditions that will ensure that learning is effective.* This means establishing 'trust' so that learning is both honestly felt and spoken, meaningful and relevant.

Fundamentally, a learning culture needs ways of supporting groups of people working together, with the goal of individually and collectively enhancing their capacities so as to create results that they truly care about. As a starting point, it is helpful to view the organization as a community of people. Next, overlay the individual agendas of the people who work in this community and in the context of change, the "mindset" of the manager largely determines the extent to which collaborative learning flourishes or not. In fact, many writers argue that the mindset issue is best addressed by continually building on the knowledge base of the organization.

It is clear that the pace and complexity of organizational change is problematic, though what we have sought to show here is that it also yields a significant opportunity to learn from change. If the outputs from individual and collective work can be accredited and certified, then we have found that managers will readily respond to the opportunities to learn from change.

CONCLUSIONS

SMEs are the backbone of most industrialized nations and play a significant role in their social and economic environment. They are often the driving force behind a large number of innovations, and they contribute to the growth of national economies through employment creation, investments and exports. Worldwide, SMEs represent over 90 per cent of all enterprises, and are found in all sectors of the economy (e.g., manufacturing, tourism, construction, health, technology, and transportation). Globally, SME's make up 99 per cent of all businesses. They are the lifeblood of socio-economic development & prosperity and are the engines of most economies. They are found in all sectors and all regions and account for 80 per cent of global economic activity.

As new technologies and globalization reduce the importance of economies of scale in many activities, the potential contribution of smaller firms is enhanced. However, many of the traditional problems facing SMEs such as a lack of access to financing, difficulties in exploiting new innovations, challenges in tapping into global supply chains, constrained managerial capabilities, and increasing regulatory burdens are becoming more and more acute in today's globalized, technology-driven environment.

SMEs, like larger organizations, need to constantly and consistently upgrade their management skills, their capacity to gather information, their technology base, and their commitment to investing in the skills and knowledge of their employees. The benefits of investing in workplace learning and training impact both the overall performance of an organization, and the performance and opportunities of individuals. For those SMEs that think investing in learning is too expensive, or not critical to their business success, they should carefully consider the alternatives: mediocrity, apathy, lost sales, lost customers, lost productivity, decreased performance, poor quality and poor working environments.

Although studies of learning in organizations are numerous, research on managerial learning in the small-firm context is limited. In particular, our knowledge of managerial learning suffers from an insufficient understanding of what top managers in small firms do.

This paper shows that three features of managerial work shape managerial learning in small firms: The small firm's top manager (1) operates in context with specific structural conditions that affect his/her behavior, (2) have certain cognitive predispositions guiding his/her behavior, and (3) have certain behavioral preferences directing his/her behavior.

The results concerning the work situation of the leaders show that the tempo is high and that the assignments are varied. The leaders constantly move between different spaces and interact with a large number of actors, albeit in short intervals. In total, the fragmented character of the leaders' situation makes coherent time for planning and administrative work a scarcity. This is perceived as frustrating by the leaders, who wish to avoid the "fire fighting" and constant stream of problems

landing in their laps. The leaders perceive the demands on their leadership as ambiguous in the sense that they are expected to be strategic and operative at the same time. It is clear that these patterns are similar in both cases and that they are in line with evidence from previous research within the managerial work tradition.

Though much of the current literature on human resources development (HRD) stresses the importance of committed managers, who coach and support their employees in learning, much ambiguity still remains on their role. Recent management studies indicate that managers try to fulfil a coaching role, and are sometimes even convinced that coaching is an important part of their work, but that employees do not always perceive this coaching element. Managers, especially team leaders, play an important role in supporting learning within the team. Based on their own experience, they even develop personalised, sometimes highly implicit, assumptions on learning, and action theories on how to support it.

In the light of the conclusions and implications presented above, something can also be said about possibilities for further research in similar and different contexts. This paper has been an attempt to clarify the connections between learning and development, but many issues have still been left untouched. An obvious continuation of this study would be to take a co-worker perspective in order to increase our knowledge of how they perceive the learning outcome in relation to the leaders' leadership and everyday work practice. For instance, there is still a lot more to learn about the problem-solving processes that are likely to be constantly ongoing in all types of organizations and how they are related to learning at the individual, group and organizational levels.

The broader effects of learning for work tend to be expressed at three levels: the individual, the firm, or the whole economy. They are primarily concerned with the relationship between education, employment and earnings (for individuals) and education and productivity (for firms and the economy as a whole). At the firm level, the overwhelming majority of studies have identified a positive association between a highly skilled workforce and the performance of a firm, most commonly measured in labour productivity. High value-added companies on average are better equipped with stocks of skills than other firms in the same sector, and top performing firms hire workers with, on average, higher levels of skills. Companies with higher levels of skills and training are more likely to survive in tough times and to thrive in better times.

The benefits of training for firms go beyond the straight acquisition of higher skills. Training has positive effects on job satisfaction, which in turn have been associated with lower absenteeism and quit rates. In contrast, self-funded training can have a negative impact on job satisfaction and any training provided has little impact on job satisfaction and performance unless workers are given the opportunity to apply the skills they had acquired. This highlights the importance of employer support, job design and matching. For the economy as a whole, it is clear that higher skills lead to more prosperous economies and more profitable companies.

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INFLUENCES OF SOCIAL RESPONSIBILITY AND MARKETING ETHICS ON BUSINESS RESULTS

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Abstract

Responsible marketers discover what consumers want and respond with the right products, priced to give good value to buyers and profit to the producer. A marketing system should sense, serve, and satisfy consumer needs and improve the quality of consumers' lives.

Marketing receives much criticism. Some of this criticism is justified, much is not. Social critics claim that certain marketing practices hurt individual consumers, society as a whole, and other business firms.

The purpose of this paper is first to understand the concept of social responsibility. Then, it is essential to be able to identify factors that influence the adoption of ethical and unethical decisions. Also an important point is finding different ways to improve ethical decisions in marketing. The paper mentioned some strategies that will contribute positively to solving some social dilemmas.

The paper examines the social effects of marketing practices. It put special attention on the most frequent social criticisms of marketing, the steps which have enlightened companies taken to carry out socially responsible and ethical marketing and some arguments for and against social responsibility and ethics in marketing.

Key words: *Social responsibility, marketing ethics, marketing concept, customer satisfaction, marketing practices, social marketing, value marketing.*

INTRODUCTION

Every organization is involved in the society and all actions should be carefully undertaken, taking care to protect the interests of its stakeholders and society at large. Responsibility to the community have schools, hospitals, non-profit organizations, foundations, associations, sports clubs, religious associations, cultural and art organizations, especially companies with their business activities. As a result of the impact the company has on all its stakeholders and society, can positively or negatively to use to achieve their economic and marketing goals. Cannot pointed out a single definition, but it can be said that social responsibility of the company constitutes its obligation all their activities and actions undertaken to exercise in order to protect the interests of its various stakeholders. This obligation is determined by the prescribed legal norms or is determined by the ethical norms and principles. Essence of enterprise social responsibility is to be aware of the consequences of their own decisions on society. In order to understand the social responsibility of enterprises and their managers, it is necessary to define to whom they are responsible, or which groups of stakeholders whose interests may be affected by the decisions that managers carry. Stakeholders are all those individuals and groups who are directly or indirectly influenced by the company's work. Every company has a number of different stakeholders who need to take into consideration during throughout of their work. However, the company needs special attention should be paid to: the shareholders (owners), employees, customers, suppliers, competitors, banks and other financial institutions, government, union, community, society in general, the international community etc..

SOCIAL RESPONSIBILITY

Despite the fact that the company favors the need for responsibility to different groups of stakeholders, the basic task and responsibility of management is profit and satisfy the expectations of the shareholders through the distribution of dividends. The primary responsibility of the company to **shareholders (owners)** arises from the fact that they exercised a fundamental role in the operation of the business by providing capital that enables enterprise survives and develops. At the same time, managers are held accountable for the survival of the enterprise and its dedication to its growth and development. Managers have a responsibility to the shareholders in terms of meeting their varied requirements, and such variability needs not to jeopardize the achievement of the goals of the enterprise. Thus different views of managers and shareholders can sometimes create conflict situations, especially in terms of the amount of dividend which require shareholders-as opposed to part of the profits to be reinvested. Performance of obligations to shareholders arises because they are the owners of capital, they hire managers to manage their assets and they can make changes in the management structure. Often the shareholders on the other hand can react earnings exercised by managers and that can be very large even though the firm's performance is not at the top level.

