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FOREWORD

Advances in technology, psychology, and analytics may make the next 50 even more exciting. Technology is getting smarter, faster (Brynjolfsson et al., 2014) with greater impact that “thinking” machines may have on top-management roles.

Change is the dominant fact of life in every business today, and the ability to master and exploit change has become one of the most sought-after management skills. This is particularly true in marketing, where the very tempo of change is constantly quickening.

What does produce earnings are strategic decisions, and strategic decisions should be the ultimate output of a strategic-planning program by evaluating competitive strategies, assessing environmental forces, drawing on the work of the so-called “futurologists,” building on broad economic forecasts and “Top-down” leadership.

The collision of technological disruption, rapid emerging-markets growth, and widespread aging is upending long-held assumptions that underpin strategy setting, decision making, and management. These trends (according to McKinsey Quarterly, 2014) have in the base at least further major changes that promised to transform future marketing efforts: the dominance of the customer, the spread of marketing research in terms of both quantity and scope, the rise of the computer, expanded use of test marketing (Evaluating new products and new product features or services in relation to market potentials, assessing the advantages and disadvantages of new packaging, evaluating the effects of a new sales-incentive plan, determining the advantages, if any, of new delivery and service practices, evaluating the effectiveness of alternative advertising media and approaches), metamorphosis of field selling and global market planning.

The results of the research issues presented in this book of proceedings concern these aspects of changes in management, marketing, new technologies and open innovation contributing to the scientific literature and further development of these disciplines.

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I PART.
MANAGEMENT



CHANGES IN THE MANAGEMENT SYSTEM AS A BASIS FOR CORPORATE RESTRUCTURING

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ABSTRACT

Economic and social developments in the organizations in Serbia require serious restructuring design. Changes in the organization cannot be implemented without changes in the governance system. Leadership as new management approach represents a different treatment of employees and work, which includes competence that creates new value and environment in which it can be created on the most efficient way. The function of leadership is the one of the leading management functions which contributes business growth and development. Its importance is reflected primarily by human resources management and therefore, also in the management of working processes. In nowadays turbulent business environment characterized by constant change and uncertainty leaders are needed more than ever in companies.

Key words: *Leadership, Restructuring, Changes in Management System*

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INTRODUCTION

The changes that took place in the mid-twentieth in terms of technology, globalization, manufacturing and sales opportunities have created conditions for the emergence of new management styles. Taking into account the experiences of all known management styles, the new style, which is based on leadership, is completely different from the previous ones. The necessity for introducing changes to the management system stems from the requirements related to the company's organizational functions. Traditionally, organizations were created on the concept of location or place where business activities were performed. In the today's era of high technology, information, learning and changes, traditional organizations alter when transformed into virtual organizations, which are based on the concept of activities rather than on the concept of location where the activities are performed.

Social, organizational and economic conditions of creating a new management style are reflected in the following:

- changes in organizational structure and culture that have become imperative in contemporary business environment,
- changing needs of employees,
- changes in demands imposed by the market.

In today's dynamic environment, which involves rapid technological development, globalization, revolution in the information technology, ruthless competition, organizations that want to survive in the market should have plans for implementing and managing changes integrated in their development programs.

Causes of organizational changes can be found in a large number of factors that disturb the balance both between organizational subsystems and between the organization and its environment. Depending on whether they come from the environment or the organization, these causes can be external and internal. External factors of changes emerge in the wider social environment of the organization, i.e. in the technological, political, socio-cultural and economic environment. Internal factors of organizational changes include diversification of production, changes in the organization's structure and culture, geographic expansion, development of new products, new management style etc.

LEADERSHIP IN ORGANIZATIONS

One of the most serious problems present in modern organizations is the proper management, making current moment the most challenging time ever experienced by managers. Their capabilities should come to the fore in conditions of rapid and unpredictable changes, in periods of transition and crisis – in everything by which today's culture and economy are characterized (Mitrović, Melović, 2013, p.13).

Leadership can be viewed as the creation of opportunities, ways and background for employees to contribute to the creation of new value. Leadership can also be approached as a process of social influence in which one person can take advantage of the help and support of other people to achieve common aims, i.e. to perform tasks.

Thus, leadership cannot be seen as one of the many different styles of management, which has been developed from the existing styles, but rather as a different approach to operating the organization, aimed at improving the organization's performance. The new management style involves a series of changes in the behaviour of both managers and their subjects. The basis of the new style of management is in active relation to reality and grounding work on:

- dynamic, continuous learning,
- breadth of information,
- customer-orientation,
- orientation towards skill development,
- orientation towards teamwork and cooperation,
- orientation towards seeking answers how to solve something,
- orientation towards decentralized decision-making and empowering,
- orientation towards centralized sharing and dissemination of knowledge,
- working to increase the intellectual capital,
- working to increase professionalism,
- unlimited access to the organization's explicit and tacit knowledge (Grubić-Nesić, 2008, p.48).

Leadership is a phenomenon present in all areas of human life: economy, sports, politics, and science, formal and informal groups – wherever human operates in a group. In the today's turbulent business environment, which is characterized by permanent changes and uncertainty, companies are in need for leaders more than ever. Leaders are always progressive, seeking higher organizational performances, focusing on the future, and being unsatisfied with average results. Thus, one can say that they are the best representatives of parole that says "good is the enemy of the great." It is their above-average qualities, skills and knowledge that make the difference.

Leadership is always a fascinating subject in any current job. In fact, it is the most important aspect of human behavior. It gives a positive direction to the use of human resources and brings out the best in a man (Shastri et al., 2010, pp. 1946-1953).

Leadership has been historically and typically defined and understood in terms of traits, qualities and situation in which the leader exists and behaves (Dotlich, Walker, 2004).

Leadership can best be viewed as a fluid process emerging from the communicatively constituted interactions of myriad organisational actors (Tourish, 2014, pp.79–98).

Leadership is about influencing the followers, members of the organization, in order to achieve the goals (Gardner, Laskin, 1996, p.97). Thus, leaders are those who set goals and provide the guidelines and direction of activities aimed at their achievement for all members of the organization. Leaders are creators of the vision of the organization, passing it on to employees and making them to believe in it and accept it as their own. An effective leader should know what is good for his organization, as he also should know how to achieve that. By definition, leadership is the ability to influence a group of people towards the achievement of goals (Robbins, Coulter, 2001, p.59; Lussier, 1990, p.65). A successful leader should be able to establish trust by giving employees more freedom to act autonomously and make decisions. In addition, leaders should clarify the direction towards the attainment of goals to the employees through communication and encourage them to feel confident and able to take risks in work completion.

Leadership style also has a significant impact on performance (Bycio et al., 1995, pp.468-478.; Avolio, Bass, 1993). In today's dynamic world, leaders must be able to cope with the increasing volatility and turbulence of the environment due to the globalization era (Fiedler, 1996, pp.241-250; Hennessey, 1998). Through the actions of top management as an effective leader and adequate training and skills (Kotter, 1990; Avolio, Bass, 1993; Bass, 1998), a successful culture could be developed and valued by the employees (Farid, 2000, pp. 148-156).

New times require new type of leaders – leaders able to influence the behaviour of others and direct the development processes, regardless of whether he already secured the support of hierarchy and authorities for that purpose or not (Robl et al., 2003).

A modern leadership is focused on the following communicating activities of leaders with their associates-followers whose goal is to realize the vision all have adopted. In the literature, these are called 3E activities:

- Empowering – referring to the delegation of authority and empowering members of the organization to take charge for organization functioning. The basic settings of empowering are reflected through the following assumptions regarding the positive impact of empowering on the operation of employees. First, empowering has a direct impact on employee motivation because employees behave in accordance with their perceived positions and importance of their jobs in the organization. Thus, if an employee takes charge for a specific task, there are positive assumptions that he will be more involved in its accomplishment than in the case if the results and benefits were some other's responsibility. An individual needs to feel important on his job and to be consulted regarding plans and operations, and take charge for results. Sharing power by leaders is also a kind of employees' motivator, since their proper inclusion in business processes makes them feel important and facilitates to meet their social needs. Another important reason that speaks in favour of empowering employees is huge human capital hiding in their minds, which can be used for the benefit of all, especially the organization. It can

be expressed in terms of creativity, innovation and ability of creating new values; these can be activated through a well-directed employee empowerment. The main elements of empowerment are informing employees about all business aspects, sharing knowledge necessary for the development of business activities, allowing freedom in making business decisions (outside the hierarchical network and without wasting time and energy in making decisions), fully explaining the meaning of work to be done through providing insight in the entire operation and relating the work that they perform with other business processes of the organization.

- Encouraging – referring to encouraging employees to take active participation in business processes. In addition to empowering, encouraging employees to participate in business process is one of the most important assumptions of leader behaviour in the organization. Employees often cannot clearly identify what is expected of them, failing even to recognize how they can possibly contribute to the organization, and this is where the role of the leader is crucial. It is not about encouraging for the accomplishment of the given task, but rather encouraging and directing towards seeking new ideas and solutions, operational freedom, even at the cost of mistakes.
- Enabling – referring to providing all employees with the possibility of developing and realizing their potentials. Providing essential, activity-based opportunities for development is one of the basic prerequisites for the advancement of the organization and its continuous successful operation.

Instead of creating followers in their own image, what leaders should do is to inspire, foster, motivate, care and develop the employees. Employee development should be related to the development of their knowledge, motivation, abilities, skills and personality traits.

Thus, in contrast to the principle in which employees are suited to specific jobs, the new business principle requires finding jobs suited to employees. Harmonizing job with employee knowledge, skills and abilities is one of the most important prerequisites for successful operation. Also, the inclusion, accountability and autonomy of all employees are required instead of goals and decisions imposed by the highest levels of hierarchy. In addition to economic and quantitative objectives of the organization, qualitative objectives are also favoured, particularly that of employee satisfaction. The new management paradigm insists on creating conditions for the type of climate and culture where spiritual values rank high on the list of values, fostering irrationality and intuition, as well as permanent concern about the ecological status of the organization, its products and employees. Environmental requirements also include principles of mental ecology for all employees and organization. Therefore, leadership is primarily about communicating ideas and visions with co-workers and a common quest for their achievement. Leadership is a dynamic and flexible process that governs proper

behaviour and clearly recognizes the existence of specific values and moral dimension, as well as at least three important aspects – people, influence and objectives. Leadership is a human thing – it involves various influences and it is used for achieving organizational objectives (Yukl, 1989, 21, pp. 251-289).

As the agent of changes, the leader changes the culture of the organization. Therefore, he is required to have the skills of recognizing disparity between the size and age of the organization, between emerging conditions and cultural patterns of the organization. Changing organizational culture requires of leaders to conduct activities related to destroying elements of the old culture and promoting new elements that forms the basis for new behaviour and higher effectiveness. Effectiveness means choosing the right goals and ensuring that these are realized to the maximum degree. It requires management structures to do what is right and it is the key to the organization's success. What an organization needs to be considered effective? It is choosing the right field of operation, right mission and right objectives. The company focused on modern techniques, technology and knowledge does the right thing. In contrast, business systems operating based on outdated technology and traditional organization are usually ineffective. Effectiveness is most important to the success of any organization, and it is far likely to be achieved in smaller and more flexible organizations and systems, able to transform and change in a short period of time.

Modern change-oriented organizational concepts provide employees with an entirely new role. This is because employees should introduce changes based on their own mental framework through acquiring new experience and knowledge, which is then followed by the implementation of changes in the organization's work processes. Changes in individuals are also necessary to be harmonized with changes in organizational operation in order to maximize the effect of changes, while minimizing the resistance to them. Developing knowledge which is in line with technological changes and knowledge which is able to keep the pace with rapid changes in technology is a prerequisite for the survival of the organization. Along with the technical, technological and managerial solutions, knowledge is the basis for the organization's core competence.

LEADERSHIP STYLES AS IMPORTANT ELEMENT FOR CORPORATE RESTRUCTURING

In the traditional view of the world, leaders cause change by affecting the behavior of others. This can happen in a number of different ways. Some leaders use power and authority. Others use influence and persuasion. Still others leaders by example. Leadership is leaders inducing followers to act for certain goals that represent the values and the motivations the wants and needs, the aspirations and expectations of both leaders and followers. The genius of leadership lies in the manner in which the leaders see and act on their own and their followers' values and aspirations.

Transformational leadership is in some ways an expansion of transactional leadership. Transactional leadership emphasizes the transaction or exchange that takes place among leaders, colleagues, and followers. This exchange is based on the leader discussing with others what is required and specifying the conditions and rewards these others will receive if they fulfill those requirements. Transformational leadership, however, raises leadership to the next level. Transformational leadership involves inspiring followers to commit to a shared vision and goals for an organization or unit, challenging them to be innovative problem solvers, and developing followers' leadership capacity via coaching, mentoring, and provision of both challenge and support.

Transformational leaders behave in ways that allow them to serve as role models for their followers. The leaders are admired, respected, and trusted. Followers identify with the leaders and want to emulate them; leaders are endowed by their followers as having extraordinary capabilities, persistence, and determination. Thus, there are two aspects to idealized influence: the leader's behaviors and the elements that are attributed to the leader by followers and other associates. In addition, leaders who have a great deal of idealized influence are willing to take risks and are consistent rather than arbitrary. They can be counted on to do the right thing, demonstrating high standards of ethical and moral conduct.

Organizational culture and leadership interact with each other. Leaders create and reinforce norms and behaviors within the culture. The norms develop because of what leaders stress as important, how they deal with crises, the way they provide role models, and whom they attract to join them in their organizations. Organizational culture is the glue that holds the organization together as a source of identity and distinctive competence (Bass, 2006).

An organizational culture affects its leadership as much as its leadership affects the culture. If an organizational culture has in place values and guides for autonomy at lower levels, management will be unable to increase its personal powers. Decisions about recruitment, selection, and placement within the organization will be affected by the organization's values and norms. Leaders need to be attentive to the rites, beliefs, values, and assumptions embedded in the organizational culture. When the organizational culture fits with the demands on it, it is more likely to be effective. When demands change, a strong culture may find it difficult to change itself to match the changes in its markets, its suppliers, technological developments, the economy, governments, and available personnel.

Kotter and Heskett found that "only cultures that can help organizations anticipate and adapt to change will be associated with superior performance over long periods of time.

Three components were identified by Kotter and Heskett (1992) in the firms with unadaptive cultures. First, the firms' management had a dominant position in their markets, and they were seduced by their prior success in growth and profits. For instance, during the decade from 1976 to 1986 at Texaco, there was no encouragement to look outside the firm for better ways of doing things. Second, the management did not value their customers, stockholders, and employees. At Coors,

when customer complaints were received about difficulties in opening their cans, the response was that Coors produced the best beer available; the complaining customers would find a way to get to the beer inside the cans. The third component was hostility to leadership and change.

The category of leadership that is closely related to exchange, the core of a quality process of leader-member exchange lies in empowering, which is also an important area of leadership.

The theory of leader-member exchange – LMX is a theory of leadership that was presented for the first time 40 years ago, and its author is George Graen. In the beginning, it was known as "the Vertical Dyad Linkage Theory". "Dyad" is a word that was developed from the Greek word "dyo", which means "two". In sociology, this term is used for denoting a group of two people, the smallest possible social group. "Dyadic" is a word that is used for denoting interaction and communication of the mentioned groups.

The theoretical approach LMX has undergone multiple changes. In the very beginning of its development, the focus was on the effects at the group level, i.e. on differences within a group. The second phase of the development was directed towards the effects at the level of a dyadic linkage regardless of groups.

Nowadays, in its latest form, the LMX model is based on the combination of a dyadic linkage in groups and networks (the effect of a dyadic linkage within groups). Today's aim of the model is to provide directions for the creation of more effective leadership in the development and maintenance of mature leadership relations.

Most of leadership theories are based on the characteristics of leaders and the examination of these characteristics influence on leaders effectiveness in various situations. The main negative characteristic of these theories is the fact that they do not notice and approve of the influence of other leadership elements.

The LMX theory clearly indicates that there are more important leadership elements in addition to leaders themselves and their characteristics, and these are members and leadership relations, such as exchange, empowering, etc.

The consequence of the mentioned flaw in traditional theories is the frequent conduction of low-quality, inaccurate and incomplete research on leadership since these theories are based on only one variable. The LMX theory tries to correct this flaw by being based on several variables which leadership consists of.

After an individual has joined a group or team, the exchange relation is formed soon in accordance with the following steps:

Taking over (looking for) a role– In this phase, a follower joins a group or team and after that a leader assesses their skills, capabilities, talents, knowledge... Then, on the basis of their assessment, leaders offer particular opportunities to a follower so that they can prove their strengths and capabilities. A degree of mutual respect between a leader and follower appears depending on their mutual agreeing and adjusting. This phase is equivalent to the first stadium of leadership building. A leader and follower treat each other as strangers playing mutually dependant

organizational roles. Communication, interaction and relations in this phase are mostly formal and are based on an economic or material exchange, which means that leaders provide followers only with absolutely necessary things, and followers do only the job they are supposed to do and nothing more than that. There are certain dyadic relations that do not get beyond this phase and they are characterized by: a low-quality leader-member exchange relation based on followers' being subordinates to their leader; an one-way vertical influence downwards, i.e. towards followers; relations determined by formal roles in an organization and group; incoherent and loosely connected aims; an exclusively economic leader-member exchange based on a contract; an unimportant social exchange; leaders' requests based on a formal hierarchical status; followers' meeting obligations exclusively because of a formal obligation and control of economic rewards (salary) by leaders; followers' motivation based on meeting their own interests; a lack of followers' care for the group and organization's welfare...

Offerings– This is the phase of negotiation between leaders and followers in which a role suitable for a follower is created. Having this role, the follower receives certain benefits, authority, responsibility and power, while in return, they have to show a certain degree of loyalty and dedication. After an initial offer of partnership, this phase starts and during it, a leader-member exchange increases at both business and personal level unlike the first phase where the exchange is based on economic and business cooperation. The flow of resources and information increases, but mutual "favours" are still measured so that they can be in balance. Favours in this sense involve providing any kind of resources, information, work and everything that can be characterized as an exchange with the other party. In the process of negotiation, followers who are similar to leaders concerning their working and personal characteristics are better treated. These characteristics include sex, ethnic, racial and cultural differences. It is also very important that followers are trusted by leaders because every betrayal of leaders can harm their relationship. Consequently, a follower can be rejected by the leader and find him/herself in an external group. In this phase, leader-member relations are getting stronger, the process of leadership begins to develop and becomes more effective. On the other hand, a leader-member mutual influence is still limited and mutual respect and trust have not been built up yet and they are necessary for completely effective leadership. This phase is considered critical in the development of a leader-member relation and the whole process of leadership due to the fact that relations that are not developed enough to reach the third phase start to retrogress and go back to the first phase where they remain for ever most frequently.

Role implementation and routine creation– This phase is characterized by exchange patterns creation when relations become a mature partnership and exchange. The exchange is highly developed and mutual "favours" are not measured anymore and they do not have to be equal and intervals for returning a favour can be unlimited. Relations are characterized by complete mutual support, dedication, loyalty, emotional exchange, respect, trust, influence, greater obligations and duties between leaders and followers and especially strong leadership. Advantages of mature and completely developed relations can be:

potential for a mutual incremental influence between leaders and followers is unlimited; contributions to the job and exchange processes are growing every day; a high degree of mutual trust, respect and obligations among members of an exchange relation; followers are encouraged to be involved in more responsible activities; in a partnership, both leaders and followers obtain additional resources and support that enable them to accept additional obligations and responsibilities in the organization; followers are more willing to take the initiative, practise their own leadership trying to increase the effectiveness of their working unit, participate in activities that are not explicitly defined by the organization; followers are more ready to take risk and they do this more easily; leaders can count on their followers' assistance and support when they need it; followers can also count on leaders' support, respect and fairness when they need it; followers are encouraged to feel free to give effective critique to their leaders and group when they think that this is needed, etc.

Changes need to be made both at the level of organizations and groups and individuals. As for the level of organizations, it is necessary to build an organizational structure, culture and climate that freely encourages open bilateral communication. Special attention should be paid to building a system of feedback, system of employees informing in which important information is not being hidden from them, system of non-material rewarding of employees and an adequate system for encouraging employees' proposals and ideas. In order for a company to ensure its long duration in the given environment conditions, a management board needs to adopt a new system of values and enable the transformation of a rigid vertical hierarchical structure of a company into a horizontal processing structure.

CONCLUSION

The business world today is in the process of very rapid and numerous changes (globalization of the Economy, the swift growth of electronic commerce, the increasing pace of business operations, rapid obsolescence of technological novelties, the rapid expansion of new companies in the world market), which inevitably imposes the need for the development of new models and forms of leadership (Mitrovic et al., 2011, pp. 3563-3569).

The aim of new organizations is to become more efficient, effective and flexible. Quality, creativity, innovation, the rate of changing and adapting to new conditions are prerequisites for creating a competitive advantage in the environment where products and services emerge on the market at increasing rates. Changes in competence include changes occurring in sets of habits, opinions, feelings, and in the ways of learning. Employees of new organizations have the opportunity to realize their potentials regardless of the job performed, to be dedicated to their work and advance their needs through the jobs they perform, as well as to be responsible and reliable.

Regardless of the level and segment of the organization where changes are introduced, they need to be strategic, in line with the vision and mission of the organization, which implies being familiar with the organization and all segments of its operation in order to prepare employees for the introduction of changes and their proper implementation, along with the clearly defined plans of what and how should be changed and what are the desired outcomes.

To be successful in completing their tasks related to motivation, teamwork and group dynamics leaders should have the ability to create a vision, because vision is the main element that provides the entire process of leadership with sense. Vision is the image of future that is passed on to followers as an inspiring, desired outcome to be pursued, as previously discussed. Leaders should have the ability to create a vision and pass it on to employees, whether verbally, by means of symbols or a specific behaviour. The sense that all members of the team are doing their best in order to achieve common goals makes the team dedicated to the job and employees proud to belong to such an organization. It is therefore very important for someone who wants to create and lead successful organization to understand the dynamics of leadership. With an improperly defined dimension of leadership the organization will fail. It can have all the benefits that are reflected in stable financial resources, enviable market position and latest technology, however, if leadership fails, all these benefits are be annulled and the organization is directed towards business failure.

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INFLUENCE OF APPLICATION OF INTEGRATED MANAGEMENT SYSTEMS ON COMPETITIVENESS AND CUSTOMER SATISFACTION IN SMEs

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ABSTRACT

Small and medium enterprises (SMEs) often stand out achieving business excellence as an imperative of their business, which obliges them to work constantly on improving the quality of operations and the introduction of Integrated Management Systems (IMS). Integrated management system commonly includes a management system developed by integrating the demands of standard management systems: ISO 9001 - Quality Management System, ISO 14001 - Environmental Management System, OHSAS 18001 - Occupational Health and Safety Assessment System, HACCP - Hazard analysis and critical control points, ISO/IEC 17025 - General requirements for the competence of testing and calibration laboratories, ISO/IEC 27001 - Information security management, and others.

In order to meet in more details the issue of application of integrated management systems in small and medium enterprises in the Republic of Serbia, a research, whose results will be presented in this paper, was carried out. The research was conducted on a sample of 52 enterprises in the period May-December 2013th throughout the collection of data, and their processing and analysis. Survey method was used, by forming questionnaire with 20 issues. Questions from the questionnaire refer to general information about the enterprises and management systems that have been applied, as well as the method of implementation, motives, benefits and limitations, application effects and further trends of establishing IMS. The aim was to reach the current data on the implementation of IMS in small and medium enterprises in Serbia, and the following hypotheses were set: H1: The application of IMS increases the competitiveness of SMEs and H2: The application of IMS leads to increased customer satisfaction.

Key words: *Integrated Management Systems, Small and Medium Enterprises, Standards, Competitiveness, Customer Satisfaction*

JEL Classification: *L15*

UDK: *005:334.71*

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INTRODUCTION

The SMEs have a very important role in national economies and are considered the drivers of economic development, because they contribute to the increasing of employment and the economic growth. More than 99% of the total number of enterprises in the EU, but also in Serbia belongs to this category. Since SMEs have become key players in the market, it is important they to be aware of benefit that management systems (standards) bring to their business.

The small and medium enterprises (SMEs) often stand out achieving business excellence as an imperative of their business. Business Excellence obliges SMEs to work constantly on improving the quality of business operations based on increasing productivity and knowledge of every employee. The path to business excellence SMEs can achieve by applying the concepts of Total Quality Management (TQM) and Integrated Management Systems (IMS). TQM is a top level of quality management, which means that every part of the enterprise and each employee must be excellent; otherwise, it cannot meet the interests and requirements of users. For SMEs, the concept of TQM is quite demanding and cannot be implemented in a short period; therefore, they are directed towards the achievement of business excellence through the introduction of IMS.

In order for SMEs to become competitive in today's turbulent market, they have to deliver technologically superior products, at perfect quality and at a competitive price, taking into account the environmental protection, the health and safety of employees, and the fulfillment of expectations of all interested parties (stakeholders). To avoid the possible fluctuations in product quality, enable effective and efficient management systems, and meet the expectations of all stakeholders, a number of management systems, ie standards are developed. Through the emergence and the application of those systems, SMEs commit to improve their quality, environmental or other management practices. The mentioned partial management systems are concentrated only in isolated areas of the enterprise and often are mutually contradictory, so their application may result in conflicts of jurisdiction in the company. In essence, the existence of multiple parallel management systems in a SME is irrational and inefficient, due to which the idea for their integration into a single system appeared.

The best way of operating partial management systems is within an integrated management system. Therefore, the guide for integration PAS 99:2006 (The British Standards Institution, 2006) was produced to help enterprises with multiple systems to cover the common requirements and to have one common system for the core elements of all management systems. PAS 99:2006 is the world's first specification for integrated management systems, suitable for all organizations looking for effective and efficient ways of working with multiple management systems that are currently operating in separate silos. The key management systems that should be used in conjunction with PAS 99:2006 are those that the enterprise wishes to integrate and align with for operational purposes, such as QMS (Quality Management System), EMS (Environmental Management System), FMS (Food

Management System), OHSAS (Occupational Health and Safety Assessment System), HACCP - Hazard analysis and critical control points, and others. Obviously, the integrated management systems imply the integration of all partial systems into the one unified and functional management system, which is a logical path, because by satisfying different standards, simultaneously raises the level of SMEs competences and its approaching to goals of excellence. Integrated management systems are the reality and inevitability faced by all companies. In order to know in detail the issue of the integrated management systems application in domestic small and medium enterprises, research was carried out with a sample of 52 enterprises, whose results are shown hereinafter.

INTEGRATED MANAGEMENT SYSTEMS

Organisations with implemented multiple management systems are considering, more and more, managing these management systems as a single system, i.e., integrating them into an integrated management system (IMS), because of its efficiency and exploitation of synergies (Bernardo et al, 2011). In order to small and medium enterprises respond the growing demands and needs of the market and numerous stakeholders, but also the problems that have occurred regarding the implementation of various, previously issued standards of management (their design, implementation, verification, verification and certification), the door to a new process, that is the integration of management systems, are opened. All this imposes a challenge to align the existing management system of an enterprise with the requirements of different standards, firstly, and then to perform the mutual harmonization of all partial management systems within an enterprise.

THE INTEGRATION OF MANAGEMENT SYSTEMS

The management system is the structure of processes, resources and procedures used that an organization can fulfill all the set tasks in achieving its objectives. Integration means the combination that connects the different management systems into one, in a way that the components of the system are not separated but connected and form an integrated management system of an enterprise. The integration of management systems actually refers to the action and the effect of combining or merging the elements of individual management systems. By integrating the requirements of different standards for management systems, it gets a wider, more comprehensive and more concise integrated management system. The aim is to combine the most frequently used elements of management systems into the one integrated system, which would allow employees and managers to have a holistic view of all processes in the enterprise and to act towards achieving goals.

Integrated management system is a comprehensive management tool that links all the elements of the business system in a unique and complete system of managing processes in the organization, to meet the demands of stakeholders and achieve business goals, in line with the vision and mission of the organization. In practice, the integrated management system commonly implies a management system developed by the integration of requirements of standard management systems: ISO 9001 - Quality Management System, ISO 14001 - Environmental Management System, OHSAS 18001 - Occupational Health and Safety Assessment System. According to the ISO (International Organization for Standardization), the integration of quality, environmental and occupational health and safety management systems should be based on a process approach. A process can be defined as a set of interrelated or interacting activities, which transforms inputs into outputs.

The requirements or the elements of standardized management systems are set mutually compatible, which enables that all partial management systems form a single integrated management system in which there are interconnections between the individual elements of the integrated systems. The basis of the integration makes precisely the recognition of interlinkages between the aforementioned management systems. This approach is universal and generally applicable regardless of the type or order of application of standard management systems. Some experiences confirm that the total integrated management system - quality, environmental, health and safety, etc., is far more productive and efficient than the single standardized systems. The integrated management system represents, therefore, the way to manage the organization effectively and efficiently. The management of the organization has an obligation to respond continuously to the demands of market and other stakeholders - owners, employees, customers, suppliers and society, to enforce laws and other national and international regulations (Heleta, 2010, pp. 82). Enterprises that decide to introduce the integrated management systems must be prepared for radical changes that will happen, especially in processes and procedures, which can lead to change in business philosophy and culture of the entire organization.

Before entering into the integration process, it is important to ask the question whether it is necessary at all to integrate systems of management. It is certain that the partial management systems have their advantages, one of which is to provide a rounded system, fully adapted to the activities that are managed. On the other hand, it carries with it the risk that, in certain solutions in the management system, to be present unnecessary differences in practice, which can significantly impede the overall management of the organization. Thus, the greatest danger of this partial approach in management is the existence of the possibility that certain solutions in different systems be mutually opposed, creating disturbances in the daily work of the company.

THE BENEFITS OF THE MANAGEMENT SYSTEMS INTEGRATION

There has been a growing recognition of the value that IMS can bring to the business (Khanna et al., 2010). It is essential that enterprises are becoming aware of the necessity of the integration and application of various standards, and as reasons for this, they state maintaining and improving its business and market position, as well as improving the quality of their services. The integration of systems, in any form, should always bring a more effective system. The benefits of the systems integration include the improvement of process performance, the internal management methods, the interdisciplinary teamwork, a greater motivation of management, a fewer multiple audits, increasing the customer confidence, reducing costs, etc.

Applying the concept of IMS provides the enterprises the benefits such as encouraging risk management, enabling comparative advantages, attracting investments, promoting and protecting the reputation of the brand, raising the attention of stakeholders and their satisfaction. Enterprises that want to implement the requirements of multiple standards in their business, are deciding for the integrated management system, because in this manner they are reducing the amount of necessary documentation, the time and the costs of implementation. IMS provides the ability to manage processes and risks, to measure the effects of labor, as well as to carry out the necessary checks and questionings in all phases of production, ie service provision. The integration of different management systems (according to ISO 9001, ISO 1400, OHSAS 18001, etc) becomes the necessity, so the number of organizations that possess two or more integrated management systems (IMS) has a growth trend (Arsovski, Stepanović, 2009).

THE SETTING OF RESEARCH

Exploring the application of integrated management systems (IMS) in small and medium enterprises (SMEs) in the Republic of Serbia was carried out through the collection of data, and their processing and analyzing. The survey method was used and a questionnaire with 20 questions was formed. The questionnaire was formulated in imitation of questionnaires from previous surveys conducted in this area (for example: Rajković, 2010). Questions from the questionnaire refer to the general information about the enterprise and management system that has been applied, the manner of establishing, the motives, the advantages and limitations, the effects of application and future trends in establishing IMSs. The aim of the paper is to get the actual data on the implementation of IMS in small and medium enterprises.

The big problem with the study was the lack of a single database on certified SMEs, so the questionnaire was sent to all enterprises that possess two or more management systems. The researchers have come up with this data by using the register of certified business organizations on the website of the Serbian Chamber of Commerce, as well as the websites of certifying organizations. Then, on the basis of the data obtained on the number of employees in each enterprise, have been taken as relevant only information

about the organizations that employ up to 250 workers, that is, small and medium enterprises. The questionnaire was mostly sent by e-mail to the relevant address to which the researchers came using the websites of selected companies from the SMEs category. The questionnaire, inside the mail body, has contained a cover letter, in which the authors explained the purpose and significance of the research. The authors have asked SMEs for cooperation and promised that the obtain data won't be misused and will be treated as confidential. The research was conducted in the period May-December 2013th.

The research on the application of integrated management systems in the small and medium enterprises on the territory of the Republic of Serbia is based on the following hypotheses:

H1: The application of IMS increases the competitiveness of SMEs

H2: The application of IMS leads to increased customer satisfaction.

These hypotheses are proven through the research and processing the data obtained from the 52 SMEs which apply integrated management systems.

DATA ON ENTERPRISES

The planned sample of research on integrated management system implementation was the 50 enterprises. After a few months of intensive data collection, the 52 enterprises have completed a questionnaire and submitted to authors. From the above mentioned, the 28 SMEs have implemented two management systems (54% of the sample), the 13 SMEs three management systems (25% of the sample), the 9 SMEs four systems (17% of the sample), the 1 SME five systems (2% of the sample) and 1 SME six systems (2% of the sample).

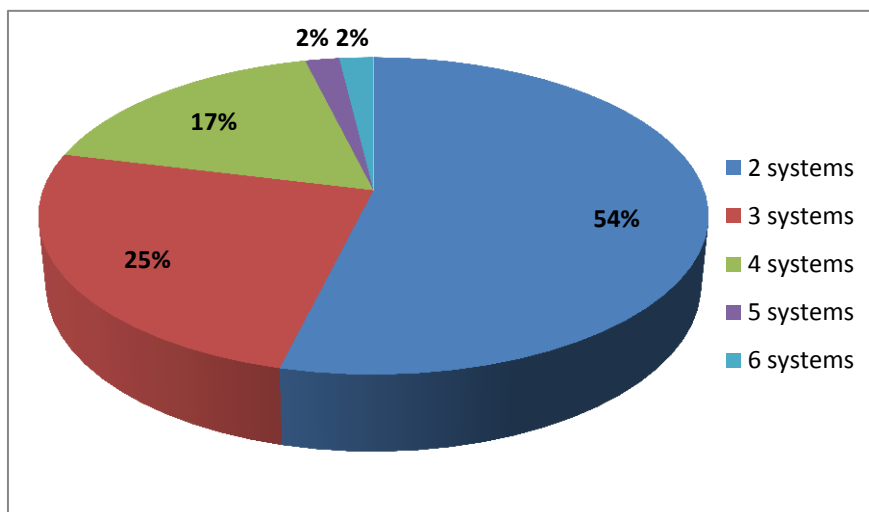


Figure 1: The structure of enterprises that apply IMS

Source: The authors' illustration, based on the research results

The sectoral representation of the enterprises participated in the research, is shown on the graph below. Half of the observed sample (26 SMEs) is engaged in the industrial branch, its fourth (13 SMEs) in services, followed by trade (5 SMEs), agriculture (3 SMEs), budget institutions (2 SMEs) and energetics, transport and professional organizations (one SME in each activity). None of the respondents are operating in the tourism sector, the public sector or the state administration.

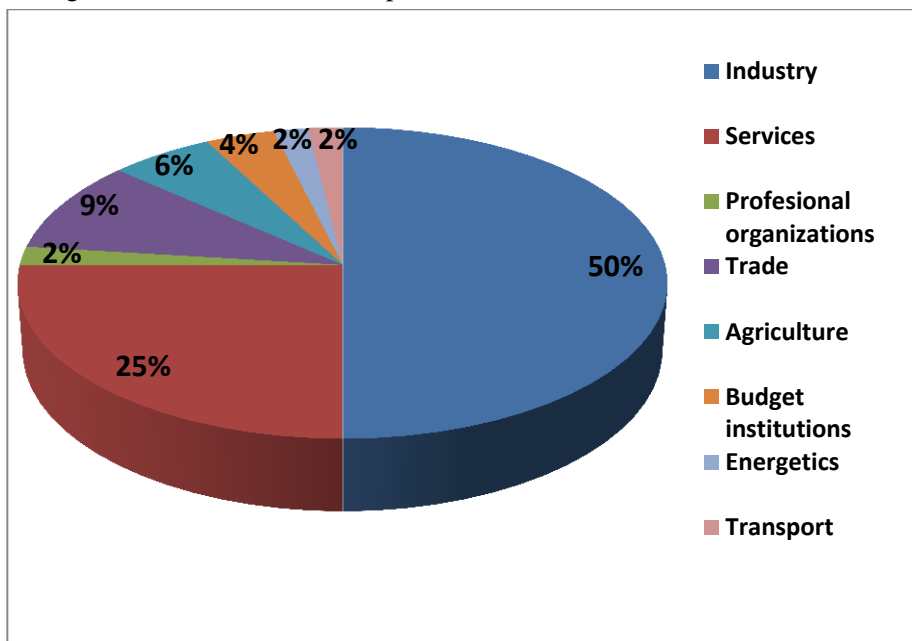


Figure 2: The branch of enterprises that apply IMS

Source: The authors' illustration, based on the research results

As a criterion for the division of enterprises by the size has been taken the EU criterion of the number of employees, given the authors did not have information on the value of business assets and generated turnover per annum for the above mentioned enterprises. Almost two-thirds of the observed sample (33 SMEs) falls within the medium enterprises employing 50-250 employees, one quarter (12 SMEs) in small enterprises employing 10-50 employees, and the lowest (7 SMEs) was the share of micro enterprises employing less than 10 employees. The average number of employees for all tested SMEs is 91. When asked about the average age of employees, 45 enterprises (87% of the sample) gave the answer, so the average age is 41 years.

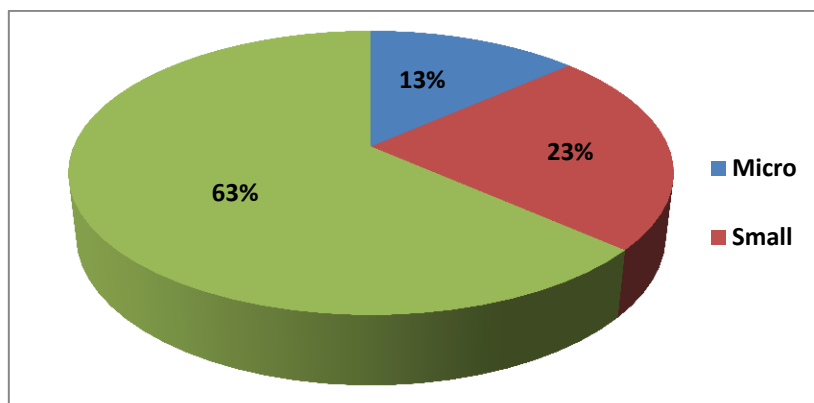


Figure 3: The classification of enterprises by the size

Source: The authors' illustration, based on the research results

The 87% of the enterprises surveyed (45 SMEs) is a privately owned, 8% (4 SMEs) is the state-owned, 4% (2 SMEs) in mixed ownership, and 2% (1 SME) is still publicly owned.

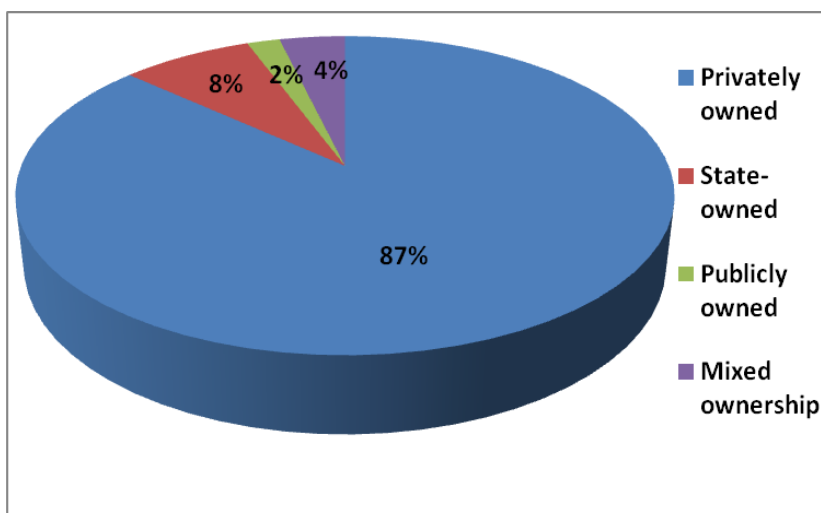


Figure 4: The classification of enterprises by the ownership structure

Source: The authors' illustration, based on the research results

The questionnaires are mostly answered by the representatives of the quality in the enterprises, so their responses can be considered as competent, and the results of research by valid.

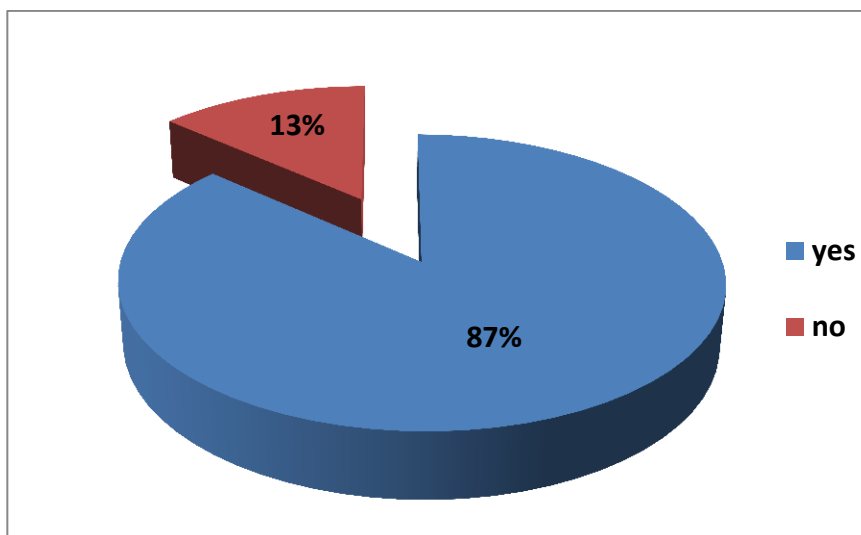


Figure 5: The questionnaire completed by the person responsible for the quality

Source: The authors' illustration, based on the research results

THE STRUCTURE OF INTEGRATED MANAGEMENT SYSTEMS

As management systems were being increasingly implemented by enterprises, the structure and content of these standards are becoming very similar in order to enhance their compatibility and facilitate their joint implementation (López-Fresno, 2010). The paper has already highlighted that, from the 52 analyzed enterprises, more than half, namely the 28 SMEs, was integrated two systems of management, the 13 SMEs three systems, the 9 SMEs four systems, the one SME five, that is six systems. Enterprises possessing the total number of 142 standards, so the average is 2.73 standards per SME. Detailed structure of integration of standards in the enterprises is presented in the Table 1.

Table 1: The overview of standards integration

STANDARD	Number of management systems	Number of enterprises
9001 + 14001	2 systems 28 SMEs	12
9001 + HACCP		5
9001 + 17025		4
9001 + 18001		3
9001 + 27001		3
45011 + 17020		1
9001 + 14001 + 18001	3 systems 13 SMEs	7
9001 + 14001 + 17025		2
9001 + 17020+ 17025		1
9001 + 14001 + 13485		1
9001 + 14001 + HACCP		1
9001 + HACCP + 22000		1
9001 + 14001 + 18001 + 17025	4 systems 9 SMEs	3
9001 + 14001 + 18001 + HACCP		2
9001 + 14001 + 18001 + 27001		1
9001 + 14001 + 18001 + 13485		1
9001 + 14001 + 18001 + FSC		1
9001 + 14001 + 13485 + 17020		1
9001 + 14001 + 18001 + 27001 + 50001	5 systems 1 SME	1
9001 + 14001 + 18001 + 1384 + AD-2000 +1090	6 systems 1 SME	1

As we may conclude, convincingly the most widely used standard is the ISO 9001, which is applied by the 51 enterprises; the following is the ISO 14001, which is applied by the 34 enterprises, than the OHSAS 18001, applied by the 20 enterprises, the ISO/IEC 17025, applied by the 10 enterprises and the HACCP, applied by the 9 enterprises. The percentage of all certificates for the observed sample follows in the next chart.

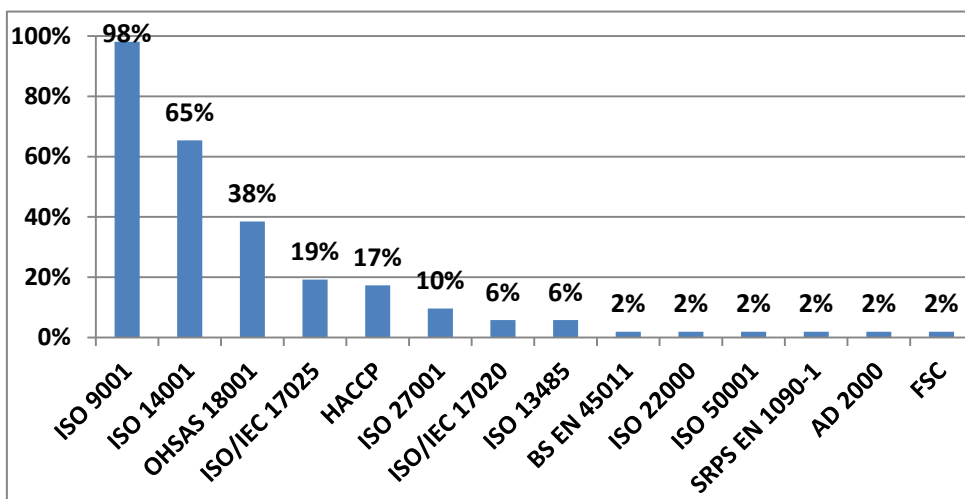


Figure 6: Percentage of management system presence

Source: The authors' illustration, based on the research results

One of the important questions in the questionnaire referred to the method of funding the IMS, considering that the lack of funding is one of the biggest problems that SMEs are facing in their operations. Thirty-three enterprises have used its own funds for setting up and certification of IMS, only two enterprises have used the stimulating funds from local and state institutions, and the remaining 17 enterprises were combining these two funding choices. As the 45 SMEs are privately owned, and have very negatively assessed the support of local and state institutions in the subsequent questions in the questionnaire, such a structure of responses was understandable to some extent.

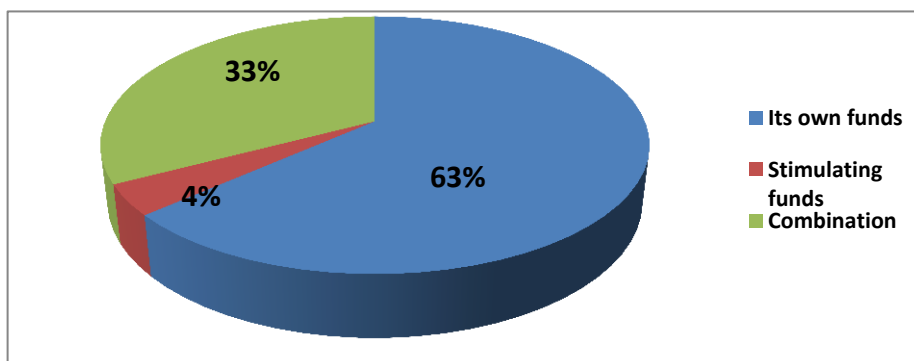


Figure 7: Financing the IMS implementation

Source: The authors' illustration, based on the research results

It has already been pointed out that the lack of finances is one of the biggest problems of SMEs, and in this study, the 44 surveyed companies (94% of the sample) have indicated the lack of financial resources as a limiting factor in establishing the IMS (see Table 4).

THE ESTABLISHMENT OF IMS

Depending on the competence of employees in the area of the management systems integration, enterprises have two options at their disposal: to establish these systems independently or to ask for the help of consulting organizations. Nearly three quarters of enterprises in the observed sample, that is the 38 SMEs, favored the second option, while the 14 SMEs integrated these systems independently. The largest number of companies chooses that their IMS will be established by professional certification organizations. Despite that fact, it is recommended that employees have a more active role in IMS implementation, because the three biggest problems in the implementation of management systems are: the resistance to changes, the lack of knowledge and the lack of motivation among employees. Those problems will be explained in more detail in the sequel.

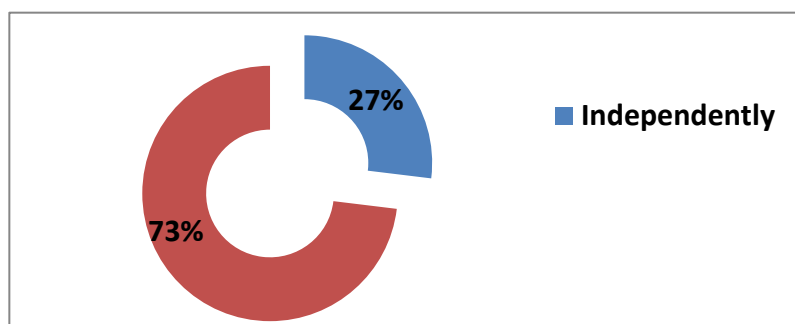


Figure 8: The establishment of IMS

Source: The authors' illustration, based on the research results

The certifying organization is an organization whose task is to, on the competent, consistent and impartial manner; perform the activities of conformity assessment of management systems (quality, environmental, occupational health and safety at work, occupational safety of food products, etc.) with the appropriate standards. When a management system is in accordance with the requirements of the standard, the certification organization issue a formal confirmation or certificate. The aim of certificate organization is to examine, assess, certify and verify all activities of enterprises as well as institutions, according to the relevant standards or technical directives and regulations.

The main parameters that SMEs use in the selection of certification organizations are: the experience of certification organization in the certain industrial branch, the costs of evaluating and frequency of subsequent evaluations of the established standards, from which organization is a certification body accredited and which are his references, the presence of the certification body in a potentially interesting countries for export and others. The studied enterprises have commonly used services of certification organizations: TÜV - Representative Office in Belgrade (9 SMEs), the Accreditation Body of Serbia (9 SMEs), YUQS Belgrade (8 SMEs), DAS Certification (4 SMEs), SGS - Representative Office in Belgrade (4 SMEs), Evrocet Belgrade (4 SMEs), SIQ Ljubljana - branch office in Serbia (4 SMEs), Quality Austria (3 SMEs) and others (7 SMEs).

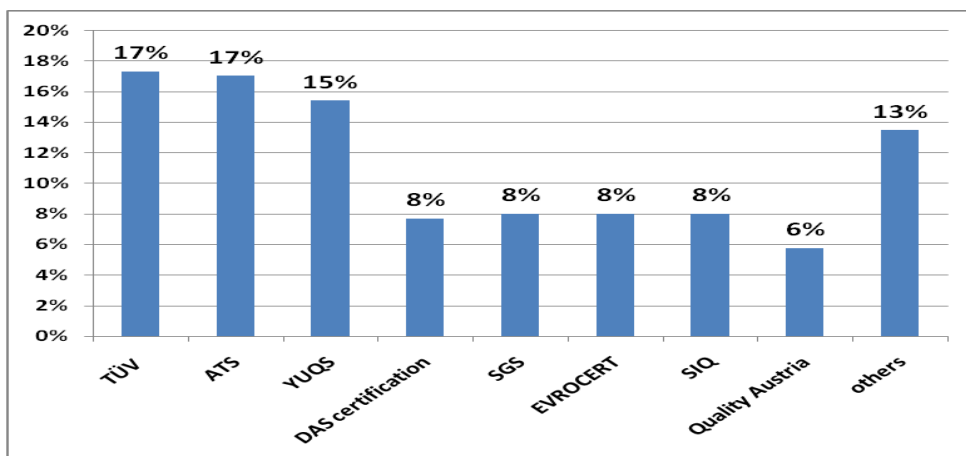


Figure 9: Certifying organizations that cooperate with SMEs

Source: The authors' illustration, based on the research results

THE APPROACH TO THE INTEGRATION OF MANAGEMENT SYSTEMS

When we talk about the integration of management systems, SMEs choose one of three alternatives:

- the sequential approach, which involves the serial establishment of one system at the time
- the parallel approach, which includes the simultaneous establishment of two or more systems
- the combined approach, which implies primarily the establishment of ISO 9001, and then the simultaneous establishment of two or more systems.

In the observed sample, 19 SMEs adopt a sequential approach, 15 SMEs adopt a parallel approach, and 18 SMEs a combined approach. Although a sequential approach is most widely used, we must point out that it lasts longest and may eventually lead to loosening and lack of interest of the participants in the project, and even to the a general failure to establish IMS. A parallel approach establishes multiple systems simultaneously, thus shortening the time for the IMS establishment as much as 30%, but the problem is that employees are facing with a very busy schedule from the very beginning, which has very negative impact on their motivation for implementing IMS. A combined approach takes advantage of both previous systems, ie shortens the duration of the IMS establishment process, with the adequate staff workload and better utilization of other resources. In the implementation of the QMS, employees were introduced to the structure and requirements of the standards, recording of processes, writing documentation, implementation and control of documents, etc., which certainly increases their motivation and reduces resistance when implementing subsequently established standards.

THE NEED FOR THE INTEGRATION OF MANAGEMENT SYSTEMS

Khanna et al. (2010) have found that the motivation for IMS can be classified into internal and external factors. These authors suggest that the internal motivating factors, related to the goal of achieving organizational improvement, are more significant for the organizations than the external factors, related to the requirements of governments or customers. The authors of this paper also felt the need to find the basic motives for the introduction and implementation of IMS in Serbian SMEs. The list of seven most frequent reasons, which were obtained by the authors in previously conducted research (eg Rajković, 2010), were offered to SMEs, as well as possibility to state a response to the question by themselves. By simply counting the number of responses, we found that the most common reasons for introducing IMS in Serbian SMEs are:

- the expected benefits of application (in response noted by 41 SMEs)
- the requirements of customers (in response noted by 36 SMEs)
- the greater success in tenders (in response noted by 31 SMEs)
- the realization of exports (in response noted by 27 SMEs).

From the above, we can conclude that domestic SMEs are market-oriented, they have a positive attitude about integrated management systems and they consider that IMS application can be helpful in achieving business goals.

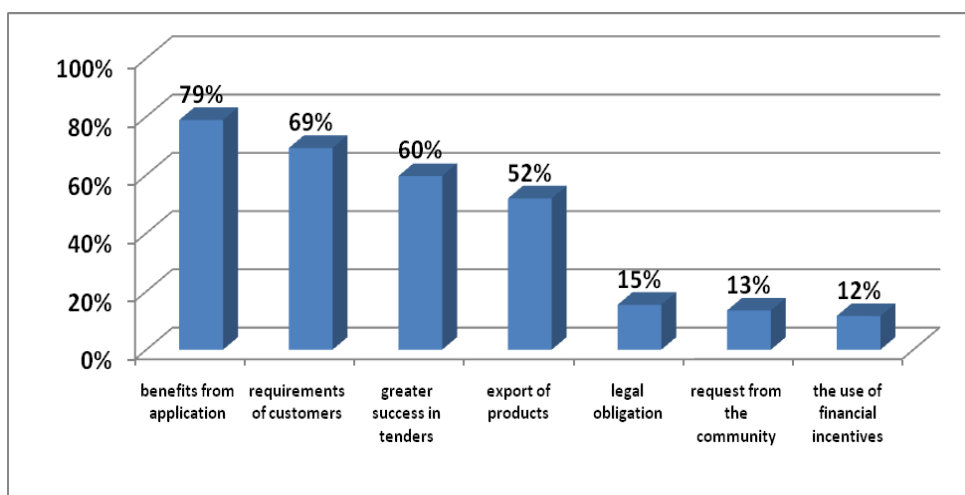


Figure 10: The reasons for introducing IMS

Source: The authors' illustration, based on the research results

THE BENEFITS OF IMS IMPLEMENTATION

SMEs can benefit greatly from the use of integrated management systems, because IMS can bring a number of technological, economic and social benefits, but also enable the successful market competition with big enterprises. The main motivation for organizations to adopt the IMS can be viewed in terms of benefit gained from IMS implementation. These benefits could be broadly categorised as operational, financial, and marketing benefits (Min, Ng, 2013). Khanna (2010) presents improvements related to having an integrated system such as cost savings, operational benefits, better external image, improved customer satisfaction and enhanced employee motivation. On the other hand, for Zeng et al (2011) the main benefits of implementing IMS include decreased paperwork, decreased management cost, decreased complexity of internal management, simplified certification process and facilitates continuous improvement

In order to find main benefits for Serbian SMEs, the next questions from our questionnaire was referred to the benefits to which enterprises came by applying IMS. Benefits can be divided into internal and external, and for each option, the authors provide a large number of proposals. There was also a possibility that enterprises highlight the independently identified benefits.

THE INTERNAL BENEFITS

As the most important internal benefits enterprises identified:

- more precise definition of the employees' responsibilities (response indicated by 42 SMEs)
- increasing the quality of products (response indicated by 41 SMEs)
- increasing the level of efficiency (response indicated by 34 SMEs)
- reducing the level of scrap (response indicated by 33 SMEs)
- increasing the competences of employees (response indicated by 26 SMEs).

The mentioned benefits were highlighted by the more than half of surveyed enterprises. The following benefits were reduced documentation (24 SMEs), improving communication in enterprise (20 SMEs), reducing occupational injuries (16 SMEs), the owner satisfaction (16 SMEs), reducing costs of certification (13 SMEs), reducing hazardous waste (11 SMEs), reducing damage on equipment (9 SMEs) and increasing the motivation of employees (8 SMEs).

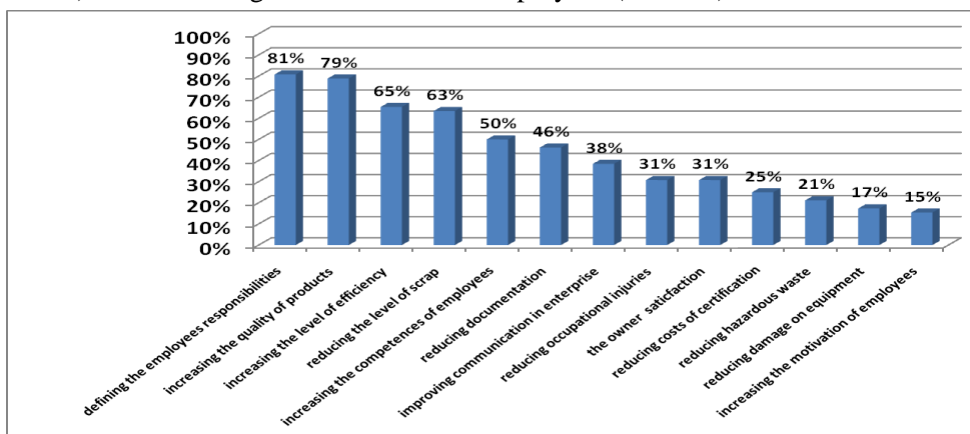


Figure 11: The internal benefits of IMS implementation

Source: The authors' illustration, based on the research results

THE EXTERNAL BENEFITS

As the most important external benefits enterprises identified:

- achieving the competitive advantage (response indicated by 43 SMEs)
- improving the reputation (response indicated by 43 SMEs)
- meeting the customer demands (response indicated by 41 SMEs).

All the other responses were indicated by the less than half of surveyed companies and they are listed according to the representation: better environmental management (24 SMEs), reducing complaints (22 SMEs), improving relations with suppliers (22 SMEs), reducing risks (19 SMEs), harmonization with the law (18 SMEs), increasing the number of customers (16 SMEs), increasing sales (12 SMEs), realization of export (11 SMEs), reducing the number of incidents (10 SMEs), reducing the number of penalties (6 SMEs) and improving relations with the community (4 SMEs).

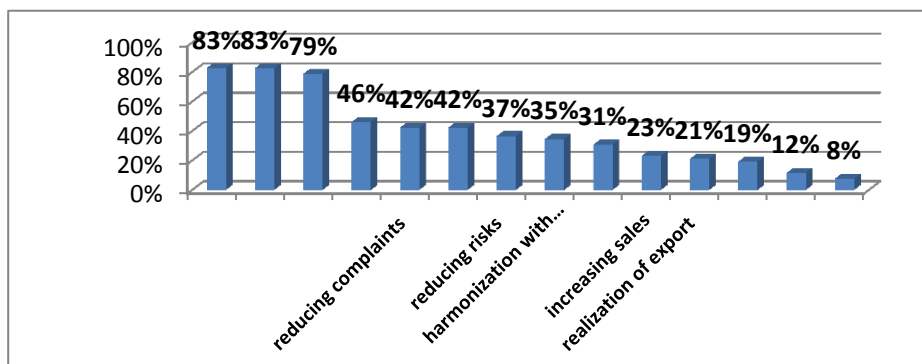


Figure12: The external benefits of IMS implementation

Source: The authors' illustration, based on the research results

THE INFLUENCE OF IMS ON THE COMPETITIVENESS AND CUSTOMER SATISFACTION

For enterprises in Serbia, international standards represent a powerful tool in improving the quality and competitiveness of products and gaining the trust of domestic and international market. Surveyed enterprises have had the possibility to evaluate how the introduction of IMS reflected in increasing competitiveness and customer satisfaction.

World Economic Forum (WEF), defines competitiveness as a range of institutions, policies and factors that determine the level of productivity of the country (a measure of ability to produce goods and services using their own existing human, financial, natural and other resources) (WEF, 2010, pp. 4). The slowness in adopting international standards becomes a big obstacle in the development and competitiveness of our enterprises. Many domestic companies have already met the requirements of its foreign partners to provide certificates about the quality of products, and a certificate of quality management system according to ISO 9001:2000 becomes even necessary prerequisite for any business arrangements (USAID, 2006, pp. 2).

In essence, in order to achieve market success, the enterprise is required to possess a competitive advantage in terms of lower costs and product differentiation, with a strategy of long-term providing high quality products and services, including permanent innovation. Enterprises need to invest significant efforts to meet the demands of more and more educated and informed customers. In such conditions, the quality of the business represents an elementary factor of competitiveness, which is based on the continuous improvement of productivity and knowledge. The application of integrated management systems is one of the most serious ways to achieve competitive advantage of domestic enterprises in the international environment, as it allows reducing the time required to achieve the elements of business excellence. This creates conditions for enterprises in less developed countries to create a business system that allows a successful presence in the market by respecting the requirements of international standards. Improving the knowledge of managers and expert teams of domestic enterprises is the most important way to improve competitiveness, based on the implementation of integrated management systems.

In order to examine the influence of IMS on the competitiveness, to SMEs was given the opportunity to round up some of the offered answers (increasing the competitiveness is: not achieved, achieved in the range of 1-10%, achieved in the range of 11 to 25%, achieved in the range of 26-50% and achieved in the range of more than 50%). The results were as follows: at two SMEs there was no increasing of competitiveness, 11 SMEs registered increasing in the range of 1-10%, 22 SMEs registered increasing in the range of 11-25%, 10 SMEs registered increasing in the range of 26-50% and seven SMEs registered increasing the competitiveness higher than 50%.

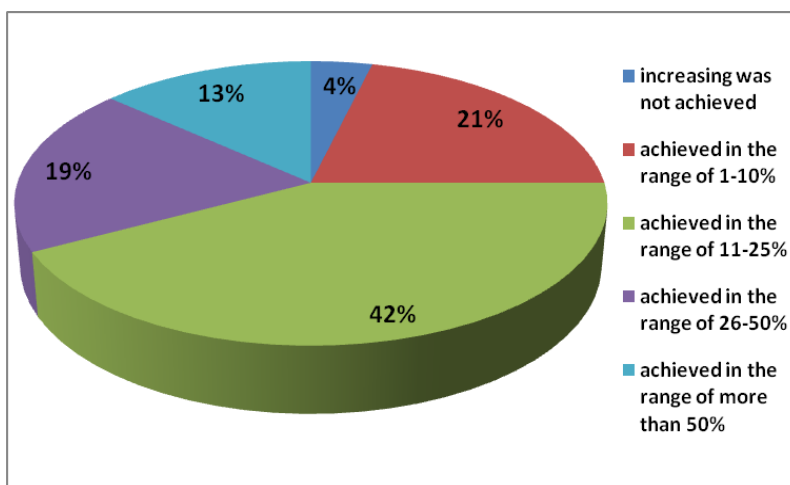


Figure 13: The influence of IMS on the increasing of competitiveness

Source: The authors' illustration, based on the research results

How as much as 50 SMEs, or 96% of the sample, recorded an increase of competitiveness, the hypothesis H1: The application of IMS increases the competitiveness of SMEs is proved undoubtedly. It is important to point out that, at three-quarters of surveyed enterprises (75%), this increase was bigger than 10%, and the enterprises that have observed the largest increase of competitiveness, ie an increase bigger than 50%, have implemented three systems per enterprise averagely. In addition, in the previous response, 43 SMEs have indicated that the most important external benefit of applying the IMS was the achievement of competitive advantage.

Table 2: Relation between the number of management systems and increasing competitiveness

Competitiveness	Number of systems	Number of enterprises	Average
Increase 11-25%	60	22	2,73 systems
Increase 26-50%	24	10	2,4 systems
Increase > 50%	21	7	3 systems

Quality begins and ends with the customer who is also the final judge the quality of products and services. The aim of SMEs is to fulfill all expressed and unexpressed needs and expectations of current and potential customers. Customer satisfaction is measured and analyzed in order to obtain their loyalty. The customer satisfaction represents the sense to which level the product characteristics and helpfulness of suppliers have met the expectations of the customers throughout the entire lifecycle. If the customer is satisfied, it means that he looks at his supplier positively, and that he is ready to develop his business connections with the supplier.

To determine the degree of customer satisfaction it is necessary to collect systematically the data from customers, to analyze their satisfaction and make examinations of these analyzes. Measuring customer satisfaction is the responsibility of the organization, because from the degree of this satisfaction depends the sale itself, and thus the survival of the organization. There are various methods for measuring customer satisfaction, which include analyzing of the performances of different activities in the processes according to the customers, through the performances of delivery and characteristics of delivering products and their behavior in exploitation (Heleta, 2012, pp. 295). Measuring the customer satisfaction is a continuous process that includes the following elements: establishing criteria for customer satisfaction, successful communication and listening to feedback, and the development and implementation of solutions based on feedback from the customer.

Because of the importance of this criterion for the successful business operations, but also the very survival of SMEs, the relationships between the implementation of IMS and increasing customer satisfaction were analyzed. Based on obtained results, it was stated that two SMEs have not noticed an increasing of customer satisfaction, while at the same time two SMEs said that was impossible to estimate. The remaining 48 SMEs have recorded a positive impact of the IMS

application on the customer satisfaction, so that 12 SMEs registered an increasing in the range of 1-10%, 16 SMEs increasing in the range of 11-25%, 13 SMEs increasing in the range of 26-50% and 7 SMEs increasing in range of more than 50%. Also, we point out that, from 7 SMEs that have observed the greatest increase in customer satisfaction (> 50%), 3 SMEs are operating in the industrial sector, 3 SMEs in services, and 1 SME belongs to professional organizations.

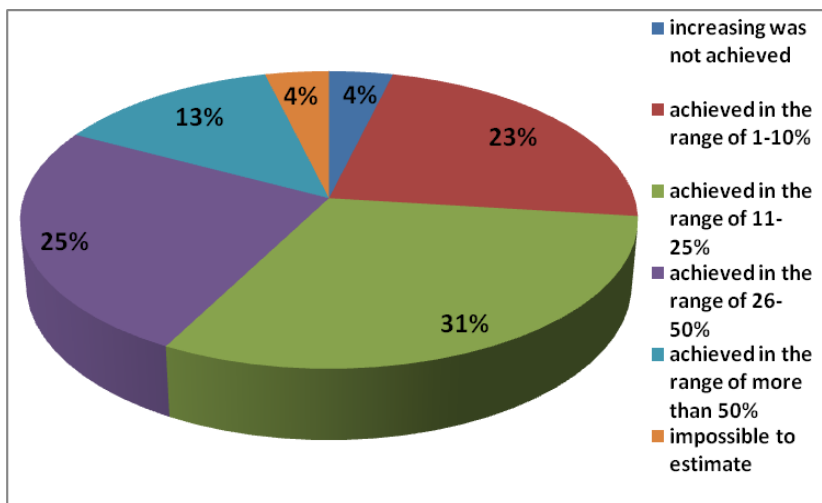


Figure 14: The influence of the IMS on increasing the customer satisfaction

Source: The authors' illustration, based on the research results

In fact, 92% of surveyed enterprises noticed an increase in the customer satisfaction, and thereby the hypothesis H2: The application of IMS leads to increased customer satisfaction, was confirmed. The largest number of surveyed enterprises (16 SMEs) registered an increasing in the range of 11-25%, and they have enforced three (or more precisely 2.88) standards per enterprise averagely. Increasing the customer satisfaction and meeting their demands is among the most significant external benefits of the IMS application that is highlighted by the 41 enterprise. For SMEs, increasing the level of customer satisfaction is usually one of the highest ranked goals.

Table 3: Relation between the number of management systems and increasing customer satisfaction

Customer satisfaction	Number of systems	Number of enterprises	Average
Increase 1-10%	34	12	2, 83 systems
Increase 11-25%	46	16	2, 88 systems
Increase 26-50%	31	13	2, 38 systems
Increase > 50%	21	7	3 systems

LIMITATIONS FOR THE ESTABLISHMENT OF IMS

Lack of awareness about the importance of certification and other elements of quality infrastructure and slowness in the adoption of international standards, leads to a small number of domestic products in accordance with EU standards. On the other hand, domestic enterprises are faced with the problem of lack of information, lack of organization within the company, as well as the lack of financial resources to bear the costs of consulting services, and all this leads to the formation of obstacles that constantly follow certification programs in our country.

As can be concluded from the foregoing, one of the greatest problems that SMEs face in their daily operations is the lack of, or the limitation of resources. Standards require that we provide the necessary resources for the implementation and maintenance of integrated management systems, but also for the increase of customer satisfaction, by completing their requirements. Resources are planned as part of the annual business plan, and they include, according to the requirements of ISO 9001 standard: personnel (men), infrastructure and working environment, and according to the content of ISO 9004 standard, even the financial resources, suppliers and partners, information, knowledge, technology and natural resources (Heleta, 2012, pp. 145-146). Hence, human and financial resources, technology, infrastructure and the working environment, must be available with the aim of the system functioning.

As the lack, or limitation of resources, is reflected on the application of the IMS, it was requested from the company to identify the main limitations and to rank their impact (ten - 10 is the limitation of the largest impact, one - 1 is the limitation of the smallest impact). The two SMEs did not answer to this question, and three SMEs have stated there were no limitations on IMS establishment. The 47 SMEs (90% of surveyed companies) noted the existence of certain limitations in the IMS implementation. The structure of the enterprises responses is shown in the following table.

Table 4: The limitations on the establishment of IMS

Limitation	Number of responses	Percentage
incompetence of employees	45 SMEs	96%
lack of finances	44 SMEs	94%
insufficient involvement of employees	44 SMEs	94%
insufficient involvement of management	43 SMEs	91%
lack of support from state institutions	43 SMEs	91%
lack of skilled personnel	37 SMEs	79%

We have noticed that the commonly cited limitations are the incompetence of employees, the lack of finances and the insufficient engagement of employees. If we add to this statements the average grade that we have calculated for the each limitation, based on the responses of enterprises, we come to the fact that insufficient engagement of employees is the limitation with maximum impact on

the establishment of IMS. This can be linked with the fact that 73% of surveyed SMEs have favored the consulting organizations for the establishment of integrated management systems, which certainly had a negative impact on the motivation and the engagement of employees. Also, it cannot be expected that in the low life standard of residents, this including the employees of an organization, the same to be more competitive in knowledge, motivation, working conditions, etc. from the colleagues from the developed countries (Arsovski et al., 2010, pp. 19).

People (staff) are the most important resource for the organization. Their full involvement increases the organization's ability to create value for all stakeholders. The management of enterprises using its leadership needs to create and maintain a common vision, common values and the internal environment in which employees can be fully engaged in achieving goals of the organization, including the introduction of IMS. The problem in IMS application can be an insufficient integration of employees in development and further implementation of IMS, and that can be expressed through examination of unaccepted and non-transparent systems of management, which are particularly specialized for a specific enterprise.

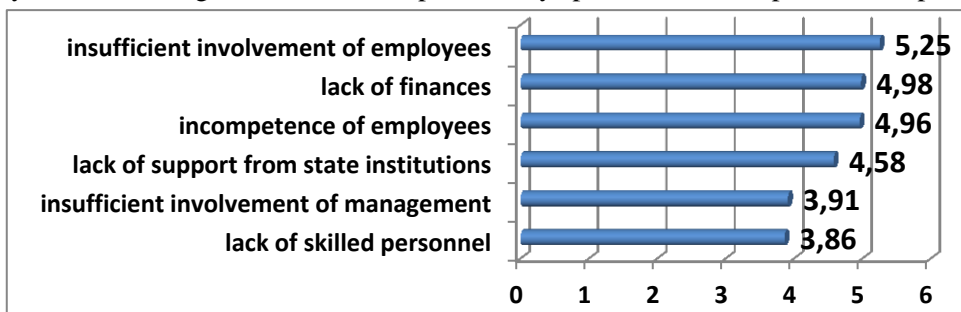


Figure 15: The limitations for the establishment of IMS

Source: The authors' illustration, based on the research results

CHALLENGES IN THE IMPLEMENTATION OF IMS

The integrated management systems are complex, dynamic systems, whose design and establishment is followed by risk, and therefore the difficulties in their application are obvious. The status of the application is not satisfying, both in the world and in our country. On the increase of problem will affect numerous and stronger pressure on the growing number of IMS, with an increasing number of the integrated partial management system. In that context, the following question from the questionnaire referred to the problems that have arisen in the establishment of IMS. Only one enterprise reported there were no problems with IMS implementation, while three enterprises did not answer to this question. The remained enterprises indicated one or more answers, so by counting their responses, we have ranked perceived problems.

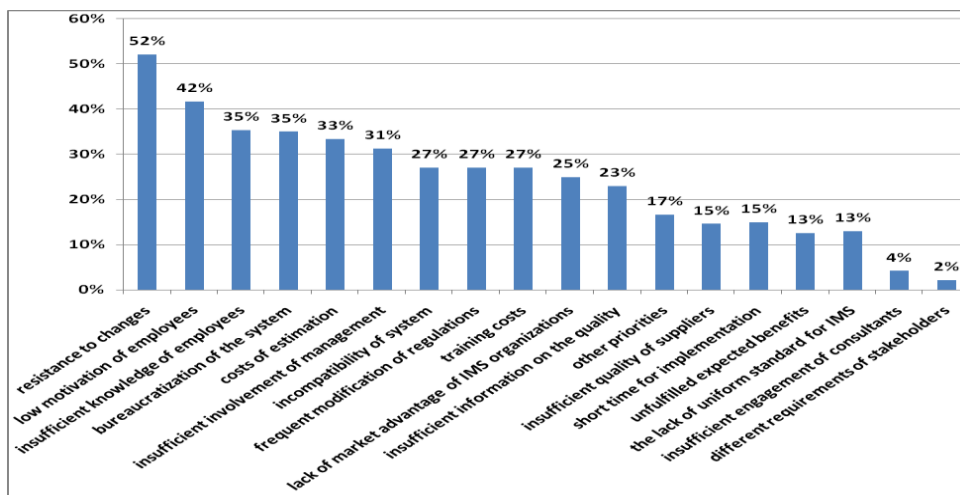


Figure 16: Problems in establishing IMS

Source: The authors' illustration, based on the research results

We can conclude that as the biggest problems in the IMS implementation have stood out:

- resistance to change (stated by 25 SMEs) - People are resisting change by their nature and prefer to choose known from the unknown. They are accustomed to their daily and usual way of work, routine and the "well established" activities and procedures, which is certainly changing by introducing the IMS. In order to overcome the resistance of employees, the managers need to explain to employees the reasons for the introduction of integrated systems, the benefits this will bring to the company and how the new procedures reflect on each working position. If managers manage to convince employees in the numerous benefits that occur by using the IMS, employees' resistance and over time a positive organizational climate will be formed.
- low motivation of employees (stated by 20 SMEs) - Motivation of employees in the performance of daily tasks, including those related to IMS, is achieved by the positive organizational climate, good internal communication, adequate financial compensation for their work, taking care of their health and safety at work, involvement in decision-making and other motivational factors. An active role of management, to wake up the motivation and the commitment of employees to achieve the quality goals, is also necessary. Certainly, the issue of motivation of employees for the application of IMS is among the most important aspects of the realization of this concept, because without achieving consensus of management with employees, this management system collapses very quickly by itself.

- insufficient knowledge of employees (stated by 17 SMEs) - The competence of personnel is based on their level of education, completed training, acquired knowledge and skills, acquired experience in certain jobs, adopted operating values and by the level of corporate culture. Incompetence of employees is one of the biggest limitations for the establishment and implementation of IMS and the reason why the majority of enterprises is deciding to use the services of consulting organizations. How the effectiveness and efficiency of realization of IMS processes, activities and procedures primarily depends on the knowledge and abilities of employees to perform the tasks entrusted to them, the enterprises must approach to solving this problem very seriously, through the proper education and training.
- bureaucratization of system (stated by 17 SMEs) - Although the bureaucratization is considerably lower in the SME than in large systems, it may still occur because of an incorrect approach to the design, integration and implementation of IMS.
- costs of estimation (stated by 16 SMEs) - These costs are a consequence of the limited financial resources at the disposal of SMEs, but also the difficult economic situation in which SMEs currently operate. Due to the limited length of paper, by the average cost of certification and evaluation of surveyed enterprises we will deal with on another occasion.

It is important that firms manage the difficulties associated with the implementation and maintenance of an IMS in order to avoid its failure (López-Fresno, 2010).

CONCLUSION

In order for SMEs to respond to the growing demands and needs of the market and numerous stakeholders, but also the problems that have occurred related to the implementation of various, previously issued standards of management, they are turning towards the integration of management systems. The use of integrated management systems is one of the most serious ways to achieve competitive ability of domestic SMEs, because it allows reducing the time required to achieve the elements of business excellence. That creates conditions for enterprises in less developed countries, such as Serbia, to create a business system that allows successful presence in the market by respecting the requirements of international standards.

The aim of this paper was to reach the current data on the implementation of IMS in small and medium enterprises in Serbia, using the survey method. The research was conducted on a sample of 52 domestic SMEs in the period March-October 2013th. After the statistical evaluation of collecting data, the following, pre-defined hypotheses were proven:

H1: The application of IMS increases the competitiveness of SMEs. The 50 surveyed SMEs (96% of the sample) have observed an increase in the level of competitiveness, as a result of the IMS application, and in 39 surveyed SMEs (75% of the sample) this increase was greater than 10%. In addition, the 43 SMEs (83% of the sample) have indicated the achievement of competitive advantage as the most important external benefit of IMS application.

H2: The application of IMS leads to increased customer satisfaction. The 48 surveyed SMEs (92% of the sample) have observed an increase in the level of customer satisfaction, and in 36 surveyed SMEs (69 % of the sample) this increase was greater than 10%. It is interesting to note that the companies that have observed the largest increase in customer satisfaction have implemented three IMS on average. At the same time, the 41 SMEs (79% of the sample) have indicated the increase in customer satisfaction among the most significant external benefits of IMS application.

The results of paper emphasize the importance of managers and practitioners becoming aware of the influence of application of integrated management systems on competitiveness and customer satisfaction in SMEs in Serbia.

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THE EFFECTIVENESS OF MANAGEMENT MEETINGS IN BUSINESS SYSTEMS – RESEARCH RESULTS

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ABSTRACT

Sustainable competitiveness of modern business systems in terms of global environment depends less on traditional elements of competition, such as price, quality and width of the range of products or services, and more on the rate at which business systems can introduce new and superior products or services to the market. All this is largely conditioned by the effectiveness and efficiency of business processes in business systems, particularly by managerial processes of subjective support - communication, leadership, motivation and decision making. During the process of communicating, managers apply various forms of communication including the meeting, which is based on group work. However, not all meetings are meaningful, as indicated by studies carried out in this area. Poor management of meetings by managers in the business system can have negative connotations on business decision-making, time management, level of organization, interpersonal relationships, and thus the overall business results. Clearly the successful management will finally depend on the manner in which management of meetings is conducted in a business system. Therefore, in this paper we present the results of an empirical study of the effectiveness of management of meetings in business system. The study was based on a survey of managers and its goal was to create a guideline for improving the management of meetings in business systems, based on the opinions and attitudes of managers. The questionnaire consisted of six relevant research dimensions, which were operationalized with 56 variables. The survey was conducted on a population of 51 randomly selected managers from 32 business systems. The survey results were analyzed by statistical analysis, which included the calculation of the frequency of items and dimensions, factor analysis, reducing the number of factors, the calculation of the index of performance of meeting management, and based on that, creating a tool for evaluation of individual performance of meeting management in business system, in Excel format. The presented methodology can significantly facilitate future studies in this area, providing fast and efficient data collection and implementation of the index of meeting success.

Keywords: *Research, Communication, Meeting, Business Systems, Statistics*

JEL classification: *M12*

UDK: *005.745 005.573*

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INTRODUCTION

The competitive ability of a business system can be seen as the core of the success or a failure of any business system, or business system can be considered competitive if it maintains a profit at a level that exceeds the average in belonging industry. Competitiveness of a business system stems from its size, ability to dispose of the resources, as well as its ability to mobilize knowledge and technological skills and experience, and to continuously create new products, processes and services. Intense and rapid changes they are today present in the business systems environment have affected the traditional elements of competitiveness related to products and services in terms of quality, price, product range, and have increasingly supplemented them by new elements that take into account the speed of innovation and introduction of products and services into the market. Sustainable competitiveness of the business system, therefore, is less dependent on the product/service price, quality, or range of products/services, and more dependent on speed of introducing new and superior products/services to the market, that is on the innovative capabilities of the business system, like management innovation (Krstić, 2013).

All this greatly depends on the efficiency and effectiveness of business processes (activities) of the business system, and is particularly emphasized in those processes related to the management process. Managerial communication process can be seen as one of the four key elements of subjective support of management (communication, leadership, motivation and decision-making). Managerial communication process is a specific "bloodstream" of any business system, because it transfers the relevant messages to individuals and groups, on adequately selected and understandable way (Karavidić, Čukanović-Karavidić, 2010).

During the performance of managerial activities of communication, managers apply different forms of communication such as face-to-face, but they also communicate with two or more people, such as a meeting, which is based on group work. The term group means a group of people interacting in order to achieve common objective or task. In this regard, particularly in functioning of groups of managers and the dissemination of information, important "tool" that managers use in dealing with people's are business meetings (Bulat, 1997).

Since business meetings are an important part of overall managers work, their importance is unquestionable. However, not all meetings are meaningful, which is supported by studies that indicate that managers spend 3,5 hours a week in meetings on average, and that meetings are attended by eight people in average, including the presence of at least three of them that is not necessary, and so on (Portal, 2010). Poor management of meetings by managers in the business system can have negative connotations in decision making, the management of time, the degree of organization, interpersonal relationships, as well as the overall operating results. It is clear that the success of management largely depends on the way in which management of meetings is conducted in a business system. Management of meetings assumes the adoption of appropriate techniques for planning, organizing and conducting meetings, which will

allow meetings to become meaningful, and effective and efficient, which will ultimately contribute to the overall improvement of the business.

Every management process includes some measurement. Therefore, the management of meetings requires that meetings become measurable on several grounds, because only in that way they will be made controllable. In this sense, the research was designed that was based on a survey of managers. The research purpose was creating guidelines for improving the management of meetings in business systems, based on the opinions and attitudes of managers. The research methodology was defined and it included survey instrument, defined procedure of subsequent statistical processing of collected data and, finally, their analysis (Krstic et al., 2012). Based on pre-defined methodology an empirical study on the effectiveness of management meetings in business systems in Serbia was conducted, which is explained in more detail hereinafter.

The initial survey tool for managers included the following areas of research:

The sample:

- presenting the business system (12 items)
- presenting selected managers from chosen business system (9 variables)

Managers attitude/opinion on:

- The consequences of poor management of meetings (6 items)
- The definition of term meeting (5 items),
- The meetings are an opportunity for (11 items),
- Determinants of the meeting (6 items),
- Activities after the meeting (4 items),
- Improving the efficiency of the meeting (6 items).

The research included collection of opinions of managers from different business systems on issues relevant to the successful management of business meetings. Research sample consisted of a population of 51 randomly selected managers who came from a total of 32 business systems. In addition, business systems differed in size and were categorized in small, medium and large companies. Also, they differed in ownership type and were categorized into joint-stock companies, government, public or private companies. Their operations were conducted within the framework of 18 different business activities or industries. The sample included managers of all three levels of management (first line, mid-level and top-level managers), with different levels of formal education (from secondary to university education). They had a different number of subordinate managers (from 0 to more than 10 subordinates), and a different number of directly subordinate employees (managers and/or other employees) - from 1 to more than 250. In terms of age, questioned managers were from 29 to more than 55 years of age, with years of working experience in the range from 9 to more than 35 years, and from 0 to 39 years spent in managerial positions.

The study was conducted from year 2011 until 2012, within the realization of the study subject Principles of Management at the Business School of Professional

Studies "Dr Radomir Bojković" Kruševac. The role of the interviewer was performed by students as the part of the practical seminar paper related to aforementioned study subject. The collected data from the surveyed managers were on site entered into a specially designed patterns, and then transmitted directly to the web questionnaire, which was for this purpose created within Google Docs application. That way the data were directly poured into a common research database.

Upon completion of data collection, survey results from Google Docs application were exported to an Excel file, where logic control was carried out. Statistical processing was performed using Statistical Package for the Social Sciences - SPSS 15.0. The subsequent analysis of the processed data indicated that some of the assumptions were confirmed (the ones concerning the possibility of measuring the identified relevant factors for the successful management of the meeting), and some of them were not (relevant factors of the effectiveness and efficiency of the meetings). The results of analysis have made possible the calculation of the summary index of effectiveness of meeting management. Factor analysis eliminated the individual items which were used for measuring certain characteristics, as less important, which resulted in a new questionnaire with a total of 38 items.

Thanks to the conducted analysis, a special Tool for individual evaluation of performance of meetings in business system was created. The tool was designed for managers, based on which they could carry out self-assessment. After entering the score according to set questions, managers could find out their index of success of meetings management, and to evaluate the performance of meetings management by components of the business system.

Chapter 2 - Methodology for measuring effectiveness in managing meetings in business systems, presents the methodology applied in the research.

Chapter 3 – Sample gives the closer look at the sample of respondent managers and business systems that they come from.

In Chapter 4 - Dimensions, the dimensions of success of meetings in business system was explained in more detail.

Chapter 5 - Tool for individual evaluation of performance of meetings in business system, briefly presents a tool for self-assessment for managers, which was developed based on the research results.

METHODOLOGY FOR MEASURING EFFECTIVENESS IN MANAGING MEETINGS IN BUSINESS SYSTEMS

As a measure of success of managing meetings in business system, the authors defined *the index of performance of managing meetings*, which was obtained in the result of complex methodological and statistical procedures.

The aim of the index is to measure the effectiveness of meetings management in an objective and quantitative way, and also, on the basis of appropriate statistical procedures, to form a mathematical model which can be used in the future to quickly and efficiently evaluate the effectiveness of meetings management in every business system. In this way, the index represents an essential Tool for individual evaluation of performance of meetings in business system, which can be used in any particular business system to consider in which elements the business system leads, and in which elements it lags behind, when it comes to meetings management.

For the purpose of evaluating success of meetings management an approach was used that involved the formation of the relevant questionnaire. Managers of business systems gave answers to questions stated in the questionnaire. All questions represent the views of managers on specific issues related to the success of meetings in business systems.

The starting point for determining the index of performance of managing meetings is an initial questionnaire (Table 1), which contains 6 blocks of questions, and each block represents a relevant dimension that measures the effectiveness of meetings management, namely: Quantifying the effectiveness and efficiency of meetings in the business system, The result of poor management of meetings, What are meetings, Meetings are an opportunity for..., The determinants of the meeting, After the meeting, Improving the efficiency of the meeting.

Table 1: Relevant research dimensions of meeting effectiveness in business systems

Number	Dimension	Items
1.	The consequences of poor management of meetings	can have detrimental effects on the overall business performance of the organization
		can negatively affect time management
		can negatively affect the level of organization within the company
		can negatively affect human relationships
		can negatively affect the business decisions.
		have an effect on something else, what:
2.	The definition of term meeting (Meeting is...)	necessity
		place for exchanging information
		place for finding the best solutions
		place for creating ideas
		something else, what:
3.	The meetings are an opportunity for...	the best problem solving
		making group decisions
		helping someone to make a decision
		presenting different opinions
		confronting attitudes
		planning
		organizing
		controlling
		informing
		creation of new ideas
		something else, what:

4.	Determinants of the meeting	meetings are necessary
		meetings are waste of time
		meetings last as required
		meetings are attended by as many people as needed
		meetings resolve key issues
		Other, referring to meetings...
5.	Organization of meetings	chairman of the meeting has a deadline of the meeting
		chairman of the meeting respects the meeting deadline
		meeting begins at the scheduled time
		chairman controls time of each agenda item
		attention is paid to selection of appropriate room for the meeting
		attention is paid to proper time for holding the meeting
		attention is paid to proper seating arrangements of participants
		attention is paid to appropriate manner in which the meeting takes
		the equipment is provided (video projector, telephone, etc.).
		attention is paid to the discussion, it is only about the agenda
	After the meeting	limited time for each participant for presenting his own opinion
		other people's opinions and attitudes are respected
		all meeting participants understand what was agreed at the meeting
		all meeting participants know what activities should be undertaken
6.	Improving the efficiency of the meeting	all meeting participants know the deadline
		all meeting participants know who is responsible for what
		multimedia meeting
		forum (via the Web)
		telephone meeting
		fax meeting
meeting at a distance		
corresponding meeting		

For each dimension have been defined items - the variables that measure certain aspects of a given dimension. Their total number is 50. Regarding the scale of measurement, a single Likert scale of measurement was introduced, expressing consent with offered answers: 0, 1, 2, 3, 4 or 0 = "not at all", 1 = "a little", 2 = "fairly", 3 = "significantly", 4 = "very much". In this way, it was possible to measure each of the dimensions separately, and finally, based on all dimensions to establish the index of success of a business meeting. Thus, the index is of a synthetic-analytic type, because it on one hand measures each dimension of the success of a business meeting, and on the other hand gives a synthetic overview of the overall success of the business meeting.

Questionnaire concerning the success of the business meeting was carried out by interviewing managers, during which the data was collected and entered into special Google document. After that the data were exported in a specially designed Excel file, and then transferred to SPSS ver. 15, software package for statistical analysis. SPSS software was used for statistical data processing that included: introduction and naming variables, data logic control, calculating the frequency of items and dimensions, factor data analysis, and on its basis the reduction of the number of factors, the calculation of innovation capacity with reduced number of factors, redefining the questionnaire concerning the success of business meeting in accordance with the results of the factor analysis, and finally creating the Tool for individual evaluation of performance of meetings in business systems in Excel.

Analysis of the dimensions of efficiency of management meetings in the business system included the following statistical steps, namely: Descriptive Statistics, which included the calculation of statistics of all items as Mean, Std. Deviation, Minimum, Maximum; Factor Analysis: Communalities, Total Variance Explained, Component Matrix; Reliability Statistics included the verification of reliability, through the calculation of Cronbach's Alpha coefficient, and testing the requirement whether Cronbach's Alpha > 0.7; Statistics of the Scores included the calculation of the Mean, Std. Error of Mean, Median, Std. Deviation, Skewness, Kurtosis.

SAMPLE

Sample consisted of a population of 51 randomly selected managers who come from a total of 32 business systems.

The basic characteristics of business systems where interviewed managers came from are: ownership status, number of employees, the year of establishment, activity of business systems (Table 2). From the presented it is evident that a population of business systems involves different categories, and even though the population of managers was not elected according to the principle of randomness, it can be concluded that the selected population is sufficiently different and therefore representative.

Table 2: Characteristics of the business system

Dimension	Category	Frequency	Percent	Cumulative Percent
Business systems by ownership status	joint stock	7	13,7	13,7
	state	12	23,5	37,3
	public	7	13,7	51,0
	private	25	49,0	100,0
	Total	51	100,0	
Business systems by number of employees	small (1-49)	24	47,1	47,1
	medium (50-249)	12	23,5	70,6
	large (preko 250)	15	29,4	100,0
	Total	51	100,0	
Business systems by year of establishment	since 1899	1	2,0	2,0
	from 1900 to 1950	5	9,8	11,8
	from 1951 to 1999	4	7,8	19,6
	from 2000 to 2010	27	52,9	72,5
	since 2010	14	27,5	100,0
	Total	51	100,0	
Activities of business systems	banking	2	3,9	3,9
	wood industry	1	2,0	5,9
	public administration	4	7,8	13,7
	building and construction	4	7,8	21,6
	chemical industry	2	3,9	25,5
	publishing	1	2,0	27,5
	consulting	1	2,0	29,4
	metal industry	5	9,8	39,2
education	5	9,8	49,0	

	municipal administration	4	7,8	56,9
	food industry	4	7,8	64,7
	production of foreign equipment	1	2,0	66,7
	telecommunications	4	7,8	74,5
	transport	1	2,0	76,5
	trade	6	11,8	88,2
	tourism	3	5,9	94,1
	services	2	3,9	98,0
	health	1	2,0	100,0
	Total	51	100,0	

Main characteristics of interviewed managers include the following: hierarchical level of management, number of managers subordinate to interviewed manager, number of employees subordinate to manager, manager's formal education, manager's age, years of service of manager and years of managerial experience, Table 3. From the presented it is evident that all categories of managers are present in the population, so it can be concluded that the selected population is sufficiently representative.

Table 3: Characteristics of managers

Number	Dimension	Category	Frequency	Percent	Cumulative Percent
1.	hierarchical level of management	first line manager	10	19,6	19,6
		middle manager	15	29,4	49,0
		top manager	26	51,0	100,0
		Total	51	100,0	
2.	number of managers subordinate to interviewed manager		8	15,7	15,7
		1 to 5	33	64,7	80,4
		6 to 10	9	17,6	98,0
		more than 10	1	2,0	100,0
	Total	51	100,0		
3.	number of employees subordinate to manager	1-10	22	43,1	43,1
		10-50	14	27,5	70,6
		100-250	6	11,8	82,4
		50-100	6	11,8	94,1
		more than 250	3	5,9	100,0
	Total	51	100,0		
4.	manager's formal education	high school education	7	13,7	13,7
		college degree	38	74,5	88,2
		higher education	6	11,8	100,0
		Total	51	100,0	
5.	manager's age	less than 29	2	3,9	3,9
		30 to 45	25	49,0	52,9
		46 to 54	17	33,3	86,3
		more than 55	7	13,7	100,0
		Total	51	100,0	
6.	years of service of manager	less than 9	12	23,5	23,5
		10 to 19	16	31,4	54,9
		20 to 35	22	43,1	98,0
		more than 55	1	2,0	100,0
		Total	51	100,0	

7.	years of managerial experience	0 to 4	15	29.4	30.0
		5 to 10	16	31.4	62.0
		11 to 20	11	21.6	84.0
		more than 21	8	15.7	100.0
		Total	50	98.0	
		System error	1	2.0	
		Total	51	100.0	

DIMENSIONS

The research included a total of seven dimensions that were operationaliyed with a total of 50 items.

Dimension - Poor management of meetings in the business system was measured with 6 items, where each item was operationalized through a five-point Likert scale. Descriptive statistics of this dimension, which included calculating the average of the items, standard deviation, maximum and minimum is presented within Table 4. From the table it is evident that the mean values of items is greater than 0.4, indicating that the managers attribute relative importance to this dimension. Factor analysis confirmed the existence of the value of communalities greater than 0.4, indicating the existence of a solid structure (Table 5), which represents the two factors (Table 6). Internal consistency is not sufficiently high (Cronbach's Alpha = 0.524 <0.7, Table 7).

Dimension - Meetings in the business system are an opportunity for... is measured with 11 items, where each was operationalized through a five-point Likert scale. Descriptive statistics of this dimension, which included averaging the items, standard deviation, maximum and minimum is presented within Table 4. From the table it is evident that the mean values of items are greater than 0.6, indicating that managers attribute high relative importance to this dimension. Factor analysis confirmed the existence of communalities values greater than 0.456, which indicates the existence of a solid structure (Table 5), which represents the three factors (Table 6). Internal consistency is satisfied (Cronbach's Alpha = 0.799 > 0.7, Table 7).

Dimension - Determinants of meeting the business system was measured with 4 items, where each was operationalized through a five-point Likert scale. Descriptive statistics of this dimension, which included averaging the items, standard deviation, maximum and minimum is presented within Table 4. From the table is evident that the mean value of the item „Does the meeting solve something else“ is relatively low rated 0,28, compared to other relatively higher values. Factor analysis confirmed the existence of communalities values greater than 0.540, which indicates the existence of a solid structure (Table 5), which represents the two factors (Table 6). Internal consistency is entirely unsatisfactory (Cronbach's Alpha = 0 351 <0.7, Table 7).

Dimension - Organization of meeting in a business system was measured with 12 items, where each was operationalized through a five-point Likert scale.

Descriptive statistics of this dimension, which included averaging the items, standard deviation, maximum and minimum is presented within Table 4. From the table is evident that the mean value of the item is in interval from 0,3137 to 0,6765. Factor analysis confirmed that all the values of communalities are greater than 0.454 except for item „Chairperson of the meeting begins on time“ with the value of 0.278. This indicates that in the formation a new survey this item should be eliminated from the list, while others items forming a solid structure (Table 5), which represents the three factors (Table 6). Internal consistency was completely satisfactory (Cronbach's Alpha = 0 7611 > 0.7, Table 7).

Dimension – After the meeting in the business system was measured with 4 items, where each was operationalized through a five-point Likert scale. Descriptive statistics of this dimension, which included averaging the items, standard deviation, maximum and minimum is presented within Table 4. From the table is evident that the mean value of the item takes values that are greater than 0.8186. Factor analysis showed that all communalities values are greater than 0.700, suggesting the existence of an extremely solid structure (Table 5), which is represented by two factors (Table 6). Internal consistency was completely satisfactory (Cronbach's Alpha = 0.888 > 0.7, Table 7).

Dimension - Improving the efficiency of meeting in the business system was measured with 6 items, where each was operationalized through a five-point Likert scale. Descriptive statistics of this dimension, which included averaging the items, standard deviation, maximum and minimum is presented within Table 4. From the table is evident that the mean value of the item is in the range from 0.2647 to 0.4853 which means that it takes a relatively low value which indicates that the managers attribute importance to this dimension. Factor analysis showed that all values communalities are greater than 0.526, suggesting the existence of a relatively rigid structure (Table 7), which is represented by two factors (Table 6). Internal consistency was also satisfactory (Cronbach's Alpha = 0 848 > 0.7, Table 7).

Table 4: Descriptive Statistics

Dimension	Items	N	Minimum	Maximum	Mean	Std. Deviation
Poor management of meetings	can have detrimental effects on the overall business performance of the organization	51	.00	1.00	.6520	.22404
	can negatively affect time management	51	.00	1.00	.6471	.28800
	can negatively affect the level of organization within the company	51	.00	1.00	.5539	.28859
	can negatively affect human relationships	51	.00	1.00	.7059	.24853
	can negatively affect the business decisions.	51	.00	1.00	.4167	.34157
	have an effect on something else, what:	51	.00	1.00	.4020	.33196
Meetings are an opportunity for...	the best problem solving	51	.25	1.00	.7108	.22007
	making group decisions	51	.25	1.00	.6912	.27653
	helping someone to make a decision	51	.25	1.00	.6618	.21693

	presenting different opinions	51	.00	1.00	.6078	.25127
	confronting attitudes	51	.25	1.00	.6373	.27071
	planning	51	.00	1.00	.7696	.23897
	organizing	51	.25	1.00	.7402	.22891
	controlling	51	.25	1.00	.6863	.22827
	informing	51	.25	1.00	.7794	.21591
	creation of new ideas	51	.25	1.00	.6618	.22816
Determinants of meeting	Whether meetings last as needed	51	.00	1.00	.5833	.23274
	Whether meetings are attended as many people as needed	51	.00	1.00	.7010	.23463
	Whether meetings deal with key issues	51	.25	1.00	.7843	.21806
	Whether meetings resolve something else	51	.00	.75	.2843	.27848
Organization of meeting	Chairperson takes into account the manner of conducting the meeting	51	.25	.75	.5784	.17671
	Chairperson provides supporting equipment for the meeting	51	.00	.75	.5392	.23115
	Chairperson allows to discuss only the agenda	51	.25	.75	.6176	.15291
	Chairperson limits the time for individual expression of opinions	51	.00	.75	.3824	.24162
	Chairperson respects other people's views and opinions	51	.00	1.00	.4804	.42380
	Chairperson defines the duration of the meeting	51	.00	.75	.5245	.22503
	Chairperson respects duration of the meeting	51	.00	.75	.5980	.18082
	Chairperson starts the meeting on time	51	.25	.75	.6765	.14400
	Chairperson controls the duration of each agenda item	51	.00	.75	.4510	.25505
	Chairperson takes care of the space for holding the meeting	51	.0	.8	.5740	.2079
	Chairperson takes into account the time of the meeting	51	.25	.75	.6275	.15307
	Chairperson takes care of seating arrangements of the participants of the meeting	51	.00	.75	.3137	.23897
	After the meeting	all meeting participants understand what was agreed at the meeting	51	.25	1.00	.8186
all meeting participants know what activities should be undertaken		51	.25	1.00	.8186	.21259
all meeting participants know the deadline		51	.25	1.00	.8676	.18943
all meeting participants know who is responsible for what		51	.50	1.00	.8676	.17573
Improving the efficiency of meeting	multimedia meeting	51	.00	1.00	.3971	.30894
	forum (via the Web)	51	.00	1.00	.2794	.28569
	telephone meeting	51	.00	1.00	.4853	.30171
	fax meeting	51	.00	1.00	.2941	.32675
	meeting at a distance	51	.00	1.00	.2696	.29514
	corresponding meeting	51	.00	1.00	.2647	.29331

Table 5: Factor Analysis: Communalities

Dimension	Items	Initial	Extraction
Poor management of meetings	can have detrimental effects on the overall business performance of the organization	1.000	.621
	can negatively affect time management	1.000	.625
	can negatively affect the level of organization within the company	1.000	.584
	can negatively affect human relationships	1.000	.487
	can negatively affect the business decisions.	1.000	.674
Meetings are an opportunity for...	the best problem solving	1.000	.509
	making group decisions	1.000	.587
	helping someone to make a decision	1.000	.685
	presenting different opinions	1.000	.855
	confronting attitudes	1.000	.775
	planning	1.000	.647
	organizing	1.000	.694
	controlling	1.000	.491
	informing	1.000	.695
	creation of new ideas	1.000	.583
something else, what:	1.000	.456	
Determinants of meeting	Whether meetings last as needed	1.000	.639
	Whether meetings are attended as many people as needed	1.000	.801
	Whether meetings deal with key issues	1.000	.540
	Whether meetings resolve something else	1.000	.729
Organization of meeting	chairman of the meeting has a deadline of the meeting	1.000	.517
	chairman of the meeting respects the meeting deadline	1.000	.749
	meeting begins at the scheduled time	1.000	.278
	chairman controls time of each agenda item	1.000	.618
	attention is paid to selection of appropriate room for the meeting	1.000	.651
	attention is paid to proper time for holding the meeting	1.000	.666
	attention is paid to proper seating arrangements of participants	1.000	.598
	attention is paid to appropriate manner in which the meeting takes	1.000	.643
	the equipment is provided (video projector, telephone, etc.).	1.000	.749
	attention is paid to the discussion, it is only about the agenda	1.000	.538
	limited time for each participant for presenting his own opinion	1.000	.454
Chairperson respects other people's views and opinions	1.000	.551	
After the meeting	all meeting participants understand what was agreed at the meeting	1.000	.748
	all meeting participants know what activities should be undertaken	1.000	.833
	all meeting participants know the deadline	1.000	.721
	all meeting participants know who is responsible for what	1.000	.700
Improving the efficiency of meeting	multimedia meeting	1.000	.670
	forum (via the Web)	1.000	.746
	telephone meeting	1.000	.526
	fax meeting	1.000	.670
	meeting at a distance	1.000	.663
	corresponding meeting	1.000	.549

Table 6: Factor Analysis: Component Matrix(a)

Dimension	Items	Component		
		1	2	3
The consequences of poor management of meetings	can negatively affect time management	.775	.143	
	can negatively affect the level of organization within the company	.786	.087	
	can negatively affect human relationships	.758	.098	
	can negatively affect the business decisions.	.346	-.606	
	have an effect on something else, what:	-.053	.819	
The meetings are an opportunity for...	the best problem solving	.712	-.053	.011
	making group decisions	.659	-.256	-.294
	helping someone to make a decision	.678	-.320	-.351
	presenting different opinions	.601	-.510	.483
	confronting attitudes	.542	-.631	.288
	planning	.723	.321	-.142
	organizing	.658	.310	.406
	controlling	.518	.464	.087
	informing	.664	.493	-.106
	creation of new ideas	.731	.111	-.191
something else, what:	-.038	.331	.587	
Determinants of the meeting	Whether meetings last as needed	.800	-.006	
	Whether meetings are attended as many people as needed	.877	-.179	
	Whether meetings deal with key issues	.363	.639	
	Whether meetings resolve something else	-.082	.850	
Organization of meetings	chairman of the meeting has a deadline of the meeting	.641	.293	-.143
	chairman of the meeting respects the meeting deadline	.595	.442	.447
	meeting begins at the scheduled time	.512	.126	-.014
	chairman controls time of each agenda item	.739	.190	-.190
	attention is paid to selection of appropriate room for the meeting	.542	-.520	.295
	attention is paid to proper time for holding the meeting	.549	-.407	.446
	attention is paid to proper seating arrangements of participants	.601	-.472	-.119
	attention is paid to appropriate manner in which the meeting takes	.715	-.361	.042
	the equipment is provided (video projector, telephone, etc.).	.536	.097	-.673
	attention is paid to the discussion, it is only about the agenda	.654	.331	.023
	limited time for each participant for presenting his own opinion	.655	.105	-.120
other people's opinions and attitudes are respected	.087	.624	.393	
After the meeting	all meeting participants understand what was agreed at the meeting	.865		
	all meeting participants know what activities should be undertaken	.913		
	all meeting participants know the deadline	.849		
	all meeting participants know who is responsible for what	.837		
Improving the efficiency of the meeting	multimedia meeting	.735	.361	
	forum (via the Web)	.863	-.009	
	telephone meeting	.722	.063	
	fax meeting	.728	-.373	
	meeting at a distance	.759	.295	

Table 7: Reliability Statistics

Dimension	Cronbach's Alpha	N of Items
The consequences of poor management of meetings	.524	6
The meetings are an opportunity for...	.799	11
Determinants of the meeting	.351	4
Organization of meetings	.761	12
After the meeting	.888	4
Improving the efficiency of the meeting	.848	6

Table 8: Statistics of the scores

Dimension	Scores	N	Mean	Std. Error of Mean	Median	Std. Deviation	Skewness	Kurtosis
The consequences of poor management of meetings	Score w28 to w33	51	.5629	.02209	.5833	.15776	-.645	.149
The meetings are an opportunity for...	Score w39 to w49	51	.6591	.01989	.6591	.14208	.150	-.479
Determinants of the meeting	Score w52 to w55	51	.5882	.01974	.5625	.14097	.463	-.353
Organization of meetings	Score w56 to w67	51	.5302	.01697	.5417	.12121	-.136	.087
After the meeting	Score w68 to w71	51	.8431	.02383	.8750	.17019	-.852	-.156
Improving the efficiency of the meeting	Score w72 to w75	51	.3317	.03189	.2917	.22775	.832	.569

Within the summary analysis statistical steps were conducted analogous to those carried over the items, but this time over scores of dimensions. This analysis included two iterations: first and second iteration.

Within the first iteration in the Factor Analysis (Table 9, Table 10, Table 11) Communalities were extracted, and on the basis of their values scores W28 to W33 and W72 to W75 and dimensions The consequences of poor management of meetings and Improving the efficiency of the meeting were excluded from further calculations.

Within the second iteration repeated Factor Analysis confirmed the conclusion from the first iteration. Thus led to the final score which was formed of five dimensions, namely: The meetings are an opportunity for..., The determinants of the meeting, The organization of the meeting, After the meeting. For the mentioned score descriptive statistics are presented in Table 12, and the mean of the score on Graph 1.

The index of performance of managing meetings was established as the mean of the final score, and its Descriptive Statistics are presented in Table 13.

Table 9: Descriptive Statistics of the scores

Dimension	Scores	N	first iteration		second iteration	
			Mean	Std. Deviation	Mean	Std. Deviation
The consequences of poor management of meetings	Score w28 to w33	51	.5629	.15776		
The definition of term meeting	Score w34 to w38	51	.6069	.16912	.6069	.16912
The meetings are an opportunity for...	Score w39 to w49	51	.6591	.14208	.6591	.14208
Determinants of the meeting	Score w52 to w55	51	.5882	.14097	.5882	.14097
Organization of meetings	Score w56 to w67	51	.5302	.12121	.5302	.12121
After the meeting	Score w68 to w71	51	.8431	.17019	.8431	.17019
Improving the efficiency of the meeting	Score w72 to w75	51	.3317	.22775		

Table 10: Factor Analysis: Communalities of the Scores

Dimension	Scores	first iteration		second iteration	
		Initial	Extraction	Initial	Extraction
The consequences of poor management of meetings	Score w28 to w33	1.000	.108		
The definition of term meeting	Score w34 to w38	1.000	.769	1.000	.805
The meetings are an opportunity for...	Score w39 to w49	1.000	.672	1.000	.695
Determinants of the meeting	Score w52 to w55	1.000	.578	1.000	.594
Organization of meetings	Score w56 to w67	1.000	.702	1.000	.676
After the meeting	Score w68 to w71	1.000	.554	1.000	.721
Improving the efficiency of the meeting	Score w72 to w75	1.000	.320		

Table 11: Factor Analysis: Component Matrix(a) of the Scores

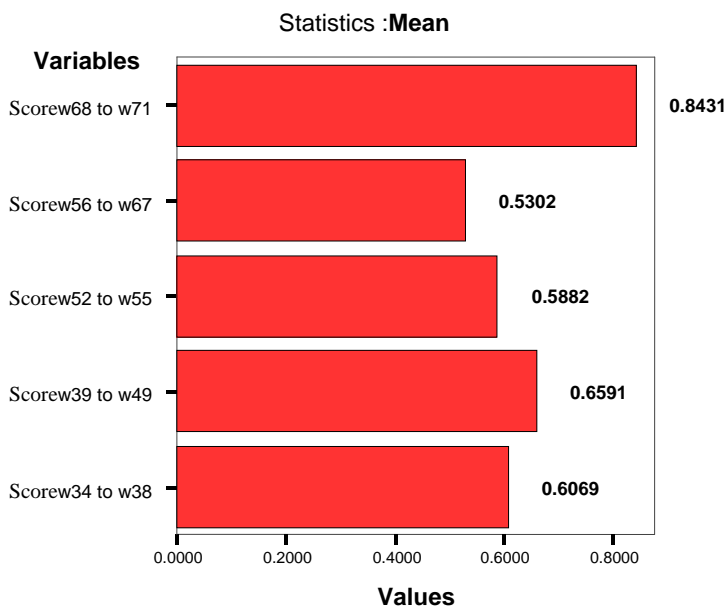
Dimension	Scores	first iteration		second iteration	
		Component		Component	
		1	2	1	2
The consequences of poor management of meetings	Score w28 to w33	.328	-.025		
The definition of term meeting	Score w34 to w38	.637	-.602	.671	-.596
The meetings are an opportunity for...	Score w39 to w49	.735	-.363	.746	-.372
Determinants of the meeting	Score w52 to w55	.751	-.120	.771	-.012
Organization of meetings	Score w56 to w67	.614	.570	.592	.571
After the meeting	Score w68 to w71	.646	.370	.673	.519
Improving the efficiency of the meeting	Score w72 to w75	.415	.384		

Table 12: Descriptive Statistics of the Final Scores

Dimension	Scores	N	Mean	Std. Deviation
The definition of term meeting	Score w34 to w38	51	.6069	.16912
The meetings are an opportunity for...	Score w39 to w49	51	.6591	.14208
Determinants of the meeting	Score w52 to w55	51	.5882	.14097
Organization of meetings	Score w56 to w67	51	.5302	.12121
After the meeting	Score w68 to w71	51	.8431	.17019

Table 13: The Index of Performance of Managing Meetings

N	51
Mean	.6455
Std. Error of Mean	.01443
Median	.6493
Std. Deviation	.10302
Variance	.011
Skewness	.101
Std. Error of Skewness	.333
Kurtosis	-.871
Std. Error of Kurtosis	.656
Minimum	.45
Maximum	.85



Graph 1: Mean of the Final Scores

TOOL FOR INDIVIDUAL EVALUATION OF PERFORMANCE OF MEETINGS IN BUSINESS SYSTEM

On methodological principles outlined in this paper, and the principles set out in the paper (Bešić et al., 2007), the authors developed The tool for evaluation of performance of meetings in business system.

The tool represents Excel file that contains the following sheets: Questionnaire, Index, Chart, Calculation. The sheet Questionnaire consists of questions that evaluate the performance of the meeting (Figure 1). The questionnaire is used by managers for assessment of relevant dimensions that determine the success of the meeting (5 dimensions and 36 items) for random chosen business system, using the measuring scale from 0 to 10, in order to obtain a more precise assessment. On the basis of the methodology presented in the paper, the collected data were used to automatically calculate the index of performance of managing meetings (Figure 2). Index as a macro indicator of performance of the business system can serve a manager to make a comparison with other business systems in terms of index of management of business meetings.

In addition to the index, it is of interest for the manager to determine the dimensions of successful management in which he leads, as well as those in which he lags behind. Thus, for the values entered in the questionnaire, the chart (Figure 3) automatically calculates the performance of managing meetings by components (Bešić et al., 2007). The higher values indicate the dimension in which the manager is doing well, and vice versa. Any change in the assessment of dimensions is automatically reflected in the change of state presentation. This tool can serve as a very useful tool for managers in self-assessment of managing meetings performance in a business system.

OCENA USPEŠNOSTI UPRAVLJANJA SASTANKOM U POSLOVNOM SISTEMU			
		Stavovi menadžera	Ocena
1			
2			
3			
4	*Šta su sastanci	1.v34: neminovnost	4
5	4.3 Da li su sastanci u Vašem poslovnim sistemu	2.v35: mesto gde se razmenjuju informacije	5
6		3.v36: mesto gde se nalaze najbolja rešenja	5
7		4.v37: mesto gde se razvijaju kreativne ideje	6
8		5.v38: nešto drugo	6
9	*Sastanci su prilika za	6.v39: za najbolje rešavanje problema	5
10	4.4 U kojoj meri su sastanci u Vašem poslovnim sistemu prilika	7.v40: za donošenje grupe odluke	8
11		8.v41: za pružanje pomoći nekome da donese odluku	9
12		9.v42: za iznosenje neslaganja	10
13		10.v43: za sučeljavanje stavova	3
14		11.v44: za planiranje	5
15		12.v45: za organizovanje	6
16		13.v46: za kontrolisanje	3
17		14.v47: za informisanje	9
18		15.v48: za kreiranje novih ideja	5
19		16.v49: nešto drugo	8
20	*Određene sastanke	17.v52: da li sastanci traju koliko je potrebno	9
21	4.5 Ocenite u Vašem poslovnim sistemu	18.v53: da li sastancima prisustvuje onoliko ljudi koliko je potrebno	10
22		19.v54: da li se na sastancima rešavaju ključni problemi	10
23		20.v55: ostalo	5
24	*Organizacija sastanka	21.v56: predsedavajući sastanka ima rok sastanka	6
25	4.6 Ocenite u Vašem poslovnim sistemu da li	22.v57: predsedavajući se sastanka drži predviđenog roka sastanka	8
26		23.v58: sastanak počinje u zakazano vreme	9
27		24.v59: predsedavajući kontrolise vreme potrošeno na svaku tačku dnevnog reda	4
		25.v60: se vodi računa o izboru odgovarajućeg	5

Figure 1: The Questionnaire

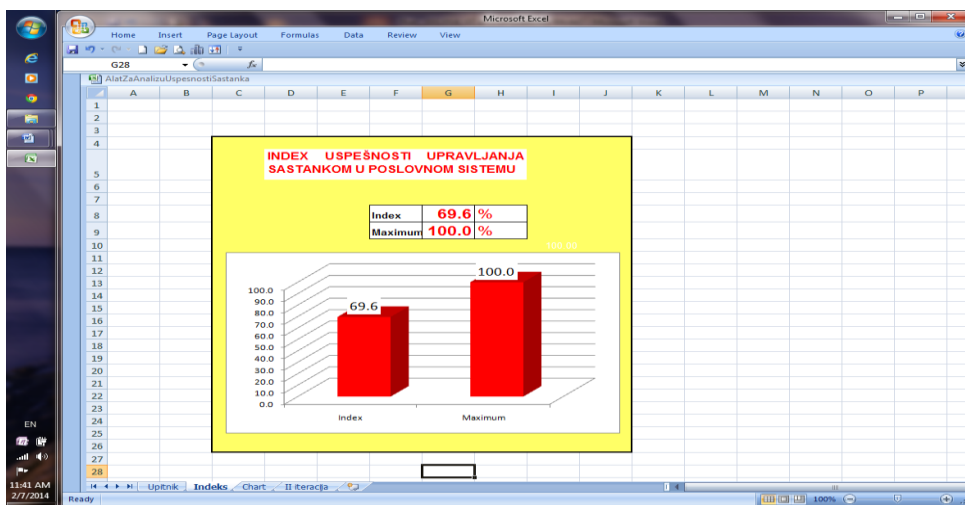


Figure 2: The Index

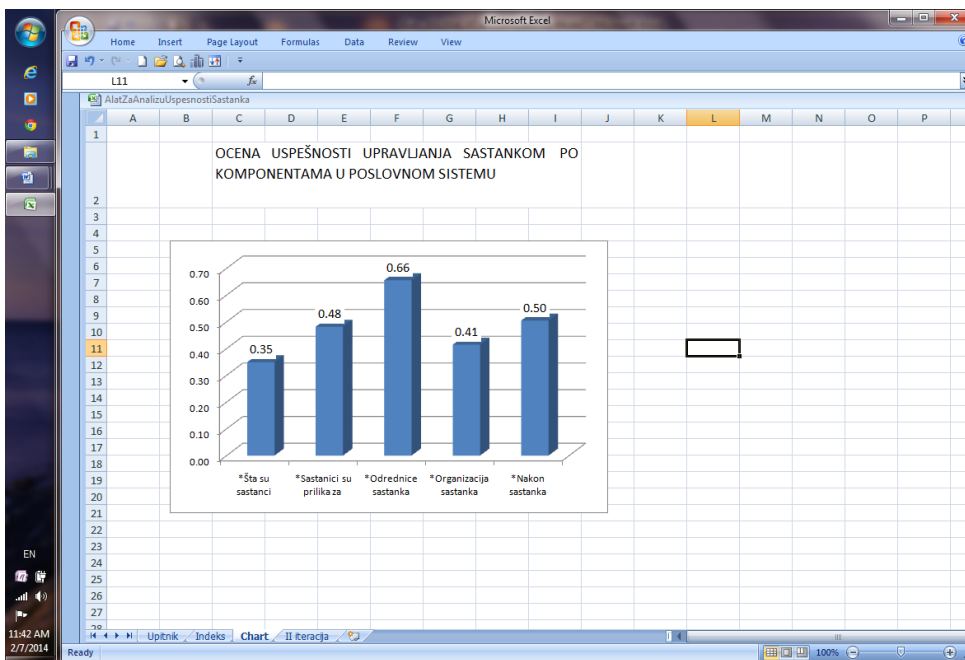


Figure 3: The performance of managing meetings by components

CONCLUSION

In this paper the authors have presented the results of an empirical study of effectiveness of managing meetings in the business system, based on a survey of the population of 51 randomly selected managers who came from 32 business systems. The results include data analysis based on mathematical statistics. The research conducted according to previously developed methodology confirmed introduced assumption that it is possible to measure the performance of meeting in business systems.