Employees are important stakeholders of the enterprise. Minimum obligations that managers have towards employees concerning compliance with specific obligations under the contracts concluded with them and respect their legal obligations relating to the legal provisions for the regulation of the employment relationship. Very often a significant part of the obligations of the employer to employees not subject to the regulation of a specific law, but those issues management companies freely decide. Managers have a legal obligation to give employees salary. Also, they must comply with the minimum legal requirements for safety in the workplace, but can make additional efforts for additional resources and protective measures to enhance the security. In addition to these responsibilities, managers have other obligations to employees who are not regulated by law, and contributing to the success or failure of the enterprise. Such obligations relating to fair and impartial treatment of all employees, respecting their personality, their needs and specific requirements and developing good interpersonal relationships.

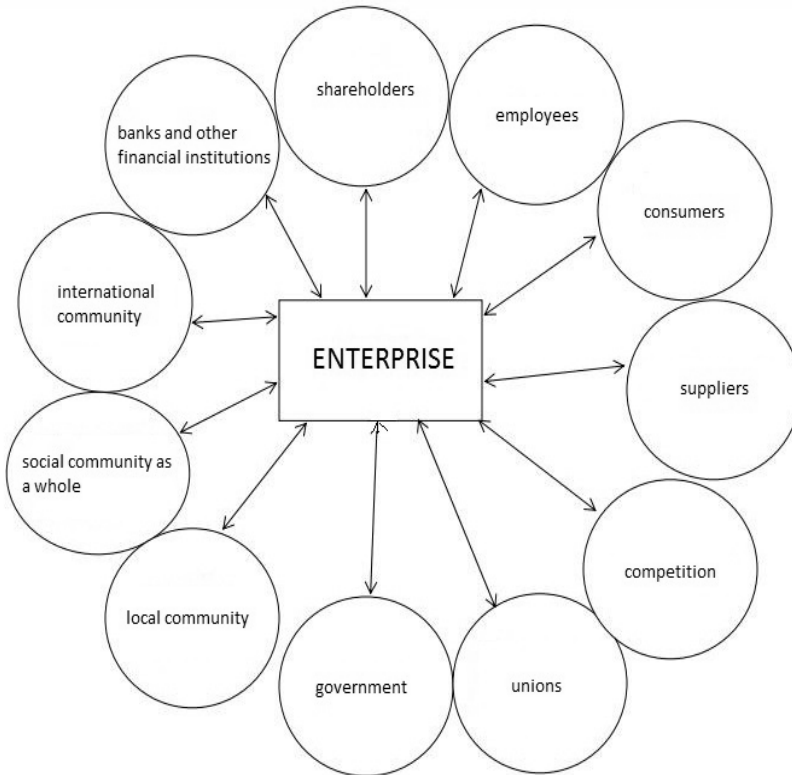
Consumers as stakeholders have more requirements to enterprises which are mainly implemented through compliance with the slogan "customers are always right". It can be said that there are two areas that are essential for social care enterprises to their customers such as: concern for the health and safety of those who consume their products and services and care for the quality of products and services. Area of concern for the health and safety of consumers can dramatically affect the company's business results. Another aspect of the obligation of companies to the consumers are accomplished through their concern for the quality of the products. Quality of products and services is primarily important to match the competition, but also a growing number of quality companies in the world see as a form of their responsibility towards the society and customers to provide quality products.

Management of the firm should be addressed to the suppliers according to the principles of fair play. That means on time and in full to meet the obligations of contracts.

For businesses it is important to have a loyal competition. Managers have a responsibility to its competitors in the field of marketing activities that stretch them. The marketing campaign and other forms of presentation of the company to the public may not be used for deposition of the competition and their products.

To banks and other financial institutions managers shall promptly repay the due obligations based on numerous financial arrangements with them conclude.

Responsibility of the managers towards the government consists in the observance of regulations and norms that it brings. Managers should be available to provide financial information about their work, reports on the number and structure of employees, technical and sanitary working conditions and so on, before the competent authorities of the relevant government ministries.

Figure 1 Stakeholders of enterprises

Source: Authors

Unions as stakeholders representing the interests of workers before the management of the enterprise. Management has an obligation to hear union official representatives to consider their demands, to think about possible solutions and to find compromises. Respect for the union and its requirements means respect for employees, as well as gaining and maintaining their confidence that speaks to the social responsibility of the company and it is very important for its business results.

The company and its activities have certain requirements to the local community, but also have certain obligations to the local community in which they are located. They mostly have to provide employment to the local population and thus contribute to the raising the level of living standards in the community, to supply the local market with the necessary products and services, to contribute to the construction of infrastructure, construction of sports and cultural facilities, environmental pollution and so on.

The company is a socially responsible to the community as a whole. Through their work, they must not jeopardize the general progress of the community. Instead, they should participate in the funding of various training programs of

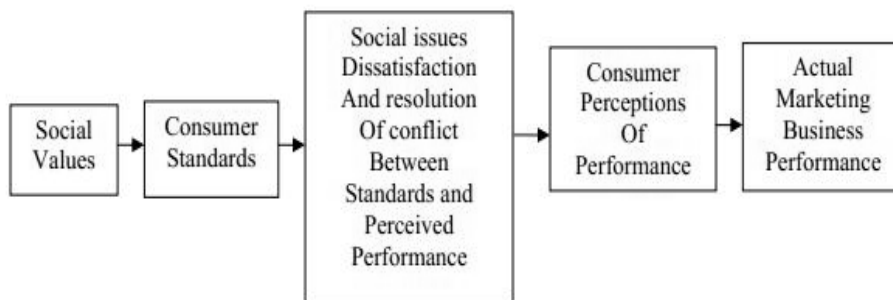
education and training that will contribute to raising the quality of the future labor supply; organize humanitarian actions through the deviation of the profits or organizing different events; opening its affiliates in underdeveloped areas, which would contribute to the economic development of the wider community and etc.

Companies have a responsibility to the international community. Does not exist modern enterprises which limited his business nationwide, but are included in the international economic trends through participation in international markets or dispersion of production in other countries. The company which operates internationally has responsibility to act to protect the natural environment, using artificial raw materials in the manufacturing process, will contribute to the preservation of rare natural resources. With its international marketing activities, the company must not offend members of other cultural communities in the countries where it offers products.

SOCIAL RESPONSIBILITY AND ETHICS IN MARKETING

The terms ethical and social responsibility in the everyday use very often replace each other, although each term has a different meaning. Social responsibility in marketing refers to the obligation of the company to maximize its positive impact and more to reduce the negative effects of society. On the one hand, ethics relates more to the decisions of individual persons, and on the other hand, social responsibility refers to the impact of the business decisions of the enterprise on society. Therefore, social responsibility can be considered as a kind of contract between the company and society, ethics refers to the implementing rules and moral values that guide the decisions of individuals or groups.

Problems of the social responsibility of great benefit to contact and consult consumers, industry and government bodies. Also, it is important to investigate whether companies have a policy to resolve the problems related to the social responsibility. Because, if the company's employees justify certain actions that are not illegal and are in line with the positive business practices, then it is likely that these procedures would be acceptable in terms of ethics and the social responsibility.

Figure 2 Social responsibility and ethics in marketing

Source: Authors

If the court about the ethical issues and social responsibility, which is based on the everyday experience hold a public debate, and if the result of an agreement between the company and the society, then it means that the solution is acceptable. (Cadbury, 1985, page.33)

IMPACT OF SOCIAL RESPONSIBILITY ON MARKETING

Marketing managers are trying to determine what are the acceptable relations, marketing responsibilities and tasks of the organization to society. Becomes more clearly as to the existence of the enterprise and the creation of its competitive advantages on the market, it is more important on long term to act in a socially responsible way, rather than short-term care only for operational costs. (Stroup et al, 1987, page 23) Aimed at achieving its goals enterprise to behave socially responsible, it has to follow the trends and changes in social values. Also, companies must provide supervision mechanisms in order not to make gaps in the daily deciding and in that way to disrupt relations between companies and the public. Management of the company in the creation and implementation of business policy should predict the certain responsibilities for their employees.