Results of research based on the presented methodology significantly facilitate future research in this area. In this sense it is possible to quickly and efficiently collect data and calculate the index of performance of the meeting. In this way it is possible for different categories of diversification to compare managers (business systems) and the performance of the meetings, or in the future include new variables that affect the success of managing meetings, and so lead to new knowledge about the relevant factors that affect the success of the meeting.

One of the objectives of the resulting index from this research is its utilization at the level of manager as individual. In other words, after all of this research it is possible to assess the success of the meeting of each manager and to identify scores on each dimension based on 36 variables, and therefore focus efforts precisely in those areas where performance is at the lowest level. It can be said that the index is used as an analytical tool for diagnosing performance of managing meetings.

Particularly surprising is the fact that managers do not pay sufficient importance to improving the efficiency of the meeting through the use of modern information and communication technologies. It can therefore be concluded that this is the area where should be paid special attention in the education of managers.

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MANAGEMENT IN THE SCHOOL SPORT DEVELOPMENT STRATEGY

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ABSTRACT

Within the project “Modern management in the function of revitalization of school sport in Belgrade” the research on the relations between the following was done: documents that determine the position of sport in Serbia (Law on sport, Strategy of sports development and Action plan for conducting the Sport development strategy in the republic of Serbia from 2009. until 2013, as well as the current document of School sport development strategy in Vojvodina 2013-2017), organizational structures responsible for realization of school sport (Association for school sport in Serbia and local sport associations, that deal with forms of realization of various sports programs for students and children) and the existing way of management of school sport. The aim of this paper is to establish the extent to which, in the mentioned documents and practice as well, modern management is applied, as a foundation for rational and as wide as possible realization of the projected programs, having in mind: planning, organizing, staff, management and control. We considered the connection between the current state of functions in sports system and education system, i.e. the role of school in further development of school sport. We came to a conclusion that there are numerous forms of work organization that could imply sport in schools and schools of sport, but there is no unique database on them although there are numerous information on government and non-government institutions’ sites and the means of informing. There is a significant fund of experience and written materials with the suggestions for solutions which have not been used so far and which can serve as a foundation for implementation of new ways of schools’ sport management.

Key words: Sports Strategy, School Sport, The role of School, Management

JEL Classification: M54

UDK: 37.011.3-052:796]005

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INTRODUCTION

Sport is a constitutional category (Constitution of the Republic of Serbia article 97.); activity of special interest to the Republic of Serbia and it is defined by Law on sport (Official Gazette no. 24/2011 and 99/2011). According to (Sotiriadou, 2005), the development of various national sports systems shows that every political direction has a different attitude towards issues of sport and physical activity of the citizens. Practising physical education and sport represent a fundamental human right for all as an essential element of life-long learning in the entire education system (International Chapter of Physical Education and Sport, 1978).

The article 4 in Law on sport says that anyone has the right to practise sport and that it has to be human, free and voluntary, healthy and safe, in accordance with nature and social environment. It has to be fair, tolerant, ethically acceptable, responsible, and independent from any manipulation and goals that are opposite the sports spirit and it should be available to all regardless of their age, level of physical abilities, degree of eventual invalidity or any other personal traits.

Practising sport can empower the young, not only from the aspect of improving the physical health but also from the point of social development, feeling of self-respect, tolerance and responsibility. It is also necessary to emphasize the fact that active practising of sport can influence the prevention from smoking, alcoholism, drugs and delinquent behavior with young people, as consequences of lack of self discipline, positive role models and boredom.

Current assessments of life expectancy put our country to the 76th place out of 198 ranked countries in the world (United Nations, Department of Economic and Social Affairs, Population Division, 2011). According to the data from 2006, in Serbia almost every fifth person was obese (18.6%) every third person smoked (33.6%), and around 40% consumed alcohol daily or occasionally, and nearly half of the population had hypertension.

Based on the monitoring a large amount of people, through longitudinal studies that were done in developed countries, it is spotted that people with not enough physical activity during the day, whether we are talking about work or free time, have 2.5 times increased mortality rate, while with cardiovascular illnesses the mortality rate is 3.5 times higher. During the history, sciences managed to find the cure for most horrible diseases like tuberculosis, cholera, typhoid fever, variola vera, which took millions of lives, but the question of how will people deal with mass hypokinesia and obesity says open. It is considered that for attaining the balance in functioning of human organism it is necessary to make 10.000-14.000 steps per day, and for attaining the function of an organism it is necessary to have appropriate physical activity.

Regular and rightly dosed physical activity, according to Mitić (2005), is a significant factor of healthy lifestyle which can influence the prevention of various diseases up to 50%.

American experts have calculated that it is better to spend 20 billion dollars on making the sports activities a mass phenomenon than to spend 200 billion dollars on treating the diseases!

Highly developed countries deal with this problem for a long period of time trying to find a way to make majority of population physically active. The percentage of physically active population in highly developed countries is between 34% in China (registered in 2005) and nearly 40% in Great Britain as stands in the national plan until 2020. Unfortunately, the percentage of active population in Serbia, according to the data of Ministry of youth and sport of the Republic of Serbia in 2009 was around 8%. The solution of the problem can be expected in increased activities directed towards the young practising physical exercises and sport with the idea to make it their life-long need. Quality physical education, well-organized school sport and sport in all age categories, can significantly contribute to the quality of life.

In our country there is a long tradition of various forms of physical activities: physical education, school sport, sport and recreation. Also, in all of these there have been significant results achieved and are still being achieved. However, modern social circumstances with the reduced opportunities for investments, as well as modern living conditions with present hypokinesia in all age categories and especially with the youngest, put increase and attaining the optimal scope and quality of physical activity in the forefront.

In Serbia there is also a long tradition of nurturing the school sport. System of school sports competitions was established more than 40 years ago in 1969/70 school year and the first sports Olympic Games of the students of the Republic of Serbia date back to 1992. It is necessary to emphasize the necessity of connections between school sport and physical education as a subject in education system, as well as its connection with the sports system – sports associations and including the children into sport. Numerous reasons have led to decrease of the quality of physical education and including all children into school sport and that contributed to losing the foundation for involving children in the schools of sport and later in pioneer and youth competition categories. Therefore the Ministry of youth and sport gives a special attention to sport for children and school sport in the Law on sport, Strategy of sport development and Action plans for realizing the Strategy. The encouragement of development of school sport in the Sport development strategy from 2009 to 2013 is recognized as one of the preconditions for forming a healthy nation. „Sport in every corner of the planet connects millions of people, boys and girls, children and adults and older people and gives life to clubs, associations and institutions. Sport is the central element of society and an integral part of sustainable development “as is written in the IOC Guide on Sport, Environment and Sustainable Development, 2006.

„Sport in all countries has a large number of educational, cultural and social functions, which in the modern theory (philosophy) are presented as *values of sport*. This is why in the Millennium United Nations Charter sport is said to be „the school of life“. Also in the document of United Nations titled „Millennium goals“ physical activity is recognized as a key subject in forming the complete personality of a child (Radojević, 2011).

By good management and planning we could get physical education, school sport and sport into a close relationship. So the responsibility for development of school sport equally belongs to the education system and sports system, where we should consider the role of health system as well.

There are numerous researches that deal with school sport, as well as he conferences dedicated to this topic. Among other things it is determined that the success in academic areas is greater with the individuals that do sport as a part of their after school activities. The research of Matvejeve-Stančeve (according to Stojanović, 1986) is interesting. It has been done with the students from two classes, in one city, with similar physical abilities, age 7-9. Students that had a regular and quality physical education had a better flow of development, less health problems and better academic success in school. In the last two decades more and more researches and projects have been done, which confirm these conclusions. According to Marsh, Kleitman, 2003; Broh, 2002; Frejgin, 1994; Marsh, 1993; Landers, Felts, Obermeier, Brouse, 1978; doing sport positively influences the success in school, enrollment to faculties, finishing high school, educational aspirations, self-respect and work ethics. By exercising we change the energy levels of action of all tissues, increase the supply of oxygen of all muscle cells, and increase the supply of ATP and glycogen and this improves the level of their functioning. That is why physical activity is necessary for normal growth and development of a man. This paper emphasizes the significance of mass practicing of sport of schools' population with the implementation of modern management method with that purpose.

According to Momčilović (2010) school sport provides great possibility and contribution in proportional and harmonic development. It is very important to point out that the children in school gladly accept various forms of competition, which are in accordance with the plan and program of physical education classes, where it is essential to apply games as generally accepted method in teaching physical education. Modern program of physical education is based on the unity of teaching and afterschool activities. In conditions where the increase in the number of PE classes is uncertain, and with the younger children in schools PE is often neglected, first of all because of economic reasons, the after-school activities gain their significance. PE teachers are of key significance. They should be responsible for proper conducting of PE classes as well as directing of talented pupils to some sport.

Within the project „Revitalization of school sport in Belgrade“, Radojević and associates (2002), a wide analysis was done and suggestions of measures for advancement of school sport in Belgrade were given. All relevant information was gathered from management and school structures of Belgrade. It analyzed the actions of the Association and all the following documents, data on working conditions and the number of sports branches and participants at competitions. As a foundation for the proposition of the new program of school sport in Belgrade they insisted on functional connection between the teaching PE and school sport as well as to make the school competitions in Belgrade a part of system of „Olympic sports games of students of the Republic of Serbia“. They proposed new content in the system of school sports

competitions in Belgrade (with a special emphasis on participation of younger pupils) and the functional connection between school sports competitions system and sports system of Belgrade was looked into (branches of sport associations). They also gave suggestions for organization of system of school sports competitions in Belgrade through connection of the systems: school – municipality – city and actual calendars of competitions' realizations, conditions for dynamics of realizing projects and funding; solving the issues of staff; education systems, informing, communication and media promotion system.

Research of management in Strategy of school sport development deals with clauses and articles of Law on sport, Sport development strategy and Action plan for conducting the Sport development strategy in the Republic of Serbia from 2009 to 2013 as well as the current document School sport development strategy in Vojvodina 2013-2017, which determine the position of school sport in Serbia. At the same time organizational structures for realization of school sport (Association of school sport and Olympic education of Serbia and local sports associations that deal with forms of are considered realizing various sports programs for students and children) are considered as well as the existing way of school sport management. The relations between content of existing documents are determined, which regulate school sport and its practice, with the intention to recognize elements of management in them.

The goal of this paper is to establish to which extent in documents that regulate school sport, as well as in practice, modern management is applied, as the foundation for rational and wide organization of realization of the programs, having in mind: planning, staff, management and control.

ANALYSIS OF MANAGEMENT IN SCHOOL SPORT DEVELOPMENT STRATEGY

A comparative analysis is done of strategic and legal documents, documents on school sport and events in practice from the aspect of planning, organizing, staff, management and control.

Sport development strategy in the Republic of Serbia for the period 2009 – 2013 recognizes the development of three basic priorities. Development of sport for children and youth, development of sports infrastructure and development of top sport. Those three systems are closely connected and dependent on each other (Figure 1).

For the needs of doing the Strategy, in 2008, Ministry of youth and sport did a research on the condition of sports facilities in elementary and secondary schools in the Republic of Serbia, where they found that 599 (36.5%) schools do not have a gym, 744 (48.5%) schools have a gym smaller than 450m², and only 230 (13%) have a gym larger than 450m². We have to mention that even besides the legal regulations in the area of physical education, sport and recreation, and in area of

school sport there are still unresolved issues. The mechanisms for actual providing of conditions for realizing of school activities and school sport competitions have not been provided which implies that they have not been implemented successfully.

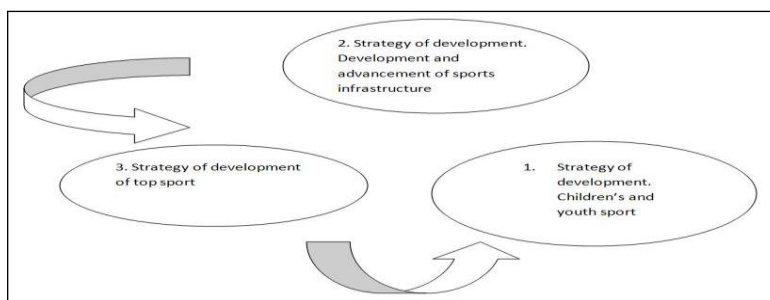


Figure 1: Sport development strategy in the Republic of Serbia from 2009. to 2013.

Source:., *Official Gazette of RS*“ 110/2008

We considered the fact that a sports facility alone does not guarantee the progress in sport, but that the essential factors are school programs that are being conducted the right way, as well as possessing educated sports staff which is necessary to conduct those programs. Of course, it would be ideal to have the objects and equipment that the developed countries have along with quality programs and appropriate professional staff. School sport development strategy of Vojvodina for the period from 2013 to 2017 and its integral part define special activities by Action plan of realization of sports development strategy. The strategy refers to development of school sport in elementary schools. Under the school sport we imply after-school, freely chosen physical and sports activities of pupils for whose offer and quality the schools are responsible. Some of the measures suggested by the Strategy refer to advancement of schools' physical education, considering that it represents the base of school sport development and that it is the key to forming an active life style of students. School sport has many characteristics of sport for everyone (students). Where the relations of sport for all pupils with top sport are interpreted by a double pyramid. Its mass character and large scope of sport give the foundation for top individuals and vice versa, top sports men set examples, role models and inspiration for the children that are getting involved in a sport. Pyramidal organization of sport system and possible variations (modified according to Vanek) is shown in Figure 2 (Jevtić et al., 2011):

- Model (a) pyramidal organization with top sports achievements (at all levels, mass, national, top sport)
- Model (b) organization of sport from national junior and senior level
- Model (v) mass sport with individual achievements at the international sports scene
- Model (g) no mass sport with individual performances and achievements at the international sports scene.

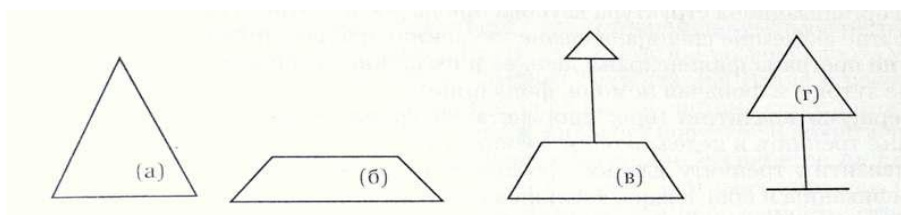


Figure 2: Pyramidal organization of sports system, Jevtić et al., 2011 *Children's sport from practice to academic field*

Development of sport in Serbia should rely on selection of talents through system of school sports competition that would enable their directing to top sport and achieving top sports results.

Successful models of school sport in the world base on clearly defined goals and strategies. It is necessary to have a network for support that includes a whole string of vertically and horizontally connected institutions and organizations of the public and private sector, with clear projects and actions together with local and wider initiative and enthusiasm. The key factor is connection between schools and a kind of partnership with parents, local community, sports clubs and associations. Based on the research of the key documents in Serbia (Law on sport, Action plan for conducting the school sport strategy in the Republic of Serbia, as well as the development strategy of school sport in Vojvodina etc.) we can conclude that there is planning of school sport in these documents.

Based on the indicators from the chart 1, that is found in Action plan of Ministry of youth and sport, in the area of sport, children and youth, we presented the goals, activities, indicators, implementers, deadlines and finance sources. We can see that the plan exists, but that the realization of planned activities did not go without mistakes, which is why we are looking for the missing link. Foundation for advancements in the area of school sport will be the adopting of new and more modern Law on sport, which, lately, is more and more talked about. Further implementation of recommendations of Council of Europe and positive experiences from similar legal systems will be accomplished by developing the bylaw acts that will complete the new Law on sport.

Table 1: Action plan of Ministry of youth and sport in the area of children and youth sport

Goal	Activities	Indicators	Implementers	Finance source	Time frame
Established modern sport system in preschool, school and institutions of higher education	Forming the work group which will deal with modernization of the system of sport in preschool, school and institutions of higher education	-formed work group which will deal with sports system modernization in preschool, school and institutions of higher education	MYS, ME, ASSOE, APPC, AHEI, UAS, SAS	MYS, ME	2009
	Analysis of condition of preschool, school and institutions of higher education	-done and published condition analysis in preschool, school and institutions of higher education	MYS, ME,	MYS, ME	2010
	Analysis of sports equipment and props, sports courts and gyms in preschool, school and institutions of higher education	-established needs of pre-school institutions, schools and Universities for sports equipment and props and space capacities.	MYS, ME, SORS	MYS, ME	2011
	Preparation of proposals for establishing a unique system of competitions in school sport at all levels	-given proposals for establishing a unique systems of competition in school sport at all levels	MYS, ME, MYS, ME, ASSOE, APPC, AHEI, UAS, SAS	This activity does not require additional financing	2011
	Preparation of proposals for advancement of physical education in schools	-given proposals for advancement of physical education classes in schools	MYS, ME, ASSOE, APPC, AHEI, UAS, SAS	This activity does not require additional financing	2011
	Preparation of proposals for advancement of sport in pre-school institutions	-given proposals for advancement of sport in pre-school institutions	MYS, ME, ASSOE, APPC, AHEI, UAS, SAS	This activity does not require additional financing	2012

Current Law on sport (2011) in the article 143. Defines the school sport in the following way: "School sport, in the sense of this law, includes organized school and after-school activities in the area of school physical education, including school sport competitions that are done as a part of school system in accordance with the teaching plan and program, determined in accordance with the law."

„The units of local self governments represent one of the most significant and inevitable resources in organizing the functioning and realization of strategic goals and principles of sport system in the Republic of Serbia, including the system of school sport” Law on sport article 142.

From all of the legal documents we can conclude that there are efforts to approach the solving of the issue of school sport, because there is problem coverage from all aspects and it seems that the realization of the existing ones has not been done completely.

Based on the considered documents we can conclude that there are signs of managerial systems and activities. However, it seems that there is insufficient coordination between different bodies in the organization of school sport. If there is the intention to conduct appropriate managerial activities, the current state has to be more defined and described in detail from the aspect of planning, educating, staff, managing and control.

ANALYSIS OF DOCUMENTS RELATING TO DEVELOPMENT OF SCHOOL SPORT

The domain of Association of school sport in Serbia is arranged with numerous statutes and rules of procedures. Association of school sport is a non-profit, non-government organization that constantly spreads the awareness of importance of children practicing sport through actual activities.

The programs of Association include: 1. School sport competitions; 2. Olympic sports games for students of the Republic of Serbia; 3. Small Olympic games; 4. Project „Sport in schools“.

The system of school competitions is organized for over 40 years, and today competitions are organized in 9 sports: handball, basketball, volleyball, small football, swimming, athletics, archery, gymnastics and table tennis.

Competitions are managed and organized by Association of school sport of Serbia as a full member of Sports Association of Serbia. Managing the competitions is done through Association's organizations in municipalities and regions. The number of participants at all levels of competition reaches a number of over 350,000 participants in one school year.

The competition system foresees 5 stages: school, municipal, inter-municipal, inter-regional and republic competition.

The goals in the School sport strategy of Vojvodina are defined in the similar way. One of the goals of school sport development strategy in Vojvodina is promoting of physical activity by setting in motion of initiative under the name „Active schools“ which implies a specific advancement of schools' functioning through more quality physical education, richer offer of after-school activities from this area, tighter connections with parents and local communities, improvement of material resources for physical education and sport in school and support to

professional development of physical education teachers. Among politics, actions and measures of realization of projected vision of education system, the necessity of organizing the entire sports life of the schools is emphasized, (besides physical education classes) which includes all students in accordance with their abilities and tendencies. One part of Strategy of development of Serbia until 2020 is providing a different time frame of a work week, according to which the students have work hours from 8 a.m. to 4p.m., where besides regular activities and studying and consulting with teachers implies obligatory sports and recreational activities.

ANALYSIS OF EVENTS IN PRACTICE THAT RELATE TO BETTER MANAGEMENT IN SCHOOL SPORT

As we already mentioned interaction with sport associations is of great significance for the development of school sport. However, the results of researches done by J.Radojević&Kebin on participation of the youngest in the system of school competitions show that there is a weak territorial scope of the youngest children as well as their concentration in small number of regions. It is sure that in expert public of physical education there are enough information on problems in realizing programs of school sport, on working with the youngest in physical education as well as the connection between education and sport. The experts pose a question of where the slips are and whether by better organizational and better management methods we can achieve better success and greater popularity of school sport.

Analysis of participation of children in sports activities shows that, besides an organized school sport system in Association authority, and they are significant for quality and mass aspect of children's sport. That is where all the schools of sport belong, which include a significant number of schools for children, but their work is unorganized and uncoordinated by the sports institutions. At this moment there are no databases on numerous various forms of organizing sports activities of the youngest children. Therefore there is no insight in space and staff conditions of performing these activities. The problem is even bigger, because the foreseen inspection monitoring, again due to financial and organizational problems, is not possible to conduct according to the Law.

OVERVIEW OF DOCUMENTS, PRACTICE AND MANAGEMENT

Based on the analyzed documents we can conclude that school sport in Serbia is a responsibility of education system and school. Sports system does that by realizing the National Strategy of sport development, Law on sport, through Association for school sport and Olympic education, sports associations and branch and territorial organizations. Schools do that through conducting of planning and organizing of physical education classes, after-school activities, organizing school sport competitions, communication with the sports clubs and associations for school sport and Olympic education, as well as through the National action plan for protection of children from violence in educational institutions. It is obvious that there is social interest for including children and youth in sports activities and school sport.

In our expert pedagogical and sport public, there is significant information on problems that follow: sports system, physical education system, and especially the work with the youngest, realizing programs in schools of sport, the connection between sports system and education system. Authors that deal with these issues are concerned by the facts that are direct consequences of inequality of solving problems of organization, management, staff and control. Large number of highly educated „sports managers“, „managers in sport“ should be included in solving problems of school sport management. However, apparently that is not up to them. It seems that we really lack an organization at higher levels of systems management.

The examples of developed countries of the way of organizing of school sport can surely be of great help. England has a long tradition in school and in volunteer and professional sport. One of the most significant sources of modern English sport is education system, which is the key of youth sport foundation, inside and outside the school system. Private and elite schools set an example to other schools in how to organize a quality physical education classes as well as the possibility for the children at the „threshold“ of their homes to participate in sport. Sport in this country is an integral part of after-school activities and are realized after classes and during weekends. In 2002 almost 42% of all students in England participated in after-school sports activities. This number is the result of actions of government in financing of sport partnership of teachers and coaches, i.e. a special connection of education and sports system that gives results, not just when it comes to popularization of sport but also the issue of educating a healthy nation.

In our conditions, partnership between PE teachers (that are a key factor) and coaches would be possible, if it would be supported by the Ministry of sport, through establishing a permanent active communication among all interested parties. Constant active communication between PE teachers and coaches in clubs would enable talent identification which would, in theory, be more fertile if the population base practising sport were larger.

Great theoretician of scientific management Taylor recognizes great wasting of potential that relates to human effort, since it is „less visible, less tangible and unclearly defined. In school sport there are numerous activities, actions and sports events in various organizations. Some of them are in organization of government and some non-government institutions. One of the activities of Ministry of youth and sport, Sports Association of Serbia and Institute of sport and sports medicine is action under the name „What sport do you practice“, with the goal of affirming sport and healthy lifestyle, which is organized as a one-day activity of promotional character. There are numerous tournaments in team sports, athletic competitions in cross and „marathon“. It is very important to mention the project „School without violence“, that is implemented by Unicef in cooperation with Ministry of education, as well as an active project „Lets create athletes“ organized by Foundation of youth sport. However there are forms of organization of working with children that belong to some other not enough defined.

And he clearly states that material resources are important but not essential in order to attain maximum efficiency of the system. „In our school sport the material resources are not in our favor, but according to Taylor we could focus on maximum selection and educating the human resources that would be able to tackle serious problems. It is always worth investing in training and education of teachers and their motivation which can only become our strongest weapon.

In the last years in the world, more and more attention is given to creation of sport development strategies, along with greater respect and application of scientific methods as well as using the strategic and managerial methods.

Unlike the empirical and intuitive management style, information management way according to Malacko (2008) gives far more objective and convincing possibilities to formulate managerial actions in the form of appropriate strategic managerial models, besides the usual thought and logical and qualitative-philosophic models.

Having in mind the numerous challenges of the global market, according to Begley&Boyd,(2003) modern managers have to do much more than „setting the long-term strategies hoping that everything will turn out ok“. It is necessary to have constant monitoring and devotion in management and control of an organization of school sport in order to constantly have an insight in adequate conducting of set goals and through systematically directed action and interaction between all mentioned systems to constantly encourage the further progress.

CONCLUSION

The research of Revitalization of school sport in Belgrade analyzed some elements of organization and management systems of school sport in Belgrade, which represents foundation for starting a new research which would be based on the elements of modern management in the strategy of school sport development. In the last decade views on management method and preparation – education of those who can manage systems well, have changed. Modern management provides total functioning of sports organizations, above all through planning, organizing, management and control, with the goal of doing business in a rational, economical and efficient way.

We considered the connection between current state of functioning of sports system and education system, i.e. the role of school in development of school sport.

We did a comparative analysis of strategic and legal documents, documents on school sport and events in practice from the aspects of planning, organizing, staffing, managing and controlling.

We concluded that there are numerous forms of an organization and work that could be included in the notions of: school sport, schools of sport. However there is no unique database. Besides the organized system of school sport within the Association for school sport, there are numerous activities, actions and sports events in different organizations, in organizations of government and non-government institutions. Many forms of organizing work with children belong to some other, insufficiently defined authorities, and they are significant for the quality and mass aspect of children's sport. This includes more and more present schools of sport, that include a significant number of school children, but their work is unorganized and uncoordinated by the sport institutions. At this moment there is no database on numerous various forms of organizing sports activities of the youngest children. Therefore, there is no insight in space and staff conditions of realizing the actions. Problem is getting bigger by the fact that the foreseen inspection monitoring is impossible to conduct in accordance with the Law, because of financial and organizational problems.

There is a significant fund of experience and written materials with suggested solutions, which have not yet been used, and which can serve as foundation for implementation of new ways of school sport management. Authors that have dealt with these issues are concerned by the facts that are a direct consequence of unequal solving of problems of organization, management, staffing and control. Based on this research we suggest quality education for expert managers in sport who would, with their knowledge, contribute to improving of the management and progress of school sport in Serbia.

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STRATEGIC APPROACH TO INTERNALLY GENERATED REVENUE (IGR) AND FUND MANAGEMENT IN STRATEGIC MANAGEMENT

*Ime Eyo*⁹

ABSTRACT

The paper is dedicated to the government financial reforms in Nigeria. The author presented overview of all financial reforms in the country since 1976. He did a critical approach to the topic and suggested strategies. In addition, the paper attempts to illuminate the path to answering questions as: what is meant by Planning, Strategy, Revenue, Internally Generated Revenue (IGR) and Fund Management? What tasks are involved in fund management? What are the implications of fund management?

Key words: *Financial Reforms, Planning, Strategy, Fund Management, Revenue, Nigeria*

JEL Classification: *G00*

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INTRODUCTION

Local governments were agents of central government before independence and in the pre and post- colonial days.

Their responsibilities in the colonial era includes:

Collection of tax, provision of social and economic infrastructures, maximization of revenue collections.

After independence, the local government seem to have lost this place of pride because they ceased to have direct contact with the Federal Government since they were regarded as part of the regional/state government and not as a separate constitutional entity.

In 1976, the military government made a radical departure by organizing financial reforms. The reform allowed local government to benefit directly from Federal allocation. This reform did not return the most lucrative revenue yielding functions allocated to local government during the colonial and partly post colonial era. These functions includes market stall levy, treatment rate, liquor licences, registration of births and deaths, agriculture etc. All these revenue yielding functions were clearly entrenched. The Federal and State Government contribution of 10% each were part of local government source of fund.

In Nigeria, the major functions of local government include:

- Imposition and collection of taxes, rates, fees of a service or regulatory nature, and provision of certain services such as roads, drainages, waterways, premature and curative health, basic agricultural and veterinary services, markets, motor parks, etc.
- Maintenance of law and order.

SOURCES OF LOCAL GOVERNMENT REVENUE

The two principal sources of Local government revenue were broadly categorized as internal and external.

External represents statutory allocation from Federal/State Govt. This is a major source and it constitutes a substantial part of the total revenue of Local Governments.

The second is internally generated revenue (IGR) from the various functions performed by the local governments.

The 1979 Presidential Constitution made statutory provisions and passing into law, by the National Assembly, Revenue Act of 1981 which provided for allocation of 10% of Federation Account and the 10% of the total revenue of the States in a particular year, to the local governments. This happened till the oil boom era, when revenue generated from oil sales and royalties made Nigeria a wealthy nation. This

accounted for the reasons why some state governments abolished certain local government taxes without introducing alternative sources to replace them.

In the early 80's this traditional sources of revenue were neglected by local governments, due to the inability of the local government to tap the resources of the internally generated revenue sufficiently. As a matter of fact only 10% statutory allocation became regular and reliable.

WHY THE FOCUS ON INTERNALLY GENERATED REVENUE (IGR)

The introduction of the allocation formula experienced a downward trend which represents the national inclination in 1980's. Before then it is on record that many local government derived more than 50% of their revenue internally.

Moreover the efforts of the federal Government to increase the Financial autonomy of local government have proved abortive. Various authorities claimed that between 80% and 90% of some local government revenue came from statutory allocations while the remaining 10% to 20% were the paltry sum made from their internally generated revenue.

It is an established fact that local governments have various avenues of generating money, yet they are always running into difficulties each time statutory allocations are delayed or threatened, this is why most often they have no option but to follow the guidelines of federal and state governments in policy formulation.

The realization of the above stated facts and the resultant negative effect which its neglect or suboptimal utilization of this opportunities have had on development at the grassroots level made experts on local government administration to put their heads together for a meaningful solution to the problem. The result of this great effort is a unanimous resolution/submission that it is an independent financial resources that could make local government stand on their own in order to ensure their local autonomy and local democracy. This autonomy and democracy will further free them from undue intervention and control by the central government. This therefore brings into focus the importance of internally Generated revenue (IGR) in local government councils and how it can be improved using strategic approach.

Having funds available either by way of statutory allocation and internally Generated Revenue (IGR) is one thing, having the skill to manage it well in order to achieve optimal result in another, hence the need to consider fund management in strategic planning in the second part of this paper.

CONCEPT OF STRATEGIC PLANNING

Strategic Planning has been described in a number of ways. Variety of approaches to the definition of strategic planning have merged from different conceptualization of the meaning of strategy. Mintzberg in one of his historic articles summarized Strategy into five “Ps” of Plan, Pattern, Ploy, Position and Perspective. Strategy as a plan implies a means of attaining making and implementing decisions. As a ploy it is a specific “Manoeuvre” intended to outwit an opponent or competitor. Strategy as pattern will mean consistency in behaviour whether intended or not. As a position refers to locating an organization in which organizational theorists called environment and as a perspective strategy looks inside the organization, that is strategy is to the organization what personality is to the individual. In common usage, Strategy is a technique of doing something.

Resulting from these various definitions of strategy, strategic planning is considered by Kramer (1987) as the formal process of determining long run objectives and how to achieve them. Perhaps a more comprehensive definition of strategic planning is the one provided by a distinguished professor at Harvard Business School, Kenneth R. Andrew. He defined strategic planning as follows: “Corporate Strategy is the pattern of decision in an organisation that determines and reveals its objectives, purpose or goals and produces the principal policies and plans for achieving these goals and defines the range of business the organization is to pursue, the kind of economic and human organisation it is, or intends to be and the nature of the economic and non-economic contributions it intends to make its shareholders, employees, customers and communities”.

Uffort (1989) in differentiating strategic planning from other planning from other planning considered the word “Strategy” in strategic planning to be an epithet emphasizing the type of planning that embodies two essential components, time span and strategic formulation. Strategic planning as a long term planning has a time horizon of at least three years. A parallel concept is operational planning which refers to short-term planning.

The second component of strategic planning is termed as strategic formulation which refers to a clever device with the potential of evolving in the long run creation of additional resources that will facilitate and hasten the attainment of long term objectives and enable the organization gain some relative advantages over current positions and competitors.

The major characteristics of strategic planning that distinguish it from other types of planning include:

- The time horizon – generally strategic planning has a long term horizon
- Impact – It has a long run impact on the organisation
- Pattern of decision – Most strategy require a pattern of decision over time in a consistent manner.
- Pervasiveness – Strategic Planning embraces a wide range of activities ranging from allocation of resources to day-to-day operations.

Irrespective of the nature of strategic planning, the process can be concurred to have the following nine interdependent steps identified by Hofer and translated into nine basic questions and statements by Stoner and Wankiel (1988).

Step I: What do we want – Goal Formulation

Step II: What are we now doing to get what we want – Identification of current objectives and strategies.

Step III: What is out there that needs doing – Environmental Analysis

Step IV: What are we able to do – Resources Analysis

Step V: What can we do that needs doing – Identification of strategies, opportunities and threats.

Step VI: Will continuing to do what we are doing take us where we want to go? Determination of the extent to which strategic change is required.

Step VII: This is what we will do to get what we want – Strategic decision making.

Step VIII: Do it: Strategy Implementation.

Step IX: Check frequently to make sure we are doing it right – Strategic control.

It is worthy to note that strategic planning is highly valued and widely applied by the most successful and best managed organisations throughout the world. Kramer (1987) attributed the popularity of strategic planning to the following benefits:

- Facilitates company growth
- Helps an organization to capitalize on opportunities and cope with threats
- Leads a company to act rather than react
- Provides early indication of financial needs
- Ensures the setting and acceptance of common goals.
- Provides a basis for measuring performance
- Trains Manager to think ahead

The barriers to successful implementation of strategic planning are similar to that of planning. However Onuoha (1970) listed some barriers common to Nigeria organisations as:

- Fear and suspicion by conservative managers that strategic management might expose their weakness.
- Intra – organisational politics in the workplace that creates difficulty in coming up with a well-reasoned and coordinated plan of action.
- Presence of improper delegation of authority to subordinates for effective management decision making.
- Lack of accurate reliable and timely information.
- Socialization of Nigerian organisations into planning patterns of the government.

REVENUE

Public administration law defines revenues of local government as toils, taxes, imprests, rates, fees, duties, fines, penalties, forfeitures, rents, dues and other receipts of government from whatever source arising over which the legislator has power of appropriation including proceeds from loans raised.

Local government revenue can be categorised into two kinds namely, recurrent revenue and capital revenue.

RECURRENT REVENUE

In line with the pattern of the Local Government the revenue of the local government may be classified under two broad categories namely, statutory allocation from state and federal government and Internally Generated Revenue (IGR).

CAPITAL REVENUE

Capital Revenue comprises receipts or finances raised for capital projects. Source of capital receipts include:

- Loans
- Funds allocated from Recurrent Revenue
- Capital Grant from state government.

The largest source of capital receipt is from allocation of recurrent revenue. Each local government is relatively free to earmark its recurrent for capital expenditure, thus creating a source of capital receipt. It must however ensure that it complies with the proportion or percentage specified by the state government for personal emolument, other charges, special expenditure and capital expenditure.

INTERNALLY GENERATED REVENUE (IGR)

Local government finance depends greatly on internally generated revenue source. The amount of revenue generated in this regard depends on the efforts of council officials. The internal revenue sources include:

- Local Taxes: This form of revenue is peculiar to local government council. In the northern part of the country where cattle are reared, taxes called Jangali are charged according to cattle heads.

- **Tenement Rate:** This is the major sources of internal revenue in all councils. These rates are charged on industrial and residential buildings in any local government area. Assessment of building and properties are carried out by professional called “Valuers” to determine the rate chargeable. Apart from the rates collected from private and residential buildings, the federal and state governments also pay local councils what is referred to as “contribution in lieu of rates”. As the name implies, these are not actual rate payable but contributions to council in respect of governments properties within the councils jurisdiction.
- **Local Licences, Fees, and Fines:** There are various items placed under these, they include fees chargeable for providing certain services for the people or fees payable for recognition by government for carrying on lawful trades of importance. Under this heading are Radio and television license, fees, trade permit, license, food and regulated premises fees and liquor license fees.
- **Earnings from Commercial Undertakings:** under this can be fund collections realised from markets, motor parks, shopping centres, etc.
- **Rent on Local government Properties:** These are fees charged on council halls and rent derivable from staff quarters.
- **Income from investment:** Interest payment are basically derived from fixed deposits lodged with banks. Dividends if received would be in respect of investment in organisations but this is not common.
- **Miscellaneous:**As the name implies, it consists of various items. The list of revenue items here are not uniform for all councils. Some examples are environmental and other fines, hires of motor hearse, hire of chairs, tables and canopies.

The Federal Government recently passed Decree 21 which was signed into law by the Head of State in Sept. 1998 and cited as Taxes and Levies (Approved List for Citation Collection) Decree 1998. It among other things specified the responsibility for collecting certain taxes and levies etc, assessment and collection of taxes and offence. A major enactment is the specification of taxes and levies to be collected by each of the three tiers of government namely – Federal , State and Local Government.

The Decree also provides the following for offences against the collection of specified taxes and levies by any of the tiers of government:

- Collects or levies any tax or levy or
- Mounts a road block or causes a road block to be mounted for the purpose of collecting any tax or levy.

In contravention of section 2 of this Decree, is guilty of an offence and liable on conviction to a fine of N50, 000 or imprisonment for 3 years on to both such fine and imprisonment.”

The effect of this Decree is the confinement of the Local Government internal revenue generation drive to the following as specified in PART III Section I of the Decree.

- Shops and kiosks rates
- Tenement rates
- On and off liquor license fees
- Slaughter slab fees
- Marriage, birth and death registration fees
- Naming of street registration fees excluding any street in the state capital
- Right of occupancy fees on lands in rural areas excluding those collectable by the Federal and State Governments.
- Market taxes and levies excluding any market where state finance is involved
- Motor park levies
- Domestic animal license fees
- Bicycle truck, canoe, wheelbarrow and cart fees other than mechanically powered truck.
- Cattle tax payable by cattle farmers only.
- Merriment and Road closure levy
- Radio and Television License fees (other than radio and television transmitters)
- Vehicle radio license fee (to be imposed by local government of the place of which the car is registered)
- Wrong packing charges
- Customary burial ground permit fees
- Religious places establishment permit fees
- Signboard and Advertisement permit fees.

FUND MANAGEMENT

The finance function in any organisations was until very recently viewed simply as the task of providing the funds needed by the organisation on the terms most favourable in the light of the objectives of the organization. This traditional concept of finance had the merit of highlighting a central core of the finance function – the treasury function – in which is simply keeping the organization supplied with enough funds to accomplish the objective.

However the increasing complexity, size, technology inflation, recession, government controls and uncertainty of modern business, have rendered this traditional concept of finance unsuitable and called for a broader definition. Thus the finance function is now seen as the provision of the needed funds from the most suitable and appropriate sources in the required amount, at the right time and at a

cost that will make their employment beneficial. This broadly speaking is what fund management is all about.

As currently used, the finance function can be divided into:

- Determination of the amount of funds to employ in the organisation
- Efficient allocation of the funds into various activities and
- Raising the best mix of financing in relation to the overall valuation of the organisation.

For the purpose of this paper it is pertinent at this junction to briefly examine the finance function at the local government level in Nigeria under the above headings to see the direction in which the government financial decision makers are moving.

DETERMINATION OF THE AMOUNT OF FUND TO EMPLOY IN THE LOCAL GOVERNMENT

Besides the preservation of law and order, the main reason for the existence of local governments is that of providing efficient social services to the local communities as economically as possible out of the revenue which they collect from these communities. Many people will agree that government programmes designed to enhance the social and economic development of individual families and groups in a local community to attain a more meaningful and satisfying way of life require funds for their financing. Since the supply of funds to the local government in the form of taxes, fees, grants and other miscellaneous earning is of great shortfall compared with the demands on the funds by the various security, economic development and social services projects, the need for fund management is central to the effective performance of the basic functions of a local government.

Obviously one cannot talk about the type and variety of the development projects and social services provided by a local; government without relating it to the availability of funds which in turn depend among other things on financial planning.

Nevertheless, financial planning is one of the most neglected and least understood tools of management in the local government throughout Nigeria today. At the policy making levels of many of the local governments, technical expertise on financial matters is lacking. Consequently, local government administrators all over the country seem to find very little use for financial planning as all their attention is concentrated on the day-to-day problems, little realising that the root cause of those problems, is lack of adequate planning.

EFFICIENT ALLOCATION OF FUNDS

The allocation of funds into the various activities of the local government is done through the annual budget. A lot of confusion had arisen on the exact meaning of a budget because of the many and often conflicting ways in which government budgeting has been defined by different authors.

For example, V. O. Key defined budgeting as “applied economics that deals with policies of economic allocations”. Musgrave regarded it as a “fiscal plan that would allocate resources, distribute income and wealth and aim at economic stabilization.” But according to the United Nations Manual for Programme and Performance Budgeting, “budgeting is an operational activity that must be contrasted to a plan which is a blue print for action”. By this definition, economic policy questions are not expected to be dealt with by budgeting as the process of converting the goals, programmes and projects into money terms. Frequently, the term is also applied to cover a message which the executive deliver to the legislative on the budget day.

These conflicting definitions have led to conflicting theories and have made it difficult for administrators to understand fully what budgeting actually means. Therefore, it is of paramount importance that a specific budgeting theory be adopted by any organization interested in budgeting with the definition and description of its nature and functions, particularly the relationship between ‘plans’ and ‘budget’ and the components of each clearly stated from the onset.

This paper supports the definitions of United Nations expert quoted above as the most appropriate definition for local government to adopt.

Thus a local government budget can be defined as a financial plan of operations (showing the estimates of proposed income and expenditure of the local government) for a future period usually one year.

One of the most important principles in the allocation of resources into the various activities relates to the structural balance between capital and recurrent expenditure. Capital expenditure refers to any expenditure incurred on some object of lasting value, usually with a life exceeding one year, even though that value may diminish in the course of time.

Recurrent expenditure usually refers to a revenue expenditure which does not provide a permanent asset. For example, expenditure on the general maintenance of a school, such as the payment of teachers salaries, cleaning and lighting of the school or the cost incurred on the maintenance of a market.

RAISING THE BEST MIX OF FINANCING

As stated in the introduction to this section of the paper, the treasury function raising the right amount of fund at the right time for the right length of time at the best source – is the oldest and one of the most important areas of the finance function. The acceptance of this definition will automatically lead to the realization of the fact that finance is a resource which can be obtained from different sources with different conditionalities and costs. In this section we shall look at these as it relates to the local governments in Nigeria.

The best source of funds for the Local Governments – in fact to any government is revenue derived from taxation. The 1979 Constitution identified two sources of local government revenue – internal and external. Internal revenue refer to those revenues which the local government can raise independent of the senior orders (federal and State) of government. If the local government in Nigeria are to effectively tackle and administer their problems, then they must be able to generate a satisfactory proportion of their revenues from internal sources. Otherwise, their ability to develop will be very severely curtailed. And in order that this may be avoided/prevented, we shall consider in great detail in the next section of this paper our theme for the day “Strategic Approach to Internally Generated Revenue and Fund Management in Strategic Planning”.

STRATEGIC APPROACH TO INTERNALLY GENERATED REVENUE IN STRATEGIC PLANNING

We have seen that Strategic Planning is futuristic, it has a long term horizon, it has a long run impact on the organisation, it requires a pattern of decision over time in a consistent manner and embraces a wide range of activities ranging from allocation of resources to day-to-day operations. We have also been informed that strategy has been summarized by Mitzberg into five “Ps” of Plan, Ploy, Pattern, Position and Perspective and that as a plan it implies a means of attaining, making and implementing decisions i.e. a technique of doing something. Internally Generated Revenue (IGR) we can conveniently agree refers to those revenues which the local government can raise independent of the senior orders (Federal and State) of government. Our discussions so far have also shown that if the local government in Nigeria are effectively tackle and administer their problems, they must be able to generate a satisfactory proportion of their revenues from internal sources. To be able to accomplish this, we need an approach and not only just an approach but strategic approaches which will uplift the local government as far as the issue of IGR is concerned and set them free from the bondage of financial slavery which has hitherto hindered their ability to develop optimally at the grassroot levels.

However, one must add here that these strategic approaches are not omniscient or all-purpose as they will vary in application from one local government to another depending on the circumstance and the resources available at the disposal of each council. But the good news is that if they are properly applied they will go a long way in ameliorating the problems of improved internal revenue generation in local governments in Nigeria.

STRATEGIES FOR IMPROVED REVENUE GENERATION IN LOCAL GOVERNMENT

- The strategy should be the setting up of institutional machinery to survey and study the operating environment of the local council, focussing on such issues as the people, their culture, attitudes and behaviours (social, political and economic) resources available and the geographical spread. This could be done through staff development and training. Well-trained and virile administrative staff could help a long way in carrying out this study and in monitoring the revenue base of local government.
- Staff Motivation: Staff should be sufficiently motivated to identify potential area of revenue generation some of which are not new but definitely under-explored. Efforts should be made by the local government service commission to motivate its staff through up-to-date means of appraising efficiency. Instead of the group promotion method as being practised in some states, promotion should be justified based especially on how an officer has contributed to the financially well being of the council. For example, an officer who has identified a viable source of revenue or collected substantial revenue for the council in a year could be given a certain percentage as incentive or commission.
- Another strategy is the organisation of Seminar/brain Storming sessions for Revenue Collection Staff of Local Government Councils. Each local government council should try at least twice in a year to organise seminar/training sessions for employees in the Revenue Collection Section of the council. Such seminar would be such that will sharpen their skill and improve their revenue collection ability. Brain-storming sessions should also be organised among the core staff of this department whereby suggestions will be welcomed and solicited for among field men on how to improve the revenue generation effort. This session problems encountered on the field will be reviewed and solutions proffered to them. Field staff who made useful and viable suggestions should be commended and recognised. Efforts should be made to recognize “Revenue Collection of the Month” for the council with a token fee and certificate of excellence performance awarded to the winner every month.
- Support by the Local Government Authority for newly identified source of revenue. Where a revenue collection staff ort any employee of the local

government for that matter discovers or identified viable source of revenue generation, the local government would have to mount very serious campaign for the popularisation of the newly identified potential revenue sources. It must also be prepared to give the necessary backing – legal logistics and moral to the revenue generation effort.

- Restructuring of some of the Taxes. Most of the local governments can increase their revenue by restricting some of their taxes. Recent investigation reveals that some of the tax structure in most local government councils have been in existence for many years and have therefore been obsolete. Unless these structures are reviewed and modified, frequently, they are bound to become obsolete as economic, social and political events continuously change. Warner Kroth succinctly pointed out that “every tax system is the expression of the economic, social and political circumstances of a country at a given time. It is partly imposed by the circumstances, but partly, formed according to political discretion or necessity. It is never final and always under open or hidden modification”.
- One strategy that is not practised by local government councils in Nigeria for Internal Revenue Generation is Inter-Local Governments financial relationship. The revenues of the Nigerian Local Governments can also be increased/improved by improving the inter-local governments financial relationship between the senior level governments and the local governments, the present fiscal relationship among the local government themselves is quite insignificant. The need for and the wisdom of encouraging local governments in a region to group themselves or consolidate and coordinate their efforts, services and revenue for purposes commonly beneficial to them is the therefore highly essential in order to improve developmental efforts at the grassroot level.

Lastly, local government commission should endeavour to attract competent and well-trained professionals. The success of the finance function in the Nigerian Local Governments in the near future will, therefore depend largely on the availability of competent personnel who can reorient the revenue structure of the local governments to enable them cope with area-wide problems, keeping in mind the criteria of a sound system of local government revenue, namely revenue adequacy, equity among taxpayers, administrative feasibility and neutrality in the allocation of resources.

STRATEGIES FOR FUND MANAGEMENT IN LOCAL GOVERNMENTS

1. First and foremost, local governments should do financial planning.

Though a financial plan may not meet all the needs of a local government, it will go a long way to ameliorate budget monitoring and control. In addition, it will also:

- Enable the local government a well rounded programme of public needs and dependable order of urgency of each project.
- Require the local government officials to review all the methods of financing, including self-supporting projects, special assessments, federal and state grants, loans and local tax revenues and to relate the amount available from these sources to the need of the local governments and its ability to finance various project.
- Provide a greater assurance that the projects will be undertaken in order of need, that overlapping projects will be avoided and that to a large extent costly mistakes will be avoided.
- Enable the local government with regard to availability of materials and labour to work with other local government units in coordinating capital projects.
- Enable local government to coordinate all projects with each other and arrange them in order or priority based on the growth and development requirements of the local government.
- Reveal future demands upon current revenues and borrowing so that steps can be taken in advance to secure enabling legislative where necessary.
- Make it possible to develop financial control techniques such as cash and fund flow analysis, working capital and ratio analysis, project appraisal and cost benefit analysis, to ensure compliance with financial plans and goals.
- Assist the local government financial decision makers in achieving economy, efficiency, and effectiveness in their crucial task of making allocation decisions regarding funds, manpower, plants and other available resources.

2. The local government commission should attract and engage the service of financial experts i.e. qualified accountants who will be able to establish, implement, and coordinate the financial plans of the local government councils.

3. External and internal audits should be strengthened to block all loopholes in the day-to-day financial transaction of local government. This could be done through the submission of regular performance reports to the council through the submission of regular performance reports to the council through the Finance and General Purpose Committee(FGPC).

This means that within seven days of the end of each month, the summaries of revenue and of expenditure should be ready. This will allow the FGPC to be up to date, regularly, on the trends of collection of revenue and expenditure on each service. Any problem of dwindling revenue or over-spending would then be easy to attack before it goes out of hand. The FGPC should do this normally in any local government. If this committee lives up to this function there will be an improved monitoring and control mechanism in our local governments.

4. Another strategy is to eliminate the practice of carrying projects in the budgets for several years without completion, funds required for any project should be available before embarking on such projects.

5. Reappraising Priorities Constantly: local government should do constant reappraisal of their priorities as dictated by changes in values, needs, and even inflation. Budgets are mere estimates of each departments like Health, Works, education, etc. Of the Local Government. Each department should constantly reappraise it priorities to pick viable projects.

6. One other strategy is to make sure that all projects at all levels of government are entrenched in the country's development plan and as such not subject to alteration or headship of the Supervisory agency. Discontinuity in projects leads to waste. And this cannot be continued in the present economic dispensation.

7. Overblown bureaucracy should be discouraged: A practice where recruitment is based on "trickle down Theory" should be discouraged; local governments should ensure that only the necessary staffs are recruited. It is even suggested that low priority be placed on the employment of additional staff who are not engaged in essential services until later in the year when the local government financial position justifies it.

8. The use of Direct Labour to Execute Small Works: Local Governments should try as much as possible to desist from awarding contract for such jobs as culverts, digging of wells, etc. Direct Labour should be used for such jobs even if it means paying the staff of the local government who execute the job out of station allowance.

9. Use of Corers for Cheap Labour: Finally Local Government can also take up the services of NYSC members, especially the professional ones among them to provide auditing and monitoring services at cheap rates. Since the NYSC will be responsible for their allowances, they can be used to audit the cost projects, execute projects and supervise them at lower costs. And because they are new to the system, they will be immured to the "Egunje" culture that permits the Local Government project management system.

CONCLUSION

To enhance better understanding and deeper appreciation of this topic we discussed certain concepts. In line with this, the focus of finance has shifted from the treasury function to the concept of managerial finance which is concerned not only with the acquisition but also with the application, conservation, timing, volume, and composition of funds in order to ensure an effective utilization of fund. We can conclude that since the supply of funds to the local government in the form of taxes, fees, grants and other miscellaneous earning is of great shortfall compared with the demands on the funds by the various security, economic development and social services projects. In this context, the need for fund management is central to the effective performance of the basic functions of a local government.

Our review of the financial function at the local government level in Nigeria at the final management section of this paper reveals that:

- The supply of funds to the local government in the form of taxes, fees, grants and other miscellaneous earnings is much less than the demands on the funds by the various economic development and social services.
- The need for fund management is central to the effective performance of the basic functions of a local government.
- Financial planning is one of the most neglected and least understood tools of management in the local government throughout in Nigeria.
- At the policy making levels of many of the local governments, technical expertise on financial matters is lacking.

To overcome this apparent inadequacy/deficiency therefore requires a dynamic and pragmatic approach which is nothing short of strategic approach to fund management, hence the following strategies are put forward for implementation as a remedy for the problems of fund management in local government.

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INNOVATION MANAGEMENT AS A FACTOR OF COMPETITIVENESS-WALMART STORES INC. - CASE STUDY

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ABSTRACT

This paper analyzes how the retailer Walmart Stores Inc. gained a competitive advantage by applying the strategy of low prices and applying innovation in business which is itself secure for customer loyalty. The analysis was conducted based on the concept of competitive advantage, strategic positioning, and five basic forces that affect the competitiveness of the industry according to Porter. It was concluded that Walmart will be able to maintain its edge in the market only if, beside the current strategy, company invest in employees. That will bring to Walmart competence for continuous innovation.

Key words: *Innovation, Strategy of Low Prices, Competition, Walmart Stores Inc.*

JEL Classification: *D41, 031*

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INTRODUCTION

Numerous changes in the local and international environment of a company impact on creating new trends and new thinking in business, and the company's success depends on its ability to respond to these changes and keep pace with innovation. Long-term positive performance in the market, causes the company to continuously maintain current or improve the quality of their products, be flexible and quickly adapt and respond to changes in the internal and external environment, but also to invest in research and development, and has significant sources of information and knowledge. The main competitive advantages of companies today are teams of people working for the company, and all the innovations that set it apart from the competition and make it to be different and closer to the end users. Characteristics of modern management can be seen through multidisciplinary and its presence in all types of organizations, increased dynamic in work environment, more widespread entrepreneurship and the use of modern technology in business (Lukić, 2009).

In this paper authors analyzed, on the example of Walmart Stores Inc. how the selected strategy (low cost) is effectively applied in practice, but combined with other strategies, and through which innovation in business is that competition maintained and increased. The analysis was conducted based on the concept of competitive advantage, strategic positioning, and five basic forces that affect the competitiveness of the industry, which was introduced by Michael Porter. According to Porter, "competitiveness is the core of the success or failure of any company" (Porter, 2004, pp. 1), and "strategic positioning is an attempt to establish a sustainable competitive advantage by saving what is specific to one company, and what sets it apart from the other" (Porter, 1996, pp. 60). On the Walmart example, authors will try to prove that "even where the size of the company and its market share are associated with superior performance, they are often the result of some other competitive advantages, not its cause" (Porter, 2004, pp. xvii).

In 2013., Walmart has achieved turnover of 476 billion dollars, which is more than the gross domestic product of Austria. That same year, Walmart has reached the size that is three times bigger than the size of the next retail chain and had more than 10 times higher revenue than Microsoft. This company is based in Bentonville (Arkansas) and in its business strategy is using the strategy of low prices. Also, thanks to numerous innovations, Walmart achieved a significant competitive advantage.

INNOVATION MANAGEMENT - A THEORETICAL FRAMEWORK

Innovations in production and service are key competitive advantages of a company, (Loewe, Dominiquini, 2006), but are also crucial for the maintenance and prosperity of businesses (Mellor and Hyland, 2005). In the OECD document *Oslo Manual* (1997, pp. 31) innovation is defined as “implemented technologically new products and processes and significant technological improvement in product and process”. From this definition, it follows that innovation is the successful implementation of ideas and knowledge that result in new products or services (product innovation) and/or the new mode of production (process innovation), all with the aim to be useful in commercial means. Also, in the OECD’s “Oslo guidelines” (2005) are identified the four types of innovation:

- Product innovation which involves goods or services that are new or significantly improved with respect to their characteristics and use;
- Innovation process which involves the use of new or significantly improved methods of manufacturing or delivery of products;
- Marketing innovations that are related to the introduction of new marketing methods, including significant changes in product design or packaging, product placement, promotion or education cost, and,
- Innovation in the organization relating to the implementation of the new organizational method in the business practices of the company, business organization and external relations.

The global economic crisis has affected the companies in terms of the need to change their behavior in the market, providing innovation and knowledge, all in order to maintain competitive ability. The survival in these changes require from the companies to improve their productivity and competitiveness, so the measures that have been undertaken are related to cost reduction, establishing strategic partnerships, and the issue of price competitiveness. Companies that improve or introduce new products using modern technology and innovation will not only survive in the market, but will achieve significant progress.

The United States and Europe, the two most developed markets, are promoting innovation as a way to return to sustainable growth, but looking at it as a long-term process (Fora, Phelps, 2010). As a way out of the current economic crisis, Porter and Rivkin (Porter, Rivkin, 2012) seen in increasing innovation and creating new competitive advantages based on these grounds.

Creating added value in business is achieved by improving the productivity and innovation, and for some innovation to be successful, it must be accepted by a selected segment of consumers. From the ability of the company to trigger innovation and learning, it will depend its survival and further growth and development, and this is especially right for companies that operate in the international market.

COMPETITIVE ADVANTAGE AND COMPETITIVE STRATEGY

“Competitive advantage arises basically from the value that the company is able to offer to its customers” (Porter, 2004, pp. xxii). Competitiveness has become one of the most interesting and important topics when talking about business. Any company that operates in an industry has a competitive strategy. However, “no company can say that it has learned enough about its industry, competition and the ways in which it could improve its competitive position” (Porter, 2004, pp. xiv). Developing a competitive strategy is actually a complex recipe that tells how the business should be developed, what aims should have and what needs to be done to achieve these objectives. Of fundamental importance in this process is to connect the company with its environment, and this can be achieved by studying the five major power industry forces.

Threats that these forces impose are reflected in the following (Dess et al., 2007):

1. Rivalry among existing competitors - if competitors are present in the market as strong or aggressive or if the fixed costs are high and exit barriers are also high, such a market can lead to price wars, advertising billing and the introduction of new products. That market will be expensive and unattractive for competing.

2. Threat of new entrants - the attractiveness of the segment varies according to the amount of its entry and exit barriers. The most attractive segment is one in which entry barriers are high and exit barriers are low. A small number of new companies can enter the industry, and companies with poor results can easily get out. When both the input and output barriers are high, the profit potential is too high, but companies are faced with a greater risk, as firms with weaker results remain and continue to compete. When both the input and output barriers are low, the company can easily enter and exit an industry, and yields are stable and low. The worst case is when entry barriers are low and output high - companies can easily get into the good periods, but there are the difficulties during bad periods if they want to go out. The results of this are chronic unused capacity and reduce salaries of all participants.

3. Threat of substitute products or service - segment is not attractive if there are actual or potential substitute products. Substitutes impose restrictions on prices and profits. The company must closely follow the price trend. If it comes to technological advances or competition increases in these sectors, prices and profits in the segment is likely to decline.

4. Bargaining Power of Buyers - the segment is not attractive if the buyers possess strong or growing bargaining power. The bargaining power of buyers increase when they become more concentrated or organized, when the product is a significant part of the cost of customers, when the product is undifferentiated, when the costs of switching to another product are low, when customers are price sensitive because of low profits, or when customers can be integrated in the direction upwards. To protect themselves, sellers have to choose the customers who have the least power to negotiate or change suppliers.

5. Bargaining Power of Suppliers - segment is not attractive if the suppliers of the company are in a position to increase prices or reduce the amount of the supplied goods. Suppliers may have the power when they are concentrated or organized, when there are few substitutes, when the required product is a sought input, when the costs of switching to other suppliers are high and when suppliers can be integrated in a downward direction. The best defense is to build mutually beneficial relationships with suppliers or use multiple supply sources.

The structure of an industry, embodied in five competitive forces (in economic literature they are called "Porter's forces") allows the company to look at how the industry creates value, but also how is shared among existing and potential participants. These five forces show that the "competitiveness is something more than a simple rivalry among competitors" (Porter, 2004, pp. xv). These five forces determine industry profitability because they influence the prices, costs and required investments of firms in the industry, so on all elements of the factors of return on investment.

The main objective of competitive strategy is that a company within its industry find positions where they can best defend the above forces or can influence them and use them to achieve their goals, which is possible by defining and implementing the right strategy. At the broadest level, it is possible to define two basic types of competitive advantages: low cost and differentiation, and the three basic competitive strategies (which can be used either individually or in combination) to create a strategic position in the long term (Porter, 2004, pp. 35):

- price advantage
- differentiation and
- focus.

WALMART - A RETAIL CHAIN WITH UNRIVALED COMPETITIVE ADVANTAGE

Walmart Stores Inc. is the world's largest retailer and one of America's largest corporations measured by turnover (Table 1). It was opened in 1962., in Rogers (Arkansas). Although the success of Walmart is attributed to large productivity that the company has achieved over the past decade, it seems that the greatest contribution is achieved with the key competitive strategy, which is reflected in low prices, especially for food and clothing.

Available research (Hausman, Leibtag, 2007; Basker, Noel 2009) has shown that the Walmart objects are selling many products that are identical to products in other retail stores, but at a much lower price that brings significant benefits to end users. Price is one of the most important elements of the marketing mix, and one of the most important factors for managing the marketing, while on the other side (in terms of economic policy) is instrument for primary distribution that harmonize the different interests of producers, traders and consumers in social reproduction (Pejanović, 2013).

Table 1: The main financial indicators for Walmart Stores Inc. (2012 – 2014)

(in 000 USD)	31st January 2014.	31st January 2013.	31st January 2012.
Total revenue	476,294,000	468,651,000	446,509,000
Gross profit	118,225,000	116,354,000	111,516,000
Profit from operations	26,872,000	27,725,000	26,491,000
Net profit	16,022,000	16,999,000	15,699,000
The total value of assets	204,751,000	203,105,000	193,406,000

Source: <http://finace.yahoo.com>

The reversal in the 60-ies of XX century that Sam Walton entered in the retail concept, has actually “broke all previous patterns of success in this respectable industry” (Mayo, Noria, 2006, pp. 288). If a company determines that its strategy is based on lower costs and prices, it must not neglect the importance of differentiation and it must exist in some extent. A strategy that Walmart uses in its business is based on the following:

- Product prices are lower than at any other competitor, and almost no other vendor can not compete, regardless of its size;
- Savings characterizes all levels of operations (for example, directors who travel on business trip, share a hotel room);
- Acquisition in very large quantities is one of the primary ways to achieve low prices.

ANALYSIS OF WALMART STRATEGY IN RELATION TO PORTER'S FIVE FORCES

Porter's first force – Bargaining Power of Buyers - Manner of establishment and strength of connections with end users, and customer retention determines the success of a company. The end customer has become a business partner and of strategic importance for the competitiveness of enterprises. Traditional sales organization is faced today with a number of pressures (increased competition, increased cost of sales), and the current market changes reduce the space for a traditional sales approach (Capon, 2001, pp. 9-10; Senić, 1999, pp. 9). Proper segmentation allows companies to better meet the needs of its customers and thus create added value for themselves and for the customer, and creates loyal customers whose power can bring the company a competitive advantage in the market in which it operates.

Walmart is not trying to sell their products to anyone ("everything for everyone"), but the growth is focused in a particular direction, addressing precisely to selected customer segments (rural areas, customers with low spending power). In addition, continuous monitoring of changes in the market, such as demographic factors (age group, gender, level of education, income...) and a quantity of allows this retail chain to better and more completely meet the needs of customers and adapt to them.

Prominently low prices are displayed over the outlets to prevent a misunderstanding between the home and the customer since it is known that "the customers will never pay for the value they do not see and do not understand, no matter how the value is the real" (Porter, 2004, pp. 139). Customer service and creating a personalized feeling when shopping, Walmart is achieved through a specific group of employees, so-called "Greeters". Those are the people at the entrance to the store who greet the customers. Today, this gesture of opposition to the depersonalization of purchase is copied across America, especially in stores, Abercrombie, Fitch, Old Navy, Home Depot and Bloomingdale's.

Walmart realized that "technological changes are one of the basic requirements of competitiveness and technological change that can affect on competition through all of the activities" (Porter, 2004, pp. 164). Walmart has used technology to achieve productivity that will outperform the competition. This retailer has its own internal television station (Premier Retail Networks), in which advertising time is sold to companies that in these stores sell their products (Unilever, Procter & Gamble and others). According to estimates, the average shopper at Walmart looks about five minute advertisement on television programs during a single visit. This type of advertising is very effective in attracting undecided customers, since "three-quarters of decisions are related to the purchase made on the spot" (Stokan, 2005, pp. 39). In addition to television, Walmart is the owner of the largest radio networks in the world, consisting of four radio stations (they have special programs like "Midnight Cafe" for workers in night shifts).

Using the latest technology and the most powerful strategy for the retail chain, Walmart provides customers with a unique experience when they purchase through the site. Site walmart.com visits 45 million people per month, and mobile application are available on the website, such as Home Free, Sile to Store, Pick Up Today that allows customers fast, simple and free delivery.

The advantage of the latest technologies Walmart uses successfully for monitoring what is being sold through massive digital infrastructure (Stokan, 2005, pp. 40). Using cutting-edge technology enables smooth and continuous supply of customers with the needed products and method of application of this technology is reflected in the following:

- Each item before placing bar-code and putting into storage is scanned so that the system can verify what a particular store ordered it;
- Data about each individual sale of the company are transmitted by satellites to computer data processing center in Bentonville;

- Suppliers send new goods in some of the regional distribution centers, each of which serves between 80 and 120 individual retail locations;
- Goods arriving at one end of the distribution center are already at the other end, thanks to the automatic procedure which divided individual orders in the stores. Walmart has thus introduced a significant innovation, clustering their stores around the regional warehouses, which allowed “cheap physical distribution compared with independent discount stores” (Porter, 1994, pp. 246);
- Trucks with goods are traveling several times a day to shop and the goods are immediately unloaded and placed on the shelves, which requires very little storage space in stores;
- Employees have complete information about each product in the store using handheld devices that read codes on the packaging.

Its business policy that is focused on the customers and their needs brought to the customer a positive user experience. Respecting the lifecycle of customers, Walmart has shown that creating a strong and profitable relationships with customers, can provide the economic success of the company.

Porter's second force: Bargaining Power of Suppliers- “Suppliers can realize their bargaining power within the industry by the threats associated with increasing the price or reduction in the quality of products. Powerful suppliers reduce margins in which they operate in the industry, and thus the profit” (Porter, 2004, pp. 27). At Walmart, the process of acquiring goods excludes negotiation with suppliers from whom are required only the lowest price, and Walmart does not impose the complex requirements of suppliers, such as charging a special fee for placing goods at a better place in stores, to cover the cost of the damaged goods and the others. The close relationship of supplier and customer can be achieved by purchasing advertising time on the internal television, organizing special events at stores and educating employees about the goods they produce.

The company's competitive advantage is no longer based only on her abilities, but the relationships and bonds that the company establishes with external organizations (including suppliers). Creating these links requires examination of the possibilities of suppliers in terms of its role and effectiveness of the purchase (Lewis, 1995; Gadde, Hakansson, 1994). Procurement of goods at Walmart is one of the most important aspects of the management of the company, and a partnership with suppliers brought many benefits for both sides, so the suppliers compete with each other to supply Walmart and thus be its strategic partner.

Porter's third force: Threat of Substitute Products or Services - The company differentiates itself from the competitors if it can be unique in what has value to the customer that exceeds the low value (Porter, 2008). Due to the differentiation of the company, it will be able to dictate the premium price, to sell more products, or to gain other benefits such as customer loyalty. If there is no value for the customer, uniqueness can not lead to differentiation.

Walmart has achieved great success with four different divisions:

1. Walmart discount stores - until 2005., there were more than 1,300 discount stores in the United States and only 256 in Canada. Since April of 2014., there are 499 Walmart discount stores in America. Discount stores have an average area of 9,500 m², employs 225 workers and offer about 62,500 different items (furniture, electronics, tools, toys, jewelry, dishes...);

2. Walmart Supercenters have an average area of 18.300m², employing around 400 people and offer of over 116,000 items. In America, there are more than 3,000 supercenters, and they are open 24 hours. Except standard goods, they offer bread, pastries and other bakery products (cakes and cookies), frozen food, meat, dairy products, and fresh fruits and vegetables. Special attractions of the supercenters are specialty stores such as photographic studios, hair salons, banks, employment agencies and others. Combining food and other consumer goods proved to be a good move because “food is the generator of traffic and increase the frequency of customer visits, and therefore increases the overall sales and profit” (Yofiee, Wang, 2002, pp. 2);

3. Walmart “neighborhood stores”, as a retail concept, are opened in 1998., and are responding to the needs of consumers that occur between two a week (two-week or monthly) going to Supercenter. Since April of 2014., Walmart has more than 350 such stores across the United States. Offer in these stores includes fresh products (fruits, vegetables,...), fresh meat, dairy products, cosmetics and health and beauty care products, pet products, bookstores, etc.;

4. Sam's Club is such a concept of warehouse in which only members can enter, and which sells groceries and consumer goods. In these stores, consumers can buy televisions, computer hardware and software, furniture, grills and fireplaces, and even diamonds. In June 2013. there were more than 620 Sam's Clubs with 47 million members in America (Table 2).

Table 2: Number of Walmart stores in U.S. on April 30, 2014

Type of stores	Number of stores
Discounts	499
Supercenters	3.313
“Neighborhood store”	359
Sam's Club	635

Source: <http://corporate.walmart.com>

“A company can avoid entering into a phase of maturity if it starts to spread beyond the borders of its country. Sometimes the equipment that is obsolete in the domestic market can be effectively used internationally, which significantly reduces the cost of entry to the market or the international market could be better in the sense that there is a weaker bargaining position of buyers, there is less competition” (Porter, 2004, pp. 246). Along with providing a growing share of the domestic market, Walmart has been aggressively expanding its international

operations (in Mexico, Walmart is the largest private employer today). Outside the North America, Walmart exists in 26 countries (Table 3), and since the 2014., there are more than 6,300 stores in which works over 800,000 workers.

Table 3: Number of Walmart outlets by country on January 31st 2014

USA	Argentina	Brazil	Canada	Costa Rica	El Salvador	Guatemala
4.868	105	556	390	215	83	212
Honduras	Japan	Mexico	Nicaragua	Ghana	England	China
76	437	2.207	82	379	577	400

Source: <http://corporate.walmart.com/our-story/locations>

When conquering new foreign markets, the company has to bear in mind that there may be significant differences between the competitiveness of the domestic and international markets, and these differences are related to (Porter, 2004, pp. 276):

- Prices of production factors vary from country to country;
- Foreign markets operate under different circumstances;
- The governments of other countries have a different roles, and
- There are differences in the objectives, resources and opportunities that could be used in accompanying foreign competitors.

Adapting to existing market of a foreign country in which the company wishes to do business is on the basis of Walmart, so shops in China offers local delicacies (the birds on the grill, frogs, all kinds of snakes) (Lang, 2003), while in Germany, in order to avoid conflict with the law and the German government, Walmart had to increase the price of the product. On the other hand, Walmart has made a proactive role in communicating with the government, which resulted with the impact on the German labor laws and working hours of shops. One of the key decisions of Walmart when entering on a foreign market is to employ local managers who travel to the United States for training in order to better understand the corporate culture.

Among the strategies that Walmart uses to achieve a sustainable competitive advantage in a new market, and can be copied are those relating to the use of information technology, management skills, developing the concept of human resource management, concept of acquisition, administration and mentality of buying cheap products. On the other hand, the strategies that are difficult or almost impossible to transfer to foreign countries include logistics, location (rural versus urban) and the cost of construction in some locations.

The fourth and fifth Porter's forces: competition (Threat of New Entrants and Rivalry Among Existing Competitors) - "The competitive strategy is based on the idea of being different from others and that means consciously and deliberately choose a different set of activities to offer customers a unique combination of

value" (Porter, 1996, pp. 64). Activities that belong to the value chain of a company are the basis of competitive advantage. Competitors can copy management techniques, new technological developments, new product or a specific way of managing relationships with customers, but it is very difficult to copy the connection between all these individual activities and the unique way in which they are embedded in a specific value chain of the company. Walmart specificity and strength lie in three important aspects of retailing: the scope, scale and speed (Stokan, 2005, pp. 45). In addition of having a huge advantage in the market due to its size, Walmart may offer the largest selection (range) of best-selling goods, higher even than the shops that are the best in their categories. For example, part of the store dedicated to toys Walmart reduced after the Christmas holidays, and it puts the other, better-selling, seasonal goods, while Toys R Us must sell toys during the whole year. Finally, the speed at which Walmart launches its products from suppliers, through the distribution centers to the shelves in the shops is certainly the most important factor of competitive advantage that the company achieved (70% of the goods leave the store before is paid to the supplier).

In order to achieve an advantage over the competition, a company must decide what type of competitive advantage it wants to achieve, because "be everything to everyone is a recipe for strategic mediocrity and below-average results and usually means that the company has no advantage" (Porter, 2004, pp. 12).

Table 4: Comparative Financial Data of Walmart and its major competitors between 2011. and 2013

Period 2011-2013	Walmart	Kroger	Target	Costco	Home Depot
The three-year sales growth (percent)	11.2	20	3.9	18.3	12
Three-year growth in net profit (percentage)	11.2	36.1	neg.	39.5	38.7
Data for Year 2013.					
Sales (in billions of USD)	476.3	98.4	72.6	105	78.8
Gross earnings	118.2	20.2	21.4	13.2	27.4
Sales and administrative costs	91.3	n/a	15.4	10.1	16.6
Income from operations	26.9	2.7	4.2	3	9.2
Net income	16	1.5	1.9	2	5.4
ROE (percentage)	22	n/a	12.4	17.8	43

Source: Official websites of the companies (Annual Report)

Some of the biggest competitors to Walmart (Table 4) in an attempt to accept the rules of the game of this chain ended in bankruptcy (like Kmart), while on the other hand, there are discount chains such as Dollarama and Costco, who have developed their own way of lowering prices. There are also those who choose not to replicate Walmart, but to develop alternative ways to entice their customers

(differentiation strategy). An example of this is a local chain Loblaw. The fact that Canada is now the only country where Walmart operates without Supercenter is the result of a chain Loblaw. This Canadian company is very innovative in bringing their brands and has a strong reputation and in terms of quality and in terms of price. In this example, “the good competitors can serve in many strategic purposes that actually enhance the sustainable competitive advantage of the company and improve the structure of entire industries, so companies should focus their efforts on attacking poor competitors, and to build its relative position with respect to good ones” (Porter, 2004, pp. 201).

Sustainable competitive advantage - a new strategy of Walmart - A number of trends in the market, such as the entry of new competitors, poor management of the growth of foreign operations within the company, a significant change in consumer behavior or organized resistance by unions or government influence on business and company results. Walmart has managed to minimize the impact of these factors and avoid the cycle called “the wheel of retailing”. Wheel of retailing is “a process in which companies become greater by using successful strategies and build a significant customer base, and then competitors copied the formula and at the end have a better implementation of it” (Stokan, 2005, pp. 54).

Walmart has managed to stay ahead of the competition thanks to the aggressive introduction of new sales and distribution concepts, and at the same time offers its customers a significantly large selection of products at low prices. This retailer has still space for growth which includes conquering the urban parts of America and especially, the great opportunity is international growth.

One of the successful strategies implemented by the company is taking over of abandoned department stores within large shopping malls, as well as the further development of a grocery store called “the neighborhood stores”. New strategies for maintaining competitive advantages include those relating to changes in the concept of selling drugs, electronics and fashion:

- Pharmacy: In 2005., Walmart has become the fourth largest seller of drugs, and this is achieved by lowering drug prices by negotiating with suppliers, efficient system of distribution and availability (pharmacies are located near the entrance to the store, and some are open 24 hours);
- Electronics: Research has shown that “more and more customers are buying computers and plasma televisions along with medicine and food” (Stokan, 2005, p. 55). During 2004., Walmart has introduced its own brand “ILO”, which among other things, offered a DVD recorder for less than \$ 50 compared to competitors;
- Fashion: Walmart is a leader in the U.S. market in the sale of items such as socks and underwear, and company has their own brand called “George”. This brand is advertised very aggressively with the intent to attract wealthier customers too.

Price for Low Price - threat to sustainable competitiveness of Walmart - Although the Walmart is the company that builds the image of a friendly company,

that image began to crumble due to suit of employees. Low wages, poor working conditions, the work of illegal immigrants, claims of female employees in the company of discrimination, overtime working hours of minors in relation to the time allowed by law, and a number of other cases, endanger the company's image in the eyes of many customers. Some of the treatments include the following:

- Walmart spends, on average, 30% less on health care for employees over the competition;
- In 2013., workers' average salary was USD 8.81 per hour (USD 15,576 for the annual salary), while the poverty line for a three-member family in the USA in 2014. was set at \$ 19,790;
- Walmart has a large turnover of people of around 40% per annum.

If Walmart persist in its strategy of acquiring urban markets, it may face with a more demanding worker, but also with customers that much easier refuses to buy into a company does not treat its employees as it should. Inadequate treatment of employees in some countries made obstacles in business for Walmart (in Illinois and California, government has voted on laws that delayed or even completely blocked the opening of new Walmart stores).

The store is a labor-intensive activity and the work of employees is a critical factor in business success of a retail chain. Knowledge and working skills of staff are important assets for the external solvency of modern organizations. The business policy of modern organizations increasingly emphasized the priority of staff development and human treatment of employees. The most important organizational resources are no more equipment, technology or money, but staff (Ivanović, 2010). Capable people have become the most important resource of social production, but are not used sufficiently, so recognition, attracting, retaining and rewarding exceptional people need to be a continuous task of each company (Pejanović, 2013).

To achieve a high level of quality in business in Walmart, it is essential that decision-making process is in line with the business vision of the company, that is based on cooperation, teamwork, and employee satisfaction, and the demands and desires of consumers. Walmart must build up the image of an organization that invests a lot in its employees, taking into account the overall satisfaction of employees, their motivation and sense of belonging to the company because that is the only way to keep their competitive edge in the market.

CONCLUSION

Searching for sustainable long-term development, many companies have realized that the solution is in the competitiveness. In order to achieve it, the productivity must be strengthened and business basically has to be based on knowledge and innovation, and human capital.

Walmart has built its success on the formula “purchase goods at a low price, puts it at the lowest possible and see how customers enthusiastically buy it” (Stokan, 2005, p. 36). The emergence of social resistance and increased competition could endanger the competitiveness of Walmart, but the low cost of many products in their offer will attract, it is believed, customers. Although after the death of Sam Walton, there has been some changes in the management of the company, there are still no signs that would indicate that management has lost sight of the basic philosophy of Walmart or neglect basic strategies that have brought the company a significant competitive advantage. In addition to the implementation of the strategy of low prices and a number of innovations that have brought success, inadequate treatment of employees can threaten the existing image of the company, and it is imperative that companies invest in their employees, because only in this way they can survive in the market and be ahead of competitors in knowledge. Just like Walmart can afford to provide competence for continuous innovation.

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INTERNAL AUDIT AS A SERVICE MANAGEMENT TO IMPROVE THE ECONOMIC EFFICIENCY OF ENTERPRISES

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ABSTRACT

Internal audit is a dynamic profession, which today is experiencing a kind of twist, and because of its relevance and vitality is essential to research of this paper. In modern market conditions globally connecting between businesses, among other things, revision is a significant and take place as complex and vital activity in business. Internal audit is an independent function and service management, aimed at testing and evaluation of its activities, and its purpose is to help members of management in the effective execution of business activities and the establishment of responsibilities. In this context, internal audit demonstrates analyzes, recommendations, estimates and provides information regarding the operations of the business entity. The objectives also include efficiency and control with acceptable costs. Internal auditors contribute to the efficiency of the company. Thanks to the expertise and status, internal audit has an important role in overseeing the overall operations of the company. Given the fact that the operation of market economies is different, the interest of management is to organize internal audit will help in guiding the activities to set goals and proposing possible corrections to these activities and goals. Therefore, the developed market economies require adhering to rigorous standards for selecting and educating future auditors.

Key words: Enterprises, Management, Internal Audit

JEL Classification: L20, L29, M42

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INTRODUCTION

The purpose of this paper is to realize the importance of internal audit that occurred as a result of the needs of modern businesses to establish their own, internal form of supervision and control examination system of internal controls and evaluate its performance, identifying weak points in its functioning and proposing measures to eliminate emerging vulnerabilities. The efficient functioning of the internal audit enables increasing successful operation of businesses and by improving operations and to improve financial discipline. The purpose of this paper is to realize the significance and importance to establish and maintain a quality control system in enterprises who are daily faced with diverse and complex risks. From quality presentation of the financial statements will depend on the level of trust among external users, customers and investors. It will run subject to continuous development and the opportunity to achieve their goals and intentions.

The Committee of the American Association of Accountants (American Accounting Association - AAA) defines an audit as "a systematic process of objectively collect and evaluate evidence related with reports on economic developments and results to confirm the extent of corresponding between existing operational reports and advance established criteria and to distribute the results to stakeholders (Nikolovski, 2009, pp.5)

The audit is a link between the financial statements of businesses and users of those financial statements. That means, the review provides evidence to users that the financial statements give a true picture of the business entity.

The audit of the financial statements provide an opinion on the reality and fairness of the financial statements. The audit should be done by adjusting (use) of MRS. There are also the legal provisions and the Codex of Professional Ethics for auditors.

Whether it is audit of the financial statements or insight, commitment to each business entity in which the audit is made, to put to the auditor put all available reports, records and documents, in order to provide the same information that the auditor need for the audit and preparation of the audit report. That obligation arises from the Audit Law, MRS and codex of professional ethics of auditors (Zager et al., 2008, pp.186).

The need for revision is visible from the economic relationships that exist within a company and between it and other parties who have acquired interests in the company (for example, the relationship between the owner and managers, between companies). From this we can conclude that on the one hand the need for revision is based on rules, but on the other hand audit plays an important role in monitoring of contractual relationships that exist between the company and its shareholders, managers, employees etc.

INTERNAL AUDIT AS A SERVICE MANAGEMENT

Internal audit is a service management in company that examines the overall performance, and in terms of efficient management, in terms of the accounting system, the internal control and business functions. The purpose of internal auditing is to assist members of the company in the effective execution of business activities and in determining the activities, and in that sense the internal audit demonstrates analyzes, evaluations, recommendations and provide advice and information pertaining to the operation of the enterprises. The objectives also include efficiency and control with acceptable costs. Determining the type and scope of activities undertaken by internal audit largely depend on the business entity of its business, the needs of management. It depends of the objective that to be achieved by internal audit, as well as socio - economic conditions. Because the internal audit provides information about the regularity of the operations of the business entity, it has great significance and impact on the proper planning of future activities of the management of enterprises and taking the necessary corrective measures. Internal audit has an important role in overseeing the overall operations of the company. In addition, internal audit is a service of management and organized as, "extended hand" to oversee the accounting system and internal controls for providing assistance in achieving planned objectives. The interest of management is to organize internal audit that will assist in directing the activities to set goals and to propose possible corrections to these activities and goals. The objectives derive from the philosophy of management and they can be displayed as follows:

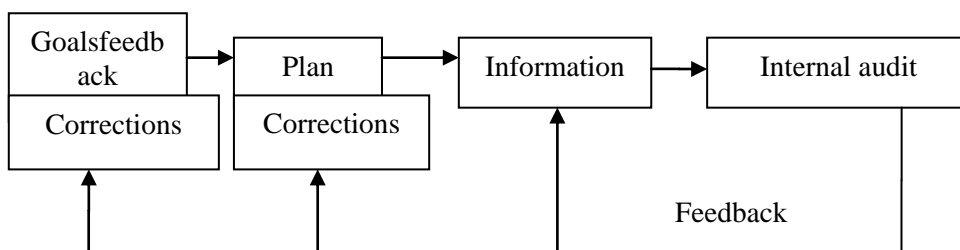


Figure 1: Management goals

Source: Interna i eksterna revizija, 2009, pp. 79

According to this picture can be concluded that the purpose, value, are expressed in the plans.

Internal audit, according to the objectives and scope, comprised of different methods and procedures that apply:

- financial audit (audit of accounting);
- audit of operation and
- management audit.

In this way, in fact, fashioned hierarchical scale of internal audit. Reviewing the development of internal audit may be noted the existing law and association with the development of accounting and starting from the financial accounting, accounting of cost through accounting to the management. The highest hierarchical scale of internal audit is the management audit, which can best be seen from the following figure:

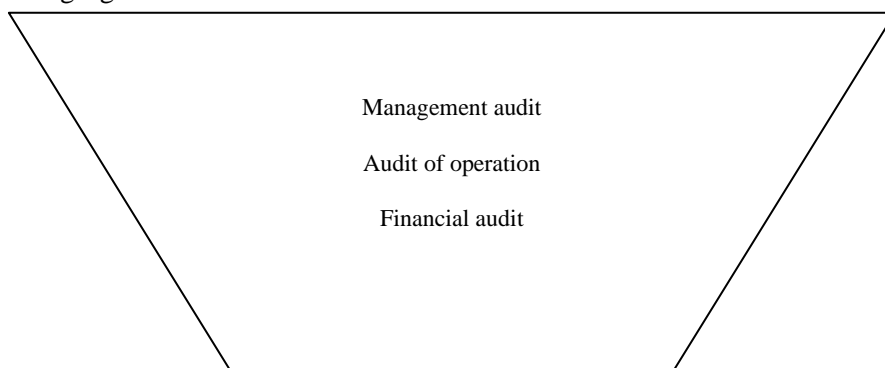


Figure 2: Hierarchical scale of internal audit

Source: Internal auditing, 1987, pp. 84

Internal financial audit is usually involved in solving operational problems in the field of accounting and finance. Straight from the financial audit developed audit of operation. Its main purpose is to verify the effectiveness of the operation of the business entity and the effectiveness of the organization to find and achieve better results. The audit of operations includes financial audit, but extends to other business activities of the company, and therefore it applies to all business functions of the company (for example, purchasing, production, sales, personnel, financial, etc.), and information functions. The management audit should be directed to the future. Hence, this revision is the primary means of top management. The main task of the management audit is to maximize efficiency and effectiveness in the operations of the company. Management, in accordance with the defined philosophy defines the goals that wants to achieve, and these objectives are expressed in value or budget calculation. The interest of management and owners of capital and other stakeholders, is that goals are set and achieved. The objectives set for the company as a whole and worked to lower organizational units.

Determining the type and scope of activities undertaken by internal audit largely depend on the business entity, its business and the needs of management. It depends on what the objective is to be achieved by internal audit, as well as socio - economic conditions. Since the internal audit provides information about the regularity of the operations of the business entity, it has great significance and impact on the proper planning of future activities of the management of enterprises and taking the necessary corrective measures.

The introduction of modern internal audit in market conditions are justified by the following factors: (Nikolovski, 2009, pp. 77)

- steady growth of market-oriented companies;
- diversification of operations;
- internationalization of operations;
- increasing complexity in the management process;
- lack of coordination and truthfulness of information and introduction, i.e. development of electronic data processing.

The internal audit obtained attest to the reliability of the financial statements of the management of the enterprises. Auditor after the audit opinion expressed about the fairness of the financial statements that were audited. The opinion of the auditor expressed his grades, findings, conclusions, his suggestions, messages for taking corrective actions.

The credibility of financial statements means that you can trust the information presented, i.e. shareholders, the company's employees, creditors, government agencies and other stakeholders can be accepted with a greater degree of certainty to use in making business decisions. The word "revised" as used in the context of the financial statements, means that the balance sheet, income statement and statement of cash flows of the enterprise customer pass rigorous tests conducted by the auditor in the role of an impartial, objective, highly expert that his views on truth and honesty (true and fair) on expressed information presented in the form of a standard report, which together with the audited financial statements is subject to a public post (Bozinovska – Lazarevska, 2002, pp.42).

If we want internal audit to give the desired results, it is necessary to be done proper planning and determination of the activities that are planned to be undertaken. This means that it is necessary to formulate the tasks and functions of internal audit. Making audit tasks and functions of internal audit are regulated by the adoption of the statute of the business entity.

The internal audit has function and committed to: (Nikolovski, 2009, pp.110)

1. Analysis of the work economy as a whole or parts of the company;
2. Analysis and review of periodic and annual accounts of the organization;
3. Collection, analysis and assessment of the accounting statements of the business partners (customers, suppliers, banks, investors, etc.) and giving information about it;
4. Supervise the implementation of regulations and implementation of a range of other external messages, requests and decisions;
5. Analysis and proposing organization of accounting, financial operations, working with foreign business partners and so on.;
6. Examination and presentation of modern and rational solutions to the management of internal organization, external connectivity and status changes;
7. Participation in the assessment of the property, assets, liabilities and claims in status changes, annual accounts, the association and other business systems;

8. Participation in making business decisions, programs, plans specializing in the financial and accounting operations, business policy, etc.;

9. Collaboration with external auditors in performing the audit of the operations of the business entity;

10. Treatment according to the assembly, supervisory board, management board of internal audit of certain issues (dividend, issue of shares, treasury bills etc..) and reporting about it;

11. Expressing an opinion on the report of the external auditors of the organs of the company (director, management board, supervisory board assembly) and submit your information;

12. Giving necessary information for the requirements of business partners, judicial and administrative bodies, keeping trade secrets;

13. Giving tax administration, customs, foreign exchange, financial and accounting advice;

14. Participation in working of the company board when considering and deciding on the audit findings, opinions and conclusions;

15. Performing other duties and powers.

CRITERIA AND PROCEDURES THAT INTERNAL AUDIT APPLY WHEN EXAMINES AND EVALUATES

Every business entity to adopt proper and rational decisions must dispose of information. This will achieve management based on realistic and objective information.

The reality, objectivity of the available information is determined by the review process. The function of the audit of the financial statements provides benefits in terms of the use and protection of unacceptable behavior, as well as confidence in the reliability of financial reporting as a basis for their decisions.

The internal audit, when examined and evaluated, should emphasize: subject to examination; users of the results of those tests; what are the criteria for evaluation during the test; the procedures that are implemented for the test and evaluation.

The basic meanings of these above for the criteria and procedures of internal audit are given in Figure 3.

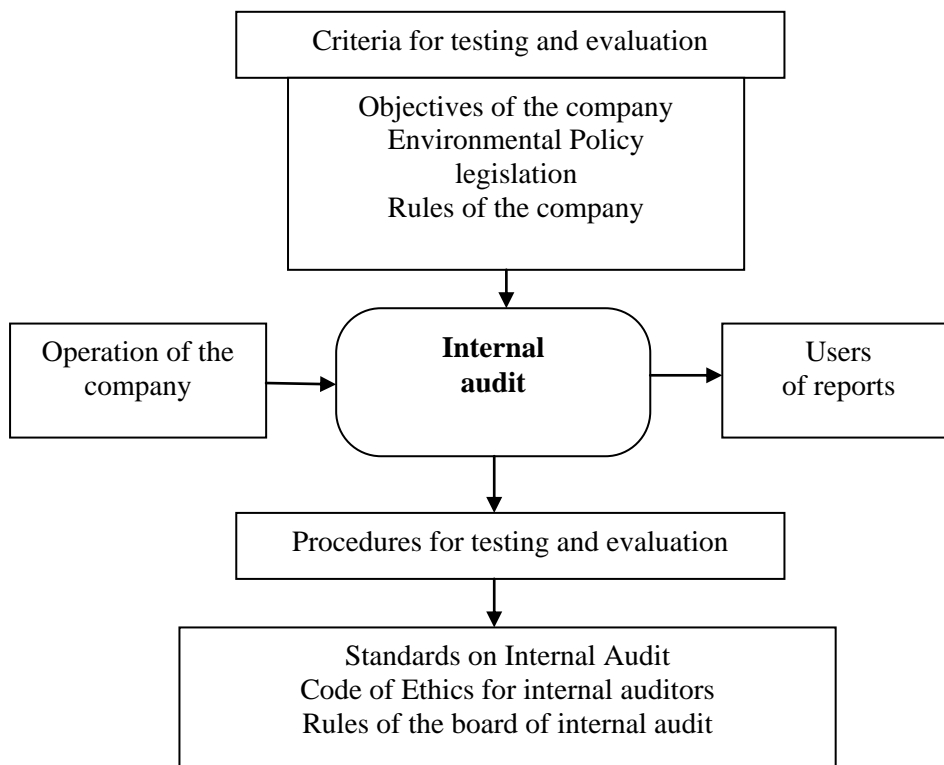


Figure 3: Criteria for testing and evaluation

Source: *Interna i eksterna revizija, 2004, pp. 67*

Based on this picture can be concluded that the subject or object of examination and evaluation of internal audit, in the broadest sense, is the company's operations. Every company deals with specific activity as the subject of his work, and within a matter of working set as goals that to be achieved. Therefore, the company's operations and its overall activity is directed towards achieving goals.

Its internal audit reports submitted to all hierarchical levels of management, and these reports can serve external or external auditors.

The criteria for testing and evaluating the internal audit is different and depends on its scope and goals. The goals of the company achieving planned objectives. The policies of the company selected measures and means to achieve the objectives, may be different, but integrated into the overall business policy. Under the policy of companies, as a criterion for testing and evaluation applied by internal audit and standards, and in a certain sense they are the means of achieving goals. For practical implementation of company policy and standards are often adopted different rules also constitute criteria for testing and evaluation of internal audit.

Procedures for testing and evaluation of internal auditing (standards, code of ethics and rules) are specific and differ from those of the external audit procedures.

The auditor should gather objective evidence to come to a professional opinion on the subject area that is reviewed. This will overcome the uncertainty and bring reasonable assurance of the internal auditor.

Measurement of evidence are conducted according to criteria derived from the characteristics of the activities audited, and those values will later be used in comparing the evidence with the standards established for appropriate action. Audit evidence is all information used by the auditor in reaching the conclusions on which based the audit opinion and includes the information contained in the accounting records of which are based on financial reports and other information. Positioning of audit evidence in the overall review process can be seen in the following figure:

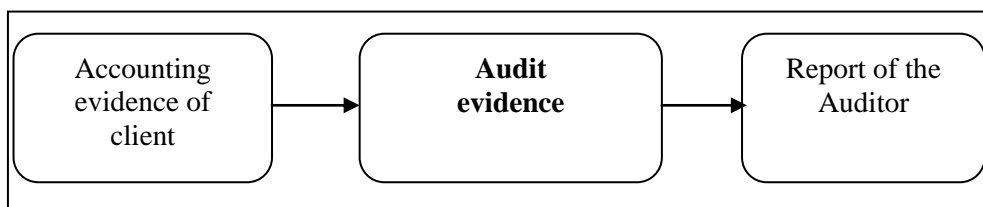


Figure 4: The place and role of audit evidence in the audit process

Source: *Računovodstveni standardi, finansijski izveštaji I revizija, 1996, str. 226.*

The auditor should evaluate whether the audit evidence is appropriate and fair, to serve as a realistic basis that will confirm the occurrence of the activity being reviewed. Need to check the mathematical accuracy of all evidence and compare the result with the standards that are universally adopted. Assessment will determine which evidence are qualified, and standards for further testing and application of working documents which are base for the decision of an independent audit opinion.

Every business entity submitted the documents from his operation to the accounting office, which operates within the business entity. Final products of the accounting service are the financial statements. All those financial statements and other documents should be available to the auditor. It is designed to give auditor an insight into the overall performance and documentation of the business entity.

Thus allowing the auditor to smoothly carry on its work. That means, when all documentation is available to the auditor, it achieves better quality audit. The report of the auditor contains the opinion on the audit. In other words, the auditor shall deliver its opinion on the financial statements that were audited. The auditor's final report to be completed and complete (final), all audit activities should be completed. That means, the auditor's report is the final step in the overall review process.

AUDIT "3E" - AUDIT OF ECONOMY, EFFICIENCY AND EFFECTIVENESS

If it is well organized, internal audit should be economical, efficient, effective and impartial. The internal audit is focused on the analysis of the economy, effectiveness and efficiency. Performance analysis or audit of economy, efficiency and effectiveness of operations represents a segment of the activities of internal audit and the management company can offer adequate information with which they can identify weaknesses in the functioning of the established system of internal controls in the companies. Early detection, isolation and elimination of weaknesses identified as a result of the efficient functioning of the internal audit can significantly improve the business results of the company. This type of audit in modern auditing profession is known as auditing "3E" (audit of economy, efficiency and effectiveness). Their significance in terms of internal audit can be viewed from the illustrative presentation given in Figure 5.

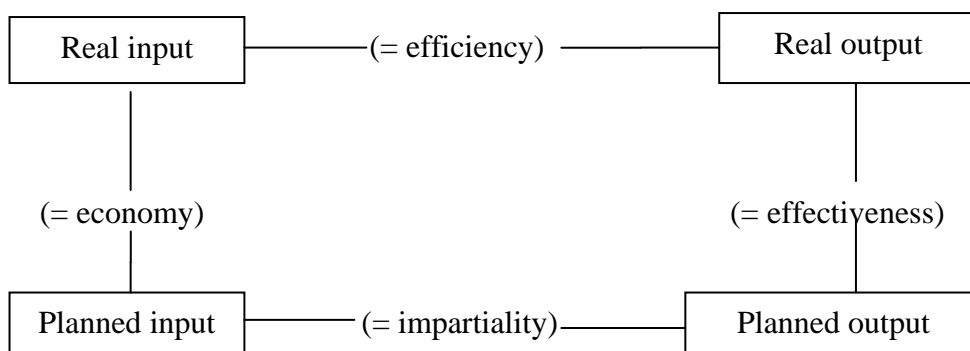


Figure 5: Audit "3E"- Review of economy, efficiency and effectiveness

Source: Internal auditing, 1987, pp. 83

From the figure can conclude that:

- The economy expressed as the ratio between realized and planned inputs for achieving the planned result (that means to produces cheaper)
- Indicates the effectiveness of the relationship between planned and achieved results (to achieve their goals);
- Efficiency is the ratio between the actual results and achieved input (to produce in the most rational way)

MODEL RISK MANAGEMENT IN INTERNAL AUDIT

Professional regulation of the internal audit profession, according to the new definition of internal audit, huge attention paid to risk. Hence there is a need to answer the question: what is the risk? There are many definitions, but the risk is a concept commonly used to express uncertainty about events and / or their results that may have a significant effect on the entire enterprise. Managers work in more complex and global environment, and the risk is a central element of corporate governance. Success in corporate governance, in terms of risk-filled environment requires three essential elements:

- thorough understanding of business processes;
- framework or model of risk and a common language for discussing risk between managers and auditors;
- process of opening active “imagination” and a means of generating ideas for important potential and possible impact of risks.

The first element depends on the activity within the company acts. Regarding the second element, David McNamee and Georges Selim developed following model given in Figure 6.

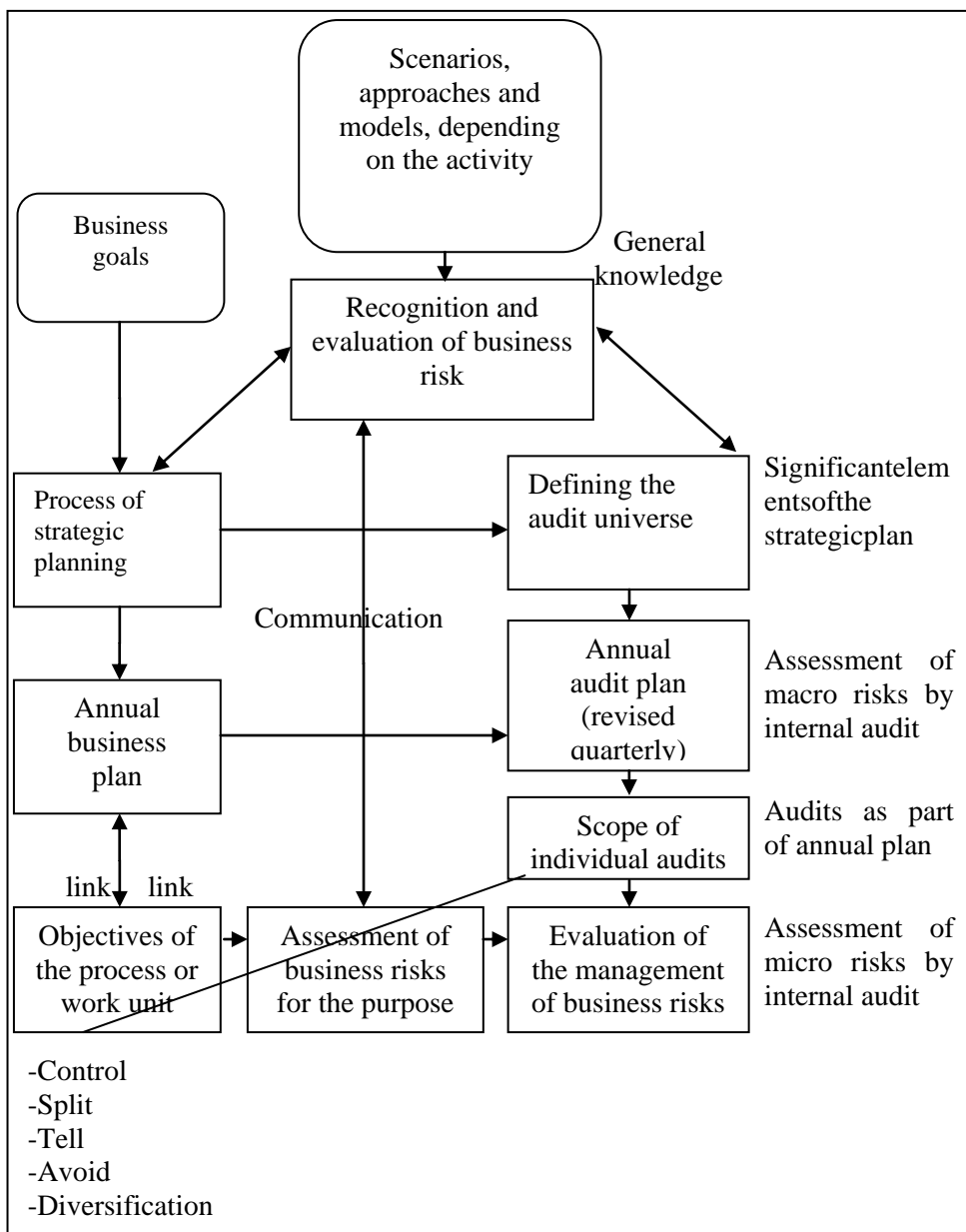


Figure 6: Model to improve the internal audit services to companies through techniques for risk management

Source: Risk management, 1998, pp. 3

The above model shows the role of risk management and internal audit and their relationships and mutual activities within the corporate environment. The director of internal audit should be integrated process within the risk management by establishing a common language and framework of the risks, allowing free communication with higher level management. The model presents significant relationships or connections between strategic processes and risks, on the one hand, and operational processes and risks, on the other hand.

The model emphasizes the necessary communication between strategic and audit plans for the internal audit universe, as well as, between operational business plans and annual audit plans. The direction and content of communication is a key element in this model.

Elements of the new model of internal audit are:

- business objectives - include purpose, vision, mission and other similar drivers of enterprise;
- scenarios, approaches and models depending of activity – they are the ways that have been chosen of the company to deal with business risks and uncertainties, and these methods vary from activity to activity;
- recognition and evaluation of business risk - it is a process that applies the company to use the models, in order to extract specific information on the risks and consequences;
- strategic planning process - it is converting of business objectives and evaluation of business risks in a set of specific strategic objectives, scenarios, etc., that serve as a guideline for the company for a specific period of planning, more than one year;
- audit universe – it is the sum of all processes, programs, projects and other organizational units, relevant to the strategic plan and have sufficient significance for achieving the plan. It is a compilation of possible subjects of internal audit, but that should not mean that all subjects must be covered;
- annual business plan - it is a subset of the strategic plan that seeks to perform resource allocation of short-term goals for the next year;
- annual audit plan - it is a subset of the universe of the audit, which is the allocation of resources for the purposes of internal review of the current year. This plan is not immutable document, but internal auditors review their plans at least every quarter and changed as a result of audit activity or changed needs of the enterprise. This plan is based on the assessment of macro risks, which includes a series of audits of specific processes, programs, projects etc.

Risk assessment includes not only the identification of risks, but their evaluation or grading and ranking, which resulted in the preparation of model risk. The pattern of risk of the company is reflected directly in the strategic and annual plan for internal audit. In this way, the internal audit resources are allocated in the most effective manner, i.e. “the high-risk areas”.

NEED FOR A PROGRAM OF PROFESSIONAL EDUCATION OF AUDITORS

The audit is an activity that contributes to improve the operation of businesses. This is achieved through an audit that determines the veracity of the financial statements, assessing whether the operation is in accordance with the laws etc.. The management of the business entity that is audited, comprehend risk factors and receive advice from the auditor to reduce those factors. Thus the business entity receives information and suggestions for the development and harmonization of systems of internal control. Therefore the developed market economies require adhering to rigorous standards for selecting and educating future auditors.

Having in mind the enormous importance of auditing in enterprises, particular emphasis is put on the training of auditors to the future. The theoretical significance to the auditor is a good basis and precondition for a well audited, and with that issue in a good audit report, but nevertheless, enormous importance has practical skill. Due to this, there is the necessity of the existence of programs for professional education to the auditor. Continuing education of auditors should be in accordance with legal requirements and legislation. This will provide better communication between auditors and management of the business entity that is subject to revision, and the communication between auditors and the public, primarily users of these audit reports. In other words, every auditor has a good education if you can afford to meet the requirements of dynamic and turbulent environment. That means only professionally competent auditor can afford to give fast, reliable, objective, realistic audit report as a result of the audit of the financial statements for the business entity that is subject to audit.

Internal auditors by passing a uniform exam can be certified for the title - internal auditor. The world leader in certification, education and training of internal auditors is the Institute of Internal Auditors (Institute of Internal Auditors - IIA), founded in 1941 in the U.S., which despite internal auditing standards, has prepared a special education program and passing the exam for the title - certified internal auditor. Considering the important role of internal auditors for the economic efficiency of business entities, place emphasis on their professional ethics. Therefore, members of the Institute of Internal Audit were motivated to develop a special code of ethics that would specifically develop and define the principles and rules that are immanent to the internal audit profession. Code of Professional Ethics adopted the Institute of Internal Audit in New Orleans in 1968, and he is complemented in 1998.

The requirement for consistent monitoring and respecting the norms of the Code is addressed to individuals and entities that provide internal auditing services. The ethical rules and principles must not be subject to compromise, but respect their character is the imperative. Failure to follow the defined rules and principles of ethical conduct by members of the Institute and candidates for professional certification IIA, according to the IIA Statute entails rigorous sanctions for violators. Illustrative structure of the IIA Code is shown below:

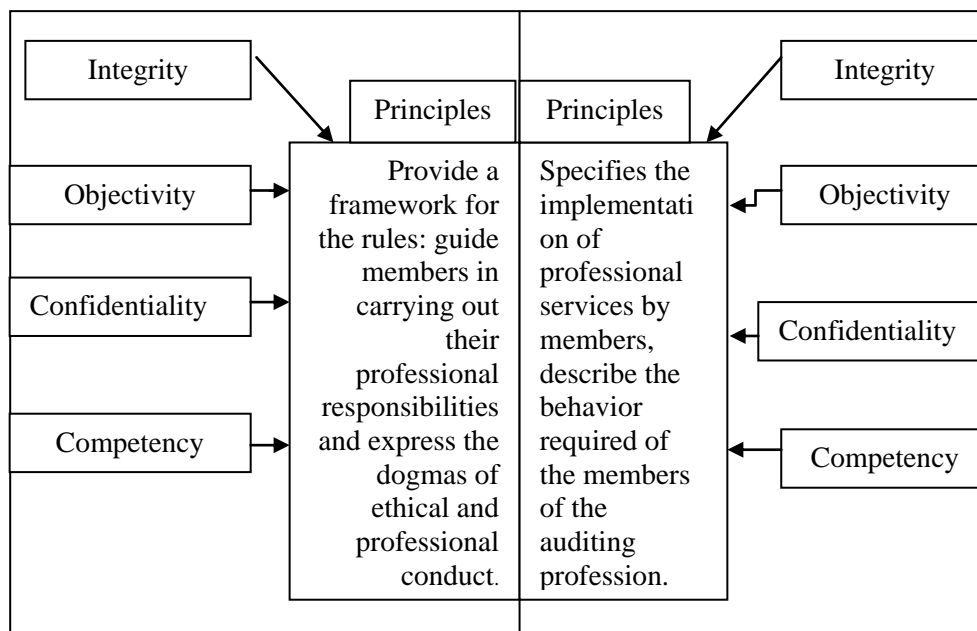


Figure 7: Structure of the Code of Ethics of the IIA

Source: IIA

From this picture can note the identity for number and the names of the rules and principles of professional conduct of internal auditors. The only difference consists in the formulation of rules and principles, so the first give the global framework, while the second contain detailed instructions and help in the interpretation of the principles in practical applications, in order to guide the ethical conduct of internal auditors in accordance with the criteria profession. Professional ethics must expand more and surpass the boundaries of moral principles. The moral principles are primarily covered the standards of conduct that are designed for professionals. Professional codes of ethics, which are designed in part to encourage ideal behavior must simultaneously be realistic and enforceable. To be meaningful, standards of professional conduct should be placed above the law, but under ideal.

The professional liability of auditors in the modern business environment is constantly increasing. When we talk about the responsibility of the internal auditor or internal audit, regardless of whether it relates to smaller or larger scale examination of the operation of the company is always responsible for the quality and quantity of work. Internal audit is necessary to respect the working principles, which indicate the quality of its information. Manager of the internal audit is most responsible for the reliability of the information pertaining to the audits, and parallel to it are responsible heads of audit teams and auditors who have worked themselves to certain activities.

CONCLUSION

With the help of internal audit is achieved permanent internal control over operation of the business entity. Perceived errors and enable their timely removal. Internal audit in any business entity, organized differently depending on the circumstances, the activity which deals with the business entity. Its function is adjusted in accordance with changes in the socio-economic conditions of the economy. The management of enterprises are focus to the decision of introducing or not introducing internal audit in the business entity. With the internal audit is carried out timely detection and elimination of errors by obtaining information about them. This reduces the time and businesses costs. In the businesses that have an internal audit, management has a clear picture of the level of success at work, because there is constant monitoring of its functioning. The existence of internal audit allows reducing the number of fraudulent material statements.

This paper covers current issues in order to emphasize the importance of internal audit as a service management to improve the economic efficiency of enterprises in the country. Because the operation of market economies is different, the interest of management is to organize internal audit will help in guiding the activities to set goals and proposing possible corrections to these activities and goals.

Internal audit needs of management, because its actions that: assess the overall efficiency of the company operation; allows to detect and remove inefficient and unsuccessful operations; protecting property from breaking; determines the scope of the accompanying operational services to the politics of the business entity; minimize the risk of fraud, revealing weaknesses in operation and fulfilling the controls that can prevent fraud; suggests the application of internal regulations and guidelines of the company; impact on improving the accuracy and reliability of accounting and operational data and information, which are foundation for decision making.

In some countries, more attention is paid to the external audit, and the legislature is unilaterally oriented: only deals with external audit. But no doubt it must be noted that internal audit is important for enterprises in terms of explicit management necessary for successful and efficient operation of companies. The most important feature of internal audit is an undeniable fact that it is an active participant in the system of managing the overall operation. This is actually its big feature, by which it is differentiated from the functioning of the external audit. Internal Audit examines and evaluates the real potential development of business processes, it is vital for companies in a market economy.

Internal audit should take account of their professional authority and its preservation, because if the work of the audit reveal weak points, then it will be necessary authority to re-establish, as will appear doubt any information when making business decisions, which in any case is not the purpose of the existence of internal audit in the enterprise. But not at all times the internal audit to be infallible, but their mistakes internal auditors bear appropriate disciplinary and even liability.

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THE ADVANTAGES OF USING R IN PORTFOLIO MANAGEMENT – OPPORTUNITIES FOR SERBIA

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ABSTRACT

The main aim of the paper is to present the possibilities of using R programming language in portfolio management, and possible advantages of its application in investment funds industry in Serbia. After the presentation of the significance of investment fund industry in countries with developed financial markets and its comparison to the industries in Croatia and Serbia, we addressed models that are usually applied in portfolio management. Also, we summarized the features of statistical software packages commonly used in finance. The paper concludes with the presentation of the example of R application in portfolio optimization and portfolio rebalancing on the example of four asset portfolio composed of the stocks listed on Belgrade Stock Exchange.

Key words: *Statistical Software Packages, Programming Language R, Portfolio Management, Investment Funds*

JEL Classification: *C58, C63, G11*

UDK: *005:336.763]:004.4 336.07(497.11)*

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THE IMPORTANCE OF INVESTMENT FUNDS AND OPPORTUNITIES FOR THEIR DEVELOPMENT IN SERBIA

The reasons for emergence of investment funds and their rapid development in some countries, as well as those that lead to the relative underdevelopment of these companies in other countries, are not quite easy to identify and analyze. There is no unique answer to the question why the investment funds industry is still in its infancy in countries like Serbia. Some empirical studies have dealt with the topic. According to some authors (Khorana, Servaes & Tufano, 2005), the factors that should be taken into account can be grouped in the legal, regulatory, management related, supply and demand characteristics, as well as characteristics of securities trading. This grouping reflects the following display:

1. Laws and Regulations;

- a. General legal environment, which includes the assumption that individuals are more willing to invest in terms of a stronger legal environment. This also applies to investments in mutual funds. When considering the overall legal environment, certain factors should be taken into account:
 - i. The efficiency of the judicial system;
 - ii. The rule of law;
 - iii. Corruption;
 - iv. The risk of expropriation, and
 - v. The risk of failure to recognize the agreement.
- b. Regulations related to the operation of the funds, which are related to:
 - i. Procedures relating to the adoption of regulations for the establishment of the fund;
 - ii. Regulatory approvals required prior to the issuance of the prospectus of the investment fund;
 - iii. The independence of the custodian bank from investment companies;
 - iv. The fulfillment of the needs for disclosure of information regarding the cost and performance of the investment funds;
 - v. The existence of procedures dealing with the prevention of conflicts of interest of investors and fund management.
- c. Taxes - a factor that can significantly affect the development of investment funds. Tax policy favours this type of investment relative to other forms of investment or savings, but it can also be a restraining factor in the opposite case.

2. Characteristics of supply

- a. The development of the banking sector-it is difficult to determine in what way the development of the banking sector affects the development of investment funds. In the United States, development of the fund industry went to the expense of the development of the banking sector, while in Europe it is noticeable that banks usually emerged as promoters of investment funds. For this reason, the impact of the banking system on development of investment funds must be examined through detailed analysis of the regulations related to the operations of banks and investment companies, such as:
 - b. Possibilities of deposit insurance;
 - c. Restrictions on investments in securities;
 - d. The number of distribution channels;
 - e. The time required for the establishment and launch of a new investment fund;
 - f. The costs of establishing and launching a new investment fund.
3. Characteristics of demand-investment funds in countries with less developed securities markets represent a novelty, whose further development depends to a large extent on the willingness of potential investors to accept this kind of innovation. It is reasonable to expect that financial institutions would face greater acceptance in conditions of greater wealth, investment experience and access to information. Therefore, the factors to be examined on the demand side are:
 - a. GDP per capita;
 - b. The number of inhabitants;
 - c. Literacy;
 - d. Education;
 - e. Availability / distribution of press in the total population;
 - f. Diffusion of the Internet in the total population, and
 - g. The degree of development of the industry overall.
4. Characteristics of the securities market – assessment of investment fund industry is closely linked to the value of the net assets under their control. For example, open-end investment funds are by definition bound to redeem its own shares from investors at net asset value, which implies that possibility of valid net asset valuation of investment fund is one of key factors of development of these financial institutions. Realistic valuation of net assets is possible if the securities market are adequately developed. For this reason, there can be defined two important factors for the development of investment fund industry:
 - a. Trade in securities, and
 - b. The costs of trading.

Besides these factors, which certainly have a significant impact on the emergence and development of investment funds in a national economy, we would take into consideration the applied models of privatization in transition economies as an additional factor.

The importance of the investment funds industry in the world is reflected primarily in their number and in value of the net assets, which can be seen in Tables 1 and 2.

Table 1: The number of investment funds across regions in the world.

Region	World	North and South America	Europe	Asia and Pacific	Africa	USA
Year						
2001.	53.371	13.449	27.343	12.153	426	8.305
2002.	53.996	13.884	28.858	10.794	460	8.244
2003.	54.569	13.921	28.541	11.641	466	8.126
2004.	55.524	14.064	29.306	11.617	537	8.041
2005.	56.868	13.764	30.060	12.427	617	7.975
2006.	61.854	14.474	33.151	13.479	750	8.117
2007.	66.345	15.457	35.210	14.847	831	8.024
2008.	69.032	16.459	36.780	14.909	884	8.022
2009.	67.530	16.932	34.899	14.795	904	7.663
2010.	69.493	17.993	35.292	15.265	943	7.555
2011.	72.611	19.753	35.713	16.198	947	7.591
2012.	73.243	21.103	34.470	16.703	967	7.596

Source: Investment Company Institute

Table 2: The structure of investment funds across regions in the world, in mil. Dollars.

Region	World	North and South America	Europe	Asia and Pacific	Africa	USA
Year						
2001.	11.654.868	7.433.106	3.167.965	1.039.236	14.561	6.974.913
2002.	11.324.128	6.776.289	3.462.999	1.063.857	20.983	6.390.358
2003.	14.048.310	7.969.541	4.682.836	1.361.473	34.460	7.414.401
2004.	16.164.795	8.792.450	5.640.452	1.677.887	54.006	8.106.939
2005.	17.771.027	9.763.921	6.002.261	1.939.251	65.594	8.904.824
2006.	21.807.505	11.469.062	7.803.906	2.456.511	78.026	10.396.508
2007.	26.129.564	13.421.149	8.934.864	3.678.330	95.221	11.999.523
2008.	18.974.521	10.579.430	6.288.138	2.037.536	69.417	9.601.090
2009.	22.945.623	12.578.593	7.545.535	2.715.234	106.261	11.112.970
2010.	24.710.398	13.598.071	7.903.389	3.067.323	141.615	11.831.878
2011.	23.796.672	13.530.122	7.220.298	2.921.276	124.976	11.627.357
2012.	26.837.407	15.139.998	8.230.061	3.322.198	145.150	13.045.221

Source: Investment Company Institute

When it comes to Croatia, mutual funds are a relatively new phenomenon in the financial market of the country, due to the fact that the state adopted the first legal framework that regulates the operation of such institutions in 1995. Establishment and operations of investment funds and fund management companies in Croatia are regulated by the Law on Investment Funds (1995, 2005), and the new Law on UCITS (2013). According to these laws, investment funds are being established based on the approval of state regulatory bodies, which is the Croatian Agency for Supervision of Financial Services (HANFA). Operations of investment funds are managed by fund management companies.