The aim of companies to be socially responsible is not really so easily and simply achievable because it requires solving a number of important problems. Therefore marketing managers must be able to anticipate the long-term consequences of their decisions.

Because the society is composed of different groups of people, it is very difficult or even impossible to determine what the whole society requires. Therefore, the enterprise striving to satisfy the desires, needs and demands of a group of people at the same time may disappoint others. It is difficult to achieve such a balance to the satisfaction of all members of society. Enterprise task is to be able to assess the extent to which the members of society are willing to pay to

satisfy their needs and desires. Perhaps consumers want more information about the products, but not willing to pay a price that will include the costs of delivery of such information. Therefore, companies who want to choose a socially responsible way encounter a really complex task.

Marketing receives much criticism. Some of this criticism is justified, much is not. Social critics claim that certain marketing practices hurt individual consumers, society as a whole and other business firms.

MARKETING'S IMPACTS ON CONSUMERS

They have many concerns about how well the marketing system serves their interests. Consumers, consumer advocates, government agencies, and other critics have accused marketing of harming consumers through high prices, high-pressure selling, deceptive practices, planned obsolescence, shoddy or unsafe products, and poor service to disadvantaged consumers.

High prices-Many critics charge that the marketing system causes prices to be higher than they would be under more "sensible" systems. They point to three factors:

1. High costs of distribution-a long-standing charge is that greedy intermediaries mark up prices beyond the value of their services. As a result of too many intermediaries, distribution costs too much, and consumers pay for these excessive costs in the form of higher prices.
2. High advertising and promotion costs-modern marketing is also accused of pushing up prices to finance heavy advertising and sales promotion. Heavy advertising adds to product costs but is needed to inform millions of potential buyers of the merits of a brand.
3. Excessive markups-Marketers respond that most businesses try to deal fairly with consumers because they want repeat business. Marketers also respond that consumers often don't understand the reason for high markups.

High-pressure selling-Salespeople are sometimes accused of high-pressure selling that persuades people to buy goods they had no thought of buying. Salespeople are trained to deliver smooth, canned talks to entice purchase. They sell hard because sales contests promise big prizes to those who sell the most. Marketers know that buyers often can be talked into buying unwanted or unneeded things.

Deceptive practices-Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do. Deceptive practices fall into three groups: deceptive pricing, deceptive promotion and deceptive packaging.

Planned obsolescence- some products follow a program of planned obsolescence, causing their products to become obsolete before they actually should need replacement but the consumers like style changes.

Shoddy or unsafe products- There are complaints about that many products are not made and services not performed well, that many products deliver little benefit or concerns about product safety.

Poor service to disadvantaged consumers-marketing system has been accused poorly serving disadvantaged consumers. Critics claim that the urban poor often have to shop in smaller stores that carry inferior goods and charge higher prices.

MARKETING'S IMPACT ON SOCIETY AS A WHOLE

According to some authors, marketing system urges too much interest in material possessions. Business has been accused of overselling private goods at the expense of public goods. As private goods increase, they require more public services that are usually not forthcoming. It must be found a way to restore a balance between private and public goods. One option is to make producers bear the full social costs of their operations. A second option is to make consumers pay the social costs.

Critics charge the marketing system with creating cultural pollution. The senses are being constantly assaulted by advertising. Commercials interrupt serious programs and pages of ads obscure printed matter. These interruptions continually pollute people's minds with messages of materialism, power or status.

Advertisers are accused of holding too much power over the mass media, limiting their freedom to report independently and objectively. Moreover, because the media receive advertising revenues from many different advertisers, it is easier to resist the influence of one or a few of them. Too much business power tends to result in counter forces that check and offset these powerful interests.

MARKETING'S IMPACT ON OTHER BUSINESSES

Company's marketing practices also can harm other companies and reduce competition. Three problems are involved: acquisitions of competitors, marketing practices that create barriers to entry, and unfair competitive marketing practices.

Some firms might be harmed and competition reduced when companies expand by acquiring competitors rather than by developing their own new products. Acquisition is a complex subject and sometimes can be good for society. The acquiring company may gain economies of scale that lead to lower costs and lower prices.

Large marketing companies can use patents and heavy promotion spending, and can tie up suppliers or dealers to keep out or drive out competitors. Those concerned with antitrust regulation recognize that some barriers are the natural result of the economic advantages of doing business on a large scale. Some firms have used unfair competitive marketing practices with the intention of hurting or destroying other firms. They may set their prices below costs, threaten to cut off business with suppliers, or discourage the buying of competitor's products.

STRATEGIES FOR SOLVING PROBLEMS OF THE SOCIAL RESPONSIBILITY

There are a number of strategies, but four basic thorough help in solving the problems of the social responsibility in marketing, such as:

- **Strategy reaction**-enterprises that have implemented this strategy allow certain situations or potential problems (for which the company's management could be or could not be informed), remain unresolved long enough, until the public do not be informed about them. The company is trying to solve the problems in motion, continues its business because they are more concerned with the consequences and try to reduce their negative impact.
- **Strategy of defense**- enterprises that have implemented this strategy try to reduce or avoid additional obligations for certain problems. The usual defense tactics include various legal manipulations and application support of unions that follow the mode of operation of certain industries. This defense strategy often uses lobbying in order to avoid government or legislative measures.
- **Strategy of adjustment**-this strategy companies apply in cases where its business include responsibility for their actions. Adjustment strategy is commonly used when certain groups organize any actions or in situations where it is assumed that the government will bring some laws that businesses will be forced to achieve certain obligations.
- **Active strategy**-enterprises that have implemented this strategy take responsibility for their actions and without pressure or government intervention react to any charges directed towards them. In fact, the application of the active strategy involves taking actions that emphasize social responsibility in the interest of the common good.

IMPROVING THE SOCIAL RESPONSIBILITY AND ETHICS

There are several methods that can be used in attempts to promote social responsibility and ethics in the conduct of the undertakings. Theoretical explanations must be supported by specific actions. Among these methods the following can be stated: follow leaders; ethics specialists; formation of ethical structures; code of ethics; organizing trainings on ethics and acceptance spokesmen.

Tracking leaders as a way to promote ethics and accountability to society means that higher level managers through their behavior must be an example to other managers and other employees. Thus they will enhance a sense of ethics and responsibility of all other employees in the company.

Ethics specialists are individuals which aim is to review and process the questions of ethical character and suggest their proper resolution. These are specialists in business ethics that have full membership in the Board of managers and act as a “social conscience” of the enterprise.

Establishment of ethical structures- Ethical structures actually consist of various authorities and bodies called committees. Their basic function is to advocate for the practical application of ethical thinking. Companies in every market economy should have such bodies, and as an important are ethics committee and the person responsible for ethical issues (ethics ombudsman).

- Ethics Committee is a group of employees assigned to supervise the company’s ethics. The Committee provides solutions to contentious ethical issues. Ethics Committee assumes responsibility for disciplining those who violate ethics to raise the general ethics of the organization.
- Person responsible for ethics (ethics ombudsman) has been officially designated person who is responsible for the conscience of the company, which discovers and investigates ethical complaints and highlight and communicate top management potential ethical failures.

Another form within the ethical structures in the enterprise is the establishment of open lines (hot lines), which can concern all stakeholders to respond in terms of the ethics of business decisions made by management of the company. In addition, safety must be guaranteed the entities who called these hotlines in order to express dissatisfaction with the performance of managers.

Code of Ethics – Necessity for business to be based on ethical norms and values in companies forcing managers to prepare codes of ethics as a way to institutionalize ethical values in the enterprise.

By its character code of ethics is a formal act which serves as a guideline for decision-making behavior and ethical manner by employees in an organization.

Code of Ethics contains three essential elements:

- Values and principles that should be nurtured in the enterprise;
- The manner in which employees are expected to behave;
- Behavior that would not be tolerated by the top management of the company.

The creation of a code of ethics is initiated by the top management and must cover all organizational structures. It is not enough to initiate the adoption of the Code, but even more important is that to support this Code through its own reward its observance and individuals to respect, and to apply disciplinary measures for violations of those values.

Organizing trainings on ethics-It is about procedures for focusing on the theory of ethics and practical exercises to solve ethical problems. Training and ethics training programs can be organized in the framework of formal management education or they are organized as exercises for employees. Thereby solving the cases can be set individually or through group work. In both cases encourages ethical reflection and decision making.

Acceptance spokespersons-Call those employed by the company that determined the unethical behavior of some managers and therefore react to the owner, senior management, ethical structures in the enterprise, to the public media, public interest groups or to the appropriate authorities. This way of promoting of ethics creates a mismatch between the managers in terms of its existence. Some encourage its existence, and for others it is an opportunity to undermine their reputation.

All these ways of promoting ethics and corporate social responsibility have their advantages and disadvantages, and modern companies need to exercise one or more of them.

ENLIGHTENED MARKETING

The philosophy of enlightened marketing holds that a company's marketing should support the best long-run performance of marketing system. Enlightened marketing consist of five principles:

- Consumer oriented marketing means that the company should view and organize its marketing activities from the consumer's point of view.
- Innovative marketing-its principle requires that the company continuously seek real product and marketing improvements. The company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way.

- Value marketing-According to the principle of value marketing, the company should put most of its resources into value-building marketing investments. Enlightened marketing calls for building long-run consumer loyalty by continually improving the value consumers receive from the firm's marketing offer.
- Sense of mission marketing-means that the company should define its mission in broad social terms rather than narrow product terms. When a company defines a social mission, employees feel better about their work and have a clearer sense of direction.
- Societal marketing-following its principle, an enlightened company makes marketing decisions by considering consumers' wants and interests, the company's requirements, and society's long-run interests. The company is aware that neglecting consumer and societal long-run interests is a disservice to consumers and society.

Companies should try to turn all of their products into desirable products. The challenge posed by pleasing products is that they sell very well but may end up hurting the consumer. The product opportunity is to add long-run benefits without reducing the product's pleasing qualities.

MARKETING ETHICS

Ethics is a moral evaluation of certain decisions or actions as acceptable or unacceptable from the point of view of the generally accepted principles of conduct. Ethics in marketing consists of all moral principles that determine good and bad behavior in marketing. Most of the basic ethical issues formalized in laws and rules of behavior that adapt one's behavior to the standards of society. At least that is expected of enterprises is to uphold the laws and rules of conduct. However, it is very important to emphasize that ethics in marketing beyond the legal provisions, ethical decisions in marketing, or, the persistence in mutual relations to cherish mutual trust.

Ethics is related to certain people and therefore differs from person to person. Although some enterprises often act according their own interests, there must be some standards of acceptable behavior according that will direct all marketing decisions. Companies must behave in accordance with clearly defined moral principles which will be based on ideals such as respect, justice and trust. (Robin et al, page 44)

Consumers often as unethical marketing activities consider: false advertising, confusing sales tactics, discriminatory pricing deciding, conscious selling harmful products etc. Therefore, consumers often refuse to cooperate with enterprises dealing with such business activities. If the enterprise in future acts contrary to accepted moral principles, in order to fulfill their own interests but to the detriment of others, than marketing exchange becomes difficult, or even impossible. (Loucks, 1988, page 4)

Conscientious marketers face many moral dilemmas. The best thing to do is often unclear. Because not all managers have fine moral sensitivity, companies need to develop corporate marketing ethics policies-broad guidelines that everyone in the organization must follow. These policies should cover distributor relations, advertising standards, customer service, pricing, product development and general ethical standards.

One philosophy is that such issues are decided by the free market and legal system. Under this principle, companies and their managers are not responsible for making moral judgment. Companies can in good conscience do whatever the system allows. A second philosophy puts responsibility not in the system but in the hands of individual companies and managers. This more enlightened philosophy suggests that a company should have a social conscience. Companies and managers should apply high standards of ethics and morality when making corporate decisions, regardless of what the system allows.

The future holds many challenges and opportunities for marketing managers. Technological advances in every area provide abundant marketing opportunities. However, forces in the socioeconomic, cultural and natural environments increase the limits under which marketing can be carried out. Companies that are able to create new customer value in a socially responsible way will have a world to conquer.

CONCLUSION

Social responsibility obliges the organization to maximize its positive impact and minimize the negative impact on society. Ethics in marketing refers to the moral assessment of individuals, that is, determining what is right and what is wrong in certain decision making situations. So, the social responsibility refers to the final consequences that marketing decisions adopted by enterprises will affect society.

Every organization, whether it is a business entity or other organized community of people is required, along with the realization of their own interests through activities undertaken to protect and promote the welfare of society as a whole.

Several forces are driving companies to practice a higher level of corporate social responsibility: rising customer expectations, changing employee expectations, government legislation and pressure, the inclusion of social criteria by investors, and changing business procurement practices. Companies need to evaluate whether they are truly practicing ethical and socially responsible marketing. Business success and continually satisfying the customer and other stakeholders are closely tied to adoption and implementation of high standards of business and marketing conduct. Companies that are able to innovate new solutions and values in a socially responsible way are the most likely to succeed.

Ethics in marketing and social responsibility of the enterprise act simultaneously, because the company that creates culture which is acceptable moral philosophy by the society often makes decisions that positively affect the society.

In order, the business of the company to be more efficient, it's necessary on time to be recognized what the buyers, government institutions, competitors, and society in general want or expect from social responsibility.

There are four strategies that seek to solve the problems of the social responsibility: Strategy of defense, of reaction, of adjustment and active strategy.

There are several methods that can be used in attempts to promote social responsibility and ethics in the conduct of the undertakings. Theoretical explanations must be supported by specific actions. Among these methods the following can be stated: follow leaders; ethics specialists; formation of ethical structures; code of ethics; organizing trainings on ethics and acceptance spokesmen.

Ethics in marketing indicates the moral principles that mark what is proper behavior and what is not in marketing. Many marketing decisions could be estimated as ethical or unethical. Ethics is very important when making marketing decisions, but also is one of the most contentious and often mistakenly understood categories in marketing.

Good marketing is about satisfying and developing a long-term relationship with the customers. Caring about your customers not only results in profits (or achieving your organization's objectives if an organization is not-for-profit), it is the ethical thing to do. Deceiving customers may help a firm's profits in the short-run, but is not the way to build a successful business. The same goes for social responsibility. A firm has to care about all stakeholders: customers, employees, suppliers and distributors, local communities in which they do business, society, and the environment.

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IMPLEMENTATION OF HACCP PRINCIPLES IN SMALL AND MEDIUM ENTERPRISES FROM SERBIA

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Abstract

Small and medium enterprises (SMEs) in Serbia that to aim have long-term successful business must to act globally. Because the process of globalization and regionalization of the market SMEs must a much more timely to think about strengthening their competitiveness. Global competition requires the adoption of the standards of world market and international orientation of enterprises.

Implementation of HACCP principles in SMEs from Serbia need to create the conditions for a competitive struggle for survival against competitors from abroad. HACCP is a broad accepted acronym for Hazard Analysis and Critical Control Points. HACCP is a management system that helps to assure food safety through the analysis and control of possible biological, chemical, and physical hazards that may contaminate the foods. Improvement of the quality system is a key condition for successful cooperation of Serbia with the world, primarily with countries from European Union.

The paper gives an example analysis of HACCP principles in enterprise "Eco-Flash" from Krusevac. The enterprise "Eco-Flash" is a reliable partner to its customers by providing high quality services using best the world's technology and the constant care of the environment and protect human health.