According to HANFA, open-end investment funds with a public offering currently manage 12.962 billion value asset, in local currency kuna (Table 3.).

Table 3: Number of investment funds and asset value of investment funds in Croatia in the period 2001-2012, in thousands of kunas.

Year	Open-end funds		Close-end funds		Total	
	Number	Asset Value	Number	Asset Value	Number	Asset Value
2001.	14	1.306.652	6	1.210.173	20	2.516.825
2002.	27	2.462.855	7	1.208.836	34	3.671.691
2003.	37	2.941.801	4	976.996	41	3.918.797
2004.	41	4.527.735	5	1.120.273	46	5.648.009
2005.	56	8.834.460	6	1.537.356	62	10.371.816
2006.	72	16.038.989	7	2.443.431	79	18.482.420
2007.	100	30.056.247	9	3.682.360	109	33.738.606
2008.	126	9.890.231	11	1.895.576	137	11.785.807
2009.	130	12.034.941	10	1.840.765	140	13.875.706
2010.	131	13.674.365	8	1.917.555	139	15.591.920
2011.	126	11.928.895	7	1.670.814	133	13.599.709
2012.	121	12.962.205	7	1.633.339	128	14.595.544

Source: HANFA

There was a sharp increase in assets in the period of 2005-2007. In addition to realized high returns, the main reasons for the intensive growth of assets under management of open-end investment funds with a public offering, is the affirmation of the capital markets through the sale of Pliva, as well as the initial public offerings of shares of INA and T-HT. The global economic and financial crisis has resulted in a significant decrease in assets due to falling prices of securities at the end of 2007, which resulted in withdrawal of equity from investment funds with a public offering in during the first half of 2008. Significant recovery of investment funds industry is evident during 2009, although this industry by 2012 failed to significantly approach the level of 50% of its value in 2007.

Regarding the structure of investments, it can be noticed that at the beginning the majority of investments were risk-free investments in money market funds. As decline in interest rates started, capital began to overflow from money market funds into bond and mixed funds. In recent years, besides the apparent transfer of capital from the money market and bond funds towards mixed and equity funds, there is also apparent shifting of capital from traditional ways of saving towards investment funds.

The investment funds industry in Serbia is still pretty much undeveloped. Also, there are few researches regarding this industry in Serbia. Development of investment funds in Serbia was addressed by Njegic (2008). The research on the subject of the performances of different investment policies of open-end funds in Serbia was conducted by Korenak et al. (2013).

Based on data for year 2012, there are only 17 open-end and one closed-end investment fund, as well as six pension funds, with total assets of nearly 22 billion dinars (approximately 100 million euros). Thorough). These data are shown in Table 4.

Table 4: Asset value of investment funds in Serbia for year 2012, in millions of dinars.

Fund	Asset
Open-end balanced funds	
Ilirika Balanced	132,12
ILIRIKA Plus	111,78
Triumph Balance	7,69
Open-end funds of asset value growth	
FIMA ProActive	135,36
ILIRIKA Dynamic	36,24
ILIRIKA Global	9,61
ILIRIKA Gold	2,31
KOMBANK InFond	62,92
Raiffeisen WORLD	613,94
Triumph	25,84
Open-end funds of asset value preservation	
ILIRIKA Cash	9,32
ILIRIKA Cash Dinar	246,41
ILIRIKA Cash Euro	24,98
ILIRIKA Euro	0,23
KomBank NOVČANI FOND	121,34
Raiffeisen CASH	2955,01
Raiffeisen EURO CASH	1858,93
Pension funds	
DDOR GARANT Ekvilibrio	3656,49
DDOR GARANT Štednja	266,97
Delta Generali Basic	284,04
Delta Generali Index	284,04
Dunav fond	8614,02
Raiffeisen FUTURE	2370,1
Closed-end funds	
ACTV	63,63
Total	21893,32

Source: www.belex.rs

According to the presented analysis results and facts, it is reasonable to expect that further integration of Serbia into EU would cause more significant development of investment funds industry in Serbia.

SOME ASPECTS OF PORTFOLIO MANAGEMENT

Each level of expected portfolio return can be achieved by different combination of weights of individual securities, in order to minimize overall portfolio risk. The set of portfolios that have the lowest standard deviation for a given expected rate of return form the minimum variance frontier. If we grant the assumption that investors are risk averse, preferences of investors will be focused toward higher portfolio expected returns in the case of the same standard deviation of returns. The above set of portfolios constitutes the efficiency frontier, which coincides with the upper half of the minimum variance frontier. Portfolio with the lowest risk is located at the beginning of the efficiency frontier, and is called the global minimum variance portfolio (GMV). Display of efficiency frontier and GMV portfolio is given in Figure 1.

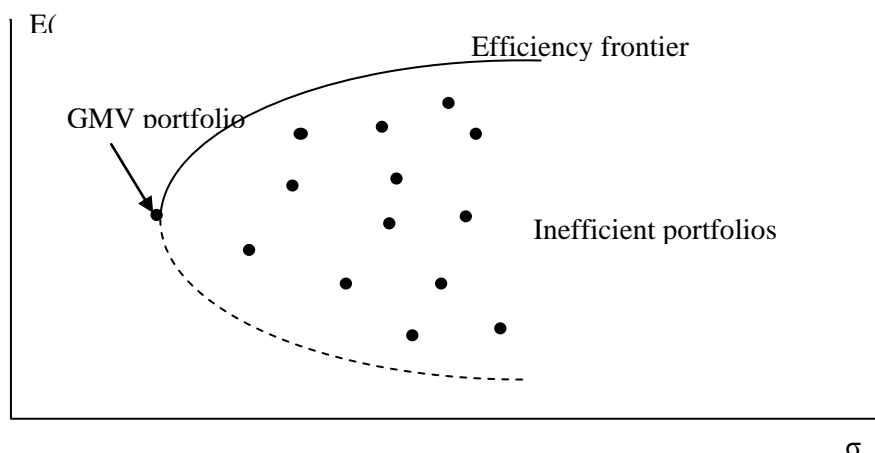


Figure 1: GMV portfolio and efficient frontier

Source: author's work

The need to minimize risks in portfolio management resulted in the development of numerous methods for the portfolio optimization. A various methods for portfolio optimization and financial time series analysis in programming language R are presented by Tsay(2010) and Pfaff (2013). Some of the methods are presented in this paper: Value-at-Risk, conditional Value-at-Risk, Expected Shortfall and Conditional drawdown.

VaR is a measure of the potential loss over the observed period of time, caused by the changes in prices of securities that constitute portfolio. VaR concept was presented by JP Morgan Chase & Co in RiskMetrics publication (1994), and can be written as:

$$VaR_\alpha = \inf \{l \in \mathbb{R} : P(L > l) \leq 1 - \alpha\} = \inf \{l \in \mathbb{R} : F_L(l) \geq \alpha\} \tag{1}$$

Where F_L is loss distribution function. The value of VaR can be explained as the smallest number l for which the likelihood of loss L is not greater than $1-\alpha$ for losses greater than l .

The main criticism of VaR values as a measure of portfolio risk is that this indicator is ambiguous in terms of the size of the loss when the loss is higher than expected for the chosen level of confidence. In order to eliminate the above shortcomings, Artzner et al. (1997) and Artzner (1999) presented the expected shortfall (ES) risk measure, which aims to provide additional insight into the size of the expected loss in the event of violations of VaR for a given level of confidence. ES measures can be interpreted as an average value in the range of VaR $(1-\alpha, 1)$, and expressed as follows:

$$ES_\alpha = \frac{1}{1-\alpha} \int_\alpha^1 VaR_u(L) du \tag{2}$$

Graphical display of VaR and ES risk measure is given in Figure 2.

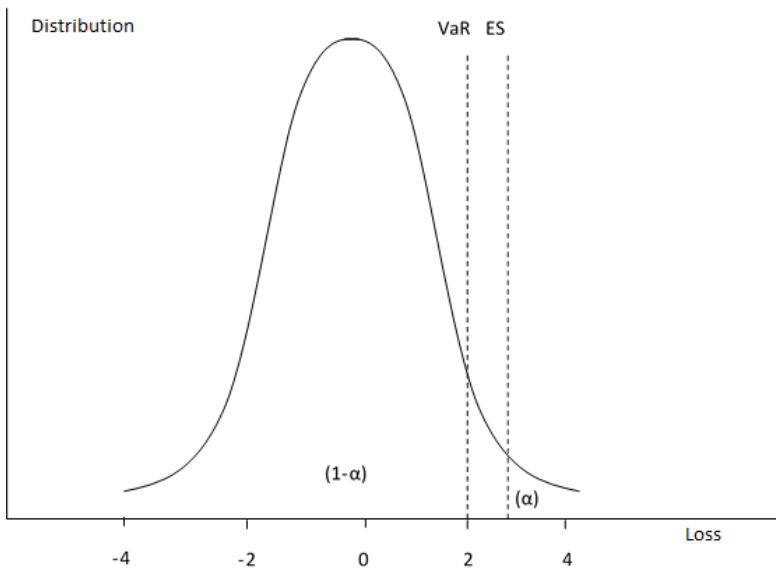


Figure 2: Display of VaR and ES measures of risk

Source: Author's work

Conditional value at risk can be defined as the expected value which exceeds the VaR for a given level of confidence (Uryasev, Rockafellar, 1999). Let $f(\omega, r)$ be a loss function associated with the decision vector ω of length N , and r is the vector of returns of length M . When it comes to the application of CVaR in the analysis of the portfolio of securities, ω can be thought of as a portfolio, or a subset of Ω , the set of all available portfolios. Possibility of a risk free return causes the difference in lengths of decision vector and vector of returns. The loss probability function for the losses lower than the limit value L can be written as:

$$\psi(\omega, l) = \int_{f(\omega, r) \leq l} p(r | \omega) dr \quad (3)$$

This function represents the cumulative distribution function of losses associated with ω . Given that it fully explains the behavior of ω , the function $\Psi(\omega, l)$ is of fundamental importance in determining the VaR and CVaR. Defining the CVaR function in this case amounts to defining the limits l . If the value of l takes the value of VaR for a given confidence level α , and performance functions CVaR presented as $\frac{1}{1-\alpha} \Phi(\omega)$, the function can be written as:

$$\Phi(\omega) = \int_{f(\omega, r) \leq VaR(\omega, \alpha)} f(\omega, r) p(r | \omega) dr \quad (4)$$

The minimization of the function can be expressed as:

$$F(\omega, y) = (1-\alpha)y + \int_{f(\omega, r) \geq y} (f(\omega, r) - y) p(r | \omega) dr \quad (5)$$

The optimal value of y is equal to the value of VaR, resulting in the optimization of these functions provide the optimal portfolio in terms of minimizing conditional value at risk.

The advantage of CVaR compared to VaR is in its convex shape, and its sub-additiveness (Rockafellar and Uryasev, 2000). Conditional value at risk by itself is not a coherent measure; jointly monitored, CVaR and ES are coherent. Practical tests show that, given the fact that VaR does not exceed CVaR, the minimization of CVaR usually leads to the approximate optimal solution when it comes to VaR, also. This feature is especially prominent in the case of normal distribution of returns, when the values of CVaR and VaR are equal. Portfolios with low CVaR therefore often have low values of VaR, too. The differences of the values increase with increasing kurtosis of returns distribution.

Next optimal portfolio method is presented by Chekhlov et al (2000, 2004 and 2005), in which the optimization is conditioned by drawdowns of portfolio value (Conditional Draw-down, short CDAR). Motive for CDAR portfolio optimization is to avoid significant declines in the value of the portfolio, as well as to avoid the drawdowns that can occur over a longer period. The portfolio drawdown at time t

can be defined as the difference between the maximum value of the portfolio by the time t and the value of the portfolio at time t , and are given by:

$$D(\omega, t) = \max_{0 \leq \tau \leq t} \{W(\omega, \tau)\} - W(\omega, t) \quad (6)$$

where $W(\omega, t) = \mathbf{r}_t' \boldsymbol{\omega}$ represents the value of the portfolio at period t , $\boldsymbol{\omega}$ is the vector of weights of individual securities that constitute portfolio, while \mathbf{r}_t is vector of cumulative returns. CDAR portfolio optimization in this case is reduced to the minimization of the function:

$$F(\omega, y) = y + (1 - \alpha)^{-1} T^{-1} + \int_{D(\omega, t) \geq y} (D(\omega, t) - y) dt \quad (7)$$

where y represents the marginal value of portfolio drawdowns, such that only $(1 - \alpha)T$ observations exceeds the value of y .

Portfolio rebalancing is the process of changing the positions of parts of the portfolio with the aim of restoring the initial asset weights. Empirical studies show that the portfolio rebalancing can have a significant impact on a portfolio results. The significance of the impact depends primarily on the value of β of financial instruments within the portfolio, rebalancing costs including taxes and transaction costs, and the costs and time required for implementation of rebalancing. These factors influence the choice of portfolio manager regarding the optimal rebalancing strategy. When making decisions regarding rebalancing strategies, portfolio manager must define the following factors:

- The frequency of portfolio monitoring,
- Extent of permissible deviations before rebalancing and
- Degree of tolerance in relation to portfolio structure that is aimed to be achieved after rebalancing.

Four basic strategies for portfolio rebalancing are widely accepted in financial theory (O'Brien, 2006):

- Periodic rebalancing - is done by rebalancing the portfolio to the initial weights, according to the predetermined equal intervals. The main advantage of this strategy is the ease of implementation, while the serious shortcomings can occur in cases of high market volatility, due to the fact that the strategy of periodic rebalancing does not follow the dynamics within the portfolio;
- Limit rebalancing - a strategy involves periodically rebalancing to the initial weights when certain assets within the portfolio exceed predefined limits, usually expressed in relative terms;
- Rebalancing within the range - a strategy in which portfolio rebalancing is performed according to the predefined range, instead of the initial allocation, and

- Activerbalancing-this strategy of portfolio rebalancing is not linked to individual securities within the portfolio, but with a target value of certain broad classes of assets.

Modern portfolio theory presented by Markowitz (1959) aims to diversify risk by investing in different asset classes with low or negative correlation. Subsequent researches suggest that, in addition to asset classes that were examined by Markowitz, market risk may have a significant impact on portfolio risk (Sharpe, 1964). High market risks are typical for portfolios with high values of β coefficients, where the risk can be reduced by balancing long and short positions. Empirical studies have confirmed the existence of a positive correlation in the series of conditional expected returns (Conrad, Kaul, 1988), as well as in studies of volatility (Engle, 1982). Risk diversification that can be achieved by investing in securities with different values of β coefficients affects the predicted weights of the securities within the portfolio over time. Therefore, the need for periodic rebalancing arises. Portfolio rebalancing aims to achieve a higher total return of the portfolio, as well as to reduce risk by lowering volatility. One of the ways to mathematically present the effects of portfolio rebalancing is the application of Bernstein's bonus based on rebalancing (Bernstein, 1996):

$$\text{Bernstein's bonus} = \frac{1}{2} \Delta_A \Delta_B (\text{var}(A) + \text{var}(B) - 2 \text{covar}(A, B)) \quad (8)$$

where A and B are the two types of securities within the portfolio, while Δ_A and Δ_B represent weights in the portfolio.

Since the sum of Δ_A and Δ_B is equal to 1, there is a question if obtained Bernstein bonus is unbiased, since the largest value of the bonus is always achieved when $\Delta_A = \Delta_B = 0.5$, as well as because of the fact that this bonus always takes positive values. For the above reasons, a modified Bernstein bonus takes into account the annualized annual returns of the securities included in the portfolio, and can be represented by the following formula:

$$\begin{aligned} \text{improved Bernstein's bonus} &= \frac{1}{2} \Delta_A \Delta_B (\text{var}(A) + \text{var}(B) - 2 \text{covar}(A, B)) \quad (9) \\ &- \frac{1}{2!} (n-1) (\Delta_A r_a^{A^2} + \Delta_B r_a^{B^2}) - \frac{1}{3!} (n-1) (\Delta_A r_a^{A^3} + \Delta_B r_a^{B^3}) - \dots \end{aligned}$$

where r_a^A and r_a^B are the annualized returns of A and B securities. Both Bernstein's bonus and modified Bernstein's bonus are based on approximation of annualized returns:

$$\begin{aligned} & \left[(1 + r_a(1))(1 + r_a(2)) \dots (1 + r_a(N)) \right] \frac{1}{N} = 1 + \frac{1}{N} \sum_{k=1}^N r_a(k) - \frac{1}{2} \text{var}(r_a) \quad (10) \\ & = 1 + \mu(r_a) - \frac{1}{2} \text{var}(r_a) \end{aligned}$$

This equation is true for small values of r_a .

Possibilities of R application in portfolio rebalancing are presented by Njegić et al. (2011).

COMPARISON OF MOST COMMON STATISTICAL SOFTWARE PACKAGES

Although there is a wide range of statistical packages available on the market, we decided to focus on software packages which are most commonly used in Serbia in statistical and econometric analysis of financial time series and portfolio management. Therefore, we focused on following packages: EViews, MATLAB, Mathematica, R, SHAZAM, Stata, STATISTICA and SPSS. All software packages were classified by the following criteria:

1. General information:
 - a. Is product's design open for universal access via free licence;
 - b. Type of the licence which has to be obtained in order to use software:
 - i. Proprietary software is usually charged for, and it is restricted from other uses, such as modification, sharing, redistribution or reverse engineering;
 - ii. GNU general public licence (GNU GPL) is usually free, and without restrictions;
 - c. Interface, which can be:
 - i. command line interface (CLI), which usually is more complex to use, but gives a larger degree of freedom for end users;
 - ii. graphical user interface (GUI), which is usually easier for use;
 - iii. combination of CLI and GUI;
 - d. Operating system support, which can be important factor in commercial use because of the diverse prices and characteristics of different operating systems. Most common operating systems are: Windows, MacOS, Linux, Berkeley Unix (BSD), Unix;
2. Support of models for conducting analysis of variance (ANOVA), which include:
 - a. One-way model;
 - b. Two-way model;
 - c. Multivariate analysis of variance (MANOVA);
 - d. General linear model (GLM);
 - e. Mixed model, which includes both fixed and random effects;
 - f. Post-hoc analysis, which includes a variety of post-hoc tests;

- g. Latin-squares, which are usually applied in design of experiments and error correcting codes;
3. Support of methods applied in regression analysis, such as:
 - a. Ordinary least squares method (OLS);
 - b. Weighted least squares method (WLS);
 - c. Two-stage least squares method (2SLS);
 - d. Non-linear least squares method (NLLS);
 - e. Logistic regression;
 - f. Generalized linear model (GLM);
 - g. Least absolute deviations method (LAD);
 - h. Stepwise regression;
 - i. Quantile regression;
 - j. Probit model;
 - k. Proportional hazards model;
 - l. Cox regression;
 - m. Poisson regression;
 - n. Multiple linear regression (MLR);
 4. Support of methods applied in time series analysis, such as:
 - a. Autoregressive moving average models (ARIMA);
 - b. Generalized autoregressive conditional heteroscedasticity models (GARCH);
 - c. Unit root tests;
 - d. Cointegration tests;
 - e. Vector autoregression models;
 - f. Multivariate GARCH models;
 5. Support of different chart types usually applied in portfolio analysis, such as: Bar chart, Box plot, Correlogram, Histogram, Line chart, Scatterplot and Candlestick chart.
 6. Support of some additional abilities, such as:
 - a. Descriptive statistics, which includes t-tests, f-tests, Normality tests, data exploring;
 - b. Nonparametric statistics, like Contingency tables analysis and nonparametric comparison in analysis of variance;
 - c. Quality control;
 - d. Survival analysis;
 - e. Cluster analysis;
 - f. Discriminant analysis, and

g. Data processing, which includes data sorting, data sampling and transformation.

Supported characteristics of observed software packages are presented in Tables 5, 6 and 7.

Table 5: General information and operating system support of observed software packages

General information	EVIEWS	MATLAB	Mathematica	R	RATS	SHAZAM	SPSS	Stata
Open source	No	No	No	Yes	No	No	No	No
Software license	Prop.	Prop.	Prop.	GNU GPL	Prop.	Prop.	Prop.	Prop.
Interface	CLI GUI	CLI GUI	CLI GUI	CLI GUI	CLI GUI	CLI GUI	CLI GUI	CLI GUI
Windows	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mac OS	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Linux	No	Yes	Yes	Yes	Yes	No	Yes	Yes
BSD	No	No	No	Yes	No	No	No	No
Unix	No	No	Yes	Yes	Yes	No	No	Yes

Source: www.wikipedia.com, software packages web pages, modified

Table 6: Support of various methods for analysis of variance, regression and time series analysis of observed software packages

	EVIEWS	MATLAB	Mathematica	R	RATS	SHAZAM	SPSS	Stata
ANOVA support								
One-way	Yes	Yes	Yes	Yes		Yes	Yes	Yes
Two-way		Yes	Yes	Yes		Yes	Yes	Yes
MANOVA		Yes	Yes	Yes		No	Yes	Yes
GLM		Yes	Yes	Yes		Yes	Yes	Yes
Mixed model		Yes		Yes			Yes	Yes
Post-hoc		Yes	Yes	Yes		Yes	Yes	Yes
Latin squares		Yes	No	Yes		No	Yes	Yes
Regression support								
OLS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
WLS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2SLS	Yes	Yes		Yes	Yes	Yes	Yes	Yes
NLLS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Logistic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GLM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
LAD	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Stepwise	Yes	Yes		Yes	Yes	Yes	Yes	Yes

Quantile	Yes		Yes	Yes	Yes	Yes	No	Yes
Probit	Yes	Yes	Yes	Yes	Yes	Yes		Yes
Cox		Yes	Yes	Yes				Yes
Poisson	Yes	Yes	Yes	Yes	Yes	Yes		Yes
MLR	Yes	Yes	Yes	Yes	Yes	Yes		Yes
Time series analysis								
ARIMA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GARCH	Yes	Yes	Yes	Yes	Yes	Yes		Yes
Unit root test	Yes	Yes	Yes	Yes	Yes	Yes		Yes
Cointegration test	Yes	Yes	Yes	Yes	Yes	Yes		Yes
VAR	Yes	Yes	Yes	Yes	Yes	Yes		Yes
Multivariate GARCH	Yes	Yes	Yes	Yes	Yes	No		Yes

Source: www.wikipedia.com, software packages web pages, modified

Table 7: Chart support and additional software features

	EViews	MATLAB	Mathematica	R	RATS	SHAZAM	SPSS	Stata
Chart support								
Bar chart	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Box plot	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Correlogram	Yes	Yes		Yes	Yes	Yes	Yes	Yes
Histogram	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Line chart	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Scatterplot	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Other abilities								
Descriptive statistics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nonparam. statistics	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Quality control	No	Yes	No	Yes	No	No	Yes	Yes
Survival analysis	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Cluster analysis	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Discrimin. analysis	No	Yes	No	Yes	No	No	Yes	Yes
Data Processing	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: www.wikipedia.com, software packages web pages, modified

EViews is mainly oriented towards econometric analysis of time series. It is a proprietary software, with combination of command line interface (CLI) with

limited object orientation, and well-designed graphical user interface (GUI), which greatly simplifies the implementation of simpler analysis. Regarding methods for analysis of variance, EvIEWS is mainly limited to one-way models, while it has full support for various regression and time series methods. EvIEWS is available for Windows and MacOS operating systems, and its price for single copy of commercial standard edition is \$1,275.

MATLAB is a 4GL programming language with both command line and graphical user interface. It supports Windows, MacOS and Linux operating systems. Basic software is primarily for numerical computing, but it has support of a wide variety of optional toolboxes. Some of the most commonly used toolboxes in finance are: Statistics toolbox, optimization toolbox, financial toolbox, econometric toolbox, database toolbox, financial instruments toolbox and trading toolbox. Due to these add-ons, MATLAB supports all mentioned ANOVA, regression and time series analysis methods. Also, it has full chart capabilities, and support for examined additional features. Price for commercial industry usage is not listed and it depends on software application, but it is around \$2,000 for base MATLAB, while each toolbox needs to be purchased separately.

Mathematica is a software package based on the Wolfram programming language, with support of both command line and graphical user interface. It can be used on Windows, MacOS, UNIX and LINUX based computers. Regarding the capabilities of Mathematica, it has a wide support of methods for regression and time series analysis. It supports most of the examined methods for analysis of variance, with the exception of Latin squares. The software does not have built-in functionality for mixed linear models, or two-step least squares and stepwise regression, but it can be programmed by user. Also, it does not support some of the examined additional features, like quality control and discriminant analysis. Price for professional standard licence is approximately \$3,400.

R is an object-oriented language available for all platforms (Windows, Mac, Linux, BSD, UNIX), and characterized by flexibility, high power, and very clear syntax. Also, as an open-source system, it is free of charge, and backed up with free Web-based tutorials and user manuals. Programming language R is based on command line interface, but its open source feature allowed the development of various graphical user interfaces for different purposes. Some of the most common GUIs are: RStudio, Rattle, Red-R, Deducer, RKward, JGR and R Commander. Variety of various GUIs may prove to be a significant advantage in different package application. For example, RStudio is an integrated development environment, Red-R is a visual programming interface, and Rattle's main usage is for data mining using R, while R Commander is mainly used for basic statistics. R supports all observed methods for ANOVA, regression and time series analysis. Also, it fully supports examined chart capabilities and additional features.

Software package RATS is mostly focused on regression analysis of time series. It has both command line and graphical user interface, and supports all examined operating systems, except BSD. Although it supports all tested regression and time series methods, RATS does not support methods for analysis

of variance. Regarding teste additional features, RATS only supports descriptive statistics and data processing. It is software with proprietary licence, and price for single user professional licence is \$650.

SHAZAM is strictly Windows based statistical package, which can be a significant disadvantage of this software. It comes with proprietary licence, and it has both command line and graphical user interface. While it has a full support for methods used in regression and time series analysis, SHAZAM has some limitations regarding analysis of variance, mainly in the case of MANOVA, mixed models and Latin squares methods. Also, it does not support nonparametric statistics, quality control, survival analysis, cluster analysis and discriminant analysis. Price for single-user licence for SHAZAM Professional Edition 11 is \$495.

IBM SPSS is software package compatible with Windows, MacOS and Linux operating systems. Like all the other above packages, it has both command line and graphical user interface. SPSS is mainly focused on analysis of variance methods, while it does not support wide range of regression methods, such as Least absolute deviations, Quantile regression, Probit model, Proportional hazards model, Cox regression, Poisson regression and Multiple linear regression. Also, its support of time series analysis is limited only to autoregressive moving average models, while it has full support of all tested additional features. Since parts of SPSS software can be bought separately, price of the package varies, but IBM SPSS Statistics Standard Authorized User Initial Fixed Term License costs \$2.460.

Software package Stata is compatible with all observed operating systems, except BSD. It also has both command line and graphical user interface. Regarding analysis of variance, regression and time series analysis, Stata has full support of all tested methods. Also, it fully supports tested graphical demands and additional features. Price of perpetual single-user business licence for Stata 13 is \$1.695.

THE EXAMPLE OF R APPLICATION IN PORTFOLIO MANAGEMENT

For the example of R application in portfolio management, we used the 4-asset portfolio, which consists of common shares of: Sojaprotein a.d. as representative of manufacturing sector, Aerodrom Nikola Tesla a.d. as representative of transportation and storage sector, Energoprojekt holding a.d. as representative of Financial and insurance activities sector, and NIS a.d. as representative of mining sector. All time series cover the period from 01.01.2012 to 01.01.2014, during which they were traded on Belgrade Stock Exchange by continuous trading method. The prices of observed securities are presented by Figure 3.

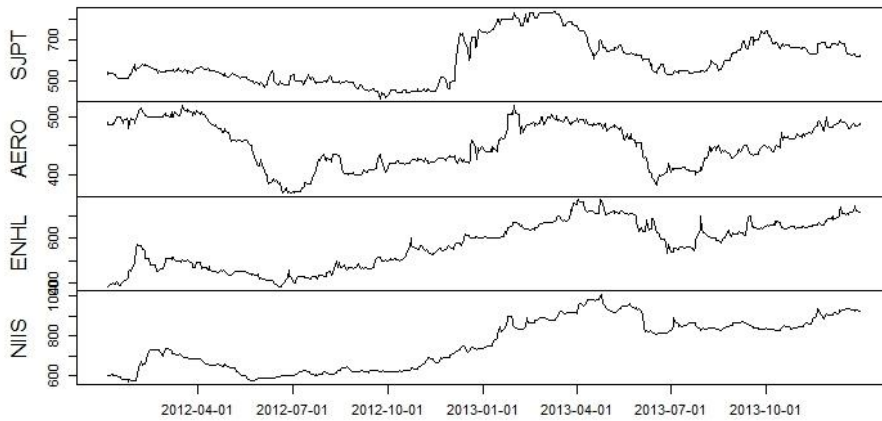


Figure 3: Prices of stocks of Sojaprotein a.d., Aerodrom Nikola Tesla a.d., Energoprojekt holding a.d. and NIS a.d. for the period from 01.01.2012 to 01.01.2014.

Source: www.belex.rs, created in R 3.1.1

The weight of each share in portfolio is determined by global minimum variance (GMV), conditional value-at-risk (CVaR) and conditional drawdown (CDaR) methods presented earlier. The obtained results are compared to equally weighted portfolio. The values of obtained portfolios are presented by Figure 4.

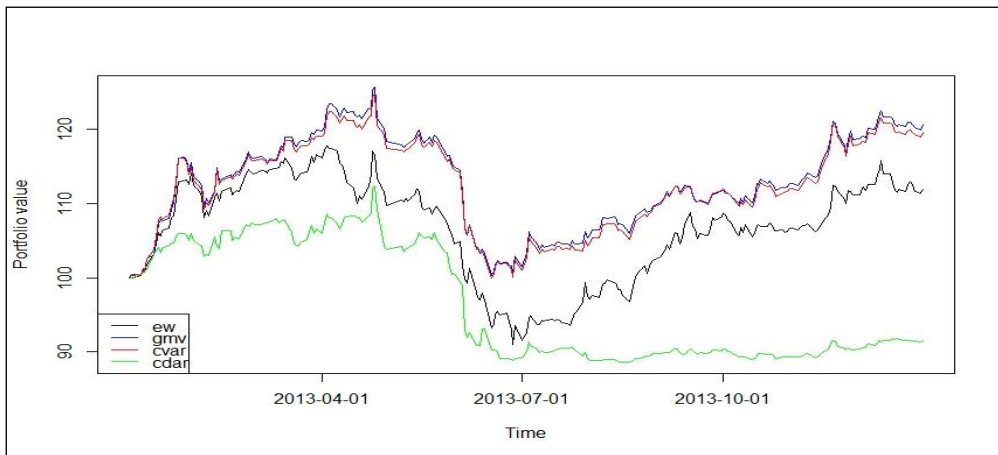


Figure 4: Values of EW, GMV, CVaR and CDAR portfolios

Source: Author's work, created in R 3.1.1

The results show that the application of R in portfolio management by usage of different methods of portfolio optimization can lead to substantial gains in portfolio value. In the above example, equally weighted buy & hold portfolio showed average results regarding the value of portfolio asset. Lowest value of portfolio asset was achieved by conditional drawdowns strategy, while substantial gains were achieved by implementation of global minimum variance and conditional value-at-risk strategies. It should be noted, though, that above example was presented just for the purpose of presentation of R software package capabilities. Severe research would have to take into account numerous measures of portfolio risk and portfolio returns, such as Sharpe ratio, number of drawdowns, expected shortfall, value-at-risk, minimum, average and maximum drawdowns, etc.

For the purpose of portfolio rebalancing, we found highly useful beta version of code blotter, which represents transaction-oriented infrastructure for defining instruments, transactions, portfolios and accounts for trading systems and strategy simulation. Code was applied on the same example of four asset portfolio, in order to conduct rebalancing of the portfolio assets on its initial allocation. We used limit rebalancing strategy, which involves periodically rebalancing to the initial weights when certain assets within the portfolio exceeds 10% limit.

The obtained results confirm that, besides risk minimization, which the main role of portfolio rebalancing, this procedure can also affect portfolio returns, and lead to increase of portfolio asset value. Figures 5, 6, 7 and 8 show short and long positions taken for the purpose of rebalancing asset weights, cumulative Profit/loss, and drawdown for each asset. Figures 9 and 10 show cumulative returns, daily returns and drawdowns of total portfolio, for both buy and hold, and limit rebalancing strategies.

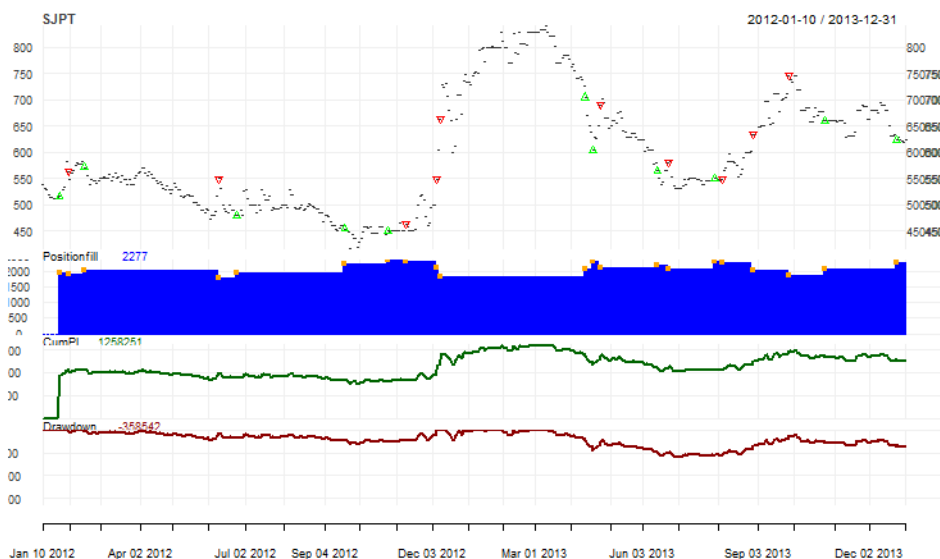


Figure 5: The results of portfolio rebalancing – positions, cumulative profit/loss and drawdowns for SJPT

Source: Author's work, created in R 3.1.1

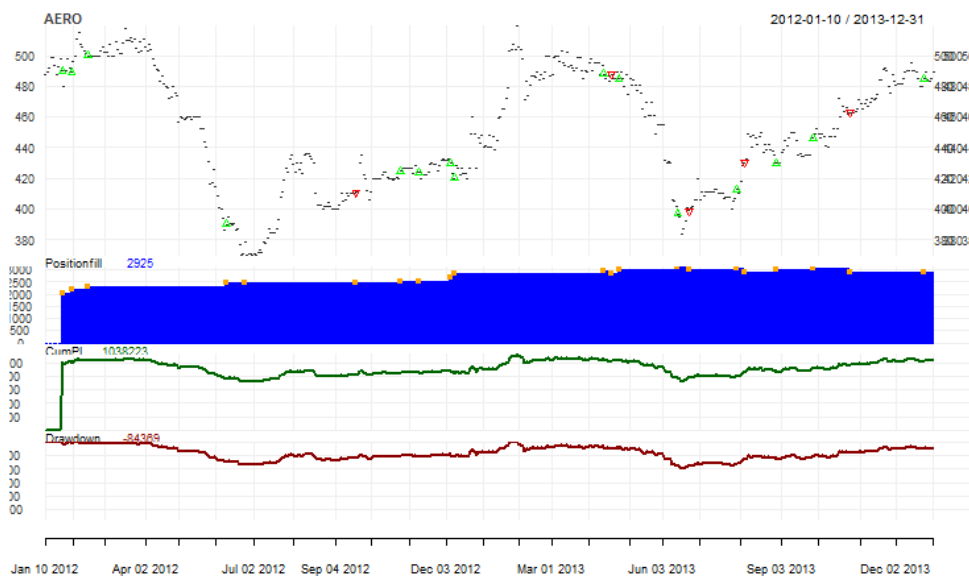


Figure 6: The results of portfolio rebalancing – positions, cumulative profit/loss and drawdowns for AERO

Source: Author's work, created in R 3.1.1

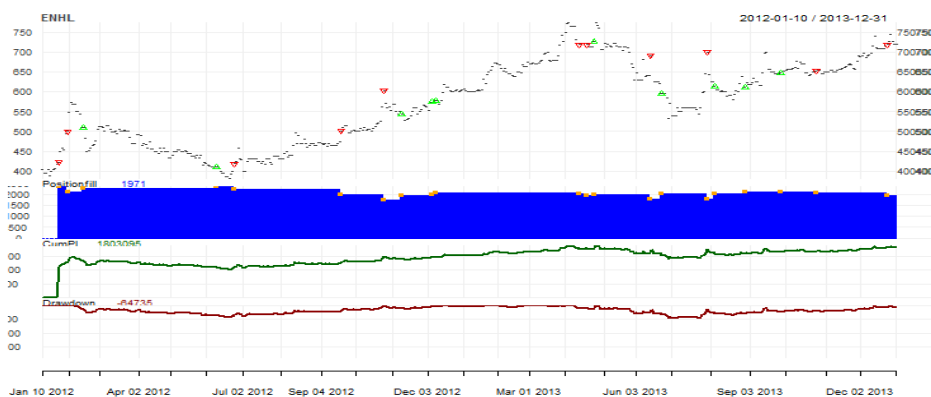


Figure 7: The results of portfolio rebalancing – positions, cumulative profit/loss and drawdowns for ENHL

Source: Author's work, created in R 3.1.1

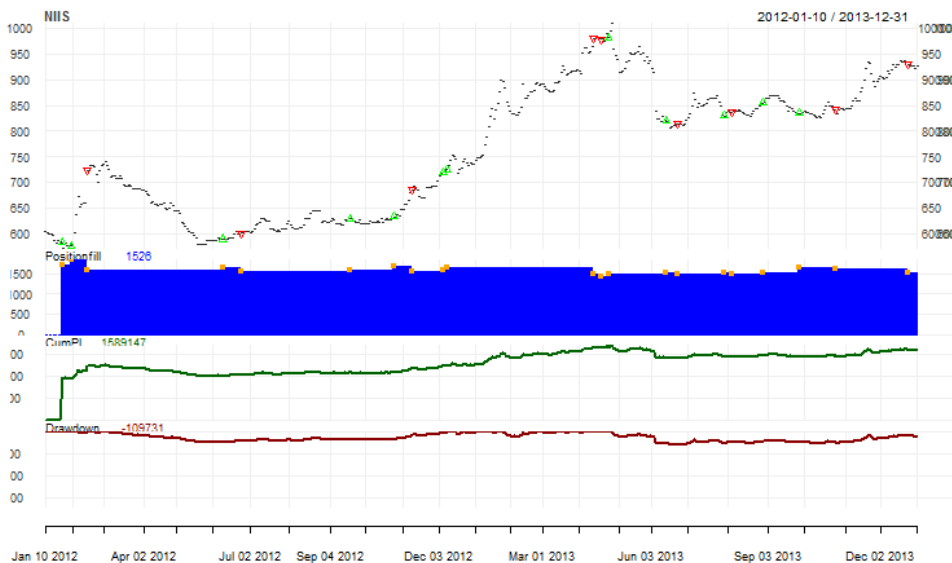


Figure 8: The results of portfolio rebalancing – positions, cumulative profit/loss and drawdowns for NIIS

Source: Author’s work, created in R 3.1.1

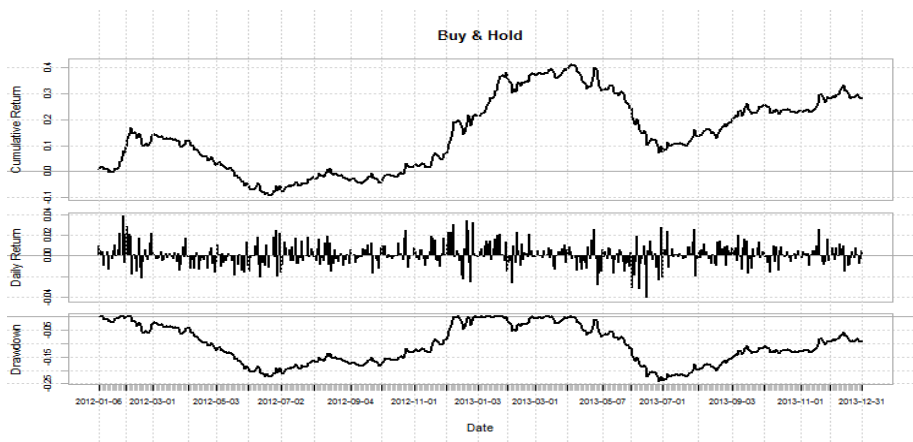


Figure 9: Cumulative returns, daily returns and drawdowns of buy & hold portfolio

Source: Author’s work, created in R 3.1.1

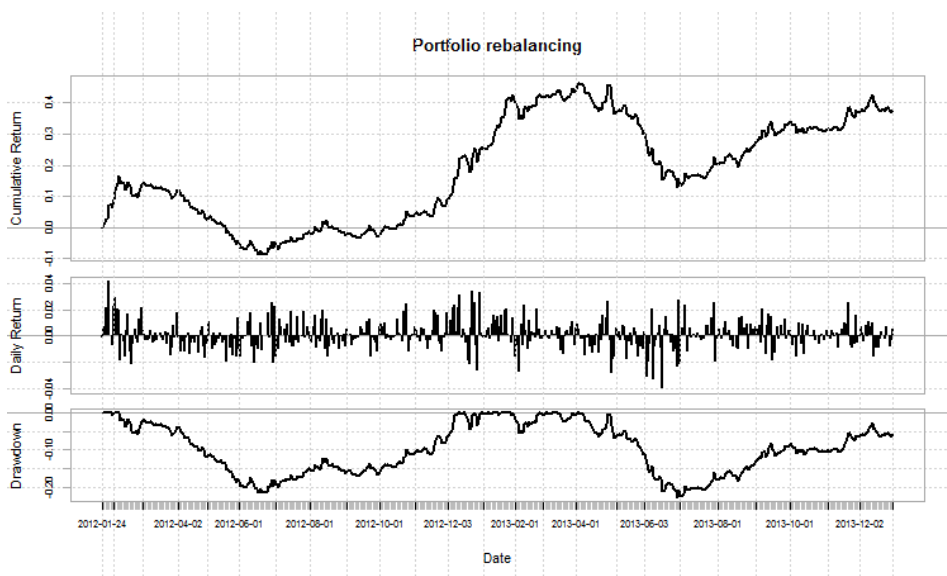


Figure 10: Cumulative returns, daily returns and drawdowns of rebalanced portfolio

Source: Author's work, created in R 3.1.1

CONCLUSION

The investment fund industry represents one of the most pertinent industries in the countries with developed financial markets. Unfortunately, financial market in Serbia is largely underdeveloped, with modest market capitalization and small number of basic types of securities. The mentioned market characteristics, as well as other factors regarding laws and regulations and characteristics of supply and demand, prevented significant development of this industry in Serbia. Much larger number of investment funds in Croatia, though, as well as the amount of overall capital under their control, leads to the conclusion that the process of integration of Serbia to European Union and compliance of legal regulations in financial field could lead to the increase of the importance of this type of financial institutions. Therefore, it leads us to conclusion that the applied knowledge concerning portfolio management will gain significantly greater application with the following development of financial markets.

In practise, a wide variety of different statistical software packages is available for the purpose of portfolio optimization. Regardless the undeniable quality of the presented software packages, the features of the packages significantly differ, both in the terms of price and in the terms of their capabilities and support of various statistical and econometric methods. Programming language R, due to its open source feature, proved to be one of the most flexible and applicable packages. General public licence under which R is distributed also allows significant savings regarding the acquisition of necessary software, and training of portfolio managers. In order to present the ability of practical application of programming language R, we constructed a four asset portfolio of stocks listed on Belgrade Stock Exchange. In this example it is shown how R could be used for portfolio rebalancing. Also, we presented the ability of R to apply different methods for portfolio optimization. The example is intended to provide the basic insight into the possibilities of this programming language in financial analysis both for the researches and practitioners, as well as the potential significant benefits from its application.

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***II PART.
MARKETING AND COMMUNICATION***



CHALLENGES OF MARKETING - CHANCES OF ECONOMICS

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Maja Cogoljevic, PhD¹⁷

ABSTRACT

Management company, today, allocated by the process of making business decisions, which are essential to the functioning and performance of the business system, which directs current operations and long-term development of enterprises. The aim is not only profit, but also survival in the long run. Character economic conditions in the present moment, dictating new challenges to businesses that are marketing oriented must respond. New challenges are looking for new ideas, and new ideas, means of adjustment, but also impose requirements for other participants in the market and have long-term consequences for all businesses stakeholders. The changing face of the company, arising as a consequence of the tendency to improve communication technologies. Rapid changes in all forms of technology allows access to numerous modes of communication, at low cost, which leads to the opening of markets to consumers worldwide.

New forms of business organizations, have become prominent phenomena in the economy, and wear a new trend towards more flexible organizational structures. Corporate social responsibility provides a wider dimension to the business orientation of the company purely economic. Over area of social responsibility, wrap the simultaneous and mutual personal and social values and cultural norms and values.

Key words: *Management, Change, Globalization, Marketing*

JEL Classification: *M31*

UDK: *658.8*

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INTRODUCTION

The customer today is much more than just a consumer of products. Action of purchase is a consequence of a many of variable motives, which occur under the influence of the conditions, places and time of purchase. How to provide a maximum satisfaction to the consumer, with a minimum of effort and time, is the dilemma posed by a modern marketing. One should bear in mind that the former preferences in purchase are changing. Customers today are kind of business partners, with a system of mutual relations and connections, relationships with retailers, and other stakeholders in the market. Keep the customer means to establish a solid and fruitful ties with him, listening to his needs, constantly exploring his milieu and interests, as well as the degree of satisfaction with product he used. Marketing is interested in customer who remains faithful, who always returns to offer of a company and with his suggestions helps in creating a superior offer, that has multiple benefits.

Only by recognizing and understanding the changes in the environment, looking at the realistic chances for achieving success in business, the company can be extracted compared to the competition. The role of marketing is in the early diagnosis of opportunities and threats in the environment, in a situation where its actions can be influenced in a way to avoid the threats and optimally exploit the chances. The success of entrepreneurial companies, is defined by the fact are they (Milisavljević, Todorović, 2000, 526):

- Watching how events unfold,
- Belatedly wondering what just happened, or
- Making the event happen.

Traditional ideas about marketing strategy are changed forever in the mid-nineties. The economy today bears some of the new trends and development opportunities for marketing. The progress of computer technology has introduced new ways of communicating by using information technologies and forever changed the perspective and the ways in which sales persons come out to potential clients. The world's greatest conglomerates have not remained immune to the crisis of the world economy. Fundamental changes in business practice of marketing have influenced on consumer skepticism and buying behavior.

All this leads to transferring decision-making power, or the choice from the manufacturer to the customer - the consumer. Instead of companies'ability to manipulate users by technology, customers now, due to an access to information, are comparing offers and thus, by controlling its expenditures, are indirectly managing bidders. Prices and product specifications can be checked within minutes. The communication between customers is facilitated and there are divided opinions on the quality and reliability of products. Sellers can only preserve their own strength, by ensuring the uniqueness and high quality of products and services, and thus giving customers a reason to purchase precisely their products and keeping the loyalty.

Massive increase in product choice and product range expansion is present both in traditional retail shops and on the Internet. In retail shops, customers are faced with almost countless options of consumer goods. The growth in online sales yields opportunities for buying everything, from cars to exotic gifts. Increased efficiency of transactions, access 24/7, delivery to your home or office, enables users to fulfill their needs easily and conveniently, now more than ever. The amount of information available online, allows customers to communicate, read news, buy and simultaneously entertain.

Changes in using media and the availability of new media are constantly compelling marketers to reconsider the way of communication with potential customers. Since the appearance of cable television, from the beginning of the seventies, the media audience is becoming increasingly divided. Number of media at our disposal is growing, and at the same time, the time we devote to each of them is limited. Newspapers and television are monitored electronically. Yet, the media are important for specific marketing requirements that specific categories of customers have.

Even before the "great recession", in early 2008, there was a reduction in energy consumption, gasoline, food and other basic needs. A weakened economy in all segments is forcing customers to spend less. This trend allows consumers to steer around retailers, and conduct some transactions by themselves. Travel agencies and real estate agencies, as well as the possibilities of wireless reading of books, are very affected by the rise of e-commerce. In all situations when customers see the goods and services, as value, they will be directed towards the most suitable and the cheapest alternative to purchasing.

Changes in technology are pushing the demand curve to certain categories of products. There is a trend of slowing sales of print media, newspapers and magazines, while the use of online and mobile news is growing. The situation is similar in the digital distribution of music and videos. Continuous integration of television and computers has dramatically shifted the demand curve in the film industry.

Protection of privacy, security and ethical issues of modern economics, have made society much more open than in the past. Companies were always collecting information about their customers. However, today customers are more receptive to these efforts and the purposes for which collected information will be used, or the performance of the information security and confidentiality.

In a situation where the company operates in many different countries, it is often faced with the complexity of the different legal systems. The famous Google, suffers from high censorship of the Chinese government, ie the requirements of operational services that local government prescribes. A similar situation creates a problem of protection of intellectual property rights which Chinese laws do not provide. The issue of charging fees for online commerce is also open.

In the modern economy, to deal with economy means to compete, or find a way for better status of its offer, and meet the needs better than the competition. Marketing strategy, or a request to work effectively is needed everyone, to profit and non-profit organizations, to small and large systems. The efficient marketing strategy is also the need of APPLE, to further develop popular products such as iPhone, iPod or

MacBookline of notebook computers. Planning and efficient implementation, allow Coca-cola to keep its leading position in the soft drinks and make key acquisition and the purchase of the brand Vitamin Water, continuing expansion in the Chinese market. All of them are using their key strengths and opportunities that the market offers. Every organization, whether a favorite local restaurant or a giant multinational company, the government or charity institution, develops and implements marketing strategy. Effects of new challenges offered by modern economics, are not yet fully recognized nor valorized, but companies are forced to move forward, adapting their marketing activities, both on the strategic and on the tactical level.

GLOBAL OPINION VS. LOCAL ACTION

The globalization of business and the market hinders managing enterprise from a single center. Global thinking in business rejects traditional assumptions about the functioning of the market and demands to think and work faster and more comprehensive. The level of economic development, membership in economic alliances and integration into world trade of, are some of the factors which affect that global economic movements have been transferred into the national economy (Milošević, 2012, 71). Knowing the local conditions and planning by market segments, is creating the possibility of wider scope, and adjusting bids, according to place and time, with all the features and the specific requirements of customers. Globalization often leads to knowledge that it takes a lot of sources and resources for success, and that the success is not created independently, but by establishing connections, relationships and partnership networks in which each interested party pulls out its strength from the maximum, and complements each other.

Partner networks, by economy of scale and size, are leading ahead of competitors, who are lagging behind and can not follow new achievements and trends in the information revolution. To communicate is possible everywhere and with everyone, and the Internet has enabled that viewing the offer was available for searching, as well as for ordering and shopping without going to a sales point physically. Offers can be compared, information about the properties of products are available, the product can be ordered, tested and returned, over time, in a quick and easy way, all in order to satisfy the customer and return him to the place of purchase. By this trend, direct marketing is gaining in importance, so it is necessary to work on its development and modernization. Possibilities often exist where the company does not seek, and creative entrepreneurship requires taking action. Ability to anticipate and adapt, are the most important characteristics of an entrepreneur who is marketing oriented.

Exploring the determinants of macro environment in global scale, will lead us, sooner or later, to the concepts of the whim, the trend and mega trend. Whims are unpredictable, short-lived and without social, economic and political significance. Unlike them, the trends are more predictable and long-term. They provide many opportunities, because they indicate on future movements. For example, there is a world's famous discussion, whether Twitter is a whim, a trend or something more.

Mega trends represent a major social, economic, political and technological changes whose creation are slow, by when they happen, they affection on lives and businesses is 7-10 years long or even longer. The success of your product or service, or your business depends on your ability to customize the aspects of mentioned changes, where it is necessary to monitor trends and mega trends separately, because of their long-term action. The most influential marketing mega trends can be compared to the tsunami of changes that transform the society we know today.

1. Mass cooperation (Collaboration) strengthens the new economy. In order to be innovative and provide constant growth, modern enterprises are taking advantage of the so-called new economy, based on cooperation between companies and their consumers. A key turning point in the modern economy is the dialogue about brands, where consumers with their thoughts and attitudes are placed on the same level with marketing experts. This happens due to the possibilities of active participation of members of a particular community or online network that YouTube, Facebook, Twitter, MySpace and other social media giants provide to its consumers. Online social networks and content created on Web sites to meet customer needs, are important components of mass collaboration.

2. Permanent connection in the demanding world. More and more, we are unbreakable interconnected. Are you networked? Are you "surfing" on the Internet, whether "twerking" (sending messages via Twitter), whether "texting" (sending SMS messages)? Are you "hooked" on Facebook? Is there an end? There is no end to permanent connection, as second marketing mega trend (or, at least, the end is not in sight).

3. Globalization is an unstoppable process that transforms our society. World economies are unbreakable interrelated and linked, technology has made geography irrelevant. Internet allows us to reach markets and partners around the world with which we can enter into new businesses.

4. The growth of distrust in major companies. The world economic crisis has raised many questions about the incompetence and responsibility of managers of large companies, primarily financial institutions in the United States. Example of Interbrand's annual assessment of the value of the 100 largest worldwide brands, says that this value has declined by 4.6% in last year. Consumers around the world are asking themselves rightfully - whether and to whom to believe? The trust is wasted, how to regain?

5. Globally feeling the necessity to solve the problems of the modern world. Global warming, pollution, over-populated cities, lack of energy sources, water and more, are just some of the problems of the modern world. For dissolution of the planet, we should blame ourselves. However, the fact is that there is a global sense of the necessity to create awareness and access for searching solutions to these problems.

Changes faced by the companies at the beginning of this century are under the influence of several factors. The first is globalization, or a huge increase of exchange and availability of new products and services. This further means a

dramatic increase in the mobility of foreign investments, the movement of people and the international competition. To survive in such an environment, it is necessary to compete at the international level. Companies that do not observe the competition in international markets, often do not realize they are facing not only with internationally oriented, successful domestic companies, but also with aggressive foreign competitors which are trying to expand their business outside the country. Hence, companies are operating in the global marketplace.

Globalization is, in fact, only the term that refers to the growing economic liberalization between national borders. Debates carried on a global level, refer to the way that should come to prosperity; whether it is respecting the principles of the free market, centralized planning, or a transitional solution, is the question that many are trying to give a precise answer. If we believe that the free market is a force that is destructive on human development and must be controlled by active state intervention, then we will consider the globalization as a threat. If, on the other hand, we believe that the free market is self-regulating force, in the words of Adam Smith "guided by an invisible hand", which leads to the greater prosperity, then we will consider globalization as a blessing.

Arguments in favor of the latter, are supported not only by economic theory, but also decades of hard-earned experience. Many nations have reconciled with globalization not by following up on blind ideology, but by perceiving failures of other alternatives. Precisely these nations have come to the conclusion that the spread of free market and the supporting institutions offers greater hope for a more regular distribution of the fruits of prosperity among countries.

However, what is perhaps even more important, is the individualistic approach that each country should follow when turning into the global flows of international trade, because only in this way it can protect its national interests and ensure growth according to its needs. Too much interference from the side should be reduced to the lowest possible level, referring primarily to the directives coming from the most powerful countries in the world.

The changes companies are faced with, are the result of three factors of influence (Vesić, 2010, 136-164)

- globalization - a huge increase of exchange and availability of new products and services, increase in the mobility of foreign investments, the movement of people and the international competition.
- the impact of improvements in communications technology which allows access to numerous ways of communication at low cost, which leads to market opening to consumers around the world.
- changes in the market power from manufacturer to the consumer or end user, the availability of information in the company, as well as the determination of the global product brands and services.

The most prominent trend in today's business is growing globalization of markets for goods and services around the world. The companies are gaining a growing part of sales at international markets. The trend has extended to the service

sector. The increasing development of communication and more frequent traveling across national borders contribute to the emergence of global market segments. The chains of fast food restaurants, "McDonald's" are counting on hungry consumers around the world, at those who want to satisfy their need for food quickly, and on the other side hotel chains "Hilton", as well as rent-a-car company "Avis", having business people, who travel and expect appropriate service and comfort wherever found themselves, for their target groups. National sports and cable televisions are spreading globally. National Basketball Association in the United States (NBA) has already achieved expansion in Europe, and now its goal is the belt of the Pacific, where is expected rapid growth in sales of games and licensed merchandise.

Global connections of the trade and the company investments talk about the importance of international-global marketing. World trade leads to a network of global connections, which includes all countries, institutions, and individuals. The developed countries are allocating a large part of capital for foreign investments. The greatest source of external finance for many developing countries are foreign direct investments. Global connections were observed in 70s during the petroleum crisis that shook the whole world. The drought in Brazil and its impacts on coffee production are felt worldwide. The Iraqi invasion of Kuwait, and the subsequent Persian Gulf War, were affected the prices of oil, stock exchanges, trade and transport flows around the world. The effect of general culture has resulted in similar social phenomena and behavior - there is more and more families with two salaries (employing women) which leads to more frequent and stressful shopping.

IMPLICATIONS OF INTERNATIONALIZATION ON MARKETING

In the era of globalization, marketing managers consider as an implicit goal to optimize the results of their efforts regarding new products. The success of new products helps global oriented companies to develop new and/or to meet the needs growing on the already won markets. New products, as recent studies show, are contributing to the financial growth of the company in the range of 25-30%. Profitable placement of the company's offer, in addition to technical capacity, financial resources, logistics and accessibility of markets, depends also on the cultural performance and its compliance with the national culture. The culture essentially affects attitudes and values of managers and decision-making and behavior in consumption. Manager registers signals of global markets, directing internal resources towards the achievement of strategic business goals.

It is evident that the internationalization of business is a company strategy with strong marketing impulses. It can occur as a result of production and technological pressure, or as a consequence of significant investment in research and development and then we talk about the direction of diversification of activities, or as a consequence of the market pressure that is based on limitations of market

space when company business is expanding in the direction of expansion. Technological changes allow the company to split its activities in content and context. The company can operate in a "market area" rather than on the market (as a place), maintaining content while changing the way of transactions. Newspapers could be distributed globally online rather than in printed form from house to house, thus enabling the unimaginable expansion of conquering the new groups of consumers. A large number of companies achieve sufficient economies of scale at the international level, thus contributing that development investments have economically rational character, thanks to the wide marketing horizons and stimulants.

In a global economy based on knowledge, services are crucial for the competitiveness of companies in all fields. Foreign direct investments are the key funding source for telecommunications, energy and financial services. Foreign direct investment can provide the necessary capital, skills and technology for efficient service providing and based on that, improving the competitiveness of many countries.

Basic stimulating forces are increasingly diverse, such as economies of scale, brand name, access to cheap resources, access to national incentives, subventions, avoiding trade barriers and access to strategically important market. Three important restricting forces are: management myopia, organizational culture and national culture. "Marlboro" is an example of successful global brand. Appeals of this brand, focused on urban smokers around the world, emphasize the spirit of freedom, independence and vastness that are symbolically represented in the image of cowboy in the beautiful American environment. Regardless of the recent legal battle of the cigarette industry in the U.S. and the danger of increased regulation of advertising cigarettes around the world, Marlboro maintains popularity. The desire for Marlboro cigarettes is universal and therefore appeals, advertising and positioning are global. The company "Philip Morris" has revealed long ago that the same basic need can be met by global access.