Key words: *SMEs, quality, HACCP principles, certification, analysis of hazards, competitiveness*

INTRODUCTION

Increasing of quality, customer satisfaction and standardization are the terms which are in the present conditions of globalization is given the most attention. The life of modern man is almost impossible without standards that are in the background of almost all human activities. For example. As to find their way in traffic when each country had its road signs? Today, the time constant race to market is not enough to compete only with quality. Quality is characteristic of the product or the service that meets the requirements as and if there are no defects. The word "quality" comes from the Latin word "Qualis", "Qualitas" means "to perform". In the new economy of the 21st century customers do not expect a quality product, but also require proof that the company was able to produce quality products and provide quality service. The mere fact that a product or service meets international standards provides a guarantee of security of quality and reliability, and therefore some kind of security for customers.

Every day is an increasing number of consumers who are aware of the relationship between quality and safety on the one hand, and health, on the other side. For consumers is important to know that the products they use safe for health. According to the traditional system of control, responsibility for quality and food safety (food) is enjoyed by the state, while today is the responsibility transferred on manufacturers who must always be prepared to show documentary evidence and to produce foods that are high quality and fully safe for health of consumers. In order to obtain proper food safety and quality it is necessary to establish of different systems and standards of self-control (HACCP, ISO 22000:2005 and the like).

We analyzed the HACCP system and his basic principles, such as: 1. hazard analysis/risk, 2. determination of Critical Control Points (CCP), 3. establishing critical limits for each CCP, 4. the introduction of the monitoring system (monitoring), 5. determination of corrective measures in the event that monitoring shows that the CCP is not within the critical limits, 6. establish procedures/procedures for verifying the correctness of the system, 7. establishing and maintaining effective records and documentation. HACCP a system is for identifying, evaluating and controlling hazards significant for food safety. HACCP concept is applied to ensure the hygienic-toxicological and safety of any other agricultural food products in the whole chain from primary production of basic and auxiliary raw materials, processing, packaging and storage, to transport, handling and sales presentations, to the storage and immediate use of food in the household.

This paper discusses the advantages of the direct application of HACCP system in small and medium enterprises as and the cost of implementing HACCP system. HACCP system is an essential prerequisite for the export of our products and conquering the European market. Manufacturers Exporters of food products from countries outside the European Union who wish to sell their products to the

EU market must in their business activities to include procedures for food safety and have implement the HACCP system in their enterprises. The main goals of this work are: 1. help the entities that produce and food business operators to understand the basic principles of HACCP, 2. point out the importance of establishing system assurance a food safety based on HACCP principles in small and medium enterprises and 3. practically verify theoretical of considerations of basic principles of HACCP by way of research conducted in "Eco-Flash", located in Krusevac.

In this paper is start from the following hypothesis H: HACCP as system for the identification, evaluation and control of microbiological, chemical and physical hazards during the production, processing, processing, preparation and use of food is in the function of providing hygienic, toxicological and any other of safety foods. This paper uses a method of research – a case study. For research purposes, we used secondary sources of information (relevant literature, internet).

At the beginning the reader is becomes familiar with the conceptual definition of the HACCP system. Also, in this paper is emphasizes the basic goal of the HACCP system. Special attention is given to the HACCP principles and main stages development (making steps) of HACCP plan. Then is given an example of a practical analysis of HACCP principles in "Eco-Flash" from Krusevac. At the end follows the conclusion and a list of references.

HACCP SYSTEM AND COST – BENEFIT ANALYSIS OF HACCP IMPLEMENTATION

According to the Law on Food Safety (Official Gazette 41/2009, Article 47) the subjects in business with food shall establish a system for ensuring food safety at all stages of production, processing and circulation, except for primary production, in any facility under their control, in accordance with the principles of good manufacturing and hygienic practices and Hazard Analysis and Critical Control Points (HACCP). According to the Veterinary Act (Official Gazette 91/05, Article 82) are stipulates the obligation for all legal entities and entrepreneurs wich deal jobs slaughtering of animals, production and trade in food and animal feed, to provide a system for ensuring product safety which is held on the principles of good manufacturing and hygiene practices and hazard analysis and critical control points in production - HACCP. HACCP system consists of two basic components:

1. HA (Hazard Analysis) - the risk analysis and hazard identification at every stage of food production and evaluation of significance of the threat to human health,
2. CCP (Critical Control Point) - are the stages in the production in which can be controlled, prevented or eliminated the risk to food safety, or their influence reduced to an acceptable level.

HACCP as a term in praxis is modified in the word HASAP. HACCP system (<http://www.certification.info/haccp/>) Represents a consecutive series of activities that, based on risk analysis and preventive measures, which ensure production of healthy and hygienic corresponding food products high of level quality. Therefore, HACCP is a modern, preventive concept that provides a hygienic, toxicological and any other safety of food. Briefly defined, the HACCP system (Grujić, 2003, 453) is a set of procedures for process control and critical control points in the food chain, with the ultimate goal the consumer to consume (use) the food in able and on a way that will be safe on his health. An acronym HACCP is originated from the following words (Mitrović, et al., 2004, 137):

1. Hazard – a health hazard in certain point of process production of food,
2. Analysis – the analysis of the risk of possible contamination at every point of process production of food,
2. Critical – the determination of critical points in the process for of safety health product ,
4. Control – the control critical of points process,
5. Point – the point of the process of production food.

HACCP certification process is similar to any other certification schemes. This process is divided into 5 steps (<http://www.mobes.rs/usluge/haccp.html?start=2>):

1. Preparation of HACCP – meeting owner of enterprises and person responsible for food safety with the requirements of Codex Alimentarius 1-1969, Rev.4 (2003) and expected effects of the project, as and proposal of establishing a HACCP system;
2. Making HACCP study and the development of HACCP plan. HACCP plan is a document which is made in accordance with HACCP principles, which will determine how to eliminate the threat; HACCP certification process is similar to any other certification schemes;
3. Implementation of HACCP plan - adopted solutions and document the HACCP system is presented in an appropriate manner to employees, in the form of training and presentations that are necessary for the operation and understanding of HACCP. In the implementation of defined activities, special attention is given to: 1. managing documents, 2. implementation of training, 3. controlling critical control points and 4. controlling hygiene. HACCP is impossible to implement without proper training. All staff should have documented training in personal hygiene, good manufacturing practice (GMP, eng), procedures for cleaning and hygiene, personal safety and their role in the HACCP program;
4. HACCP certification by international certification bodies – Certification system is desirable because it increases the confidence of consumers and customers of the enterprise, and thus improves the business of small and medium enterprises (SMEs);
5. Maintenance and monitoring of the HACCP system.

HACCP concept (Vujićić, 2004, 22) was created during the development of the Apollo space program in an effort to ensure absolutely safe food for astronauts. The concept was first presented to the public in the U.S. in 1971, during the annual conference of food protection, and since 1985 is recommended for general use. Application HASAP (HACCP) (<http://www.hasapstandard.com/koje-su-prednosti-primene-haccpsistema.html>) is widespread in the developed world, while in the European Union (EU) and the legally binding of 2004. year, Council Directive (Council Directive 93/43/EEC, replaced by 04/29/2004.year Regulation 852/2004/EC). Countries wishing to export food to the markets where is HACCP mandatory (for example, the EU market) have to meet HACCP standards that apply in that market. According to the Veterinary Act (Section 82) application of the HACCP system is the obligation of every business entity that is engaged in production and trade of food of animal origin, and according to the safety of food (Article 47) this obligation are the producers of food of plant origin.

Of 01/01/2009. year the HACCP system (Savović, et al., 2011, 146) has become a legal obligation for all food producers in the territory of the Republic of Serbia. Until 06/01/2011. year is the deadline for the implementation of HACCP system . Hasap standard is now in Serbia only legal requirement for the meat and dairy industry while adopting a new law on food safety this kind of standardization will be required for the production, processing and sale of food. The Ministry of Agriculture of Serbia (http://www.cev.eu.com/read_more.php?newsid=259) since 2005. by 2008. years are the allocated 443 million dinars to help introduce HACCP in 805 enterprises, according to data from the Ministry, of them 407 have introduced HACCP, 103 in the final, and the 295 enterprises in the early stage of introduction of this standard. Accurate data on the number of companies that have implemented HACCP in Serbia no exist, but according to estimates, it is a maximum of 5,000, including mostly all major manufacturing and retail chains. The greatest interest in the introduction of HACCP recognized so far show food producers, mills, confectionery, soft drink producers. Also, a great interest in the introduction of HACCP recognized and processors of fruits, especially raspberries, mushrooms producers, and many other manufacturers, as for example, feed manufacturers. The costs of introducing HACCP for the average firm size is a maximum of 800,000 dinars. These costs vary from state enterprise employees. If the company has a well trained and skilled personnel in the field of food technology, it is less time and fewer resources for the implementation of the HACCP. (http://www.vibilia.rs/srpski/izvestaj/0403/haccp-yu_preduzece_preduzece_32_261005.pdf)

HACCP (<http://www.sertifikacija.info/haccp/>) is a set of specific requirements/rules to help ensure food safety in enterprises. HACCP is not related to product quality, but on his safety. The main aim of HACCP system is the production of safe food by way of preventive of actions, and not by way of consequential action. HACCP is needed by all enterprises that deal with:

1. production, processing and packaging of food products (food),
2. storage, transport and distribution of food,

3. preparation and distribution of food for hospitals, children's institutions, hotels, restaurants,
4. trade in food and catering,
5. organic food.

HACCP system not only applies to large manufacturing enterprises, but can be effectively introduced and in small and medium enterprises, cooperatives, hotels and restaurants, everywhere where is food security of great importance. This system is applied in food safety control for animals, because only safe and quality food for animals guarantee to will food of animal origin, be suitable for human consumption. There is no single definition of large, medium and small companies (Various authors, 2009, 116-117) that deal with food, but they can be classified by the number of employees and turnover of funds and the realized profit. Small entities in business with food are consider they that have to 50 employees, medium with 50-250 employees and big with more than 250 employees. Some SMEs can be classified as "micro-entities" (up to 10 employees) and independent business ("sole traders") that employ only the owner. Problems implementation of HACCP systems in small enterprises (SMEs) are related to lack of material resources, training for HACCP and expertise. For each SMEs, of the HACCP system requires the transition to a completely new way of handling food. Owners and managers SMEs have little motivation, because most believe that already produce the safe food, and the main motive is to fulfilling their legal obligations. Many owners and / or executives SMEs not yet convinced that the HACCP system to be effective and practical in their area, therefore it is necessary that the authorities put pressure on the SMEs to perform these radical of change.

Advantages of this system (<http://www.hasapstandard.com/koje-su-prednosti-primene-haccpsistema.html>) are:

1. reduces the occurrence of foodborne diseases,
2. ensures safe supply to the population health food products,
3. lets efficient inspection,
4. allows effective and efficient operation of enterprises in the food industry,
5. increases the competitiveness of companies in the world market,
6. removes barriers to international trade,
7. enables the efficient introduction of new technologies and products,
8. increases profits.

The cost of implementing HACCP system, and the possibility to recover the investment and profit, will depend in practice on a number of variables. The cost of implementing the PR/HACCP system (Food Safety Risk and Pathogen Reduction/Hazard Analysis Critical Control Point) differs from firm to firm. PR/HACCP cost (Siapla, et al., 2005, 3) has two major components: 1. implementation costs and 2. operating costs. Implementation costs include three

main components: 1. plan development cost, 2. training costs and 3. material, building, and equipment costs. Operating costs include three main components:

1. recordkeeping costs,
2. USDA (the United States Department of Agriculture) verification cost and
3. bacteria testing.

Implementation and operating costs are considered fixed and variable costs, respectively. Fixed or implementation costs are defined as costs that do not vary with production levels. An example of a fixed cost (Siapla, et al., 2005, 4) includes expense on equipment or material that has a life span greater than one year. On the other hand, variable or operating costs are defined as costs that vary with the level of production. An example of a variable or operating cost includes expenses on equipment or material that has a life span equal to or less than one year, like electricity bills, paper wraps, and boxes. The PR/HACCP system involves a large fixed investment to develop the plan and to train staff. It may also require new capital equipment. These fixed costs mean that there are economies of scale in PR/HACCP. The variable costs are often minor in terms of labor or materials.

Feigenbaum (1974) proposed a model to analyse quality cost that is almost universally accepted. This model (Prevention-Appraisal-Failure model of quality costs - PAF) assumes that production costs relevant to quality changes can be divided in three categories:

1. Prevention costs – the costs of any action taken to investigate, prevent or reduce defects and failures. These are those associated with the design, implementation and maintenance of the HACCP system. They encompass the costs of assembling and operating the HACCP team (e.g. for drafting the HACCP and Hygiene plans), HACCP personnel training (and re-training), and preventive maintenance. These costs are usually planned and incurred before the actual operation;
2. Appraisal costs – the costs of assessing and recording the quality achieved. Appraisal costs are those related to the evaluation of incoming raw materials, processes, intermediate and final products and services to ensure they conform to HACCP and Hygiene plans in the first place, and to HACCP-based regulations required for different markers/countries. The costs of operating and maintaining a monitoring and control system at all critical control points (CCPs) fall within this category; also verification and internal HACCP audit costs. However, they exclude re-work or re-inspection costs following failure;
3. Failure costs – the costs arising from failure to achieve the quality specified. These can be divided into internal and external costs, whether they are produced within the plant or after the transfer of ownership to the customer. Internal failure costs are those associated with inadequate compliance with HACCP and Hygiene plans, identified before ownership transfer from the industry to customer/consumer, corrective actions costs are typical internal failure costs. External failure costs are those related to the inadequate compliance with HACCP and Hygiene plans, identified after ownership transfer of products from the industry to the customer/consumer.

The total safety/quality costs can be expressed by an equation that represents the total safety/quality cost per unit of product as follows (Lupin, et al., 2010, 1144):

$$TQC(s) = \sum C_P(s) + \sum C_A(s) + \sum C_F(s)$$

where is,

TQC(s) is the total safety/quality costs per unit of product,

$\sum C_P(s)$ the summation of all prevention costs per unit of product,

$\sum C_A(s)$ the summation of all appraisal costs per unit of product and

$\sum C_F(s)$ is the summation of all failure costs per unit of product.

A Quality Cost Index (QCI) based on sales and PAF data was defined as follows :

$$QCI = TQC/Net\ sales \times 100$$

Calatore and Caswell (Maldonado, et al., 2005, 376) reported from studies in the seafood industry that many companies failed to have a reliable costs and benefits estimation of HACCP implementation beforehand, because indirect costs not defined in the US (United States) Food and Drug Administration (FDA) protocol as well as on specific requirements raised from their own business deals. The main reason for HACCP implementation in dairy processing sector in the United Kingdom (UKI) was to meet legal requirements, second reason was the interest of the dairy companies in keeping their customers, by showing them that the company was following sophisticated hygiene practices while prices were little affected due to a better internal efficiency. Major cost of HACCP implementation in dairy processing companies was increase of staff time, while the major difficulty reported was staff training. These industries pointed out that the retention of existing customers was the major benefit of HACCP implementation.

The cost-benefit analysis is a tool to study the economics of HACCP. Most often in cost/benefit analysis (CBA) is the of Net Benefit for society (NSB – Neto Social Benefit) which is (Raonić, Srejiović, 2008, 2018):

$$NSB = SB - SC$$

where is,

SB – Social Benefits (here it is UK)

SC – Social Costs (here it is UT).

Economic benefits that may arise introduction of HACCP are:

1. cost reduction operations (UKH1),
2. increasing profits (UKH2),
3. increase in exports (UKH3),
4. cost reduction complaints (UKH4),
5. cost reduction control food safety (UKH5),
6. reducing costs arising from health failure of food (UKH6),
7. increased rates business system with the change of ownership (UKH7),
8. cost reduction payment penalties (UKH8).