Air transport has led to revolutionary changes in communications, enabling people to travel around the world in less than 48 hours. Tourism allows people to see and gain experiences about the latest products which are sold abroad. The essential feature of effective global business is direct - personal communication between employees and between the company and its consumers. The costs of international telephone calls are declining dramatically in the last few decades.

The company "Coca-Cola" since the 50s applies the same marketing strategy worldwide, ie same characteristics of the products, positioning and advertising. The marketing teams at companies such as "Smirnoff", "Pantene Pro-V", "Nike" and "Disney", have achieved significant savings in advertising costs by using the same advertising messages in all countries. The president of "McKinsey Company" in Japan points out that some products are the same in Japan, Europe and USA, including "Nike" brand of shoes, "Pampers" diapers, "Nestle" coffee, "Kodak" films, etc.

The changes manifested in the overall environment of developed market economies are evident. This primarily relates to the current flows of integration and concentration of total trade and business economics, and their implications on the overall economic trends, and global trends in general. Augmentation of capital is contributing to a faster and more significant process of market integration. Therefore, marketing is largely relying on trade and trade takes over the increasing number of marketing functions. To this contribute the strength and power, which derive from the capital, but also the leading role of the IT revolution, which in the field of trade has become the mainstay of functioning flows of goods, money, capital, human resources and more. The exchange of goods and money is moving in the direction of globalization of business, where trade is going parallel course with marketing and finance. Marketing managers formulate global and multinational development strategy of international trade and marketing. The future relies on the development of partnerships between all links in the chain of transport, especially producers and traders.

Strategic alliances are formed as a result of clearly defined and business related chains of offer and supply. All subjects of production and trade will streamline its common goals to increase profitability by lowering costs and other savings in operations, to increasing the volume of turnover. The role of management is to maximize sales, but also to predict and to project demand and conjuncture trends in the market. The internationalization of business requires new ways of organizing supply chains in ways that the needs and requirements are imposed by the user. On the other hand, production function also gets the complete content through the function of sales promotion together with turnover system, much wider than the sale itself or ceding the results of the production to trading systems for further exchange.

Theory and practice of marketing get a new quality in evolution by these tendencies. Matrix Marketing is increasingly affirming, because of the need that producers, besides mastering the needs of consumers and competition opportunities, must be familiar with the opportunities in the market turnover. The management of turnover has characteristics of management of certain product categories and forming lines of package deals. Strategies of development will be directed to increase the overall profitability, primarily by reducing costs, in various stages of the exchange.

It is certain that the business is based on new assumptions and challenges of international business. Global market processes, that were characteristic for the end of the last century, and that will be even more intensified in the coming period, directly reflect the strategies of international marketing flows. It is often encountered understanding that globalization reduces the importance of marketing, and narrows its creativity and imagination. It starts from the initial and basic definition of marketing, as a process of continuous adjusting to the market and the environment. However, these attitudes predict the basic fact that marketing is, primarily and always, centered on the consumer. All the adjustments are derived from that determination and serve to it. Precisely all analyzes point to the conclusion that the phenomenon of globalization and all its effects are deep in the interest of the consumer.

Any solution that fully meets the interests of consumers, represents the complete affirmation of marketing. If you seek basic driving factors that led to the phenomenon of globalization, their list is impossible to give, if at the very top are not marketing and marketing strategies. There is not one a global company that does not have a huge marketing knowledge and experience, as a resource. Globalization is therefore a deep interest and direct marketing logic. The period we are facing, is a period of great challenges for international marketing. Our companies need to know that there is a huge difference between classic foreign trade and global business logic. The marketing gap is not easy, but is necessary to overcome.

It is believed, that is not accidental that comes to the parallel and rapid development of marketing, on the one hand, and various forms of international business, on the other hand. In the modern market processes focus is increasingly placed on the creation of integrated competitive advantage, both in the field of production and in the field of marketing, finance, research and development, management. In the creation of integrated differential advantages, marketing gets a directional role.

With the growing trend of business internationalization , which is evident in recent decades, there have been great changes in the international competitive relationships, as well as in supporting competitive strategies. It is necessary to carefully and thoroughly considerate the potential forms and processes of internationalization on the ground of clear and verified market guidelines. It is certain that marketing plays a key role in the triangle of relationships between the basic problems, dealt with and resolved by the system of international business: research on environment - coordination of business functions - choice of international business forms. The internationalization of business represents an enterprise strategy which is predominantly opted by marketing.

Studies show that the marketing is more important for successful internationalization and successful international business than other business functions (finance, manufacturing, research and development). The strategic importance of marketing, stems from his very nature, which is reflected in the consideration of multiple connectivity of a company with its business environment. Business strategic importance of international marketing can be seen multiply. First of all there is no successful realization of specific tasks abroad without international marketing. Also, there is no quality analysis of the influence of the international market tendencies on business within the domestic market, without international marketing. No less important is the fact that there is no undesirable dependence on other people without the contribution of international marketing.

A key element of international marketing is the ability to recognize foreign opportunities, interpret external and uncontrollable environment variables, and then decide how to answer the demand for profitable market performance, using the available resources of the company. The fact that two central activities of each company are marketing and finance, especially coming from the fore in international scale. In the process of managing international operations, it primarily

has a direct reflection at choice of business form and its alignment with the business environment. The essence is that mutual corporate finances understand that business success is primarily a function of quality and responsible meeting the needs and desires of the people, which indicates the necessity of respecting marketing and constant need for marketing analysis. At the same time, marketing should appreciate the reality of its own resources and potentials, as well as warnings of corporate finances.

Development behavior of companies increasingly relies on higher number of partners and special forms of cooperation, in order to preserve its vitality, and to increase resistance to impacts from the market. In this sense, developmental behavior of enterprises and internal configuration are correlated with the independence, self-sufficiency and the limits of external growth. Modern enterprise by achieving synergy can realize paths of its development with a wide range of possibilities, using asymmetry in relations between the parts, subtle maneuvers in terms of business portfolio restructuring and establishing connections with the environment.

Consequently, strategic alliances are increasingly appearing as a rational form of developmental behavior of the modern enterprise, as it struggles to adapt to the changed market, technological and social trends. The processes of business proliferation and decoupling companies lead to the establishment of various forms of cooperation in the realization of certain ventures. The number of forms and potential partners allow to get through alliances to provide a wide scale of benefits for the involved partners. Forms of cooperation in alliances, are determined depending on the nature of work and expected results.

Business internationalization is one of the possible routes that the company uses in applying strategy of growth and development, if opted for operations outside the borders of the national economy. It means that the company also accepts, through marketing activities, acting rules of competitive behavior and standards, on the one hand, and on the other to respect and to follow the current development trends of technology and movements on the world market. Marketing must be in function of market directing and conducting international business activities, which will enable the company to fit more rationally in the business and social environment. It seems that a parallel growth and development of marketing and business internationalization is increasingly present, at the same time as two of the causes and two of the consequences brought by the performance in the modern marketplace, today. The imperative of business success, is to create and maintain competitive advantage, a significantly improved concept, including manufacturing, finance, target research and development, and of course marketing. Thus, comparative advantage becomes integrative, covering the entire package deals, which is based on superior characteristic that distinguish the product over the competition. The role of marketing in the creation of this concept is a guiding, since grown trend of internationalization largely goes into a system of competitive relationships and strategies, changing them and shaping them.

The process of internationalization imposes many tasks to marketing. Marketing leads and directs the company, through certain stages and steps of the internationalization process. So, marketing is gaining in importance, and often can be heard that his role is crucial in relation to other business functions of the company. The task of marketing is to analyze the opportunities in the environment in which the company operates or plans to operate, as well as the implications to which the changes in the environment will affect on business orientation and results of operations. A key element of marketing in the international frameworks, is the ability to recognize foreign opportunities, interpret external and uncontrollable environment variables, and then to determine how, with available resources of the company, to answer the demand for profitable market performance.

The process of managing international operations, including the choice forms of foreign market performance and ways of compliance and integration of the company into a system of business environment. The risks that follow the company's entry into foreign markets are large, but the opportunities to achieve this strategy are great also. There are many decisions facing the company in international marketing. The main are (Kotler, 2005, 669).

- A decision on whether to do business abroad,
- Decision on the markets that company will enter,
- Decision on the method of entering the market,
- Decision on the marketing program,
- Decision on the organization of marketing.

Each of these decisions is placed in front of marketing, and at the moment when the company operates only within national borders. Responding to the specific demands of internationalization, marketing is changing, expanding its coverage, and eventually becomes a business philosophy that includes all facilities and processes keeping in mind the international character of the business. To make a decision, whether to expand business beyond the national borders, requires a detailed analysis and knowledge of the situation on the foreign market, as well as its own strengths and weaknesses. Revisiting the resources that company disposes, is in the function of the appropriation of strategy for market performance, as well as risk assessment to achieve the set goals. Often the available power are not enough, or have not been trained and qualified to do business in the international scale. Marketing analysts need to test whether is it possible and economically rational to train existing staff or to recruit additional to get the job done, and are the benefits of undertaking actions greater than the costs they cause. Additional equipment, know-how, technological processes, energy and money are just some of the inputs that engagement in a foreign market causes. To make this step, marketing analytics evaluates, analyzes, examines and presents in the form understandable and usable for decision-making. Global business requires the business internationalization, despite of many problems facing the company (foreign currency, political instability, constant movement of borders, corruption and plagiarism in the field of technology, etc.). Even the maintenance of domestic product, is sometimes called into question, if neglected the fact of the necessity of internationalization.

Decision about business at the international level, requires large steps in marketing, which is primarily related to the definition of objectives and policies of international marketing. Marketing evaluates and assesses the attractiveness and capabilities of certain markets, and the risk they carry, as well as a competitive advantage. Using marketing tools, the selection is made about on how many markets, ie countries, company will compete, with which offer, when and how. Offensive and radical strategies of performance, generally have a greater degree of commitment, engagement of people and resources, as well as risk, and require control function, but also have a higher potential for achieving profits.

Risks that the company takes, affecting above all, cultural, social, political, technical and technological and other characteristics of the host country, which are no less rigid and formal than legal norms. Marketing programs must be spelled out in detail and related to each individual element of the marketing mix, with a focus on that which brings competitive advantage, and it may not be the one, that is superior in package deals on the domestic market.

Each degree of business internationalization represents and signifies some form of progress development and company management. A typical course of healthy development of many companies is starting from local to national (terrestrial), from national to foreign (international), from international to global. Entrepreneurial companies managed to overcome the initial-conditioned or imposed development thresholds, imposed by the business on the foreign market, come in a situation to stabilize and settle their businesses, and then, based on spatial diversification and achieved economy of scale, to ensure profitable operations with permanently increasing returns. Operation in foreign markets is carrying a number of chances, but also carries a numerous dangers (risks), which in each case and the particular situation, should be noted (identify) and studied in detail.

IMPLICATIONS OF INFORMATION REVOLUTION ON MARKETING

The changes with which the companies meet, occurring as a result of the tendencies effect, in improvement of communication technologies, especially electronic communications. Rapid changes in all forms of technology allow access to numerous modes of communication, at low cost, which leads to the opening markets to consumers worldwide.

Information technology conditions the way of realization of certain marketing activities and their integration within the marketing function, as well as with the activities of other business functions in the organization. New trends in information technologies, enabling a continuous inflow of necessary information and proper communication between the various levels within the company, and the company with the environment. Forming and commercial use of different computer networks (regional, national, global) enable companies to develop and use modern business opportunities.

Successful companies will try to transform opportunities, provided by these networks, especially the Internet, into a chance. Development of appropriate information systems, specifically for the needs of strategic management, increases the possibilities of identifying the needs for information in the process of managing different profiles and levels of managers. By collecting and using information, the company forms the basis for changing the way of functioning.

The aim of the company should be to use information technology better and more in comparison to the competition. Information technology contributes significantly to increasing the power of customers and the ability of companies to use the power of suppliers for increasing its own resources and capabilities by establishing new relationships with partners. The goal, also, should be the development of interactive technology, which allows the establishment of a dialogue between partners who are interested in the promotion of such established relations. The stronger association of market players in terms of the national economy, provides greater chances for its successful development.

By contributing to the development and implementation of the proper information systems, company may get a chance to create, a kind of defense system from the threats of new market challenges, but also to increase its advantage from the already existing competitive forces. Information technologies create the basis for defining common standards, thus cooperation with existing partners is strengthening.

The company is constantly exposed under attack of competition, which offers substitute products. Information technology is in function of creating differentiated product characteristics that consumers will always recognize as distinctive. New information technologies allow changes in the approach to marketing, swiping from mass marketing, which means a massive adjustment to individual needs of strategically important customers. It requires the need of adjusting almost all activities and marketing instruments. Marketing and information technology are affecting the change of industry structure and competition rules, and contribute to the spread of new areas of activity, which creates favorable conditions for the development of new products and markets. Marketing researches are necessary to a company, by developing new activities, gains new opportunities for the competitive advantage.

Technology is the driving force of modern society and principal mean for achieving the most business, social or personal goals. In addition to the direct impact, technology secondarily affects the environment and the relationship between the company and the environment. Technological advance encourages instrumentalism and consumerism, and warns business entities that they are part of the environment or nature. Technology also has a tertiary effect, on the culture of people and the organization as a whole. Responsibility, which is being built, in practical terms means to evade the way to cause damage. Activities, encouraged by technology, such as the use of pesticides, emission of pollutants from industrial plants or race in the long range arms, now have deeper and deeper consequences, which are spatially and temporally shifted and very difficult to predict.

Individuals and organizations need to spot hazards arising from business functioning, and only then will be easier to implement the deeper technological changes. From marketing managers depends on how they will balance the long-term imperatives of technological and operational changes with the imperatives of everyday business. If they want to be competent, leaders need to master a new understanding based on system thinking. Technologies allow management to coordinate and direct the efforts of employees in order to increase effectiveness and efficiency. Technological achievements are affecting the level and degree of communication, and thus extend through all levels and aspects of the business.

Communicating is radically changed today under the influence of the development of international technologies. Except that it allows a wider database for timely decision-making and forecasting future business events, more complete cooperation and exchange of information are also possible. It refers to the various hierarchical relationships, communication across the width, depth and height, making it easier and more comprehensive to monitor and control on individual and group work in the company. By availability of information and data, but also the people, at any time and any place, the control system facilitates and raises to a higher level of quality, and corrective action essentially maintain the need for realignment, and catching up to new successes. Sometimes a written communication is more productive than verbal, which should be used in setting up and implementing the business and control standards. Their monitoring is thereby facilitated and employees themselves can control their work, and contribute to increasing in business performance. The spatial distance between members of the collective, oriented toward the same goal, is no longer a problem of communication, coordination and compliance of work activities, and there is almost no any time limitations. Joint working efforts are harmonized and integrated into a whole, which does not violate the principles of effectiveness and efficiency. Organization, thus, is consisting of the employees who are both timely and spatially dislocated, without consequences on making quality business decisions and work efficiency. However, the question that should not be ignored, is the question of psychological and motivational nature of employees under the influence of new technologies. Today, there is a tendency of full availability of employees, constantly and everywhere, which reduces or eliminates their free time, and where there is a dilemma, which is the price of this work engagement, and whether there is a life for a working man, outside the business?

We are witnessing major technological changes that have enabled by the development and wide application of electronic computers and telecommunication technologies. By accepting the new technology, which is changing very quickly, we are entering into a new, so-called information society. Under these conditions, every contemporary business activity, is the activity in changes. Instead of being something specific and traditional, it is continually changing into something new. By offering new services, business turns enterprises, in larger and more complex business entities. Market participants must meet market demands and constantly attract new customers for which continually expand their activity. Because of all these new offered features, information systems of companies need to change.

The Internet is global, universal network that is currently used for commercial purposes. It counts hundreds of millions of users worldwide and the number is still increasing. Internet access is possible from almost every area of the civilized world. The growth and popularity of the Internet, caused rapid entry of enterprises, as well as economic subject in the modern electronic business. The latest researches suggest that most marketing oriented institutions intend to achieve some kind of presence on the Internet. Since the price of human labor and office space worldwide, is showing the trend of growth, and the costs of communication over the Internet are falling, companies are turning to the Internet as a way to achieve the best possible presentation about themselves and better contact with the users of their products and services. They use appropriate multimedia and interactive communication to attract customers and present them the latest production programs and services. However, the fear from insecurity of electronic financial transactions somehow slows down faster transition to Internet banking, causing that safety of operations over the network must be the main determinant of any bank, that is, any services that the bank provides.

In the 21st century, the offer of company is coming to the user's house, at his computer, his workplace or even a mobile phone, completely independent from the location where he stands. The development of information technology and security of computer systems is opening the possibility of linking sales and payments on a global scale, which accelerates financial transactions and efficiently perform operations between remote locations.

ALLIANCES AND MARKETING

In addition to international trade and foreign direct investment, strategic alliances (SA) are the third driver of the globalization process. The theory and practice often use terms cooperation agreement and global strategic partnership. The term alliance covers all forms of cooperation between enterprises in the international economy that are more than usual market transactions and less than mergers and acquisitions of companies. The purpose of linking companies in strategic alliances, should be to strengthen the company's competitive advantage at the global market as a whole or at its individual segments and niches. If this is not achieved, it is better that the company has an independent performance on the market. Like all other forms of cooperation, strategic alliances also carry both, the opportunities and the threats.

During the last decades of the last century, there has been a flood of strategic alliances, which are formed between multinational companies across a variety of business activities. They represent a kind of transitional mechanisms, which are driving forward strategy of the partners in a turbulent environment. There are numerous factors that affect the global integration of business and above all: capital intensity, the ratio of the optimal scope and size of the world market, pressures

from customers and/or suppliers, the ratio of value added and transport costs, the economy of scale, the international strategies of competitors and more.

New forms of business organizations, have become a prominent phenomenon in economic flows. Even before the forces of global competition became explicitly expressed, there was a trend towards more flexible organizational structures. Such new forms of organization put an emphasis on partnerships among companies, various forms of ownership and partnership within the organization, linking between teams of different organizations and other. There are different names for this kind of connectivity: network, value - adding partnerships, alliances. All of them are characterized by flexibility, specialization, and focus on the management of mutual relations rather than the management of mutual market transactions. Visualization of the new forms of organization can be presented with the wheel (Figure 1), as opposed to the traditional pyramid:

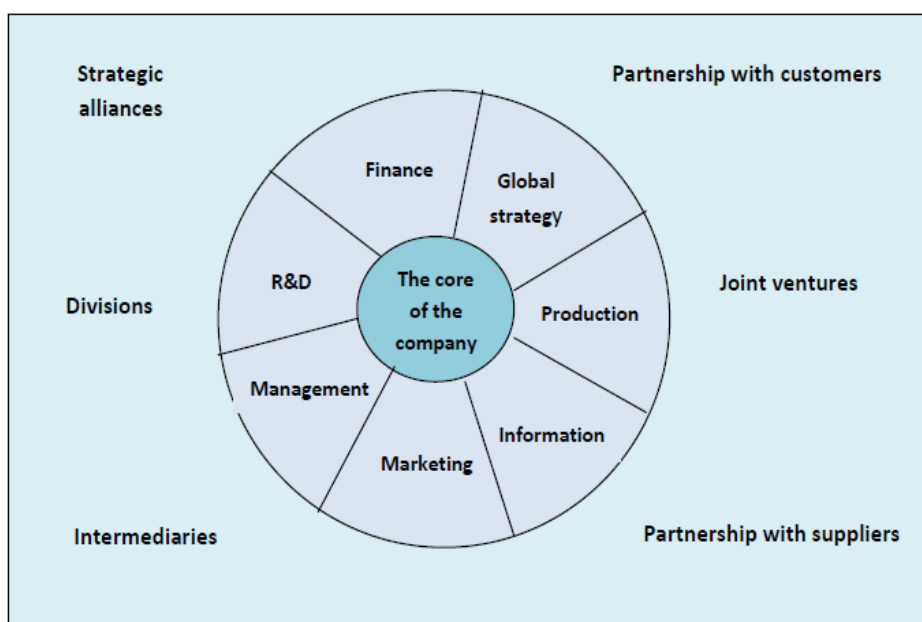


Figure 1: „Network“ as wheel

Source: Webster, F.E., 1992, p.9.

Prior to the decision to enter into a strategic alliance, the company need to raise the question what is the basis for the competitive advantage of companies. If the company sees that some of its value chain activities are not efficient enough when performing independently, it should decide to seek a strategic partner. For a good number of companies, a strategic partnership, given the resources, expertise and capability they dispose, is the only way to participate successfully in the global marketplace.

Strategic alliances (SA) are specific agreements between two or more companies, which are regulating issues on dividing costs, risks and benefits associated with the development of new business. The company is faced with two problems when determines for this type of collaboration. The first one is choosing partners in the alliance, and the second one is managing alliance when it is formed. Choosing a partner depends on the objective that we have when deciding for a SA. The question is whether potential partners dispose with resources, expertise and the ability that allow to jointly realize business goals. Clearly defined mission and goals are the basis for the successful managing SA when it is created. There has to be a good management information system for prompt and corrective intervention, if actions are not consistent with long-term goals. It is suggested the central framework of alignment (Figure 2), which has five areas: the strategic, the organizational, the cultural, the personnel and operational harmonization, which determine the success of the alliance.

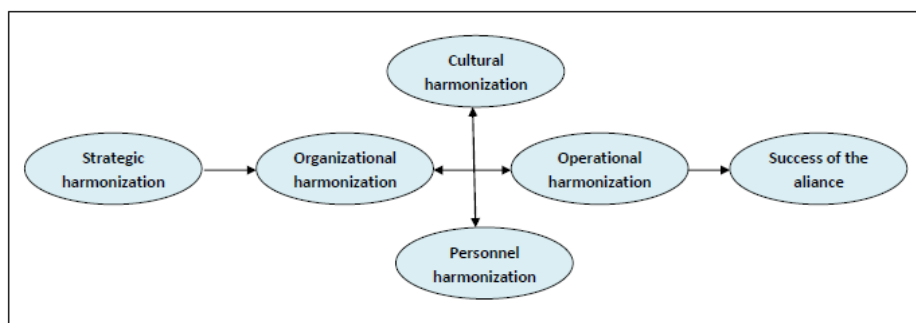


Figure 2: The five areas that determine the success of the alliance

Source: Das K.T., B.S. Teng, 1997, 61

The direct incentives or reasons that direct enterprise towards strategic alliances are:

- 1) to reduce the costs of new products development,
- 2) to obtain technology,
- 3) to obtain marketing or management know-how,
- 4) to go easier on one or more national markets or a regional market, and
- 5) to obtain capital for certain investments.

Strategic alliances are very popular, although empirical studies are indicating the high rate of failure. The prerequisite of success is mutual benefit of partners. An ideal partner would be competent, with resources and the ability, and with which there is a mutual trust. It could be even smaller companies. Often in literature, one can find the estimate that there are three factors that have contributed to the growth of strategic alliances (Guller,1991, 91):

- 1) technological advancement that influenced the change of traditional competitive advantages of companies,

2) increase of changes,

3) intensity and uncertainty of research and development, as well as product, and decrease in the duration of the product life cycle.

This kind of cooperation allows business entities to reduce the risk in operations, and find new ways to access the attractive markets. Competition in the field of technologies allows companies to have access to various technologies, not possessing by themselves. The globalization of markets is changing dimensions of foreign investors and creates the need for a flexible structure and new forms of organization to enable companies to successfully compete on the world basis. Some theorists believe that, according to certain estimates, a new phase in the evolution of cooperation between companies in the global economy will be the "company of relations".

It will comprise of a group of companies from different branches and countries that will have such a common goal to function like a single company. As used sources, so as achieved revenue will have enormous value and "company of relations" will be present in all major parts of the global market. This qualitatively new economic entity, will have two global competencies - the cost economics and the speed of responding to the market.

Given that today the term alliances could subsume all forms of cooperation between companies in the international economy, which represent higher quality than the usual market transactions, it is considered necessary that there is a home base for the competition in the branch, if you want to achieve the benefits of alliances. According to recent research (Milisavljević, Todorović, 2000, 234) business results of international alliances are reflected in following:

- Alliances are more efficient than the acquisitions of foreign companies for new business activities and on new geographic markets,
- Alliances between the strong and weak companies are giving good results,
- It is important that results of the alliances overcome initial goals and expectations,
- Alliances with equally strong partners have greater success than those where one partner has significantly larger financial participation,
- In more than 75% of analyzed alliances that have been completed, it the done in a way that the stronger partner annexed the weaker partner.

Although acting promising, the alliances between business partners often do not provide expected results. The marketing of a company should estimate well the potential partner for alliance, because it often seems there are some good prospects, but which do not bring results in practice. Marketing needs to coordinate entering into alliance of complementary traits and qualities, because only such partnership achieves synergy. The aim in doing so, is to accomplish benefits for both partners. Marketing should continue to contribute fostering good, close relations and connections among partners, cooperation among personnel, with the clear role and the importance of the human factor. According to Porter (Porter, ME, 1990, 26) strategic alliances are an expensive business decision for the company. He thinks,

first of all, on costs of coordination, harmonizing objectives, fostering future competitor, giving up profits and more. Because of their existence, this author believes that their presence does not mean sustaining in the long run, but on the contrary, only short-term solution. None of the companies want to gain characteristics of mediocrity, relying on other independent companies to provide services that are vital to the competitive advantages of the specific company. The alliances, a particularly international, are complex to manage.

The international business environment of the modern era is experiencing a series of earthquakes that reflect changes in the structure and functioning of the community. On the one hand, more and more marketers are thinking in global terms, and on the other hand, trading blocks on the principle of regionalization are created. The question is, are the business blocks the direction of globalization, or the path that diverges from it? One thing is certain, the changes are large, and traditional and international companies are adapting by reorganization. The end of the last century and the beginning of this century, brought new forms of organization, which are less hierarchically formed, based on the model of the pyramid, and more flexible alliances based on the organizational network. Thus, by the development of new business methods, are created new methods of marketing, for managing new forms of business systems. The new organizational solutions and marketing application are necessary, in terms of adequate integration into the modern business environment.

THE CRISIS OF ECONOMY AND MARKETING

The present times carry a heavy burden, the crisis and recessions. Consumers are turning to buying cheaper products and brands, while also reducing or delaying the purchase of capital goods, such as cars, electronic devices, furniture and more. Therefore, different types of businesses must adapt to thus emerging changes. There will be a reduction in the production volume and ordering smaller quantities of goods from suppliers, reducing capital investment and 'cutting' marketing budgets, delaying development of new products and leaving to wait an important new project.

An efficient strategy depends on the profile of the company. It is necessary to bravely create the future, developing new strategies and goals, which should have the direction, motivation and challenge. Marketing also has the task to maintain confidence and effectiveness of the market. Today, enrichment of companies, is under the watchful eye of the public, and it is not enough to sell at any price, if it harms the overall social welfare, without provision of business in accordance with ethical standards. Taking into account the social and ethical aspects of applying marketing practice, is necessary from the standpoint of social marketing. This leads to often confronting goals, on the one hand, gaining the profits, and on the other hand, fulfilling the desires of users, employees and ultimate social objectives.

We will draw attention, primarily on the fact how much newly designed product fails, how much television ads are only in the domain of wasting money, how much low is the rate of response to actions of direct marketing, and how many sales does not bring any results? All the above is talking about the appearance of inefficient marketing, in a situation when the fight for every customer is ruthless and financial statements require justification for every invested dollar. Ask the marketing expert how much refund he expects from the proposed marketing campaign, and he will not know the answer. Marketing experts prefer to look for the money, but do not like to justify the cost. Thus, the financial responsibility is often avoided in marketing.

Although the production without holding inventory brought great savings, marketing experts have failed to come up with a way to implement marketing without inventories. Therefore, marketing costs are high and tend to increase constantly. It appears further, that the marketing staff is too much focused on marketing communication. But it comes down to the marketing with a single element, which is advertising. What happened to the other three elements of marketing: product, price and distribution? It seems that marketers are no longer responsible for the creation and implementation of an integrated business plan. If marketers spend most of their time focused on advertising, who creates good new products?

To marketing departments is necessary the staff which knows to skillfully handle the technology. And it is a technological breakthrough - in the form of Internet, customer relations marketing (CRM), sales automation and marketing automation - just what is likely to bring new, successful results. The new requirements for the measurement of marketing activities impose to marketing professionals to define better tools to examine the effects, in particular the results relating to the brand value, or the assessment of the client value. Marketing experts have to reorganize and instead at products, to focus on customers. They have to achieve growth that comes not only from the new products, but from selling more to the existing customers.

The most important marketing moves that should be applied in terms of the contemporary crisis and recession environment could be grouped in the following manner:

- Complete reviewing of the marketing expenditures and activities, because, as researches have shown, it can be determined that almost 15% of the funds is wasted.
- Rejecting the products and brands that are sold poorly,
- Releasing the unprofitable organizational parts, consumer, geographic areas and other,
- Rejecting highly productive distributors,
- Repositioning prices,
- Selecting more efficient media mix,
- Focusing on existing customers (to buy more), and less on attracting new customers,
- Building stronger connections with partners that have great potential and whose business will grow when the economy improves.

The crisis conditions followed by the globalization of business conditioning an appropriate transformation of the organization which:

- is open to changes and innovations in all parts and areas of functioning;
- successfully manages changes by achieving effectiveness on the market and advantages over the competitors;
- successfully absorbs changes by achieving a high degree of efficiency in performing a basic activity.

In doing so, organizations are directed towards the achievement of key competences in the following areas:

1. management and strategic orientation;
2. development of key, specific resources;
3. transformation and processes;
4. overall output, output;
5. achievement of cooperation and networks.

Today are, more and more, introduced new models of organizations adapted to the demands of new forms of competition and achievements of information technologies. "T-organization" or technologically based organization has great possibilities of alternative forms of structure that correspond to the potentials and characteristics of modern information technologies. T-organization by general characteristics implies shallow organizational hierarchies, matrix marketing, technological support for management, decentralized decision-making and temporary assignment of duties and tasks, electronic communication and electronic connections with customers and suppliers. This is a "strategic grouping" and the need to establish the basic characteristics of the organization that reflect its strategy. It refers to four options: grouping by the principle of activities or functions, according to the output, according to the consumer or customer, or by multiple criteria. Changes in the environment of modern companies, especially new information technologies, cause the development of a new concept of an innovative organization that has the following characteristics:

- Strong (expressed) business focus: successful organizations of mutually connected products / services, focused research and development and strategic priorities defined in marketing.
- Adaptability: well-defined business focus is balanced with the ability and effort to undertake basic and quick changes if found necessary, a high level of organizational flexibility is required.
- Organizational cohesiveness: integration within the company as a critical factor of success, is achieved by good communication, job rotation, the practice of integrating roles (such as multidisciplinary projects, special entrepreneurial groups, and matrix organizational structure), long-term employment, intensive training and training.
- Innovative organizational culture: the entrepreneurial spirit and climate are supported and carriers of changes are improved, variety of funding

channels, high tolerance of failure, and support for risky projects are mostly present.

- Sense of integrity: the preferences for long-term relationships and cooperation are developed, the goal is to maintain a stable association with key stakeholders, local committees, and similar.
- Top management is hired: senior managers are involved in all management processes, authority is increasingly based on actual contributions, not on the basis of the position that an individual occupies.
- Shallow organizational hierarchies: the level of participation is higher, the multifunctional teams that will plan and manage changes are created; the flexibility within and between teams is greater.
- Relying on technologies as a vital resource of competitiveness, strengthening research and development base, providing a critical mass of knowledge, creative and innovative potential of the company, as well as reliance on information technologies in building new forms and structures of innovative organization.

CONCLUSION

New economic conditions produce new challenges, and the marketing concept is essentially a kind of challenge for theory and practice. Global orientation in business, imposes new requirements, in order that the company will respond successfully to the action of market mechanism over national borders. It is certain that the precondition of globalization, is wealth of internal company resources, connectivity between companies, cooperation and partnership, where individual success means success for the partnership as a whole. It is evident that the internationalization of business, is a strategy of companies with strong marketing impulses. Marketing has a role to identify the inner strengths of the company, and to incorporate them into the opportunities and challenges offered by foreign market. It does that with the controlled and dosed action of external variables that represent a kind of pitfalls and dangers. It is necessary to find the right measure in relationship of marketing and finance, as key business functions in the company, which is significantly manifested at the international level. Marketing has a leading role and the assessment in selecting the most favorable form in which the company will perform beyond national borders. Marketing process aimed at the international market, requires constant analysis, and that requires time and resources, which are in the domain of business finances. A proactive approach and active participating in business life, enables the company to respond to the demands of the market better than the competition, and that requires constant innovation, modernization and learning. One should monitor changes in all aspects of business life, and they can be simplified through the following:

- In most branches power is shifted from the producer to the consumer,
- Economy of scale is not a priori source of advantages,

- Vanishing, in the geographic and business sense, of national boundaries and market barriers,
- The process of copying technologies is facilitating,
- The competition is constantly present through lower costs,
- Information technology for assessing and predicting has advanced significantly.

A permanent breakthrough of competition, imposes a request for informational achievements, which will extract the product and give it particular characteristics. Such, new information technologies allow changes in the approach to marketing, swiping from the mass marketing to marketing that means mass customization to individual needs of strategically important consumers. This necessitates the need to adapt almost all activities and marketing instruments. Marketing and informational technology are affecting the change of industry structure and competition rules, and contributing to the spread of new fields of activity, which is creating the favorable conditions for the development of new products and new markets. However, the question that should not be ignored, the issue of psychological and motivational nature of employees under the influence of new technologies.

New time, imposes to business entities the needs for the strategic alliances, where the effects are greater than when the company operates independently. The base of connection is representing the fact about recognizing the source of competitive advantage of the company. If the company sees that some of its activities in the value chain are not efficient enough when performing independently, it should focus on seeking the strategic partner. For a good number of companies the strategic partnership, due to the sources, expertise and the ability with which they dispose, is the only way to participate successfully in the global marketplace. Marketing recognizes the strengths and weaknesses and identifies business areas that require searching for a strategic partner. Associated and affiliated companies are faced with increasing complexity of business, bureaucracy and cultural challenges, as well as the possible antitrust violations, by creating such forms of actions that benefit everyone, including consumers, which are given the greater comfort, easier access, lower prices and more diverse services.

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COMPETITIVE MARKETING STRATEGIES

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ABSTRACT

Creating and maintaining the competitive advantage represents the essence of competitive marketing strategies. The competitive marketing strategies are the following: segmentation of the market, differentiation and positioning. All of them are significant and have their application in business. In modern business environment it is almost impossible to service the entire market successfully (under the assumption that the market is large), so it is necessary to define the target group of consumers based on the segmentation of the market and to create an offer adjusted to the preferences of the consumers, which will satisfy their needs and demands in the best possible way. Management of an enterprise should build a clear and positive image of a product in the minds of consumers, through application of some of strategies of product positioning. The position of the product at the market should be recognizable, i.e. different in relation to numerous competitive products, which can be achieved by application of the strategy of differentiation. These strategies are interrelated and have a complementary influence on business activities of an enterprise.

The hypothesis of the research is: competitive marketing strategies represent effective means for satisfying the consumers' needs.

This paper applies the method of analysis of the relevant professional literature in printed and electronic form. The purpose of the research is to prove or deny the set hypothesis. Based on the results of the research, we can conclude that the hypothesis is confirmed, that the competitive marketing strategies really do represent effective means for satisfying consumers' needs, but only under the condition that these marketing strategies are connected and synced.

Key words: *Market, Marketing Strategies, Positioning, Segmentation, Differentiation.*

JEL Classification: *M31*

UDK: *658.8 005.21:339.137*

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INTRODUCTION

In the conditions of severe competition, which represents one of the main characteristics of modern business, enterprises are directed towards satisfying the consumers' needs as completely as possible, because that is the only way to survive at the market. Having that goal in mind, it is necessary to divide the market at homogenous groups of consumers (which is achieved by the strategy of market segmentation) and to adapt the supply to each and every segment individually. That is the only way for every buyer to get an offer that is adapted to his personal preferences. It is also very important for the company, by applying the differentiation strategy, to make its offer diverse (from the aspects of criteria that are important to consumers) in relation to the competitive offers. For the offer that has this kind of a concept, it is necessary to position at the market in the right way, to make it closer to consumers and to make the buyers acquire a positive perception of the offer of that enterprise.

The subjects of the research are competitive marketing strategies: market segmentation, differentiation and positioning.

The goal of this research is to point out the significance of competitive marketing strategies for achieving the optimal satisfaction of consumers' needs, as well as to stress the need for these strategies to be connected and synced, because only through their synergy the desired results can be achieved.

In this paper we used the method of analysis of relevant content of professional literature in printed and electronic form.

The hypothesis of the research is the following: competitive marketing strategies represent effective means for satisfying of consumers' needs.

It is important to emphasise that the competitive marketing strategies are not necessarily useful from the consumer's point of view. The successful realization of competitive marketing strategies does not guarantee that the consumers' needs will be completely satisfied.

TARGET MARKET

Target market is the group of consumers for which the company creates and maintains the marketing mix, adapted to their needs, desires, demands and spending power of consumers. During the choice of target market, marketing manager should predict the sales, expenses and profit of the company on each potential segment individually. The competition should also be taken into consideration. The choice of target market depends on numerous factors like: possibilities of a company and the goals of management on one hand and activities of the market on the other. The choice of target market should be synced with the company's strategy. During choosing the target market some companies are led by

the attractiveness of the market and they choose segments where they can realize the greatest potential profit. Others avoid large and attractive markets where the entering barriers are high and the competition strong and they look for market niche where the entrance barriers are low and the competition weak. The selection of target market was described by Kotler as: „the process of evaluation of attractiveness of every segment of the market and choosing one or more segments to enter“.

Marketing managers can define target markets in two ways (Knežević, 2006, p. 128):

- Narrowly defined target market that includes a relatively small number of people,
- Widely defined target market that comprises larger number of people (even an entire market can be considered a single market segment, the target market).

In the conditions of modern business, a large number of companies place their supply to more target markets. Before the marketing manager creates an offer of marketing mix for a certain segment, he should examine the entire target market and gather information on consumers' needs, as well as demographic, economic and other data related to consumers at the target market.

APPROACHES TO IDENTIFICATION OF TARGET MARKETS

Philip Kotler defined five strategies for choosing the target market:

- Concentration strategy,
- Selective specialization strategy,
- Products' specialization strategy,
- Specialization according to the market strategy,
- Strategy of covering an entire market.

There are two following general approaches to identification of target markets (Knežević, 2006, 128):

- Overall market (undifferentiated or mass marketing),
- Market segmentation (differentiated marketing).

Company can define an entire market as its target market and create a unique marketing mix which will be directed towards an entire market. This is an undifferentiated approach that is applied in situations when consumers have similar needs at the market. Then, because of the homogenous consumers, the company does not have the need to segment the market. Marketing that uses this approach is called mass or undifferentiated marketing. When consumers have different profiles, in terms of needs, demands and purchase power etc., the market needs to be segmented. This approach is called differentiated approach and implies the need for

aimed marketing. That is the marketing which is based on the attitude that for every aimed segment, a special marketing mix needs to be defined. Philip Kotler defined target marketing as: „directing the efforts of an enterprise towards servicing one or more groups of clients that have common needs and characteristics. “

Target marketing comprises the three stages:

- Market segmentation,
- Choosing the target markets,
- Market positioning.

COMPETITIVE ADVANTAGE

Organizations that are market oriented try to build the essence of competitiveness. That is the scope of key knowledge, skills and abilities that the company builds its competitive advantage on. Innovative organizations combine critical factors of success to create the sustainable competitive advantage. Mastering the key competencies is not the only way to acquire the competitive advantage.

The sources of competitive advantages can also be the following:

- Differentiated supply,
- Raising high barriers of market entrance,
- Creating an optimal portfolio of products and business,
- Increasing the market share,
- Conducting only the activities in which the organization has clear comparative advantages,
- Superior product quality,
- Innovations,
- Speed of reacting to the changes and market demands etc.

We can see that there is a large number of various sources of competitive advantage. On which of these sources a company should focus depends primarily on the characteristics of the market where the company will do business and the characteristics of the company itself.

COMPETITIVE MARKETING STRATEGIES

It is considered that there are three basic competitive marketing strategies, using which the companies coordinate their marketing efforts and define their relation towards the market participants (Gligorijević, 2011):

- segmentation,
- differentiation and
- positioning.

MARKET SEGMENTATION

There are various definitions of market segmentation in the literature. According to the author Momčilo Milisavljević that is: „the process of aggregation of business buyers where the organization looks for similarities, i.e. buyers that are similar in the sense of certain dimensions and does their aggregation in relatively homogenous submarkets which can be effectively serviced by appropriate rate of rentability“. Authors Čedomir and Jelena Avakumovic define market segmentation in the following way: „market segmentation is a planned and strategic delayering – the division of the whole market to smaller segments – parts“.

Said in the simplest way, segmentation is the division of market in the homogenous groups of consumers. It is based on the assumption that the consumers are different and that because of that their behavior and their reactions in the purchase process will be different. These diversities are usually seen in the needs, demands, wishes, culture and habits of the consumers.

Market segment should be homogenous in respect of (Avakumović, Avakumović, 2011, p.31):

- geographical area;
- consumers' groups;
- demand and supply;
- competition;
- conditions of sale);
- legal regulative etc.

It is good for the company for consumers to be as similar as possible within one segment, and for the different segments to be as different as possible. In segmentation process there is an assumption that the defined market segment will not maintain its homogenous characteristics for long. Consumers and their fluctuations contribute greatly to this.

Every segmentation is characterized by the following aspects (Ibid, p. 32):

- goals;
- criteria;
- benefits got by the producer.

Main goal of market segmentation is to divide the consumers in order for the company to adapt its supply to each and every segment respectively. By doing this a greater level of consumers' needs satisfaction is achieved, because every segment of consumers will get the supply that is adjusted to them specifically.

There are more criteria for market segmentation. The most common are:

- geographical;
- demographic;
- economic;
- intensity of consumption;
- sociological;
- psychological etc.

According to the geographical criterion, the whole market is divided into small areas (the whole market at the state level can be divided into larger cities where every larger city represents one market segment).

Based on the demographic criterion the consumers can be divided according to the gender, age, education, profession etc. As an example of this criterion of segmentation we can take the world-known company „Nivea“. This company divided its consumers according to the gender, age, skin type etc. and adapted its supply to each and every segment individually. That is why we have a range of products „Nivea for men“ made for men, and a special range of products for women only, then products for dry skin, sensitive skin etc.



Figure 1: „Nivea“ range of products for men

Source: Google Images

According to the economic criterion, the consumers are divided according to the purchasing power, income and standard of the family members etc. In this respect the consumers can be divided to those with the purchasing power above average, average and below average. As an example we can take the companies in car industry which produce and sell economic cars for middle economic class and luxurious cars for buyers that have a purchasing power above average. The following pictures illustrate this.



Figure 2: „Fiat Punto” for the buyers with average purchasing power in Serbia.

Source: Google Images



Figure 3: „Mercedes S class“ for the buyers with great purchasing power.

Source: Google Images

Intensity of consumption of products as a criterion for market segmentation divides the consumers to intensive, medium, weak and minimal. Companies are most interested in intensive consumers because they buy and use intensely, and it is not so interested in minimal consumers because they rarely buy and use products.

Sociological criterion divides the consumers according to them belonging to a certain sociological group (class). Sociological group is marked by education of its members, culture etc.

According to the psychological criterion, the consumers are divided according to their psychological traits like intelligence, temperament, character etc. For example, according to the temperament the consumers can be divided into impulsive, indecisive, the ones that think well and compare the prices and quality before they buy a product etc. As an example for this criterion of market segmentation we can take the producer of cars „Honda“. This company directed its business efforts and activities towards the target segment that it described in the following way: “rebellious and independent young people“.



Figure 4: motorcycle „Honda“

Source: Google Images

The third important factor of segmentation is its benefits. There are numerous benefits that a company gains from the market segmentation:

- segmentation enables determining of differences among consumers, in order for an organization to adapt its supply to every segment individually (the benefit of this is seen in a more complete satisfaction of consumers' needs);
- easier gathering of information for defining the marketing goals, plans and strategies;
- making decisions for one segment is easier and simpler than making decisions for the whole market;
- research of target segment is cheaper and simpler than researching an entire market;
- product positioning is easier to realize in one segment than in the whole market.

APPROACHES TO MARKET SEGMENTATION

There are two general approaches to identifying the market segments and those are (Anđelković, 2005, p. 165):

1. Consumers' characteristics approach which includes demographic, geographic, economic, socially cultural and psychological characteristics of consumers. These basics describe the consumers according to the place they live, who they are and how they think and how great is their spending power.

2. Consumers' reactions approach deals with differences in behaviour of consumers and discovering why the consumers buy a certain product.

TYPES OF MARKET SEGMENTATION

There are companies that are only externally oriented, i.e. whose marketing activities are directed towards the market and consumers and that neglect the abilities and the structure of the company. In such circumstances, the company will not entirely fulfill its goals defined by management. On the other hand, there are companies that are too internally oriented and which base the market segmentation on their own abilities and structure, neglecting the wishes and needs of consumers (Mekdonald, Danbar, 2003, p. 22). Because of this approach it can happen that the company will miss some significant opportunities that are opening up at the market or to not notice the changes in the market itself.

According to M. Dženkins and M. H. B. Mekdonald, there are four types of market segmentation:

1. Sales market segmentation;
2. Organizational market segmentation;
3. Bolt-on market segmentation and
4. Strategic market segmentation.

Sales market segmentation can define the segments according to the geographical areas. (e.g. regions). This type of segmentation is not market oriented, because it is limited to sales operations and cannot be a means for creating unwanted relations between organization and consumers. There are numerous examples of this approach in many air companies, which still consider their market to be based on geographical areas only.

Organizational segmentation is determined by an organizational structure of the company. It can be realized by division to certain products (e.g. cars and trucks) or to certain areas based on productive abilities of the company. Within an organizational structure of the company departments are made (according to the productive or regional principle). Every department has its own market segment in which it does business, realizes its marketing plans, goals and strategies and its budget.

Bolt-on segmentation is characteristic for organizations that have just started to realize marketing in its business. This segmentation exists mainly in the scope of marketing function. It is applied at operational level for ad campaigns and programs of direct mail (ibid, p. 23). We can see that this type of segmentation is used only as a means for conducting of marketing programs and it is not applied in most business activities directed towards buyers.

Strategic segmentation implies that for every brand of products from the portfolio of the company, the company does market segmentation, to separate the brands and to lead the business of every brand individually. Still that does not mean that these divisions will be crucial to a successful strategic segmentation.

RULES OF SEGMENTATION

Segmentation criteria have to have the following characteristics (Ibid, p. 26):

- the ability of diversification of a segment, so that within one segment there is a unique scope of common characteristics of consumers and unique marketing strategy;
- every segment should have enough potential to justify the invested money, time and effort;
- every segment should be good for conducting of marketing communication towards the buyers and for monitoring and measuring of performances;
- every segment should have a defined purchasing power of consumers;
- every company should be ready and able to make certain changes in its business and organizational structure with the goal of focusing on new segments.

In other words, for the market segments to be useful it is necessary to possess the following characteristics (Rovinj, PP presentation):

- diversity (segments must be different),
- size (large enough and profitable),
- availability (that they can be reached and served effectively),
- measurability (to be able to measure the size, purchasing power etc.),
- operation (that every segment can formulate efficient programs).

STAGES OF MARKET SEGMENTATION PROCESS

Market segmentation process can be divided into seven stages (Knežević, 2006, pp.135-136):

1. Name the wider product-market;
2. Creation of the list of needs of potential buyers;
3. Forming homogenous submarkets i.e. narrow the product-market;
4. Identify determining dimensions (qualifying dimensions that are relevant for the product-market and which help identify key characteristics of a product or determining dimension that really influence the purchase of a product (e.g. need for computer will make a person buy a computer));
5. Naming the possible product-markets;
6. Think about why the segments of product-market act that way;
7. Roughly calculate the size of every segment of product-market.

PRODUCT DIFFERENTIATION

Differentiation is a marketing strategy directed towards the supply of an enterprise to be different in relation to the supplies of the competition (Avakumović, Avakumović, 2011, p. 18). It is very important to achieve a differentiated position at the market because of the fierce competition that is a characteristic of modern business.

Enterprises must choose the ways in which they will be different and stand out from the competition. Every difference has to satisfy the following criteria (Mlidić-Budeš, 2007, p. 1):

- importance (highly valuable benefit for the buyers),
- standing out (offers a product in a better or different way),
- superiority,
- communications,
- impossibility to copy it simply,
- affordability,
- profitability.

Differentiation can be realized within all four elements of the marketing mix. Physical products have a different potential for differentiation. There are products with low potential for differentiation like meat, medicine etc. Although even with these products there is room for differentiation (e.g. medicine can be stronger or weaker, with faster or slower action, different form etc.). On the other hand, there are products with great potential for differentiation, like cars and furniture. The fields within which differentiation can be realized as marketing mix instruments are:

- quality
- reliability,
- characteristics,
- style and design,
- packaging and labeling,
- duration,
- brand,
- form,
- auxiliary services etc.

There are four levels of quality of products: low, average, high and superior. Company should assess whether the greater product quality will also bring a greater profit. Higher product quality can bring the higher profit but not necessarily, it depends on the market's characteristics. Before the level of quality of products is determined, management should define its target group and to adapt the product's quality to the needs and the purchasing power of the target group. In the developed countries with high standard, there are many examples where the quality

product brings the companies greater profit, because it allows the price to be higher and creates the loyalty of consumers, good product image etc. This is plausible because in the developed countries the people have larger incomes and enough money to be able to afford quality products. In the poor countries quality and expensive products usually are not sold well.

In the process of quality control management, companies have three options: to constantly increase the quality of their products, to maintain the existing level of quality and to gradually decrease the level of quality of their products. This last strategy makes sense if the company wants to decrease too high expenses or to lower the price of its products with the goal of advancing the sales. However, one should have in mind that the advancement of the sales is a short-term activity and that in the long run it can jeopardize the profitability of the company.

Reliability of products signifies the degree of probability that the product will not brake or damage in the foreseen time frame, under the condition that it is being used in the foreseen way. Higher reliability of a product means the higher price.

Characteristics of a product represent a significant field where one can differentiate. Management should determine which characteristics they can add to their product and which will increase the product value. This can maybe best be accomplished by a survey where the consumers would say their opinion on whether they are satisfied with the existing product's characteristics, and if they would like for a product to get some new ones and which ones, and what is their opinion on the new characteristics suggested by other consumers etc.

The example for a differentiation of products based on characteristics can be a pain killer. If the competition represents the medicine that removes headache completely, another pharmaceutical company can emphasize that their painkiller is the fastest in removing pain. This will differentiate them from their main competition and it will gain them a significant segment of buyers, because for people the most important thing when they have a headache is to remove it in the fastest way.

Style and design represent a physical appearance of the product. The nicer the product design is, the higher the cost will be. Style has a very important role in sales, because many buyers consider important for a product to be esthetically nice and to appear expensive and of good quality, but it can actually be of average quality. Style of the product should be such that it is hard to copy, because today there are plenty of imitations of products of famous brands. Companies usually have enough space for product differentiation in the field of design, because one can always use some new color, pattern etc. You should just let your imagination loose. The type of product is also very important. Interesting example of an unusual design is „Cowrie“ chair in the figure no. 5:



Figure 5: „Cowrie“ chair, Differentiation in the field of design,

Source: Google Images

Packaging today has a far greater significance than before. It is especially important for food products, cosmetics, toiletries etc. Packaging implies all the activities of developing and producing containers and wraps. This comprises (Knežević, 2006, p. 157): obtaining materials for production of packaging, placing products inside of it, packing in specific packages considering the terms of transport and the purpose of the goods (standard size of the can for meal for one person etc.). Packaging is usually mixed with containers, but there are cases in literature where the term package is used in the sense of general issue of packaging and container in the sense of an actual physical package of a certain product.

Containers (wraps) have three levels of materials. The first level represents the direct container of the product (e.g. bottle for the juice) and that is primary container. The second level is the material that protects the primary container and it is thrown away after the product is used (e.g. the box for the perfume bottle) and that is secondary container. The third level is packaging for transport, necessary for storage and transport of goods (e.g. crate for beer). At the very end there is a label as an integral part of the container and it holds information on the product.

Packaging increases the value of the core product and enables for it to become a larger product. If designed carefully, packaging can even represent a source of competitive advantage of a company and the key component of the marketing strategy. Numerous products are sold in a package (box or some other container), so that the consumers first see the package, and then the product itself. If the package is attractive it can even represent the motive for the buyer to decide to purchase that specific product. There are great differentiation possibilities in changing the package, because the technology and design of the package are constantly being advanced.



Figure 6: „Crystal Noir Versace“ perfume, Differentiation in the field of packaging

Source: Google Images

Duration is an important characteristic for a product, because it shows its quality. Buyers are ready to pay more for the products that have a reputation to be consumer durables. Company can differentiate its product from the competition by presenting it as extremely durable, more durable than the ones from the competition, just as „Duracell“ company does with its batteries.



Figure 7: „Duracell“ batteries, Differentiation based on durability

Source: Google Images

Brand is another source of product differentiation from the competition. Through hard and long work, the company can work on its supply so that it builds a brand that will take a special place in the consumers' minds and make the product different from others. For example if we say Rolls Royce, that very instant we think of a top luxury car that actually represents so much more than just a car. It is the symbol of power and status in society. In this way this car brand is differentiated from others. The same goes for Rolex watches.



Figure 8: „Rolex“ watch, Differentiation based on the brand

Source: Google Images

Form is a field where differentiation can also be done. By changing the form, size and dose the product can be made different from the competition.

Auxiliary services can be the base for product differentiation. If the competition does not for example offer free delivery of products, another company can emphasize the free delivery and differentiate itself and attract buyers.

Differentiation of the supply can be realized through other instruments of marketing mix. When we talk about price, the company can differentiate itself from the competition by putting a lower price on the products that are of the same quality like the competitors' products. But this has a whole string of actions that

have to be done: that the company is the leader in expenses, that it is best organized and most economic in spending resources etc. Only in this way it can afford itself to have a lower price than the competition.

In the field of promotion the differentiation of supply is also possible. By using the promotion tools that the competition does not use, the company will achieve diversity at the market in relation to the competition. Or by using differently the tools that the competition already uses, the company will succeed to be different at the market. For example if the marketing campaign of the competition is based on advertising, the company can differentiate itself by using the direct marketing.

In the field of distribution the company can differentiate from the rivals by introducing and using the channel of distribution that the competition does not use. This will provide market advantage and represent the key component of marketing strategy. For example, in Belgrade recently, at the pizza market there is a new participant Big pizza. The market is already oversaturated, because there is large number of pizza restaurants in the town, so they had to find a way to differentiate themselves from others. Managers in Big pizza realized that the competition does not have free pizza delivery and that is where they saw a potential for differentiation. They offered a free pizza delivery to the consumers within half an hour. If the delivery person is not at the house address within half an hour than the consumer gets the pizza for free. This information was shared with the consumers by large number of billboards in the city. Free delivery presents their main advantage in fighting the competition, along with an excellent pizza quality. The sales at Big pizza are increasing monthly and it can soon be expected for them to become the market leader.

Differentiation can be realized through sales people too. Kind, professional and well trained staff can represent an advantage in fighting competition. Differentiation can also be realized through location and decorating the point of sales. Different interior or exterior can be something that will attract the consumers. For example cafe Kandahar in Belgrade is decorated in oriental style with the motives from Indian culture. It offers to the guests a different atmosphere than the usual and that is what makes it different from the competition.

PRODUCT POSITIONING

Positioning is a marketing strategy that comes after the company determines what its target market is to which it will supply, i.e. after the market segmentation. It is based on the fact that a certain product should take a specific place in the consumers' minds in relation to the competition's products. The company should try to provide a different position to its product in relation to the competition and to direct the consumers to that position. This is very important because of the fierce competition that is characteristic for modern business. Positioning strategy can be realized through all four instruments of marketing mix.

Every product should have a clearly defined market position. The position of products is a set of perceptions, impressions and feelings that consumers have for a specific product compared to the competition products (Aaker, Shansby, 1982). It also includes the own brand image in relation to the images of competitive brands. „Product position“ is different from „product image“ by the fact that it is defined in relation to the competition. Consumers define a position of a brand in their minds in relation to the competitive brands according to certain characteristics that they consider important. In other words the position of the product is the way in which the consumers perceive the product from the aspects of quality, traits, price and others. It is about the product perception in consumers' minds.

The question of why it is important to position a product in a certain way imposes itself. This can be explained in the following way: because of the expansion of modern media like internet, television, radio and print, the consumers are flooded with information on products. When they feel the need to buy a product the consumer meets a large selection of products of various producers, and fierce competition that is a characteristic of modern business. In order to easily make a decision on purchase, consumer places products into categories in his mind, according to the quality, price and other characteristics. Marketing managers should not leave the product positioning in consumers' minds to case. They should plan and provide such a position that will provide advantage to the product at the target market in relation to the competitive products.

When a company is not satisfied with the product position or a brand position at the market, it can do a repositioning i.e. determining new position at the market. Positioning depends on the intentions of a company, its goals, and possibilities. For positioning of products it is very important to see what the brand means and represents to consumers, because that sets its position in consumers' minds. Consumers decide to shop based on their own opinion and attitudes on the brand. Successful positioning demands that a company, through research, discovers what image the consumers have about a brand (Gligorijević, 2011, p. 62).

The notion of „positioning“ was popularized by two advertising managers Al Ries and Jack Trout. They see positioning as a creative task that is done on the existing product. Their quote is very interesting: Positioning starts with the product. Some commodity, service, company, institution, even a person... However, positioning is not what you do with the product. Positioning implies what you achieve in the minds of potential buyers. So, you are positioning a product in the mind of the potential buyer (Kotler, 2006, pp. 310-311).

While deciding on positioning, it is necessary to define the competitive referent framework, which is identified by the target market and competition, as well as the ideal elements of similarities and differences when we talk about brand associations. Elements of diversity are the attributes or benefits that the consumers connect to the brand and consider that they cannot find the same in other brands (Ibid, pp. 311-312). In the process of brand positioning, one of the main tasks of managers is to create authentic positive associations that a brand should provoke in the minds of consumers. Elements of equality are the associations that are not

connected only to one brand, but other brands at the market have them. There are two basic types of elements of equality: categorical and competitive.

Categorical elements of equality represent an obligatory part of the supply and they are present at every company in the field. For example very furniture store provides the customers with the free delivery of larger pieces of furniture.

Competitive elements of equality are associations created with the goal to neutralize the elements of diversity at the competition (Ibid, p. 313).

Positioning is the strategy that implies the analysis of consumers and competition. It is necessary to determine in which ways a company can position itself in relation to its competition. The goal is to find such a position that will differentiate the company from the competition according to the characteristics that consumers consider to be important.

Every organization (regardless of its position at the market) should develop a positioning strategy. They can use several alternatives:

1. Fortify their current position in consumers' minds;
2. Take an unoccupied position (e.g. certain confessionary company promotes its product as the one with the lowest number of calories at the market);
3. Depositioning or repositioning of the competition.
4. Strategy of „exclusive club“ (company that is for example the third at the market can promote the idea that it is one of the „first three“ at the market. By doing so it puts itself in the line with the other two leading organizations. Logically the market leader will not apply this strategy, because it does not emphasize its leadership.).

For the strategy of repositioning of competition the following example is very interesting: one company from the food industry published an ad where a seventy years old lady watches a hamburger of the competition company and asks herself: „Where is the beef?“ By creating this ad they tried to destabilize the trust of consumers in the market leader.