Economic costs that may arise introduction of HACCP are:

1. costs consulting services (UTH1),
2. costs certification (UTH2),
3. the cost of training employees (UTH3),
4. the cost of acquisition and reconstruction equipment (machine tools) (UTH4),
5. costs construction and reconstruction of buildings (UTH5)
6. reclamation costs (UTH6),
7. costs withdrawn product from sale (UTH7)
8. costs of laboratory tests (UTH8)

Multiplying the percentage value total economic benefits (UK) and total economic costs (UT) values required financial investment we get financial indicators of the viability of investment in improve product safety . Over the calculated NPV can prove justification of investment in product safety. Net present value (PVB) for average version of total economic benefits (UK)_s is obtained by using the form (Raonić, Srejić, 2008, 222) :

$$\sum_{t=0}^n \frac{B_t}{(1+s)^t}$$

where is,

B_t – total economic benefits (UK)_t, for each year separately,

s – interest rate,

t – years.

Net present value (PVC) for average version of total economic costs (UT)_s is obtained by using the form:

$$\sum_{t=0}^n \frac{C_t}{(1+s)^t}$$

where is,

C_t – total economic costs (UT)_s, for each year separately

s – interest rate,

t – years.

Net present value (NPV) as indicator of feasibility investment in improve product safety:

$$NPV = PVB - PVC$$

If the calculated $NPV > 0$, means that investing into products safety in company, is acceptable and profitable and should be accomplished.

New challenges in the protection of animal health, food production chain of animal origin, animal welfare and environmental protection require that developing countries accept the international plan adopted regulations, standards and procedures as a basis for gaining competitiveness, inclusion and survival in the global market (Usébrka, et al., 2009, 1017). The criteria for safe food, as well as elements of producer standards are generally in accordance with the legislation. Internationally recognized standards are for example: Codex Alimentarius Commission (CAC) or the United Nations Economic Commission for Europe (UNECE) standards.

Codex Alimentarius Commission was established by the Food and Agriculture Organization of the United Nations (Food and Agriculture Organization) and WHO (World Health Organization) in order to protect public health and the provision of good commercial practices in the food industry. Codex Alimentarius (Latin for "food code"), as a result of the Commission and about 20 technical committees, is a collection of internationally adopted standards relating to food, guidelines and codes of practice, most notably the HACCP of system (http://www.quality.org.rs/index.php?option=com_content&view=article&id=54&Itemid=56).

Codex Alimentarius Commission standards in most cases is adopted by consensus and based on the best scientific and technical knowledge. Codex Alimentarius Commission is , as a guideline, defined seven principles (principles) and the 12 steps that must be applied in the HACCP plan development and implementation of HACCP system. HACCP (Cannas, Noordhuizen, 2008, 38) principles are:

1. Hazard analysis/risk. Involves identifying all possible hazards/risks in the process of food product (microbiological/biological, chemical or physical);
2. Determine Critical Control Points (CCP). Controls will only relate to safety, not quality. Critical control point is the position (point), stage (part of) or procedure (process) in which it is possible to perform control, prevented, eliminated or reduced the risk and danger, and lead to an acceptable level security food . If risk is not great, procedural point is seen as a control point (Control Point, CP);
3. Establish critical limits, ie maximum of and/or minimum values for each critical control point, which are controlled microbiological/biological, chemical and physical hazards for the purpose prevention. The critical limit refers to the magnitude/size of the hazard that makes very frail to very resistant people ill or hurt;
4. Monitoring, and establishing procedures for monitoring (supervision), CCP, use to ensure that the CCP remains in critical limits. Monitoring (systematic monitoring) is planning, measuring or monitoring critical control point in relation to hers critical limit;

5. Determination of corrective measures in the event that monitoring shows that the CCP is not within the critical limits. Corrective measures should ensure that the cause of the problem be identified and eliminated;
6. Establish procedures/processes for verification aimed at verifying that the HACCP system is effective and that it works well;
7. Establishing and maintaining effective records and documentation, and documenting of evidence that the HACCP system is working well.

Entities which engaged in the production, processing and trade of food (Various authors, 2009, 85) should develop and implement a HACCP plan for each separate process/product. To be the HACCP plan has successfully developed and applied, requires the full support of HACCP team by management and all employees of that entity. Therefore, government should provide financial, technical and other support to the development and application of the HACCP plan and thus show that it is interested and aware of his important uses. Workers will not understand HACCP serious enough, if their superiors/managers clear do not explain the importance of this system. Framework of the HACCP plan is a brief description of what the plan covers. In it are listed: 1. starting and ending point of process which is covered by HACCP plan, 2. types of risks to food safety, 3. a product and its intended use, 4. consumers of products, 5. type of packaging and 6. storage and distribution and other information related to product safety. HACCP team should have enough time for discuss and agree about all details regarding the framework of the HACCP plan, as and this to are documented.

The main stages of development (steps) HACCP plan (Various authors, 2009, 86-116) are:

1. Training and establishment of HACCP team. HACCP team must be multidisciplinary, ie. composed of members belonging to different professions, the more people who belong to key departments in the enterprise (service quality, production, marketing, management);
2. A detailed description of the product. Description of the product must contain the following information: 1. Product Name - give the trade name product, 2. Composition - give the composition of products, 3. Product characteristics - sensory (appearance, smell, taste), physical and microbiological characteristics which are important to defining his the safety, 4. Packaging - primary and transport, 5. Instructions for use - if necessary (eg, "boil before use) etc.. Each product description has to be signed by an authorized person of the enterprise;
3. Describe the use of products and identify customers' food. The aim of this step is identifying potential beneficiaries, with special emphasis on vulnerable populations (small children, elderly, pregnant women, sick and people with reduced immunity);

4. Making flow chart of the production process. Flow chart of the process is a graphical representation of the sequence and interrelationships of all steps in the process. This method allows, by simply replying to questions in the algorithm, to determine whether is a particular step in the process of food production in which identified the hazard is a critical control point or not. Flow chart of the process makes the HACCP team;
5. Verification of the flow chart of the production process on site. Flowchart is can not only verify in this stage establishing of HACCP system, but also during the his implementation periodically. So, once in a year or as needed, if done some changes in technology, changes to recipes, to install new equipment, changes to working conditions, etc., in order to assess the risks related to food safety;
6. Making the list of possible hazards, conducting risk analysis. Hazards can be divided into the following categories: 1. Natural hazards – glasses, metal, stone, twig, stem, leaves, wood, jewelry, 2. Chemical hazards – toxins from mushrooms, pesticides, softeners, food additives, detergents, 3. Microbiological/biological hazards – microbiological hazards are: bacteria (*Salmonella*), viruses (hepatitis A) and parasites (*Trichinella spiralis*), fungi (blue-green algae, golden-brown algae). Biological hazards include: insects, rodents and birds. The risk analysis process is composed of three main components: 1. risk assessment, 2. management risk and 3. communication of risk. Management risk is the process of risk analysis results the risk assessment and selection and implementation appropriate of control options, including the extent regulated by the regulations, in order to reduce the level of risk on acceptable level. Risk assessment is a scientifically based process consisting of the following elements: 1. identification of hazards - reply to the question of whether the agent may consider risk when present in foods, 2. characterization of hazards - reply to the questions about the nature of harmful agents and their impact on consumers (health effects), 3. assessment of exposure - reply to the questions of how often are foods in which we view a danger consumed and 4. risk characterization - reply to the question how large is the total probability that will observed hazard exert their deleterious effects in a given population and how large is the severity of potential consequences for the health of consumers. Communication of risk is a mutual exchange of information and opinions regarding the risk assessment and risk management between assessors of risk, those who manage risk, enterprises that deal with food, consumers and other stakeholders;
7. Determination of critical control points (CCP). Use the tree of decision;
8. Establishing critical limits for each critical control point. Critical limit is the highest or lowest value of a certain parametar that is acceptable. When is this value exceeded, it is believed that the CCP is not under control;

9. Establishing a monitoring system for each critical control point. Monitoring results are entered on the appropriate forms, as defined in the HACCP plan. All records and documents in monitoring critical control points (CCP) must sign the persons who carry it out, and authorized persons for their review. Records of daily monitoring is reviewed and verified by a technologist. Based on this information technologist, and if necessary take corrective measures;
10. Defining corrective actions for any deviations that may occur. Corrective measures have been previously planned measures, whose implementation begins the moment when it is considered that there has been exceeded critical limits at a given CCP, which serve to: a) reestablish control over the CCP, b) to prevent arrival potentially harmful foods to the consumer and c) prevent to again the deviation are happen;
11. Establish procedures for verification of the correctness of the system. Verification of the HACCP plan's confirmation, after its implementation, that the plan effective - that the hazard is to food security under control. To perform the verification described in the HACCP plan is a responsible person that i deal with food, which is organize. However, in the verification should be include independent external consultants/advisers, who have the training, experience and objectivity. Verification of the HACCP plan is done at least once a year or extremely in cases where doubts arise as to product safety;
12. Establishing a system of documentation and prescribing ways of keeping records. Documentation of the total food safety system, based on HACCP includes documents relating to the prerequisite programs (GMP/GHP) and documentation related to the HACCP plan. Records of quality management system and HACCP systems (Niksić, Milosević, 2008) include: 1. HACCP plans, 2. records that result from the application of good Manufacturing Practice, Good Hygiene Practices, Good Laboratory Practice, application of sanitary measures and the like, 3. records of monitoring (monitoring and measurement), 4. records of corrective and preventive measures and 5. Records of verification activities. Document management and records of the HACCP system is debited, the secretary of the HACCP team. Quality of a HACCP system (Radovanović, R., et al., 2007, 161) is never reflected in the complexity and volume of documentation already quite the opposite. Number of documents shall to be optimal, and the content simple, understandable and easily implemented. HACCP records can be kept as hard copy or electronic form. Period retention may not be shorter than the shelf life of products. Retention of documents is 2 years or 2 to 6 months.

PRACTICAL EXAMPLE OF ANALYSIS OF HACCP PRINCIPLES IN THE ENTERPRISE "ECO-FLASH" FROM KRUSEVAC

The mission of "Eco-Flash," from Krusevac is to be a reliable partner to customers by providing high quality services using the world's best technology, constant attention to environmental protection, protection of human health and safety of all employees. Enterprise "Eco-Flash" in their business has integrated the HACCP standard. In order to protect human health, based on article 28 paragraph 3 Law on Protection of Population from Infectious diseases that threaten the whole country, the "Eco-Flash" has a solution to the Federal Ministry of Health and Social Policy No. 242878\06 on the basis of which performs these activities. All products used are certified by the competent ministries.

The main activity of "Eco-Flash" from Krusevac (<http://www.ekoflash.co.rs/o%20nama.htm>) is to provide the following services:

1. Disinsection (<http://www.ekoflash.co.rs/dezinsekcija.htm>) – a set of different measures that are implemented to destroy or eliminated populations of harmful insects;
2. Disinfection (<http://www.ekoflash.co.rs/dezinsekcija.htm>) – a set of different measures that are implemented to destroy or removal of most microorganisms;
3. Pest Control (<http://www.ekoflash.co.rs/deratizacija.htm>) – a set of different measures that are implemented to destroy or eliminate populations of rats, mice etc.;
4. Cleaning and maintenance of residential and business premises - the company "Eco-Flash", commencing with the disinfection process, is a survey of such facility, after checking the building or premises, proposes the repair or maintenance of buildings or premises.

For the above mentioned tasks Enterprise "Eco-Flash" from Krusevac has the necessary permit from the Ministry of Health and Ministry of Agriculture, and all treatments are carried out high-quality preparations harmless to human health and the health of pets.

Control a pest application HACCP of system aims to eliminate insects and rodents as potential contaminants of food, while avoiding chemical means of intervention and favors preventive and environmentally friendly measures. The basic principles of HACCP are:

1. Analysis of hazards and determination of target species – productive plants and installations in the food industry, especially are the favorable places for the development of insects and rodents, the food they can find, then suitable temperature and humidity. Assessing the risk of harmful effects of insects and rodents performs an expert team review of all objects and surfaces. The main causes of risk spreading rodents and insects are: 1. windows that do not have grid, 2. communication of object with the environment (the space around heating pipes, the external opening and the like), 3. inadequately disposed waste, 4. favorable temperature and humidity in some places. Target species are determined based on experience, for all items and surfaces. Expected species rodent are: 1. black rat, 2. gray rat, 3. mouse. Expected species insect are: 1. black cockroaches, 2. brown cockroach, 3. yellow ant, 4. domestic flies, 5. wheat, corn, rice borer, 6. maroon mealworm, 7. small mealworm, 8. brown mealworm and 9. coppers moth;
2. Determination of critical control points – identifying and highlighting critical points will not be a problem if is good implement assessment of risk and if is establish cooperation between the responsible persons of production and the performers. Critical points for rodents are: 1. area in the factory, 2. Hot water and sewage systems, 3. zone near the disordered field, 4. waste disposal sites, 5. product preparation, 6. storage of finished products, 7. restaurants for feeding employees and 8. all the hidden places where there is food waste. Critical points for insects are: 1. space for waste disposal, 2. all places where production is high humidity and heat, 3. warehouse for storing grain and 4. object of production;
3. Introduction of preventive measures – on the basis of risk assessment and identification of critical points, are taking is preventive measures to prevent settling of pests in plants and to avoid intervention by chemical means. Basic preventive measures include: 1. setting nets on windows and doors, 2. sealing windows and doors, 3. closing all openings leading into the building and behind the building, 4. closing the sewer manholes, 5. improving sanitation conditions, 6. proper waste disposal;
4. Establishment of monitoring – monitoring means keeping track of all events and changes related to the target species of insects and rodents in a period of time. Pest Control: 1. boxes for exposure to rodenticides, 2. supplement rodenticide, 3. assessment of rodent activity, 4. removal of dead rodents, 5. replacement of sticky traps and 6. compiling a record of it. Disinsection: 1. visual inspection of facilities, 2. replacement of traps for flying and crawling insects and 3. compiling of record of it. Control is performed every 30 days by the contractor;
5. Determination of corrective measures – if the control determines the conflict, approaches is corrective measures that include, change of preparations, placement of traps and the like;
6. Establishing procedures for verification of safety – after implementing corrective measures and controls, done is the verification correctness of the system by responsible person in the production and perfor;
7. Recording and storing data on all implemented measures.

CONCLUSIONS

The importance of risk management has been recognized in the systems of quality management according to ISO9001: 2008 and in specific technical areas, such as in systems for food safety (HACCP, ISO 22000) and more. Making high-quality products that can be saved from deterioration in the existing conditions of distribution and storage and are also safe for use by consumers, the demands faced by producers of agricultural and food products. Only by fulfilling these requirements the small and medium enterprises can preserve the reputation and strengthen its market position. The establishment of food safety assurance system based on HACCP principles is a major challenge for the small and medium enterprises engaged in food production.

The essence of the HACCP system is a preventive action to eliminate the time, reduce or lead to an acceptable level any potential risks in terms of food safety. The purpose of the HACCP concept in practice is to promptly and correctly identify all the causes that potentially pose a risk to health and safety of customers. HACCP is a management system in which food safety is considered through the analysis and control of biological, chemical and physical risks in the complete chain of production.

Based on theoretical and practical research on this subject are concludes that confirmed the hypothesis H: HACCP system for the identification, evaluation and control of microbiological, chemical and physical hazards during the production, processing, preparation and use of food is in the function of providing hygienic, toxicological and any other safety of food.

In the states of the European Union are apply is food safety system based on HACCP, whose the implementation is required and in other ("third") countries who wish to export food on the EU market. According to the Veterinary Act (Article 82) the application of HACCP is the responsibility of each business entity that is engaged in production and trade of food of animal origin, and according to the safety of food (Article 47) this obligation have and the producers of food of plant origin. Of 01/01/2009. years the application of HACCP system has become a legal obligation for all food producers in the territory of the Republic of Serbia. Until 06/01/2011. years is the deadline for the implementation of HACCP system.

Systematic approach and adjusting operations according to the requirements of HACCP (Hazard Analysis and Critical Control Point) Enterprise "Eco-Flash" from Krusevac has reached a certain advantage in the market. These advantages are as follows: high-quality implemented plan of control pests toward the standards of HACCP allows limited use of chemicals, introduction of minor amounts of harmful substances, easy and timely pest control, simple documentation and the benefits of eliminating insects and rodents.

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