Philip Kotler, a renowned author in the field of marketing, said the following: „Continuous gathering and analyzing of information on depositioning the competition, in order to deliver fast and more efficiently, also one should apply business marketing decisions more effectively and more profitably in relation to the competition“.

For an organization the best thing is to position itself as a market leader, i.e. the number one company. Consumers remember the longest and best market leaders, like Coca-Cola, Porsche etc. However not every brand can be a market leader. Those brands that cannot be the leaders they should find their position, which should be different than the leader's position. They can try to gain advantage and leadership in some other category. It is important to mention that the combination of marketing mix instruments should be synced and should support the positioning strategy. Positioning strategy sets the differences between the products even at the same market. For example Volvo means safety, BMW symbolizes a sports spirit and top performances, Mercedes represents luxury, Porsche signifies the best sports car etc.

Characteristics of successful positioning strategies are (www.knowledge-banks.org):

1. Bases of positioning have to be relevant and important for consumers. They should be based on characteristics and benefits that are relevant for the target segment and which consumers take into consideration when they make a decision on purchase.

2. Trust in promoted image.

3. Positioning has to be consistent.

4. Synchronizing all marketing mix instruments.

BASES OF POSITIONING

Most commonly used forms of positioning are (Ibid):

- products' characteristics;
- benefits,
- application,
- group of consumers,
- competition,
- products' category,
- personalities,
- products' origin
- hybrid (using two or more bases).

Maybe the most commonly used form is positioning according to products' characteristics, like: ingredients of the product, size (dimensions), mass etc. In the following picture we can see a mobile phone positioned as the lightest in the world. It weighs only 40 grams; it is 72 millimeters long and 37 millimeters wide. The manufacturer is Israeli company „Modu“.



Figure 9: „Modu“ mobile phone, positioned as the lightest in the world.

Source: Google Images

A product can be positioned according to more characteristics at the same time. For example peach and apple juice from the company „Nektar“got a prize as the juice with the best ratio of price and quality.



Figure 10: peach and apple juice „Nektar“, Positioned as cheap and quality juice

Source: www.nectar.rs

Price and quality ratio is usually used in practice for product positioning. Some products are positioned as the products with low prices and good quality, like we have seen at the example of peach and apple juice „Nektar“. Other products are positioned as the products of high price and high quality. The example can also be found in „Nektar“company. Juice „Life Premium 100% orange“got a medal for quality in the international competition in Brussels.



Figure 11: „Nektar“juice „Life Premium“, Positioned as the juice of high price and quality

Source: www.nectar.rs

Products can be positioned at the market according to their benefits. For example, mineral water, „Mivela“is positioned as the mineral water rich in magnesium. One liter of this water is enough magnesium for a man for a day, and magnesium is really important for health.

Another of the positioning forms is according to the application of products. In that sense, the product is presented and positioned as a specific according to the way of application, i.e. usage. For example the electronic toothbrush „Braun D 20535“, from the company „Oral B“.

According to the group of consumers (users), the product is positioned as a product for only a specific group of consumers, like the pram made by „TAKO“ or food products that are gluten free for the consumers that have problems because of gluten.

Positioning according to the competition is most commonly realized by showing the product aside the competition's product in advertizing, and emphasizing the direct advantages in relation to the rival product. By doing this the company wants to advance its product in consumers' eyes and to degrade the product from competition. For example, in some of its advertising, Coca-Cola sent a message that it has better taste than the rival Pepsi or Burger King said in its commercials that its sandwiches have more beef in them than the ones from McDonalds.

A product can be positioned according to its belonging to a certain category. For example, the frozen pizza „DiGiorno“ is not positioned at the market in the category of frozen pizzas (which would sound logical), but in the category of pizzas that are delivered. In their commercials they emphasized that it is not the delivery that it is „DiGiorno“. That was a very intelligent move of the management that enabled for their pizza to differentiate from other frozen pizzas and to emphasize the quality and superiority of the taste. Only in 2012 the company realized 382 million dollars of the sales income.

Prestigious brands are often positioned by hiring famous and successful people, who can contribute in a good promotion of the products. For example, razors made by „Gilette“ are being advertised by Roger Federer for many years. Producers of sports equipment are also known for their cooperation with successful people, and those are usually top athletes. In this way companies are trying to use the global popularity of a certain person who is extremely successful at his or her job. By marketing cooperation they are trying to get some of that positive image of a certain celebrity for their product. They also count on the fact that numerous fans of that person will buy their product, because their idol is using one.

Products can be positioned according to their origin, the place where they are produced. For example „Volkswagen“ positions its cars as German which is good because the German cars are known for their top quality and reliability in the whole world.

Besides these forms of positioning, organizations can also use the hybrid form, i.e. they can combine more of these forms at the same time.

Process of defining and forming the positioning strategy has several phases (Mlidić-Budeš, 2007):

1. Identifying of competitive products or brands of products;
2. Identifying the criteria for positioning;
3. Analysis of the current market position;
4. Source of positioning strategy;
5. Launching the positioning strategy;
6. Measuring the efficiency of the positioning strategy.

1. The company should identify and analyze all the competitive products that satisfy the same need. For example a producer of sparkling non-alcoholic drink should observe all other producers of sparkling non-alcoholic drinks at the market, but also the producers of fruit juices and the companies that sell bottled water because they all satisfy the same need.

2. We have already spoken about the positioning criteria. The company can position its product based on products' characteristic, application etc.

3. In order for the management to discover the consumers' motives in buying products and why they behave while shopping in the way they do, the management should first find out how the consumers see the product of a certain company. These discoveries then form the following moves of the management.

4. There are several alternatives when it comes to choosing the positioning strategy: strengthening of the current position in the consumers' minds, taking a free position, depositioning of the competition in the sense that a strategy is directed towards the weakening of the position of competitive.

5. After defining the strategy, the company should communicate, i.e. transfer to the consumers which is usually even harder than the defining the strategy itself. It is vital for the company to successfully apply the selected strategy at the market, because if not then all efforts will be in vain.

6. Evaluation of positioning is done with the goal to determine if the consumers have recognized the key characteristics and advantages of the product and if they perceive it the way management wants them to. Based on these information the management knows that everything is going according to the plan or that something needs to be changed.

For analysis of positioning as a marketing strategy, the fragment from the book „Marketing management“ by Philip Kotler is very interesting. This fragment is taken from the base source (Treacy, Wiersema, 1994).

„Two consultants, Michale Treacy and Fred Wiersma, suggest using the position pattern called disciplinary value. Inside its field the company can tend to become a product leader, operationally exceptional company or a company close to the buyer. This pattern is based on the assumption that in every market there is a combination of these three buyers. Some buyers are attracted by the company that is technologically advanced (product leader); other buyers want a highly reliable performances (operationally exceptional company); and some still want a high degree of responsiveness when it comes to satisfying their needs (closeness to the buyer).

Company, of course, cannot be the best at all three areas, not even in two. Every value discipline demands managerial attitudes and investments that are diverse, and usually conflicted. This is why the company McDonalds tends to be operationally exceptional, but it is not in the position to slow down the pace of its service in order to make special hamburgers for every customer. McDonald's company cannot even introduce new products, because every addition would interfere with good functioning of business. Even in great companies like General

Electric, every division can apply different discipline of value: division for large appliances tends to be operationally exceptional, division or molding plastic parts tends to make a close contact with the customers, and the division for production of engines for planes tends to be the product leader“.

Treacy and Wiersma consider that every business should follow four rules for creating success (Kotler, 2006, p. 311):

- 1.To become the best at one of three disciplines of value.
- 2.To realize adequate level in other two disciplines.
- 3.To constantly improve its superior position in the selected discipline so that the competition would not take over.
- 4.To perfect itself in the other two disciplines, because the competition influences the expectations of consumers which are becoming greater and greater.

Product positioning is very important at the point of sales as well. If the goods are not displayed or are not well visible, it will not sell. So it is necessary to provide an appropriate space for displaying the goods. According to the numerous psychological researches that are done, and concern with consumers' behaviors while purchasing, it is seen that many buyers when they come into the store they go right, walk on the right side, look at the goods that are on the right and grab products from shelves with the right hand. In countries where they drive on the left side this process is opposite. In order to sell the product it has to be visible. When a consumer is in the position that he is waiting for a service, he can see the goods, which is the basics of sales. The larger the space filled with a certain product the higher the chance for a consumer to notice it and buy it. Every store has a limited space for displaying the products, so it is impossible for every product to be ideally positioned. It is often the case that a store charges the producer for a position of a product in the store. The better the position the higher the price. We should bear in mind that the product's position has an influence on impulsive purchase, which when it comes to mass goods, has the most important role even in 70% of the cases.

The place and the manner of displaying products eye level and 30 degrees below that level. Products that are too low or too high will not be in sight of consumers and will not remind him of their presence and the possibility to buy them. Other important thing with availability and visibility of products is advertising within the store. This type of advertising is designed in order to increase the number of spontaneous purchasing decisions. It is good to make some kind of exhibition in the store, set a promotional material at the shelves, stick a poster etc. but not to overdo the space.

While a buyer waits in line for a service or a change, every buyer will gladly read the pamphlet or brochure, glance at an interesting ad or shelf. When he sees it, it will interest him and after that the communication and sales skills of salesperson are important. Of course there is also the risk of too many ads at shelves and in the store which can have a negative effect.

Product positioning at the point of sales, decorating the shelves, displays etc. is very important for sales, so that is why it needs special attention. There is a special profession that deals with this work and it's called merchandising. This term is taken from English language in its original form without translating it. The essence of merchandising is to bring the product closer to the buyers and to increase the sales, but without the reduction of the sales price.

PRODUCT POSITIONING CHART (PERCEPTUAL CHART OR MAP)

Renowned domestic author Momčilo Milisavljević defined the perceptual chart in the following way: „Perceptual chart is a technique for checking the position of the company, relatively according to the strength and weaknesses of the product, comparatively with the competitive products“. In order for a product to position itself in a good way, it is necessary to know the consumers' perceptions. Positioning shows where the location of the product at the market is and how the consumers see it. In order for a company to gather that information, it is necessary to conduct a complete marketing research. Focus can be on gathering three types of data. (www.knowledge-banks.org/: 1. Assessment of the main attributes for a specific type of product, 2. Assessment of the existing brands according to important characteristics and 3. Ranking the characteristics of an ideal brand. Results can be graphically showed in order to see where the product is positioned in relation to the competition. That graphic interpretation represents the positioning chart, i.e. perceptual map. Products are showed from the aspect of characteristics that are relevant to the consumers.

There are two types of perceptual maps: two-dimensional, that have two dimensions, i.e. characteristics and multi-dimensional, that have more dimensions (characteristics).

Perceptual maps give an insight into (Ibid):

1. The layout (grouping) of preferred product's characteristics, which points to similarities and differences of preferred product's characteristics by the consumer.

2. Relative positions of competitive products in the eyes of consumers.

3. Current layout of positions i.e. positioning of the competitive products according to the specific characteristics. Those products that succeeded to position themselves as specific are further than the coordinate beginning. Those that have not succeeded in doing so are closer to coordinate beginning. Recognition of products according to some positive characteristic demands strengthening of position and the recognition according to some negative characteristic demands repositioning.

4. Possible future directions of company's actions in the direction of maintaining, strengthening or changing the product's position.

5. Market niches and distance or closeness of competition to the set positions.

6. Necessary direction and degree of repositioning in order to maintain or improve the current positions.

For the management of an enterprise to get an answer to the question where their product is currently at the market, it is necessary to research the preferences of consumers. In this way they can find out the current position of the product in consumers' minds. For the interpretation of the results we use perceptual maps. However, in order to determine the future directions of growth and development and get the answer to the question of *where to now*, it is necessary to apply the strategic management and marketing.

MEANS OF POSITIONING

Basic means of positioning are (www.knowledge-banks.org):

1. Leadership in expenses (implies the creating of quantitative differential value and image of marketing offer in respect of lower prices;
2. Product differentiation (implies the creating of qualitative differential value and image of marketing offer in respect of: 1. completely new and unique product and 2. One or more different elements of the offers set in the different product from those of the competition.
3. Combination of expense leadership and differentiation.

The essence of positioning is competitive advantage based on the leadership in expenses or differentiation. It should be emphasized that one does not exclude another, that the company can simultaneously realize leadership in expenses and differentiation. In order for a company to achieve that, three conditions need to be fulfilled:

1. For the competitors to be positioned in the middle of perceptual map (insufficiently strategically set);
2. For expenses to be determined by the participation at the market, and not by technology, product's design etc.
3. For a company to become a leader in technology. Introducing technological innovations can lower the expenses and enable differentiation from the competition (Milisavljević et al., 2003).

In order for the company to successfully implement the strategy of expense leadership, it is necessary for it to have a good engineering, and for the differentiation strategy to have the ability in basic research and the reputation of technological leader.

MISTAKES IN POSITIONING

Famous author Philip Kotler defined the four main mistakes while positioning: 1. underpositioning, 2. overpositioning, 3. confusing positioning and 4. Suspicious (double) positioning.

Under positioning is the case when the consumers have a *vague idea* on the brand of the product and see it only as another brand at the already overcrowded market. Consumers can have too narrow of a picture on the certain brand and that is when we are talking about over positioning. The situation in which the consumers have a confusing picture of the product represents confusing positioning, and this happens when a company emphasizes too many characteristics of a product and by doing so confuses the consumers. Suspicious (double) positioning means that the consumers can hardly trust the brand when it comes to characteristics, price etc.

Desired position at the market is hardly taken and it demands much time, money and effort, and it can also be lost very easily. When a company takes a desired position, it has to maintain it by permanent efforts to advance it or at least maintain the existing level of the product quality, as well as to intensely invest in marketing. It is known that Coca-cola spends a large amount of its budget in order to maintain its leading position.

INTERDEPENDENCE OF MARKET SEGMENTATION, DIFFERENTIATION AND POSITIONING

Segmentation strategies of differentiation and positioning are interrelated and have a complementary influence on the business of an enterprise. Marketing managers should apply these three strategies together for every product. Each of the mentioned strategies includes a large number of activities. Those activities can be connected in one integral process in the following way:

1. Divide market at homogenous parts (segments) according to the certain criteria;
2. Determine which segment (or segments) will become the target market;
3. Research the target market; understand the needs, desires and purchasing power of consumers;
4. Develop a product that is suitable for the consumers' preferences and will satisfy their needs;
5. Evaluate the position and image of competitive products at the target market;
6. Create product image which will be suitable for the consumers' preferences and which will be different from the image of competitive products;
7. Informing the consumers on the product and its advantages in relation to the competitive products and define an adequate selling price.

CONCLUSION

In modern business conditions it is almost impossible to successfully service the entire market (under the assumption that the market is large), so for that reason it is necessary to define a target group of consumers based on market segmentation and to create an offer adjusted to the consumers' preferences that will satisfy their needs and demands in the best possible way. Management of an enterprise should build a clear and positive picture of the product in consumers' minds by application of some of the strategies of product positioning. Product's position at the market should be recognizable, different in relation to numerous competitive products, which can be achieved by application of the differentiation strategy. Through an effective creation and implementation of these strategies, management can expect a successful realization of corporate goals.

Based on the conducted researches by method of content analysis of the relevant literature in printed and electronic form, we can conclude that the hypothesis: competitive marketing strategies represent effective means for satisfying of consumers' needs is confirmed.

It is important to emphasise that the competitive marketing strategies are not necessarily useful from the consumer's point of view. The successful realization of competitive marketing strategies does not guarantee that the consumers' needs will be completely satisfied.

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MARKET NICHE FOR MICROFINANCING

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ABSTRACT

Microfinance worldwide is growing of age. It has long gone beyond the reprieve of the do-gooders, piloted by foundations, or offspring of Non Government Organisations (NGOs). As Small and medium sized enterprises (SMEs), solo trades, female businesses, and other social groups make the major part of active economy population, the ability of a financial system to reach these small entities is crucial for the achievement of general socio-economic improvement. Based on data of reports from EU Commission, Small Business Act (SBA), national statistical offices, in the paper are discussed issues of the market niche of micro financing in Western Balkan countries. In the paper is explored market niche for micro loans market, analyzing aspects of market demand and supply and market gaps. In the extremely fragmented West Balkan countries economy and in the absence of a commonly accepted microfinance business model, the findings confirm the positive impact of microfinance on SMEs and economy development. Key findings further support the need for availability of financial instruments with a balanced focus on social impact objective and financial sustainability of the intermediaries; non financial technical assistance as well as financial capacity building support to bring the smaller MFIs onto the growth curve; financial education and mentoring of final beneficiaries and entrepreneurs especially in their start-up phase for reducing default rates for Microfinancing Institutions (MFIs).

Key words: *Microfinancing, Social Inclusion, Institutions, SME*

JEL Classification: *E44, G32, G00, G20, I38*

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INTRODUCTION

In the European Commission communication on financing SME's in favor of developing microcredit, to ensure that national legislation facilitates the provision of microfinance. Such loans offer an important means to encourage entrepreneurship through self-employment and micro-enterprises, in particular among women, and minorities. This instrument favours not only competitiveness and entrepreneurship, but also social inclusion (Bendig et al., 2012.) Organisations that implement the lending model of microenterprise lending tend to focus on the upper end market of microfinance, providing loans to bankable or nearly bankable microenterprises that have difficulties accessing loans from commercial banks due to risk aversion or lacking collateral .

The main challenge for the European Union and for the Eastern countries, like Balkans is to develop and maintain a flexible and sustainable funding model for microfinance operations.

Microfinance worldwide is growing of age. It has long gone beyond the reprieve of the do-gooders, piloted by foundations, or offspring of NGOs. A large scale institutional transformation of microfinance institutions (MFIs) has taken place in countries with appropriate regulatory frameworks, warranting the emergence of large scale players. The importance of enlightened regulation is critical, not only to foster the growth of responsible lending institutions, but also to help shield MFIs from political risk.

The legal status and governance structure of an MFI are key to help bridge the access to finance gap for the poor. How successful a microfinance institution can be once it gains national significance in any country will depend largely on the quality of its staff and its systems, internal audit, risk underwriting and monitoring procedures, internal controls, access to funding, and so on. Granted. But, first and foremost, without the proper governance and ownership of demanding shareholders/investors, an MFI cannot become a long term financial player that can withstand both the demands of its target public in a socially responsible manner, while adhering to financial soundness in a fast evolving environment.

For many years, microfinance was described as “delinked” from economic cycles, and immune from the cycles affecting financial markets. As the theory goes, poor people showed a remarkable resilience to economic downturns, rapidly shifting inventories and productive activities to staples and basic commodities that would continue selling amidst stringent times. Loan compliance would stay stubbornly high, even through hard times, when regular commercial banks would face spiraling non-performing loans (NPLs).

There are many lessons to be learnt from the recent financial crisis. The most important one is that as microfinance is more commercial and integrated in the mainstream financial sector, it becomes inherently more cyclical, hence exposed to crises. Global figures would put the industry at a size of around US\$30 billion, reaching 130 million clients worldwide. According to a survey of 400 MFIs carried

out by the Consultative Group to Assist the Poor (CGAP, 2009), about 60% of respondents indicated that their clients are experiencing payment difficulties, expressed as a greater incidence of arrears (69% of respondents).

The second lesson from the crisis is that the rise of the portfolio at risk (PAR, broadly defined as past due loans after 30 days plus restructurings) took place with a significant time lag after the banking crisis started to gripe financial markets. The third most important lesson of the crisis is that its magnitude was aggravated for those MFIs with a funding concentration from commercial banks. In 2009, CGAP reports that as the financial crisis unfolded, deposits worldwide fell in most economies (in 77% of markets), with the ratio of deposits to GDP falling 12% points (from 72% to 60%) (CGAP, 2010).

In spite of localized breakage linked to a combination of factors described above, the most important moral of the crisis is that well-regulated deposit taking institutions were definitely more shielded and could somewhat stave off the global credit crunch. In addition, good old country risk and political interference risk have managed to retain the front page of investment criteria for all: from multilaterals, socially responsible, to institutional investors.

But it is very positive that breakage did occur: investors now are keenly aware that they need to conduct in-depth due diligence; they also need to focus on multidimensional risk analysis, including region/country/ market and institution-specific risks. In an industry that is still extremely fragmented and in need of consolidation, not to back portfolio allocation by systematic, in-depth risk profiling would be suicidal. Fundamentals and investment prospects remain strong, although some markets overheated through excessive competition not supported by adequate regulation and supervision, and in some instances, weak governance and lack of adequate financial infrastructure.

Looking into the future, we argue that industry fundamentals still show interesting investment opportunities, especially as there are opportunities for consolidation along with the arduous task of far-reaching adjustments in the operational and risk management model of many MFIs. Beyond consolidation, there is a need for a deposit-led approach for building stable financial systems targeting the underserved populations. The homogeneity of microfinance brings it closer to the definition of an asset class, especially as a result of the crisis, but it critically falters when it comes to liquidity: markets are not likely to develop further, say like traditional commercial banking, until there is a critical mass of exposure among a large number of investors.

The aim of this paper is to support the idea of importance of microfinancing, specially microcredit loans for SMEs in countries which are not in a good shape, as Balkan are. The paper is structured so to show some theoretical basis on the issue, specific financial situation in the Balkan countries on SMEs access to finance, and specify the market niche for microfinancing in these countries with an evidence from Serbia. At the end of the paper some issues are given for discussion and conclusions and references used in the paper.

LITERATURE OVERVIEW

DEFINITIONS

Microcredit is understood here as a small loan for the un-bankable and nearly-bankable clients, and is considered as a subset of broader microfinance products, such as guarantees, micro equity, and other. However, in other documents, “microfinance” and “microcredit” are terms that are used interchangeably (European Commission, 2007).

The annual general conference of FEBEA (European Federation of Ethical and Alternative Banks) held in Malta in April 2010 addressed the role of microfinance and microcredit as financial tools – therefore means – to achieve a social and economic end: the empowerment of people who would otherwise find it hard to progress in life and the encouragement of desirable economic objectives inspired by sustainable development, regional and global solidarity, and ethical behavior.

The aim has originally been to ‘fill a gap’: provide finance and ‘managerial knowhow’ to segments of the population, generally women, who live in geographical areas that urgently need the injection of financial resources to achieve a multiple of objectives, namely, escape poverty, create wealth through encouraging enterprise, boost consumption, saving and employment, thereby securing an enhanced future for many who otherwise would have been left without one. It identified a new niche market that, over time, became replicated in other regions and for other sub-groups in the population with the promise of boosting human dignity through work, enhanced living standards, and prospect for a brighter future for many. But as happens always, success gives rise to two forces:

- a shortage of resources as demand for them expands quickly – a shortage that induces new ‘players’ with readily available means to meet the rapid rate of expansion; and
- a dilution of the quality of the players in the market, where transactions with other objectives besides the original ones will enter. In short, the ‘market’ for microfinance will reach beyond the original confines both in terms of supply and in terms of demand, both those who provide resources at various prices (interest rates) and those who want to use such resources (borrowers).

Indeed, the initial target of providing funds for investment and knowhow to run small business will be extended to cover slowly funds for what may be considered more ‘consumption’ than social capital accretion. In part, this evolution arises from considerations related to the need to diversify product and sector risk for the fund providers. This situation is typical of all markets’ behavior over time. There is nothing peculiar to the various markets for ‘microfinance’.

Markets are constantly on the move. They are brought into being by people who adapt them according to their needs as new players enter and/or insiders exit. This means that there is a continuum of services that vary in terms of volumes, charges, timeliness and location. Such 'markets' are not only defined by the number and size of players who participate in them, but also by the particular legislation – or its absence – that specifies the 'environment' and condition, at least in part, the behavior and style of all who participate in these transactions. Such markets may compete within very restrictive domains or find rival commodities in other finance-related set ups, which pertain to what may be traditionally considered a different institutional configuration with its historically-defined ways of operation. Technology facilitates the emergence of such rival markets in the provision of access to financial services to the 'poor' or to other particularly disadvantaged subgroups in a population. Thus, for example, traditional microfinance institutions are facing challenges from the tandem of formal banking sectors and mobile phone companies. Such competition may be successful in particular geographical areas with the setting up of institutions specifically geared towards the mass market (similar, in another context, to low-cost airlines), ones that emphasize differentiation and a stubborn focus on service delivery. Besides scale effects may render these bottom-of-the-pyramid markets potentially attractive for banks in some countries.

It is important to assess the role of microfinance enterprises within such a wide context for a specific policy-oriented reason: to assess its contribution to income generation, employment growth and enhancement of personal and social welfare. Microfinance is a means to an end: its ultimate beneficiaries must not solely gain in the short run through the provision of financial resources and managerial knowhow but, as a result, bring into being a resilient productive set-up that can sustain itself through region-wide expansion of the demand for goods and services.

The initial boost to particular individuals acts as a catalyst for future sustained demand, and, therefore supply. But for this to occur other factors have to be in place in order to render such a process truly effective. Otherwise, the positive contribution that the microfinance injection may make to aggregate economic demand in a Balkan region may be countered by other factors that induce a restriction of activity, with the net effect of the two sets of operations being very low if not outright negative.

The case with the end-results emerging in Jobra, the Bagladeshi village where Muhammad Yunus founded the Grameen Bank in the 1970's., has begun to experience rising individual indebtedness defending the Grameen Bank from the accusation that it had become 'a person-oriented organization, not a rules or system-based organization'.

- There are further micro products on the market:
- Equity products are: Technology Transfer, Venture Capital, Co-investments with Business Angels, Corporate Innovation Platform (CoriP), Lower Mid-Market, Mezzanine, Private Equity operations

- Debt products are: Guarantees & Securitization, Risk Sharing Instrument (RSI)
- Microfinance products are: Progress Microfinance funded instruments, Progress Microfinance guarantees, JASMINE technical assistance
- Senior loans: provided to well established non-bank MFIs and in general to smaller banks active in the field of microfinance with the purpose to grow the micro-credit portfolios of the financial intermediaries over a predefined period of around 2 to 3 years.
- Subordinated loans are offered to regulated banks active in the field of micro-lending, either as part of their normal SME lending or through a dedicated microfinance down-scaling model.
- Portfolio risk sharing loans are hybrid instruments that combine the funding component of senior loans with the credit loss protection of guarantees. Such product is offered to good quality banks in the context of micro-credit pilot projects.
- Equity and quasi-equity, through ordinary or preferred shares, is provided to start-up non-bank MFIs to strengthen their capital base.
- Guarantees are provided to bank as well as non-bank MFIs. They grant up to 6 years of credit loss protection for new micro-credit portfolios to be originated over a period of up to 24 months.

Basic categorization of: Non-bank versus Bank MFIs can be described as:

- *Non-bank MFIs* business model matrix has been defined as a function of financial services penetration rates in a given country and the degree of public/third party support to non-bank MFIs in a given country. In general, it is assumed that low financial services penetration rates combined with limited public / third party support (e.g. in most of the Eastern part of the EU) to individual MFIs create an environment where non-bank MFIs can deploy a commercially oriented microfinance business with relatively wide product offering alongside banks (figure 1).
- Bank MFIs are banks for which microfinance is a small part of their overall operations. Microfinance may be offered either: as part of the financial intermediaries' social responsibility programme, or as part of the financial intermediaries' commercial activities.
- Micro-loans are usually offered with a special focus on social inclusion. Often, the interest rates on such micro-loans are not priced reflecting all costs and credit risk, and the underlying micro-businesses are not always profitable or viable in a commercial context. This allows the banks to clearly segment their activities and avoid any potential conflicts with its mainstream private banking business (e.g. negative reputational effects by pricing micro-credits high, which may taint the perception of the mainstream customer in relation to the banks' price competitiveness).

Categorization of "nature" of the MFIs can be done according to the following basic categories:

- For-profit Small / Mid-sized microfinance institutions ('small / Mid-sized MFIs'). These intermediaries are privately owned financial intermediaries offering exclusively or mostly microfinance services (typically micro-loans). If the financial intermediary offers products other than microfinance, such would usually be SME lending products (i.e. up scaling). Such institutions usually have a balance sheet of less than EUR 100m (often no more than EUR 10 to 15m; although in exceptional cases it can be up to EUR 500m). Micro-loans are usually targeted at borrowers that operate profitable micro-enterprises, hence the micro-loans can be offered at commercial terms.
- Mainstream banks operating microfinance windows ('Mainstream Banks' or 'Bank MFIs')
- Public entities operating microfinance windows ('Public Entities'), are entities that consider microfinance as part of their public enterprise promotion or social inclusion mandate, in a similar logic as that described in the section 'Bank MFIs'. Such institutions typically finance these activities with public funds, usually at relatively low margins (particularly if they are government guaranteed).
- Greenfield entities ('Greenfield Entities'). Start-up MFIs or MFIs with little or no track record, sponsored by private individuals or other investors.
- Dedicated microfinance vehicles often set up for a limited period of time, that invest in (usually Small/Midsized)
- In terms of business model and client targeting, the above mentioned types of financial intermediaries can be summarized as follows (Figure 1).

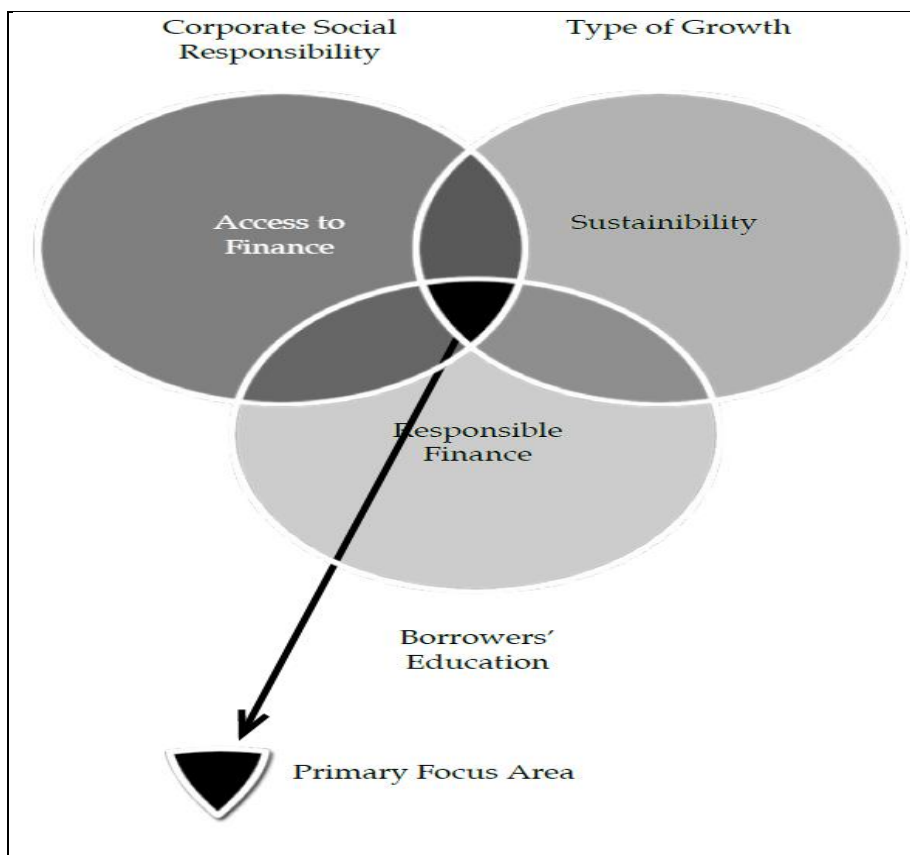


Figure 1: Micro financing variables

Source: Consultative Group to Assist the Poor, (CGAP), 2010

Microfinance has long been recognised by European policy-makers as an instrument to support entrepreneurship and competitiveness on the one hand, but also social inclusion on the other (Kraemer-Eis and Conforti (2009). However, in view of the specific local legal and political environments, the development of the European microfinance sector is still in an early stage with regard to scale and broader impact, and faces a continuing gap between supply and demand. Over the past decade, the EU has promoted a series of actions in support of microfinance, among which the following can be highlighted:

- Risk protection to financial institutions (including banks, guarantee institutions and counter-guarantee institutions) for new micro-credit portfolios, under the Growth and Employment initiative (1998-2000), the Multi-Annual Programme for the promotion of enterprise and entrepreneurship (“MAP”, 2001-2005) and, currently, the Competitiveness and Innovation Framework Programme (“CIP”, 2007-2013), all managed by the EIF (Council Decision (98/347/EC) of May

1998 on measures of financial assistance for innovative and job-creating small and medium-sized enterprises – the growth and employment initiative. OJ L155, 29.05.1998. Council Decision (2000/819/EC) of 20 December 2000

- The Joint European Resources for Micro and Medium Enterprises (“JEREMIE”) scheme, managed by the EIF on behalf of the European Union for the period 2007-2013, aims at improving access to finance, including micro-credit using European Structural Funds.

A broader EU policy move to use public funds to contribute to the development and long-term sustainability of the sector was initiated with the European Commission Communication, on a “European initiative for the development of micro-credit in support of growth and employment”. Its objective was to promote the development of micro-credit in the European Union through actions along the following strands:

- Improving the legal and institutional environment in the Member States;
- Further changing the climate in favour of entrepreneurship;
- Promoting the spread of best practices;
- Providing additional capital for micro-credit institutions.

Motivated by the adverse effects of the financial crisis, the Commission Directorate General for Employment, Social Affairs and Inclusion and the EIB made each available EUR 100m to the benefit of micro-enterprises and self-employment, with a particular emphasis on social inclusion and groups with limited access to the traditional banking system.

Economic literature often discusses that in the area of access to finance for SMEs, a market imperfection/failure is not only present during a deep recession but also on an ongoing basis as a fundamental structural issue.

The reasons for the market failure relate to insufficient supply of capital (debt or equity) and inadequacies on the demand side. This market failure is mainly based on asymmetric information (in the case of debt: information gap between lender and borrower), combined with uncertainty, which causes agency problems that affect debt providers behavior (Akerlof, 1970, Arrow, 1985). In the microfinance sector there is a trend towards efficiency, professionalization, and self-sustainability.

KEY PREMISES OF THE MICROCREDIT MARKET ANALYSIS

Microfinance in Europe is gradually being consolidated as an essential tool of social policy, for the promotion of self-employment, micro-enterprise support and the fight against social and financial exclusion. This is demonstrated by the initiatives that the European Commission has launched, such as the JASMINE initiative and the European Microfinance Facility for Employment and Social Inclusion (Progress Microfinance Facility), to promote and support the development of this sector.” (Jayo et al, 2010). Microfinance institutions have been affected by the adverse macro-economic conditions during the global financial and economic crisis, generally through significantly higher bad debt rates among their clients and in some cases through increased difficulties in accessing external sources of funding. With ongoing problems in the banking sector, the target group for microfinance, namely the financially excluded but economically active, might be faced with tightening credit supply by mainstream banks due to their higher risk aversion and increasing need to de-leverage their balance sheets.

In many countries, microfinance – the provision of financial services in limited amounts to low-income persons and small, informal businesses – is increasingly being offered by formal financial institutions. Although banks dominate deposit taking in most countries, nonbanks (eg microfinance institutions, financial cooperatives) that take deposits may be significant providers as well.

The Basel Committee proposed the following four key considerations with regard to supervision of microenterprises (BIS, 2010:2):

- Allocate supervisory resources efficiently, especially where depository microfinance does not represent a large portion of the financial system but comprises a large number of small institutions;
- Develop specialized knowledge within the supervisory team to effectively evaluate the risks of microfinance activities, particularly micro lending;
- Recognize proven control and managerial practices that may differ from traditional banking but may suit the microfinance business both in small and large institutions; and
- Achieve clarity in the regulations with regard to permitted microfinance activities to different institutional types, while retaining flexibility to deal with individual cases.

In summary, the provision of financial services in limited amounts to low-income persons and small, informal businesses – microfinance – may have been the ‘missing link’ in a financial range of services on offer in many countries. However, no matter how valid and praiseworthy objectives may be, one has to be on guard that resources available in a community for supporting future economic growth are transferred in time to where they can encourage future production and service provision. To ensure the smooth performance of the respective sub-markets for such resource transfers, regular evaluations have to be undertaken to monitor

the products developed and exchanged, the transmission instruments and repayment facilities.

The creation of new ethical financial institutions to support social cohesion and sustainable development in the European Union, especially if Basel III regulations were to accentuate the exclusion of the social sector and the SMEs and SMEs sector from the mainstream banking system is very important.

The microfinance has developed as an 'industry' and whether it has reached the status of a fully-fledged asset class, worthy of portfolio allocation by institutional investors. While the homogeneity of microfinance brings it closer to the definition of an asset class, especially as a result of the financial crisis of the past few years, yet it critically falters when it comes to liquidity; markets are not likely to develop further until there is a critical mass of exposure among a large number of investors.

There are wide spectra of final beneficiaries and intermediaries on European microfinance market (Kraemer-Eis, Conforti, 2009) and there is no common microfinance business model in Europe.

While findings on which is based this paper, suggested that the microfinance market is immature and fragmented, here is pointed its growing importance as a market segment with a potential to counter poverty and unemployment while fostering financial and social inclusion. This paper provides information about the definitions of microfinance and the European microfinance market, and Serbian case as South East Europe country which is suppose to improve its practice and legal framework on its way to EU membership. As the impact of the crisis further increases the market failure – also driven by increased risk aversion on the supply side of microfinance - and underlines the need for public support for this emerging sector in Europe, some issues are given in discussion part of the paper too. Key premises of the microcredit market analysis are:

- Analysis of the supply, demand and a potential financing gap with respect to microcredit provision.
- Analysis of the needs of the Managing Authorities (MAs) and of Microfinance Institutions (MFIs), and any other Financial Institutions (FIs), offering micro credit in the analysed region/country.

Key target groups for microcredit provision are:

- Social inclusion lending microlending to self-employed individuals that are excluded from banking services, due to their socioeconomic status of being socially excluded or (long term) unemployed and/or belonging to financially excluded population groups like ethnic minorities or young people.
- Microenterprise lending micro lending to existing enterprises. This group includes bankable and nearly – bankable clients: existing microenterprises with low collateral and low financing needs, starting - up enterprises with growth perspectives.

Key tools for analysing microcredit are:

- Clearly separate microloans from other types of loans, without including microloans in short - term or any other loan -type categories(Zwierzynski)

Findings of EU analysis confirm the positive impact of microfinance on poverty and social exclusion. The study reveals that:

- Europe has a significant un-served market demand for microfinance,
- SMEs constitute the majority of all companies, and financial sector ability to reach such small entities is crucial for socio-economic development,
- Western Europe and Central and Eastern Europe differ in terms of intermediary characteristics, target beneficiaries and loan sizes,
- Public actors are critical for ensuring the initial subsidy element to catalyze start-ups,
- Support measures, both financial and non-financial, need to be sufficiently broad to include the wide range of beneficiaries and intermediaries.

As indicated in the figure 11 below, in 2007, 44% of microloan clients were women, 2% of clients were from ethnic minorities, 12% were immigrants, 12% were youth and less than 1% of microloan clients were disabled people. These figures are based on Jayo, Rico, and Lacalle (2008). The highest rates for women can be found in Spain (nearly 70%), Bulgaria, Portugal, the United Kingdom and Romania (more than 50% for each). When comparing the number of female beneficiaries of microloans to the proportion in the population, it is evident the extent to which they are currently underrepresented. On the contrary, women represent 85.2% of total clients in micro-lending programmes. Immigrants also represent nearly 50% of microcredit clients in Spain and 25% in France. On average, they represent 12%, since they are less represented in other European countries, especially in Eastern Europe. Generally speaking, only 12% of microcredit beneficiaries are between 18 and 25 years old. But they represent a significantly higher proportion in Hungary (70% of clients) and Spain (30%).

The relevance of other “at risk groups” such as immigrants and youth as microcredit clients is significant in some countries. For example, in Spain and France, immigrants are represented well over their proportion in the population whereas in Hungary and Spain young people are represented well over their proportion of the young entrepreneurs’ population. Credit is more readily granted to people starting a business than to already existing enterprises. According to ADIE, the needs for financing at start-up are minimal in most cases: close to 60% of genuine start-ups in France are financed with less than EUR 8,000; 22% of these do not need more than EUR 2,000.³⁸ With regard to the link between microfinance and job creation, EFSE has initiated a study based on a survey among 277 urban micro and small enterprises (MSEs) in Romania, Serbia, and Montenegro (January 2005 to December 2007). According to the European Commission of the population aged between 15 and 64, the share of people at risk of poverty, the share

of potential entrepreneurs, and assumptions about average microloan sizes, as potential demand for micro crediting can be assessed as:

- EU-15 of more than 550,000 microloans, totaling EUR 5.6bn;
- EU-12 of more than 155,000 microloans, totaling almost EUR 0.6bn;
- EU-27 of more than 700,000 microloans, totaling EUR 6.1bn.

SMES ACCESS TO FINANCE IN WESTERN BALKAN COUNTRIES

The Western Balkan countries (Albania, Bosnia and Herzegovina, Montenegro, FYR Macedonia and Serbia) and Eastern EU countries represented 37% of total loans and 24% of total value, whereas Western countries represented 63% of total loans and 76% of total value. On the whole, the number of active clients in the EU was 121,677 as of the end of 2007.

In the Western Balkan there is no common microfinance business model and there are different types of microfinance actors, most of which are NGOs outside the formal banking system:

- NGOs: 28%
- Foundations: 26%
- Public institutions: 17%
- The rest (28%) is composed of banks, savings banks and other credit institutions (figures based on EMN survey).

The credit organizations most often are divided into 2 groups:

- Those whose primary activity is granting microcredits, and those for which microfinance is only a side activity.

Regionally the market participants can be distinguished:

- According to market surveys prepared on behalf of EIF25 and according to the market information gathering conducted by EIF, at EU level, MFIs are at different stages of their life cycles and need consequentially differentiated financial support for their business and growth.

MFIs in the EU are broadly characterized by:

- in EU-15 (with a few exceptions) small size, very low or inexistence profitability, microfinance institutions heavily rely on subsidies to cover costs, very limited access to external sources of funding, social lending activity mainly targeting disadvantaged groups (immigrants, unemployed, etc.), operational procedures are often not standardized, very high need for seed/developing funding for MFIs;

- in CEE and West Balkan, by larger average size of the institutions, higher profitability, lending activity more focused towards micro-entrepreneurs, difficult access to stable external sources of funding.

In CEE there are some IFIs (EBRD, IFC, etc.) and funds providers (i.e. ProCredit, Opportunity, BlueOrchard) active in the microcredit segment, whereas in EU-15 no IFI is providing funding to MFIs. EIF appears as the only EU wide actor in this sector. Specific financing needs of MFIs in various stages are showed below:

Progress Microfinance has become the central platform for pan European EU supported microfinance programmes. Deeper regional support to microfinance is provided under Structural Funds through the JEREMIE mandates to certain Member States or Regions.

The Europe 2020 strategy provides the overarching policy framework in which EIF's microfinance strategy is determined for the coming years. Formally adopted at the European Council in 2010 (European Council, 2011), the political and economic objective of Europe 2020 is to deliver "smart, sustainable and inclusive growth" for the EU as a response to the crisis and as a means to maintain and strengthen Europe's competitive position in the global economic order.

The economies of the Western Balkans (Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia) differ significantly in size, income level and economic performance. They are also in varying stages of the EU accession process. In spite of differences, economies of the region share common features.

The importance of small- and medium-sized enterprises (SMEs), which account for as much as 92% of all businesses in some economies is, perhaps, the most salient of them. SMEs generate between 61%-81% of private sector employment and make up the largest share of total value added. After banking, microfinance and leasing are the most developed sources of finance across the region; alternative financial instruments such as venture capital and private equity remain limited in scope. Public support for SMEs and start-ups is limited and has decreased in some economies.

The legal and regulatory environment has generally improved, particularly in the area of land registry and movable asset registration systems. Banks remain risk-averse and collateral requirements high.

Credit information systems have also improved, but strengthening and enforcing creditors' rights remains a challenge in Albania and Bosnia and Herzegovina. Financial literacy levels are relatively low and programmes to increase them have only recently begun. Some characteristics of the access to finance in West Balkan countries / SBA Dimension-Access to finance are given in figures below:

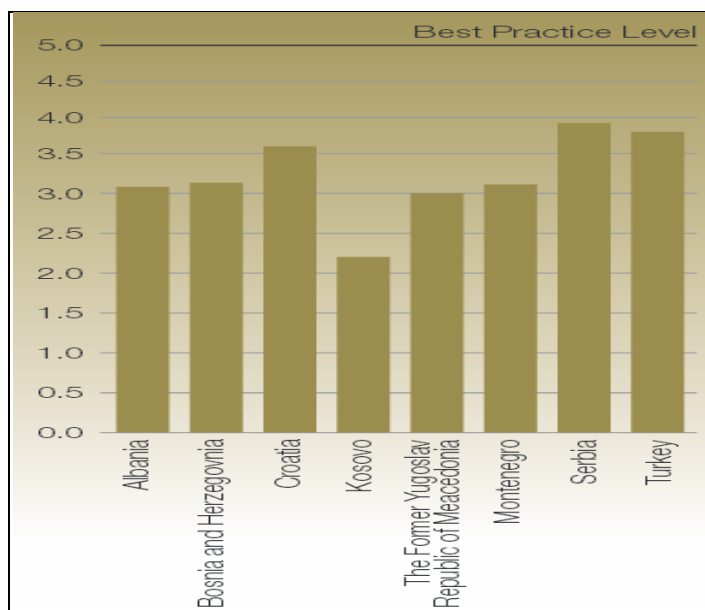


Figure 2: Access to finance for SMEs

Source: SBA, 2013.

Table 1: Micro-finance outreach compared-Serbia, Montenegro, Bosnia and Herzegovina(2007)

		Scenario-better environment		
	Serbia	Serbia	Bosnia&Herzegovina	Montenegro
No of microcredit clients	19.600 (0.3% of pop.)	100.000 (1.3% of pop.)	400.000 (10.4% of pop.)	70.000 (10.3% of pop.)
Size if microcredit portfolios	€ 23,4 million (0.01% of GDP)	€ 185 million (0.6% of GDP)	€ 1 billion (9.3 % of GDP)	€ 144 million (7% of GDP)

Source: Authors compilation form NBS data

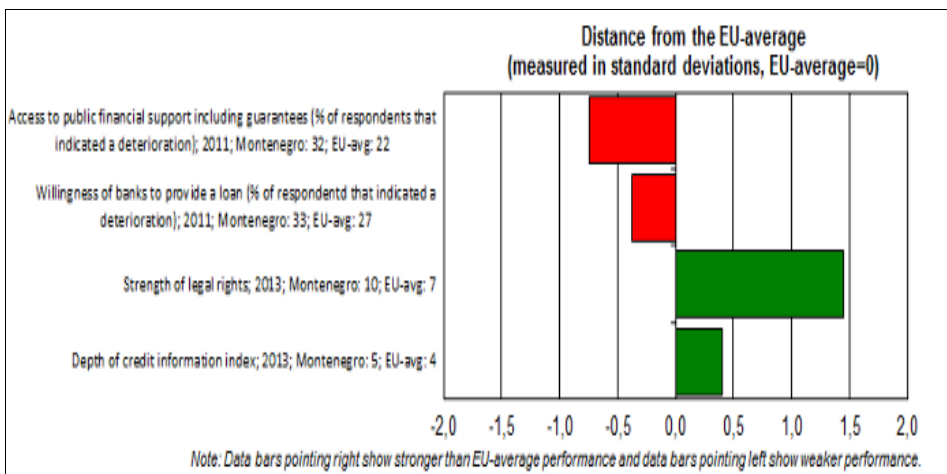


Figure 3: Montenegro Access to finance

Source: SBA, 2013, Eurostat, London Economics

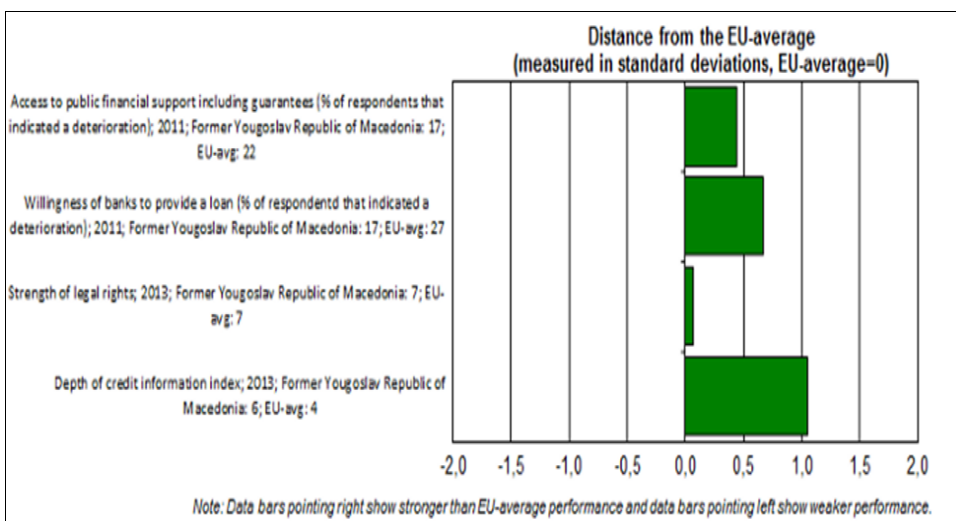


Figure 4: FYROM Access to finance

Source: SBA, 2013, Eurostat, London Economics

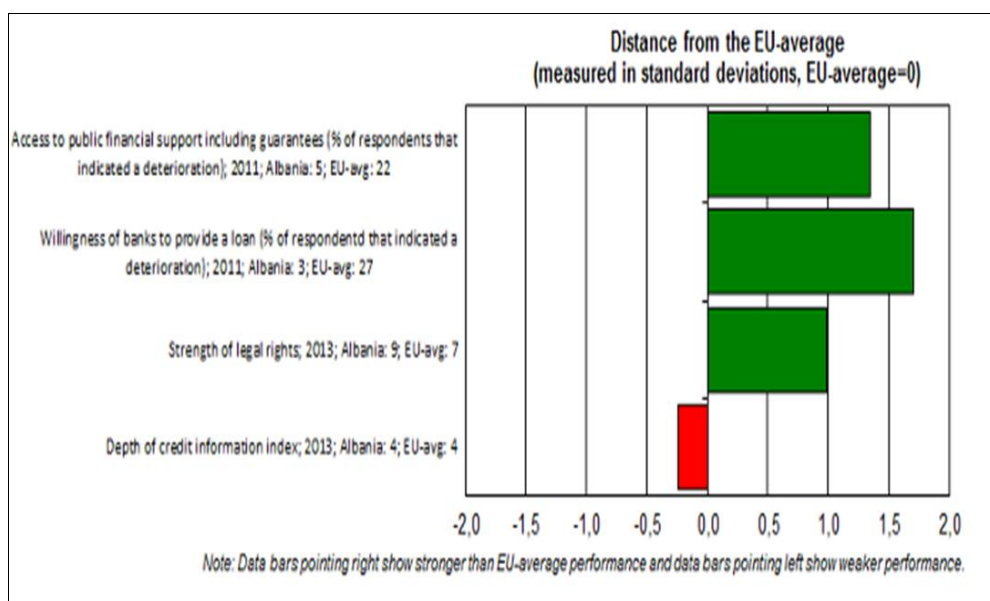


Figure 5: Albania Access to finance

Source: SBA, 2013, Eurostat, London Economics

Serbia. In 2012 there were in Serbia micro, (*Micro: businesses with up to 9 employees, Small businesses: 10 – 49 employees, Medium businesses: 50 – 249 employees*) small and medium-sized businesses (including individual entrepreneurs (Entrepreneurs are natural persons who perform business activities as individuals):

- 105,000 registered companies + 218,000 individual entrepreneurs
- Over 95% of these are micro-businesses with less than 10 employees, most situated in Belgrade and Vojvodina
- 7,355 companies and 32,853 entrepreneurs have been closed in 2012
- 8,648 new companies and 30,200 new entrepreneurs have been registered in 2012
- 36,909 companies and 43,900 entrepreneurs are active loan users
- 20% of all business loans are NPLs

The main concern of small and medium-sized enterprises (SMEs) in Serbia at the moment is financing their survival, and not investing in development, as they mainly worry how to provide salaries to employees and settle obligations to the state. Most new companies are closed within three years from foundation.

The access of Serbian SMEs to finance can be illustrated by the figure below:

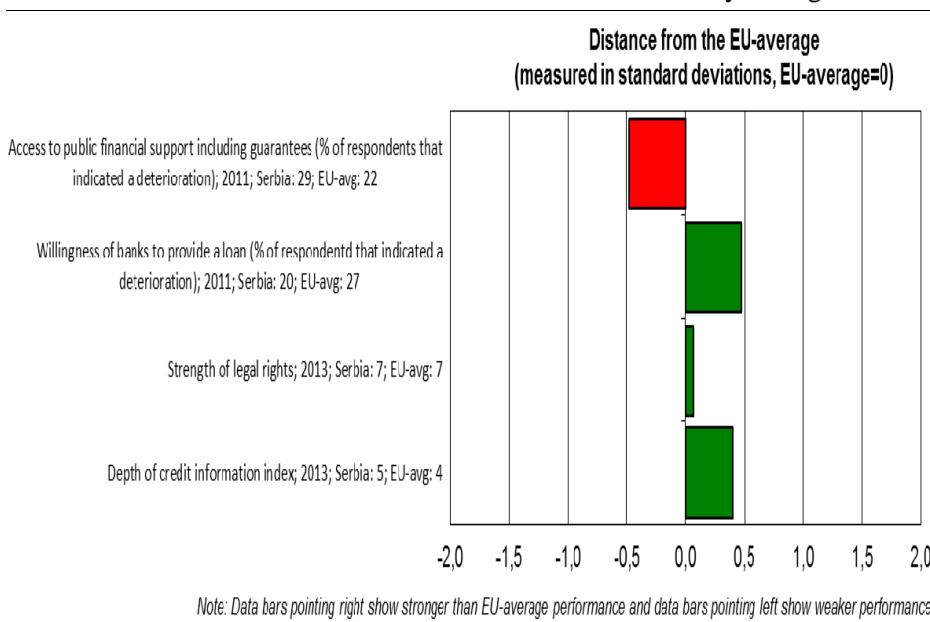


Figure 6: Serbia Access to finance

Source: SBA, 2013, Eurostat, London Economics

Microcredit has existed in Serbia at a small level for over 10 years, mainly supported by various international donors and social investors. Since 2005, Serbian organizations involved in providing microcredit have been required to conduct their activities in partnership with a licensed bank, in accordance with the Law on Banks, which eventually curbed their growth and made traditional microfinance in Serbia almost nonexistent.

Three non-bank microcredit institutions in Serbia (AgroInvest, Micro-Development Fund, MicroFinS) had a combined total portfolio of approximately EUR 12 million in loans to over 18,500 borrowers at the end of 2012 (last data available by MixMarket). Credit activity of MFi in Serbia in last three years were declining mostly due to declining credit activity of AgroInvest as the biggest Serbian MFI Institution.

The main problem for MFI in Serbia is NBS decision on retail lending which prescribes that retail loan can be given only if the installment is up to certain percentage of registered income (salary, pension, etc.) If loan is given to retail customer without registered income it has to be provisioned 100% unless it is 100% cash covered. In order to bypass strict banking regulations in the country, all three institutions are registered as consulting companies and have contracts with a bank registered in Serbia (in all three cases, using Privredna Bank Belgrade – PBB, and during 2012 Agoinvest started to also to cooperate with Societe General Bank)

which actually disburses loans to MFI clients, while MFIs secures the loan with 100% cash deposit amount and appears on the loan contract between client and PBB as the loan guarantor. Banks charge MFIs a loan disbursement fee. At one moment in 2008 OBS was discussing the option to be partner bank for Agroinvest, but the further negotiations were dropped due to increased reputational and regulatory risk for OBS. MFI nominal interest rates go up to 48% on annual basis.

There are three non-bank microcredit institutions in Serbia (AgroInvest, Micro-Development Fund, MicroFinS) that operate through a local bank. These institutions were founded during the 1999-2002 period with emergency funding from donors (UNHCR, ICRC, etc.) or international NGOs (World Vision). Their operations are field-oriented and focused on rural areas of Serbia but have many regulatory and financing difficulties which make their product expensive.

In addition, high interest rates that these organizations are charging clients and the fact that they bypass the laws allowing only banks to disburse loans in Serbia has recently attracted attention of the public and National Bank of Serbia, which has performed several controls of their operations.

Significant financing gaps most probably exist or where microfinance's intervention have a clear added value in Serbia are further target groups:

1. Group: small enterprises:

- Starting entrepreneurs and young enterprises (up to 2 years of existence) form the traditional core group in need of finance. One needs to distinguish though between:
- Entrepreneurs whose development phase or type of activity mainly requires limited working capital;
- Entrepreneurs whose activity requires investment capital, which itself needs to be distinguished in different risk categories;
- The self-employed and all types of non-incorporated enterprises in general who are either categorised by banking regulation as risky (hence requiring high reserves when serviced) or amalgamated to plain consumer needs (likewise highly penalised with high capital ratios).

2. Group:

- Young people in general, but in particular a. University graduates with little alternatives on the job market and likely to leave the country, especially the best among them (brain drain); the new generation, young families, who are newcomers on the credit market and cannot rely on the capital base of their parents (no real estate or other capital as a guarantee);
- Women in general, whose chances of finding a job are generally lower than men's, but in particular, women (with children) who have the opportunity to launch a home-based business requiring limited working capital, spouses who can develop their small scale activity gradually at low risk, women launching activities in typical service sectors whose financial needs can either be in the form of limited investment capital or working capital, women benefiting from governmental training and

support programmes, women's support networks or support from traditional entrepreneurial families to launch a company and in need of add-on investment or working capital;

- Experienced and skilled workers made redundant, usually older workers (45+) living especially in areas of industrial decline, who have professional skills and are home-owners (guarantees) but who lack working capital;
- Refugees and internally displaced people (idp) who remain a large target group mainly located in urban areas (about 182.000 people around belgrade and about 120.000 people around other cities) whose needs, though, go beyond microfinance and inside micro-finance go beyond the presently proposed credit services (for entrepreneurship and housing, as delivered by both mdf and mikrofin-s). Their economic alternatives are poor, which is why many of them are already involved in economic activities in the grey economy.
- Ethnic minorities, in particular the roma community which represents 6% of the serbian population (over 500.000 people), are a significant part of the internally displaced people and need very targeted support in addition to finance;
- The long term unemployed, representing an impressive 75% of the unemployed, need likewise to be targeted with support going beyond micro-financial services, and whose financial needs require well designed low-risk financial instruments.

3. Industry sectors:

- The grey economy and informal sector, estimated to be equivalent to a third of gdp is a big reservoir of potential micro-finance demand to which bridges could be built to help them formalise as they develop. This is traditionally considered to be secure market, as there is already a business history with established clients and existing income streams (share of serbia's informal sector employment is around 30%);
- The services sector (neighbourhood services, etc) and know-how based sectors (it, design, etc) that are not based on big material investments are at a disadvantage in the banking sector which looks for formal and conservative guarantees.
- The recycling sector has been identified as one sector with a major development potential in the context of municipality's needs to modernise their waste management systems. This represents a unique opportunity of connection with the informal recycling activities mainly organised by the roma communities. The needs here too go beyond (micro-)financing alone and would require a targeted programme delivering capacity building as well.

4. Geography aspect:

- Rural areas in general, as serviced by agroinvest mainly so far, are yet neither covered extensively nor serviced in depth with any proper diversity of financial services. Towns with up to 6,000 inhabitants without a single bank branch are reported to be a frequent phenomenon throughout Serbia, but in particular in the South of the country.
- Small agro producers (agricultural households): Farmland comprises 70% of the total surface area of Serbia, 631,000 registered agro households, 99.6% are family households while rest are legal entities/registered entrepreneurs, 48% have less than 2 hectares of land, 17.3% of the total population comprise agricultural labor force (rapidly aging population), 39,513 agricultural households have active loans, 26% of all agricultural loan users are in default over 90 days. Agriculture has long been the mainstay of the Serbian economy. Traditional family-owned small farms and private estates prevail, with the average commercial farm occupying 500-700 ha. Family farms consist of small plots and are based on subsistence production, being turned over to commercial use to a smaller degree than European farms. Rural mixed-income households (rural areas): 85% of Serbia's territory is classified as rural, 55% of Serbia's population lives in rural areas, the poverty rate in rural areas (9.8%) remains twice the poverty rate in urban areas (4.3%), 86% of villages in Serbia are witnessing depopulation, there are about 4,800 villages in Serbia, average age in most of them is around 60.
- Suburban areas or city hinterlands are geographical core areas with entrepreneurial potential and reliable markets but not yet covered appropriately with credit services are recognised to be economically serviceable;
- The municipalities identified as the poorest of Serbia, mainly located in the South of the country and close to Kosovo, with high concentrations of unemployment, poverty (close to 20% of the population) and grey economy (up to 80%) lack most of the basic financial services;
- Areas with declining industries or areas hit by closures of large enterprises are other areas where there is a potential micro-finance demand, though probably often to be delivered with accompanying services to fledgling activities.

DISSCUSSION AND CONCLUSIONS

In this paper has been analysed the Western Balkan market for microfinance. Starting with basic definitions the subject were SNEs and the micro enterprises, their economic contribution, as well as the differences in microfinance markets and markets needs of Balkan region and EU.

There are wide spectra of final beneficiaries and intermediaries and there is no common microfinance business model in the Western Balkans. Also the microfinance providers are not homogenous, there are various business models and the providers are in different stages of the transformation process.

In addition to financial support, also non financial measures- mentoring, education, counselling are important element of microfinance.

In the microfinance sector there is a trend towards efficiency, professionalization, and self-sustainability. However, without the access to stable funding, the perspectives of the sector with regard to growth and self-sufficiency are limited.

While the target groups of intervention measures need to be sufficiently broad in order to provide efficient support, the product range also has to be sufficiently wide in order to meet the target groups' needs.

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MOBILE MARKETING COMMUNICATION IN SCIENTIFIC ENVIRONMENT

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ABSTRACT

Mobile marketing is the process of marketing to the people via their mobile devices in scientific environment. This is really just an extension of internet marketing, as more and more professors and students are starting to spend more time on their mobile devices and less time on their computers it was inevitable that the internet marketers would move into this form of marketing. With the increasingly widespread use of smartphones, app usage has also greatly increased. Therefore, mobile marketers have increasingly taken advantage of smartphone apps as a marketing resource. That allows direct engagement, payment, and targeted advertising. This paper will give an theoretical and practical overview of marketing functionality of most used apps in Croatian scientific environment such as: LinkedIn, Dropbox, Edmodo, Evernote, Meebo Mobile, etc., compared with satisfaction of users in Croatian scientific environment. Case study is done on author research of Metel Win app in library marketing.

Key words: Marketing, Mobile, Internet

JEL Classification: K12

UDK: 001:658.8 658.8:659.2

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INTRODUCTION

Marketing is a social process by which the creation, and offer free exchange of products and services that carry the value of others, allows individuals and groups to obtain what they need or what they want.

Four major support to the underlying concepts of marketing are:

- Focusing the market,
- Focus on the customer,
- Coordinated marketing,
- Profitability.

Electronic marketing (e-marketing, telemarketing) you can achieve the company's marketing activities with intensive use of information and communication (Internet) technology. Mobile marketing goes a step further in using information and communication technologies. Mobile Marketing Association defines mobile marketing as "the use of wireless media as well as the integration of content delivery and direct response marketing communications transmission within the program or through a combination of independent media."

This definition is just one in a series of attempts to define the notion of mobile marketing. Leppäniemi and others have conducted a comprehensive review of studies of mobile marketing and set a lot of different definitions. The authors found that academics alternately using different terms such as mobile advertising, wireless marketing and wireless advertising in reference to mobile marketing. The criticism leveled by Leppäniemi and other claims that there is no agreement on the conceptual definition of mobile marketing, but most of the proposed definition mainly focuses on the technology, not the same application in the field of marketing. So, what makes mobile marketing for unique compared to other marketing channels, it is best to show the characteristics and dimensions of mobile marketing listed below, especially in scientific environment (Leppäniemi, Karjaluo, 2006).

DEFINITION AND CHARACTERISTICS OF MOBILE MARKETING

Mobile marketing is simply the process of marketing to clients via their mobile devices. This is really just an extension of internet marketing, as more and more people are starting to spend more time on their mobile devices and less time on their computers it was inevitable that the internet marketers would move into this form of marketing. There are a lot similarities between e-marketing and mobile marketing but there are also some pretty important differences. The main difference is that it is much harder to get your ad in front of the client so you will need to be more innovative in your marketing planning and control.

With its interactivity and possibilities of direct communication with the user, mobile marketing represents an enormous opportunity that recognize all types of organizations (schools, faculties, institutes). The integration of mobile technology into existing communication campaigns , companies allow their customers to take advantage of special offers , cash in mobile coupons , customers can more easily obtain the additional information and have the ability to receive alerts about relevant events . Mobile marketing has enabled advertisers to create personalized multimedia campaigns for their target groups and users the ability to react or respond directly to the campaign.

Authors amounts to just permit participation or user key feature of deriving the benefits of mobile marketing over other marketing channels (Pousttchi,Weidemann, 2006). Besides the participation of beneficiaries experts cite several attractive features of mobile marketing:

- Direct and immediate communication anytime and anywhere,
- Focus on target groups ,
- Inexpensive marketing channel ,
- Measurable effects for ROI ,
- Huge potential for viral marketing as they are prone to relay messages groups ,
- Easily integrates into the media mix with other media such as television, print, radio and the like.

Consumers and businesses mobile marketing tools are available anytime and anywhere, transactions can be done 24 hours a day, 7 days a week. This offers huge opportunities to businesses access to consumers at critical moments, and users are, on the other hand, waiting to perform the desired activity or to obtain the necessary information during the working week. Mobile devices enable the user logs easier segmentation, which in combination with the permission of users to participate in mobile marketing campaigns resulting in greater personalization of services and greater acceptance of and intention to use mobile marketing tools.

Instead of sending individual brochures to its customers, the subject may choose to send a text message to thousands of customers, saving time and cost of marketing campaigns. Immediate delivery of SMS messages is almost instantaneous. Delivery of messages and responses is also possible to monitor the existing information systems. With regard to mobile phone users carry their phones everywhere, they will receive the message within minutes, if not seconds. The big advantage is the ability to adapt and change communication depending on changes in the environment and the needs of the campaign in scientific environment.

MARKET SUBJECTS IN THE WIRELESS WORLD

The main players in the wireless world can be presented in scientific environment:

- Phone users. These are the end-users who use all the services, whether they are aware of it or not. They are the ‘grass roots’ of the wireless world.
- Network operators. Network operators are the ‘overlords’ of the wireless world; without network operators there would be no networks. Each country has a number of competing network operators.
- Access providers. These are gateways for companies and mobile networks. They offer companies a window to the wireless network and let them take advantage of the technologies on offer (GPRS, SMS, WAP, etc).
- Platform providers. Platform providers are similar to access providers, except that they go one step further to provide a software-based platform to enable the launch of a mobile-based service.
- Content and application developers. With the advent of rich media browsing on mobile phones, content developers became an essential part of the wireless world – and an important extra revenue stream both for themselves and for the rest of the industry.
- Content aggregators and publishers. These are the companies that sell the content developed by content and application developers directly to the phone users.
- Corporate companies. This group includes all kinds of companies who have an interest in the wireless world as a means of communicating with their customers, employees and suppliers, and generating revenue.
- Marketing and media agencies. These agencies are involved in the wireless world on a strictly consultancy level, advising companies on how best to penetrate the wireless world.
- Mobile consultants. There is usually some cross-over here with access or platform providers. Mobile consultants advise companies on how best to define an implement their wireless strategy. (Michael, Salter, 2006)

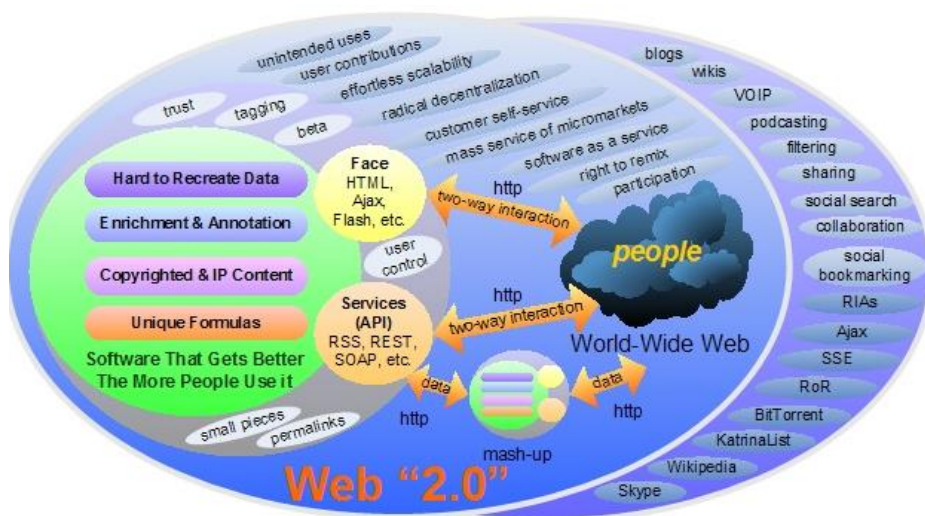


Figure 1: Elements of web next generation

Source: www.we2wsj2.com

According to relevant statistics of there are 6.8 billion mobile subscriptions worldwide, estimates The International Telecommunication Union (February 2013). That is equivalent to 96 percent of the world population (7.1 billion according to the ITU). And is a huge increase from 6.0 billion mobile subscribers in 2011 and 5.4 billion in 2010. Mobile subscribers in the developed world is rapidly reaching saturation point with at least one mobile subscription per person. Mobile penetration in developed nations is around 128 percent of the population. This means market growth is being driven by demand developing world, led by rapid mobile adoption in China and India, the world's most populous nations. Mobile penetration in developing nations is around 89 percent of the population, according to the ITU. At the end of 2012 there were 5.2 billion mobile subscriptions in the developing world (76.6 percent of global subscriptions). Mobile penetration in the developing world now is 89 percent, with Africa being the lowest region worldwide at 63 percent (Mobthinking portal, 2013).

EXAMPLES OF MOBILE MARKETING APPLICATIONS IN SCIENTIFIC ENVIRONMENT

Internet marketing in scientific environment is based on web 2.0 technology. The term Web 2.0 is associated with web applications that facilitate interactive systemic biases, interoperability, user-centered design, and developing the World Wide Web. A Web 2.0 site allows users to interact and collaborate with each other in a social media dialogue as consumers of user-generated content in a virtual community, in contrast to websites where users are limited to the active viewing of content that they created and controlled. Web 2.0 is about revolutionary new ways of creating, collaborating, editing and sharing user-generated content online (Wikipedia, 2014).

This research will give an practical overview of marketing functionality of most used apps in Croatian scientific enviroment such as: LinkedIn, Dropbox, Edmodo, Evernote, Meebo Mobile, etc. The results of survey shows some of that functions in further part of paper.

As a registered user on LinkedIn, you create a profile with details about your education, work experience and competences. It is possible to create a network of people from school, co-workers and people within your profession.

There are several different ways to use your network on LinkedIn, e.g.:

- To keep in touch with the people within your own network and to always have updated information about their current occupation.
- Via one of your network contacts, you can be introduced to an employer or business associate of choice.
- Employers can search for qualified people, and also get them recommended from contacts the employer can trust.
- It is possible to find contacts from a company where one would prefer to work, and to find information of the work environment (Wikipedia, 2013).

Dropbox is a file hosting service operated by Dropbox, Inc., headquartered in San Francisco, California, that offers cloud storage, file synchronization, and client software. Dropbox allows users to create a special folder on each of their computers, which Dropbox then synchronizes so that it appears to be the same folder (with the same contents) regardless of which computer is used to view it. Files placed in this folder also are accessible through a website and mobile phone applications (Wikipedia, 2014).

Edmodo is designed to get students excited about learning in a familiar environment. On Edmodo, teachers can continue classroom discussions online, give polls to check for student understanding, and award badges to individual students based on performance or behavior (Edmodo, 2014).

Meebo allows you to connect and chat with friends across multiple instant messaging networks. This free web application works in a similar way as Yahoo! Messenger or Windows Live Messenger. The differences are that Meebo requires no download, and you can chat to buddies across different IM and social media networks from the same interface (Meebo, 2014).

RESEARCH OF USAGE OF METEL WIN APPLICATION IN CROATIA

Metel Win digital library is conceived as a complex cooperative and open system for creating, publishing, searching and using all types of digitized media and material, with reference of usual applications nowadays. The aim of author research is to present functions of library application in Eastern Croatia, which some schools and faculties use.

The software product has evolved over the years into a full librarian system that is able to meet all the needs of the profession, and even more than that.

- Specially adapted for school , university and specialized libraries
- The innovative system of processing and presentation serials and non-book materials
- Integrated print bar codes and having signature label for books
- Integrated print bar codes and cards to members with and without pictures
- You can use student ID cards
- You can set up links to digital documents in and out of Metell us
- Free inclusion of data in a common search system on the Internet
- Free download data from the joint and several national systems
- Support for processing and retrieval of material for the blind and visually impaired
- Two-way communication with other libraries and their users
- Advanced data protection system
- Reservations and extending through the Internet , e - mail and text messages
- It does not require any additional software or hardware

It has been conceived as a complex cooperative and open system of creating, publishing, searching and using all types of digitized media and multimedia materials in Croatian scientific environment. Serious, because the team of experts for a long time invests much effort, knowledge and resources to make it better and more descriptive. Complex, because it simultaneously integrates largest OPAC in this region with more than 950 libraries, more than 10 million books and nearly 600,000 digital and multimedia documents that can be searched at once. Searching is a Full Text, by meta-data, or all together. Cooperative, because all users of the system, even those outside of it can independently prepare, digitize and publish their documents in a very simple way, without the need for IT skills. Open, because aside from publishing documents, it enables access and linking of documents at all levels in other systems of searching and browsing. Of course, there are documents that we can not or do not wish to to share with others. These can be protected in some of the ways that ensures controlled access at multiple levels.



Figure 2: Metel Win surface

Source: Metel Win

More image browsers are also supported, such as internal MView, FlipPage and Silverlight. The system supports WEB2 new IFLA recommendations. For this purpose we have developed a special user interface which allows easy processing, digitizing and communicating with an Internet database. This way, the redundancy of procedures is avoided. All is done in one pass:

- direct digitization using any kind of scanner.
- formation of archival and presentation copies respecting the required standards
- meta tagging at multiple levels
- OCR
- automatic numbering
- creation of content and index
- internal and external links
- data protection
- automatic creation of document presentation
- automatic inclusion in the database on the Internet
- further control of the document in case of changes and corrections.
- METELwin support is not required

Users of METEL win program have a number of additional options:

- it is free
- automatic bibliography
- software transfer of music content from CDs to its own system with controlled access
- complete processing of the digitized covers, contents and indexes
- forming their own groups
- clipping archive
- many types of digital collections
- regional collection
- direct connection to Internet resources (Google, Wikipedia, Youtube)

CONCLUSION

The rapid development of modern telecommunication and digital technology, and the resulting Internet technology, provides a number of new possibilities in e-marketing in scientific environment. Library marketing is crucial for any information professional in order to spread the word about their library. Internet marketing is important- in every library type, in large or small library - librarians need to call attention to management of library, their services and users. Marketing of library services is therefore considered to be a tool that can be used by librarians to fight and compete and also attract both new customers and old library users. It is important to understand the organization's mission to produce effective marketing material that builds the library's brand and image, drives traffic to library web site, and differentiates your library from its competitors.

It is possible to conclude that e-marketing and Web 2.0 usage will grow at a dramatic pace, especially mobile apps, and significantly impact on communication between professors, students and researchers.

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PERSONAL BRANDING

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ABSTRACT

Exploration of market leader' personal branding is growing in the field of management, marketing and organizational behavior research market. The popularity of the personal brand among practitioners and marketing professionals, as well as scientists, shows the need for a better, deeper understanding of personal branding and its use of practical and academic perspective. This paper is an overview of the relevant scientific literature in a personal branding area, with the aim of already published information summarizing, analyzing, evaluating and synthesizing. Paper should contribute to a better understanding of the new approach to marketing - concentrating on personal branding. Based on the conclusions that have been reached authors suggest that building a recognizable and positive images of particular personal brand can be an important lever for successful positioning of a new product on the market.

Key words: *Personal Branding, Market, Successful Positioning*

JEL Classification: *M31, J24*

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INTRODUCTION

Leadership is social and behavioral phenomena which was interesting for research since the first philosophers to modern societies. However, despite thousands of years of study, there is still no single model of leadership or theoretical perspectives that can consistently explain the core of this process.

Transformational Leadership is a theory developed by Dr. Bernard Bass (Bass, 2002). A key element of transformational leadership approaches to branding is an emotional or affective nature of the process (Avolio, Yammarino, 2002), or the fact is that this type of leadership provides a symbolic and emotional force behind organizational change.

Branding people require more than just charts and research. It's a branding live, breathing and volatile person who can change his mind in the half of the process. In traditional branding products apply the traditional tools for branding, primarily to the product or service to provide value and financial benefits for the company to which it belongs. But, what would happen if we were to this traditional theory, applied to a human being?

Brands throughout the history of communication evolved from the sign of belonging to brand names, characters and symbols identifying the product/service in the mind of consumers, competitors and the world at large. Evolution has led them from product differentiation from the crowd of similar to a direct, clear and consistent connection between the symbol of the product or service and the consumer (Lair et al., 2005).

Today's opinion that without brand product does not exist, leads to branding cities, countries, universities (Kavaratzis, 2005). Using brands for people has developed into a growing construct branding, although it has very little support in the academic literature. Personal branding is increasingly common phenomenon for decades used in various aspects, for entertainers, athletes, authors, general managers, business owners and politicians, and has spread to many other people in different positions in the company. Entrepreneurs using personal branding when they are trying to set up a credible and trusted resource in their industry, and then promote and sell their products and services, as an extension of the credibility and reliability.

Personal branding as a process of identification and exploitation of strategic resources in entrepreneurial ventures brings benefits with using personal branding for promotion with its entrepreneurial business objectives.

REVIEW OF LITERATURE

Initial academic literature has tried to define personal branding and investigate its validity from the perspective of personal development and theoretical perspectives, including marketing and psychological point of view of self, as well as the question of whether personal branding can be considered a real marketing discipline (Shepherd, 2005). In order to examine the validity of these issues, scientists have begun to examine and write about personal branding and its relationship with the traditional practice of branding in business, which is applied to products, services and corporations. For example, Lair et al., (2005) describe a personal branding strategy as a strategy for self promotion in the business world, which is not new. The scope of personal branding has grown from a simple business tactic in psychological recognition of the impact that the business world has the ideas and the consciousness individual about himself. There have still presented some issues among scientists as Shepherd (2005) and Labrecque et al., (2010) regarding the validity of personal branding.

Branding people is a relatively new concept in the field of branding. This concept is rapidly evolving, and its importance is increasing. Personal branding is mostly about how other people see us, and the theory claims that we may have some influence on this picture if we are consistent and clear about who we are. People cannot see the thoughts, ideas and visions, but they can see the work. In general, all people have a personal brand, but the process of developing a personal brand depends on what goals a person has and what it is that he wants to achieve. „Branding adds value. It has always been a point of branding that applies now more than ever, regardless of whether it is the branding of products, services, companies, events or arts (Gad, 2000, p. 21)“.

Researchers and practitioners recognize the role of brand identity as the primary means for effectively managing diversity of brands (Aaker, 1996; Kapferer, 2008; Keller, 2008). The increasing competitiveness makes differentiation and, therefore, the brand identity is of growing importance in the market.

Theory of branding tends to define brand identity as an internal structure that emerges from the unilateral view of the organization (what brand managers want to be) that requires stability (Aaker, 1996; Kapferer, 2008). Consequently, the brand manager needs to develop and maintain a clear and consistent identity, so that brands can serve as a stable reference for consumers (Aaker, 1996; Kapferer, 2008). The widespread opinion is that a stable brand identity can assist companies in navigating and adapting to market changes (Collins, Porras, 1994). In practice, in accordance with this principle, companies tend to stabilize the identity of their brands over time. However, the environment is becoming more dynamic and many market segments experiencing unexpected mutation and unpredictable transformation. Proactive participation of consumers (Prahalad, Ramaswamy, 2000) requires consumers participation in the process of value creation (Vargo, Lusch, 2004), where consumers are active contributors (Arnould and Thomson, 2005; Brown et al., 2003; Payne, et al. 2009; Prahalad, 2004). Such challenges require new insights into the conceptualization of brand identity.

Definition of branded leaders (managers) given by Senge, (1990, p. 229) has five disciplines of personal skills that include an explanation of loyalty correctness, decision-making power and infrastructure innovations that enhance personal and interpersonal skills. Although based on competencies and skills, personal brand goes beyond competence and skills. Exceeds the spirituality and openness, although requires spiritual development. It means access to one's life through creative work, living life based on a creative point of view, which is contradictory to reactive a viewpoint. Leaders with high-constructed personal brand will create better links between companies and consumers, companies and employees and promote the development and position their organizations. For the personal branding very important are: integrity, wisdom, knowledge, empathy, perseverance and self-awareness.

Personality can be defined as a person's profile or a combination of natural features and uniqueness, and their interactions with others. In short, the figure is a combination of a set of one's physical and mental characteristics. There are a number of outlook figures, whether they can be permanent or developed; whether they are innate or can be shaped by experience (Yukl, 2005, p. 231-232).

PERSONAL BRAND

According Runebjork (2004) personal brand name together with the values that are associated with the name, essentially, is the way how an individual can be perceived by the environment. Runebjork then expands the picture by saying that personal brand is not something that someone did or something that one have, but what one does contribute to the image that environment has on him as a person and as a brand. This means that one has to constantly think about how to present and how to behave in every situation in order to show a unique and powerful personal brand.

How one talks, what dresses, where eating and living - each aspect contributes to the image that others have about the person. According Runebjork (2004), this would mean that trying to create an image of yourself that is not true, that will be difficult to maintain in every situation all the time. A strong personal brand is the best based on true personal values and good self-realization. The development of a strong personal brand has to come from within because if a person is unable to understand its true value how he will be able to express them to others?

According to Montoya (2005) personal brand is a response to a series of questions: "who you are, what you do, what makes you different, or how to create value for your target market?". Murali (2005), however, has a different definition of personal brand - a powerful, clear and positive ideas that people come to mind when they think of someone. According to O'Brien (2005) a means of personal branding is the embodiment of the values and qualities that a person possesses. If you developed a great personal brand, the public will follow you, and not vice versa. O'Brien continues to believe that the personal brand is the issue of selling

something invisible. McNally,Speak, (2002) argue that the brand perception in someone else's mind and central to personal branding is "how others see you". Runebjork (2004) argues that the phenomenon of personal branding can help people to identify their goals related to work, such as leaders or as entrepreneurs. Who will be chosen, in an environment, to be a leader largely is determined by personal brand. Montoya (2005) supports this idea, arguing that the personal brand give other people an image and expectations about who is going to work.

In addition, Runebjork (2004) defines two different types of individual brands. An individual can use his personal brand to market products. According to him, the ethos is the essence of personal branding, but if somebody had a strong personal brand he must reach a certain level of self-awareness in the target group. You cannot say that anyone has a strong personal brand if he is only known for one thing that has happened at one time, he must be known outside of this situation. Ethos, however, is a topic that is difficult to define. Ethos is a picture which an individual creates about himself using words, gestures and voice. Another definition is that the ethos is "public perception of ability and confidence of a person" (Ridsted, 1993, cited in Werner Runebjork, 2004, p. 33). Runebjork further states that the differences between these definitions lie in: who decides on the image of a person - the audience or himself? Ethos can be used to develop a strong personal brand. Runebjork believes that the creation of a strong ethos in different situations - preferably using the same values and beliefs every time - will develop and enhance his personal brand. It can be said that a strong ethos can exist without a strong personal brand, but a strong personal brand cannot exist without a strong ethos!

McNally,Speak, (2002) developed a model that brand is similar to the image and reputation. It's about how other people see your personal brand. This area is very important, both in the traditional branding, and within personal branding. According to these two scholars people associate with the brand in three interrelated dimensions: competencies, standards and style. The first dimension, competence refers to the ability to meet one's basic expectations. It is a role that branded personality play for someone else: friends, parents, managers, etc., but it can be a combination of multiple roles, in order to qualify to do something for someone else. They imply that it is important to first demonstrate competence with basic needs and desires of other people, rather than build a recognizable personal brand. In the final stage of personal branding is an environment whose perception of one's responsibilities is uncontrollable. However, it is possible to coax them to see the individual as he wants, and on the basis of knowledge about them and their needs (McNally,Speak, 2002). They also claim that the brand standards focus on the way people deliver their competence to their personal brand as consistent image. These standards can be positive or negative. It's not good to keep changing the standards to satisfy all; it is better to focus on relationships with people that we trust, and vice versa. Standards of personal brand can help you to be recognized and separated from the crowd, even if people are sharing the same responsibilities that others possess.

The third aspect of the dimensions of personal models selling style, referring to the personality (brand personality), or on the part of the personal branding that the impression of a unique brand is in the minds of other people. Words that describe the style of the brand are often a strong emotional link: friendly, relaxed and controlled. A strong personal brand is developing an emotional connection with people, but the style can have a real impact on the brand, unless the dimensions of competencies and standards for permanently established. Style is important when developing a personal brand, but it is a small part of something much deeper and broader, and it is the only component that is visible to humans. McNally, Speak, (2002) further argue that these dimensions evolve over time, but in different ways - competence will remain relatively stable over time, standards tend to be more defined as experience that clarifies expectations, a change of style will reflect the level of intimacy and variable.

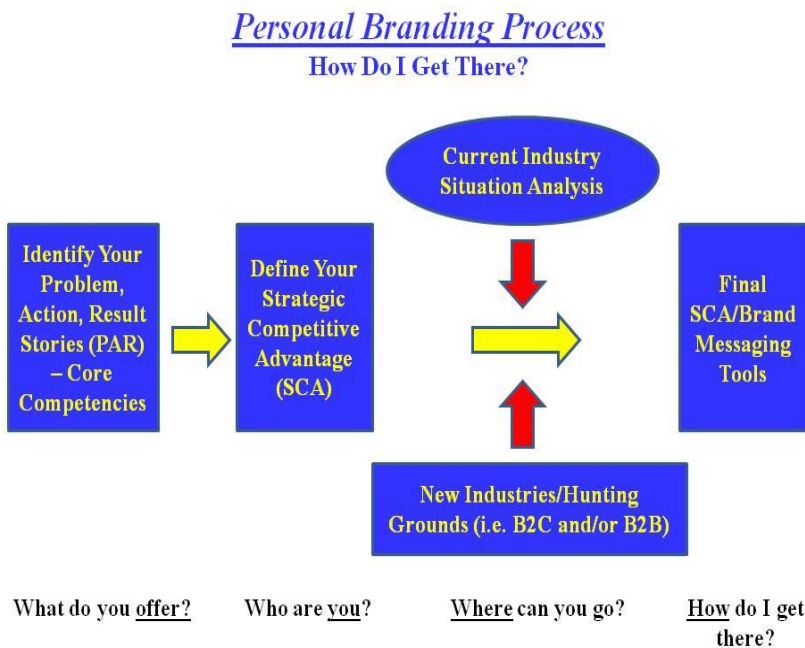


Figure 1: The process of personal branding

Source: Moulude Hossain, 2013: *Emotional Intelligence: Components and Emotional Competence Frameworks (Part-2)* http://iammoulude.blogspot.com/2013_08_01_archive.html

The combination of style, standards and competencies developed a brand that is recognizable, relevant and consistent in the minds of other people. Brand is valuable capital, because people can see the values associated with it.

PERSONAL BRANDING STRATEGIES

Verner Runebjork (2004) argues that to establish a personal brand necessary are two methods. First, there should be an awareness of the values that exist and how to show to others (the internal process of development). Another method is outside the construction process in which the values for which the person stands must be shown to others. These two methods should not be viewed as two separate procedures; they need to manage and constantly develop (Runebjork, 2004). It is known that the inner qualities of a person are more important than attractive appearance; however, in establishing a personal brand, the exterior becomes important because it is often the first thing people see. Runebjork claims that as soon as you meet someone, you create an opinion about who he is and for what it stands for. This image will be based mainly on the charisma of the human brand. When a person begins to speak, the way of his talk and expression reinforces the importance of values. Later, actions speak a lot about who people really are. Other things that are not often thought to communicate a personal brand are the way in which one's office is decorated, design business cards and personal web page (Runebjork, 2004).

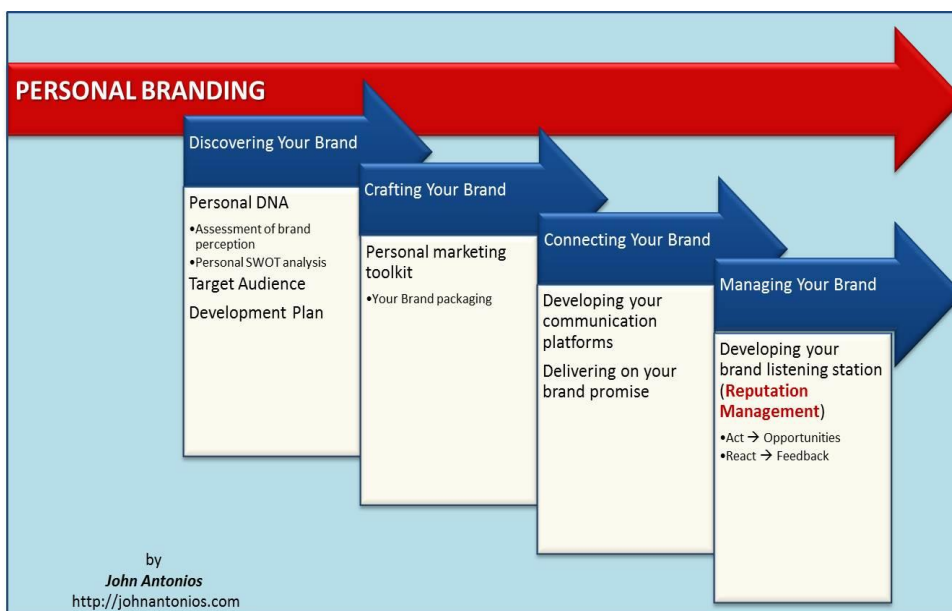


Figure 2: Personal Branding Management

Source: John Antonios, 2010. *Personal Branding*,
<http://johnantonios.com/2010/09/08/personal-branding-vs-reputation-management/>

There are no many models in the development of a personal brand. Well-known are four existing models: the first model is “brand me”, which explains who is branded person and what his personality is. The second model is called „seven steps to establish a personal brand” and also about the person, but the other aspects that other people cannot see. The third model is „develop your personal brand”, which refers to the process of market positioning a personal brand. The fourth and final model is „4D – branding”, how someone's personal brand is seen by others.

A strong, well managed personal brand is essential if you want to build trust and get others to buy your products. Personal Branding is for image or impression in the mind of others about an individual, group or organization. We can say that Reputation Management is only a subset of Personal Branding and business's reputation.

THE ADVANTAGES OF A PERSONAL BRAND

According to O'Brien (2005), there are three distinct advantages that can support a personal brand in competition with each other: focus, good will and star status. Focus refers to the fact that a great personal brand should affect everything we do (especially on communication, verbal and non-verbal). Good will mean that the brand needs to develop a reserve of good will for the time when they make mistakes, because everyone makes mistakes at certain moments in life. Star status occurs when an extraordinary person meets the high expectations of people and has unquestionable charisma. A person with celebrity status can mobilize and inspire many people. Natural talent is not enough, we need education, practice, and their application (O'Brien, 2005).

The area of personal branding is relatively new, and above models have to be further developed in order to illustrate the complex process of developing a personal brand. Models in the literature on personal branding are very similar and some parts are constantly repeated, so we believe that there must be something else that needs to be taken into account when developing a strong personal brand. The existing model is not sufficient to explain the complex process of developing a personal brand and it is not enough that the best parts of each model is taken and combined. The mentioned models have not important factor - the target orientation. Also, there is the lack of focus factor - the human brands have to be focused on personal goals and values that will help making the right decisions and facilitate around to figure out what they stand for (this is not the same as O'Brien previously mentioned focus).

Everett (2005) speaks about the indicators of the human body into brand communication and the concept includes handling, table manners, representing the people, spoken, and so on. The final aspect that we wanted to add is the - role models. Gad (2000) pointed out that the personal brand will be a model for other people, but that they must have their own models to identify and learn from them. Also, we believe that all people do not have the need or desire to develop their strong personal brands.

LINKING PERSONAL AND CORPORATE BRAND

Successful companies are beginning to recognize that good relations among brands and employees are more important than a good relationship between brands and their customers. They understand that first employees must be satisfied and corporate brand loyalty begins with employee engagement. This can be achieved by adjusting the employee brand with the corporate brand. Alignment is necessary, because the employees do not work enough and do not spend energy on something they do not believe in or with anything they do not agree. If there is an effective matching between their interests and the interests of the company, or if their values and company values are aligned, they will be engaged and will work with greater commitment to achieving company goals. Identification of the corporate brand is the most important motive to actively commit to corporate goals and achievement of its potential. When a personal brand is compatible with the corporate brand and combine the best interest of both parties, the results will be higher brand equity, brand loyalty and satisfied stakeholders. Work tasks related to personal and corporate brand that is interesting, exciting and provides opportunities for learning, becomes a key personal driver. The emphasis lies in their motivation. Inner motivation is inherently pleasant and arises from within; most people do something because they love it and enjoy working. Employees work harder and better when they believe that they are treated like human beings, and when they do interesting and challenging work.

Synchronizing a personal brand with corporate brand has an impact on organizational connectivity employees. It gives them strength and a sense that they are part of an organization, they are valued as human beings and they are making a useful and valuable contribution to the organization. Employees are encouraged in this way to focus on those activities that create value for customers. This will create a strong foundation of peace and stability in which creativity and growth can flourish, and life within the company will become more harmonious experience. This has a significant impact on employee involvement. Lack of engagement do not meet the critical tasks and cannot create widespread customer dissatisfaction.

Another important concept of market positioning of the brand, especially for the company, is the capitalized value of the brand and brand equity. This value represents the total property or proprietary brand value, intangible nature, which is the result of long-term and cumulative market capitalization of the brand. The capitalized value of the brand is the result of accumulated marketing investments in the development and high market positioning of the brand. It reflects the difference between the market and the marketing value and the carrying value of the brand. Brand equity can be interpreted as the value of established long-term and stable relationship between the customer and the company over time. As the brand is stronger, more stable, wider and more versatile this relationship, we can notice the greater value of the brand. Also, this strategy protects the company from competitors attack, because loyal customers and consumers who like acquire, are substantial barriers to competition. Brand equity is the value basis and framework of the sale of high-quality, well-known and successful brands, local, regional or global status.

MODEL OF AUTHENTIC PERSONAL AND BUSINESS BRANDING

The organic model in the formulation and implementation of authentic personal and corporate brand identity consists of the following four stages, which are the building blocks of a strong personal and corporate brand (Rampersad, 2009):

- Authentic personal branding: This phase involves defining, formulating, implementing and cultivating authentic personal ambition and brand.
- Synchronizing with people: Personal brand should reflect the true personality and must adhere to a moral code of conduct and established by personal ambition.
- Authentic Corporate Branding: This phase involves defining, formulating, implementing and cultivating corporate ambition and brand.
- Alignment with the corporation: The final step involves the harmonization and synchronization of local employee with a corporate brand for the purpose of engaging employees and creating a happy workforce.

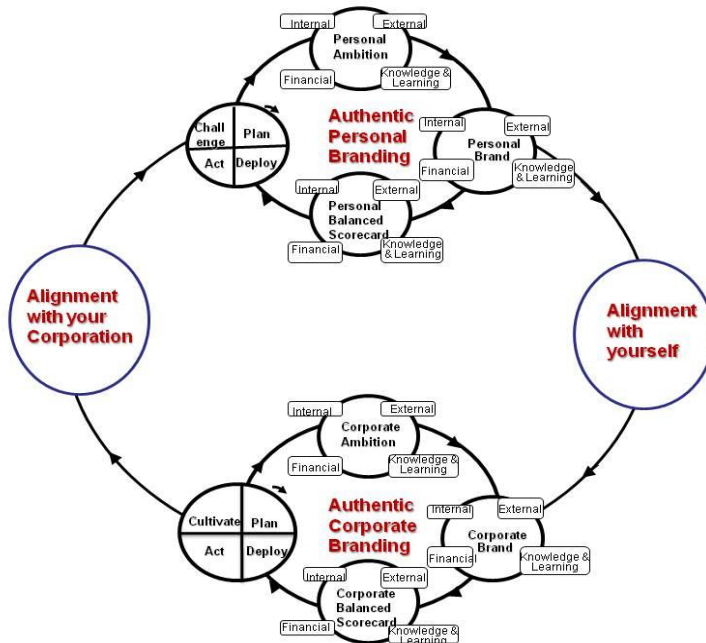


Figure 3: Model authentic branding by Rampersad

Source: Rampersad, H.K (2009), "Be The CEO of Your Life: The Ultimate Authentic Personal Branding Formula for Standing Out from the Crowd". Global Vision, New Delhi.

http://www.bstdbh.org/sites/default/files/Be_the_CEO_of_your_life_with_cover.pdf

The construction of an authentic personal brand is revolutionary process which begins by determining the basis of the authentic self, based on the individual's dream, his vision and mission, philosophy of life, values, key roles, identity, self-knowledge and self-awareness. Personal brand has to come out of the search for identity and meaning in life. Personal brand is very clear awareness of getting what you want, fixing it in the mind, the aim of giving all your positive energy, work on what you love and continuously developing.

PERSONAL BRANDING AS COMPLEX PHENOMENON

Despite its simple message - control our own image is a means of controlling one's social capital - personal branding is a very complex phenomenon, which relies on three aspects of logic that stems from the historical context. First, personal branding has inherited a long-standing scientific management technique that Deleuze (1992) calls "fortune". In his work „About the societies of control", Deleuze opposes what he calls, "society of control" and concept of disciplined societies. While disciplined society moves intermittently from area to area (school, home, work), and is, therefore, described over and overweight individuals that were formed and re-formed in this region, the current „society of control" deals with what Deleuze called „individual". „Individual" are infinitely divisible collection of data on subjects that can be extracted and manipulated through space and time. In this mode, the corporation does not deal with discrete areas of production, such as factories, but market shares and floating currencies.

All these continuous control and data collection fragmenting self on the data, and they are reinforced by the Internet. As Robert Williams (2005) argues, "because I'm not physically present, I reduced my documented interests and behavior. Complex processes of self formatting are thus objectified with a few formulas and data points into an electronic storage". Personal branding theorists recognized in terms of what Eva Ilouz (2007) calls „emotional capitalism"-capitalism is a culture in which emotional and economic discourses and practices mutually shape each other, producing what we see as a broad, sweeping movement in which he made an essential aspect of economic behavior in which emotional life - especially the middle class - follows the logic of economic relations and trade. To investigate this, Ilouz follows the rationalization of emotions in the American mind of the twentieth century. She argues that the seemingly immeasurable emotions actually made quantifying and thus proportional to technology and techniques of post-Freudian psychotherapy.

Emotions, which she defined as „internal energy that move us toward actions" are guided by „therapeutic discourse" to supply the employers and company new tools for managing employees (Ilouz, 2007). She believes that "the decision of the capitalism went hand in hand with the creation of intensive specialized emotional culture". Similar to Deleuze's control society, Ilouz focuses on corporate use of emotional exchange in the regulation of labor. However, personal branding is an

individual reaction to this form of regulation; personally branded deliberately engage in emotional exchange, in order to get the benefits, and build their own capital. Branded adopted “manage the self” as a new discipline.

Finally, advocates and supporters of personal branding are recognized, internalized, and seek to benefit from what Andrejevic called, “controlled economy” (Andrejevic, 2007; 2003). Noting the new trend „reality TV” Andrejevic claims that society have started with an era where we see each other within the limits of digital broadcasts, hoping to gain control over the production of media objects; if we are willing to expose our private lives to the public through surveillance mechanisms, we can influence the course of the mass media to shape them inside. Personal branding relies on this logic, but it is also changing, engaging in the „self-monitoring”. Personally branded are particularly interested in its image and perception of other people in this image. „All look at each other (and marketing and corporate watch all of us), and personally branded decided to continuously monitor and supervise its image in an attempt to control the experience” (Andrejevic, 2007). Thus, while most simply uses the network for collecting information, connecting with acquaintances and checking bank accounts - under the scrutiny of the new media and marketing capital - personally branded adopted a three-part logic of scientific management in the form of emotional capitalism, and control economy requires a new network connection .

CONCLUSION

Our personal brands are the most valuable asset that we have and they are more valuable than the real estate. The goal of personal branding is to create a high marketing image, visible in the competition. The trend of personal branding is born from a combination of leadership theory and the theory of branding, combining the best of both.

Growing interest in emotion softens the boundaries between the company and personal branding, especially in the concept of emotional intelligence, which from the sphere of science and psychology slowly becomes management discipline.

Personal branding is the process where people and their careers are viewed as a brand. Personal brand makes different person than the competition and gives personality management/ leadership position.

Distinctive and positive image of a particular personal brand represent s a significant advantage in the successful positioning of a new product on the market.

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NEUROMARKETING - A NEW APPROACH TO THEORY OF COMMUNICATION

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ABSTRACT

Instead of analyzing the traditional marketing approach, this paper will attempt to present the future directions of evolving marketing communications in the real world, through the study and application of neuroscience. Neuromarketing is becoming mainstream, announcing innovations in the study of mass markets, product development, advertising, sales, service, loyalty programs, etc.

Neuromarketing focuses on understanding consumer behavior related to its conscious, unconscious and emotional aspects, as well the related “in between” factors. However, the world's leading brands have only just started to “scratch the surface” of the marketing power capacity of neuroscience.

At least 85 % of human decisions is governed by the unconscious structures and content (instincts, intuition, emotions , desires , memories and values). Over eighty billion dollars are spent each year on studying the mechanisms partaking in bringing the 15% of consciously made decisions, while all corresponding research is entirely focused on this area. Exploring the relevant unconscious mechanisms and better understanding of their dynamics will enable companies to improve and evolve their knowledge of the decision making mechanisms, informing efficient and effective connection with both current and potential customers. The study of unconscious behavior mechanisms potentially provides companies with a huge competitive advantage, which, under the current market circumstances, represent a genuine exclusivity.

Key words: *Marketing, Neuromarketing, Consumers, Markets*

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INTRODUCTION

Until you make the unconscious conscious, it will affect your life and will be referred to the fate.

Carl Jung

The term “neuromarketing” identifies a new field of research-based knowledge in the field of neuroscience that provides powerful insights into the human brain responds to the marketing stimuli (Aurimas, Borissas, 2009). However, the consumers are not passive witnesses to the breakthrough of new marketing technologies, while the marketing experts have to count with the fact that “consumers have a strategy to a human and not consumer strategy” (Van Praet, 2012, p. 8).

Existing marketing methods, over time, met with a new challenge: how to get closer to the consumers, and how to tie them to the product. The growing competition and the struggle to get the market share oriented the marketing to a more subtle approach and subtler reactions of customers.

The first extensive Neuromarketing study was conducted by Martin Lindstrom, in the United States, in the period 2004 - 2007. Lindstrom was fascinated by the possibility to apply techniques rooted in neuroscience to marketing, especially its potential to improve the understanding of consumer behavior, in particular the consumers’ emotions, which are main factor in the bringing of purchasing decisions. There are several key research domains in the field of neuroscience, underpinned by the processes for identifying the cerebral mechanisms underlying decision making processes in humans.

The purpose of Neuromarketing, is to enhance the efficiency of modern marketing, and as such, it has the capacity to play an increasingly important role in tomorrow’s marketing. Neuromarketing has both its defenders and its detractors. Many have characterized neuromarketing as a pseudoscience. Critics say there is still a lack of scientific studies to support or discard previous findings. Most attention to this discipline comes from the private sector, not the academic. Companies want to use the “new information” to implement commercial strategies in order to gain a better position in the market. This discipline is still in its initial stages, but it has a very solid scientific basis, whose results have been extremely positive. There is a lot of negative criticism of neuromarketing primarily due to the prejudice, lack of knowledge and reactions caused by the fear of change.

Application of the neuromarketing methods has recently gained considerable popularity. The assumption is that the two main reasons for this trend is the possibility for these methods to become cheaper and faster methods in the future than other marketing methods. Another reason is a hope that will lead to valuable information that cannot be obtained by conventional methods of marketing. There is increasing evidence that neuromarketing can provide hidden information about the consumer experience. Neuromarketing methods can provide useful information before the product has been launched on the market, even when there is only a product idea.

In recent years, there has been tremendous progress in this area, to the extent that scientists are able to directly study the frequency, location and timing of neuronal activity. However, marketing is still not sufficiently aware of the benefits and the enormous potential of this area. The application of neuromarketing in the market research has been causing considerable controversies recently in the neuroscience circles.

This paper will attempt to bring together and make a contribution to this young field of marketing, to provide methods, experience and examples that will contribute to the future efficient operation of companies and better understanding of the needs and desires of consumers. Ethical aspects of neuromarketing are also up for debate. Is it ethical for sellers to use incentives to encourage consumers to buy something they would not otherwise purchase? Miguel Munoz, director of Conecta Research & Consulting, thinks that the ethical component occurred at the moment when we agreed to use the knowledge of perception and decision making in humans. However, neuromarketing did not invent persuasion, for it is also used in various political campaigns in modern democracies. Knowledge should be used in the right way, because it is a human right to know all about the tools that are used to persuade them (Reyes, 2013).

Emotion is the main driver of purchase. When any product is found in front of us, our decision to purchase it is based on the emotions we feel. Through mapping of the individual sensory brain responses of consumers to the product, marketers are supposed to find out whether that product, among the numerous competition, will reach the consumer basket. Testing the brands through utilization of neuroscience should enable marketers to gain insight into the buying habits of consumers. Dr. AK Pradeep, chief executive of NeuroFocus - The Nielsen Company - New York says: "The acquisition is driven by emotions for a reason. When you see a product, you subconsciously decide whether to buy it or not. If we subconsciously estimate the price to be right, we will buy the product. However, if the price is too high, and we are emotionally attached to a product, it is very likely we will buy the product and find a logical justification why, despite the high cost, we needed to make the purchase. The same logic is extended to the other spheres of marketing and sales. From the logos to how we feel when we touch the product, through packaging, advertising and media, every aspect is mapped, all in an effort to better and more precisely understand the consumer and his behavior" (Van Praet, 2012).

When the early-rising consumers were standing in line in front of Apple stores, anxiously awaiting a new product and literally "rampled on each other", many wondered, following the TV report from the armchair comfort, "Do these people have to buy the iPad at this very moment?"

After his purchase, one of the new owners of this "holy grail among products", said in an interview: "I just had to have it", squeezing the product with his fingers. Some consumers had the need to be a part of the "first wave" of social spending, while others are "just really wanted to have the product right away". The truth is that most of us do not really know for knowing, how to explain in the right way the emotional and cult connections between the consumer and the product, service or event (Leon, 2010, p. 12).

WE LIVE IN A DELUSIONAL

People believe that the conscious part of our mind is 'boss' who has absolute control over our lives. We also think that we, as consumers, are making conscious decisions, but science shows that this is not true. We live in a time that is on the verge of a major breakthrough in the understanding of human behavior. The changes that will occur will have far-reaching economic, social, political and moral implications. New knowledge will fundamentally change our lives and business. As far as marketing is concerned, this area still remains considerably unknown. Scientific evidence is accumulating, but the gap between the knowledge of cognitive science and business practices is still low. "Free will" and our ability to act and do as we choose has been under the heavy siege lately. Brands simplify our lives by generating choices and actions for us, so that we do not need to think about it anymore.

A group of scientists led by John-Dylan Haynes at the Max Planck Institute for Cognitive and Brain Sciences in Leipzig during 2008., conducted an experiment that provided startling evidence about the role of the unconscious in decision-making. Using brain scans, researchers were able to predict the decisions of the participants of the experiment, about seven seconds before they consciously made a decision. Many processes in the brain occur automatically and without the involvement of our consciousness. This prevents our mind from overloading the simple routine tasks. However, when it comes to decision-making, we are biased towards the assumption that they are created by our conscious mind.

By observing the micro patterns of brain activity, the researchers were able to predict the choices of subjects before they were presented to the participants. "Our decisions have already been clearly prepared by our brain activity. In the moment conscious decision is activated, most of the work has already been done" (Van Praet, 2012, p. 2). The equipment used to perform neurological studies and obtaining the necessary information from the brain, for the needs of neuromarketing:

- 1) Functional magnetic resonance imaging (fMRI)
- 2) Electroencephalography (*EEG*)
- 3) The magnetic encephalography (MEG)

These devices are still primarily used as a medical diagnostic devices. The aforementioned instruments provide color images in real time on the activities of the brain based on changes in the ionic polarity, temperature and electronic pulses. However, these data can be used in the field of marketing in order to obtain useful information about consumer behavior (Dapkevičius, Melnikas, 2009). It was an obvious intention to communicate with consumers diverted into the sphere of the unconscious to stimulate the demand for certain products through neuromarketing.

The world's leading scientists are telling us that we are not really aware of our intentions and actions. Marketing spends billions of dollars each year by asking questions in the quantitative surveys and qualitative focus groups. However, they

cannot be proud of the results, given that two out of ten new products are usually launched. This is because most of our life and business activities take place below the conscious level. Market economy and consumers suffer because people cannot express their real needs and desires, and companies are unable to connect with their deep, unfulfilled desires. Thus we arrive at a situation where 'the blind lead the blind' (Van Praet, 2012, pp. 3-5).

In the contemporary economic trends, knowledge, innovations, creativity, new ideas and information are the key wealth and resource that can significantly contribute to the social and economic growth and development (Karavidic et al., 2013, p. 383).

SEVEN STEPS IN THE PROCESS OF CHANGING CONSUMER BEHAVIOR

Douglas Van Praet has offered seven steps to look into the market through a “new lens”, using insights from cognitive neuroscience.

FIRST STEP: CHANGE THE PATTERN

The mind works through a process of pattern recognition. If we want to draw attention and initiate human behavior patterns, we need to disrupt the perceptive patterns by doing something interesting and different. We notice things from our environment only when something disrupts our pattern of expectation. When something defies our predictions, we pay attention to it with the intention to learn. It is essential for the marketers: how to break through the crowd and introduce consumers to the product.



Figure 1: Volkswagen advertisement, „The force“

Source: <http://theawesomer.com/tag/volkswagen/> (19.03.2014.)

The advertisement for the company Volkswagen – “The Force” disturbs the patterns on four levels. Firstly, the advertisement was launched in advance, much before the “Super Bowl”, which was a bold move that defies conventional wisdom. On the second level, there is a disruption in the concept of “Dark Lord” achieved by introducing the character of an innocent little boy. The third level addresses also a change of concept, it is the advertisement that gently whispers a charming story about a moment in the life of a little boy with rich imagination, while all the competition causes noise placing advertisements crowded with celebrities, stunts and scantily clad sexy women. The fourth level achieves its disruption, though the very structure of the video, that is based on the pattern disruption.

This advertisement has sixty million views on YouTube. That year (2012) Volkswagen has achieved the highest market share in the last 30 years (Van Praet, 2012, pp. 9-10).

STEP TWO: CREATE A COMFORT

Even though people are attracted to all that is different, they still rely on the predictable patterns. A good example is the “Southwest effect”, where we have a situation where the airline company reduces costs for the passengers and increase air traffic in cities it services. In this way, through treatment of clients as if they were family members and providing comfort, the company produces their goodwill in return. Joe Harris, the attorney representing the airline, said that the company puts its employees first, then customers, and finally shareholders in third place. Good relationships with employees, increase their motivation to behave well with customers. If clients are satisfied, they will return again, and thus the shareholders will make a profit (Ibid, pp. 11-12). Treat others as you would want them to treat you. In psychology, the term is known as reciprocal altruism. When the dwarf chimpanzee boobo gets too much food, as soon as it notices the attention of too many eyes from the group, it will, as a rule, refuse offered food, knowing that the alternative behavior might lead to reprisals of others (<http://nepotrebnoznanje.wordpress.com/2010/01/29/reciprocni-altruizam-i>).

STEP THREE: GUIDE THE IMAGINATION

The prefrontal cortex allows us to plan behavior and create new opportunities. It functions as an alternate reality simulator, which allows us to imagine the benefits of a better life and predicts the consequences of our actions. Company Foot Cone & Belding has published in 1956 the ad for Clairol hair dye “.. Does she or does not she?” In the fifties of the last century, only 7% of women acknowledged that they painted their hair. After the publishing of slogan “Does she ... or not” (had her hair dyed), the sales of Clairol hair dye have increased by 400%.

This slogan is now considered one of the top 10 ever placed slogans (Ibid, pp. 12-13). Many women say that the color of their hair is the reflection of their personality, and not the means for hiding of the signs of aging. According to research recently conducted by “Global Impact Survey”, 88% of women claimed their hair styles have an impact on their confidence and make them feel better.



Figure 2: Advertising for Clairol hair dye in Time magazine, in 1956

Source: <http://salomenugent.blogspot.com/2011/04/clairol-ad-campaign.html>,
<http://www.fiftiesweb.com/pop/clairol-ad.htm> (25.03.2014)

STEP FOUR: INITIATE EMOTIONS

We do what we do, depending on how we feel. We estimate the value of things through our emotions. Emotions influence our thinking more than our thinking affects our emotions. “We might be the masters of our thoughts, but we are slaves to our emotions. Emotions are the basis for forming powerful memories. Brands are essentially memories or expectations based on past experience” (Ibid, p. 14).

Understanding of human emotional needs and desires, today more than ever, represents the key to success. Companies must decisively step forward in building stronger connections and relationships and recognize customers as their partners. Industry today has to produce products of human desire, at the right time, and these products must be both inspirational and intimate in order to respond to their needs. As we progress towards an industry that is based on personal relationships, we need to pay more attention to emotions, imagination and vision (Gobe, 2001).

Using more than one sense, such companies are creating stronger brands than the competition, stronger connections with their consumers, and long-term emotional engagements. All this is obvious to anyone who has entered the supermarket on an empty stomach and felt the smell of fresh baked bread or was attracted to the smell of fresh popcorn at the movies (Lindstorm, 2004).

Every year on the world market about three thousand new brands are introduced. "After the identification of business opportunities, a management team is defined and necessary resources are collected" (Stanković et al., 2012, p. 221). In a sea of products, the emotional connection is what makes a substantial difference. The emotional element is the foundation of every brand and therefore it is important for the company to focus its business strategy on the consumers.

Howard Schultz in his book, "Put your heart in it" says that "The best system to create a brand is to address every human being individually" (Howard, 1999, p.17). By transforming the relationship with the brand into a powerful form of identification, we can create a strong emotional relationship and loyalty of the consumers (Roberts, 2005, p. 11).

STEP FIVE: SATISFY THE CRITICAL MIND

Consciousness gives us the exclusive opportunity to reject the idea if it does not make sense in relation to our experiences. The inventor and industrial designer, Janes Dyson, earned millions deciding to complement his advertising campaign allowing the potential customers to see and check for themselves that his patent (vacuum cleaner without a bag) really vacuums the dirt. Through a simple demonstration of his new product, Dyson became the owner of the best-selling vacuum cleaner on the market. Today, the Dyson is one of the leading manufacturers of vacuum cleaners in the United Kingdom. Even during the recession in 2010, the company doubled its profit in comparison to the previous year - 190 million pounds (Van Praet, 2012, p.15).

STEP SIX: CHANGE THE ASSOCIATIONS

Our mind and our memory function through association. Through the repetition and strengthening of these neural connections, associations become stronger. If we want to change the perception of anything, we have to change our association. An excellent example of the enormous power of the cognitive redefinition is the campaign. in the eighties of the last century, of the National Committee for pork (USA), titled "The Other White Meat". The campaign aimed to increase the sales of pork and to improve its negative image (meat is fatter than chicken and turkey). Pork meat becomes white when cooked. With a simple twist of perspective, after a few months, consumers have unknowingly started perceiving

the pork as a white meat. Even the Webster Dictionary now defines pork as white meat. The campaign lasted for 23 years and is one of the most successful in the food industry. Changing the image of pork contributed to the demand increase for 500 million dollars, after the first year of the campaign (Ibid, pp. 16-17).

STEP SEVEN: TAKE ACTION

Our brains are designed to move. Things that do not move do not have brains. Physical activity more intensely engages brain processes than simple imagining of certain behavior. The more we repeat an activity the more is the experience we get rooted in our unconscious mind. Probably the best example, which is opposed to the traditional trends, is the brand “Red Bull” (energy drink). When the founder Dietrich Mateschitz first tasted the syrup (like medical tonic), which helped him to recover after a business trip to Thailand, the concept of energy drink was not known in western countries. As Mateschitz said: “If I do not create the market, it will not exist”.

Results of a new product research conducted by market research company were catastrophic. Mateschitz recalls that people did not believe the taste, brand name, logo, and never before in the history was there such an intense negative feedback. However, he decided to ignore the research results and introduced a “Red Bull” to the market. From the very beginning, “Red Bull” has been avoiding the traditional marketing, there were no advertisements on television, digital ads, press. “Red Bull” was freely available for young people to try it (mostly at parties). The tactics involved providing the free cans of energy drink to respectable young studs that will be served at the parties, as a support the creation of self organized parties. Such an approach cost the company almost nothing. Later, the “Red Bull” has expanded its tactics, sponsoring events related to extreme sports. Through sponsoring athletes who have demonstrated their courage, equally admired by both men and women and who enjoyed the role of a hero in the community, the company has created a unique image and an enviable market position. Today, “Red Bull” is sponsoring more than 500 world-renowned athlete (climbers, surfers, bikers, snowboarders, skaters, etc..). In 2010, the company sold more than four billion cans in more than 160 countries, with earnings of more than five billion dollars (Ibid, pp. 18-20).

ROLE OF HUMAN SENSES IN MARKETING

Sight is the dominant sense in humans, by means of which one explores and understands the world. It often exceeds the other senses and has the power to convince people beyond any logic. According to the book "Brand Senses", the research conducted with food and drink clearly proves this. The results showed that when the color and taste is removed, only thirty percent of those who try cherry juice are able to recognize the taste. Forty percent of respondents thought that they actually tasted lemonade.

Visually attractive packaging with clear colors and precisely designed measures are conquering and creating a strong relationship with customers. "Absolut Vodka", "Apple", "Mac" and "Gillette" are brands focused on constantly presenting fresh forms and sensory experiences that are respected by consumers. "The colors are a sensation and not a substance" (Friedman, 1947, p.47).

Products that can be transformed into a sensation are those that are winning in the market place. Each emotional branding strategy must consider the effects that colors have on the brand. Color conveys crucial information to the consumer. Colors activate a specific reaction in the central nervous system, and cerebral cortex. They can trigger thoughts, memories and certain models of perception (Gobe, 2001).

Carefully selected colors are allowing consumers a better understanding and a better response from the brand. The effect of color arises from cultural connections and psychology. Colors having short wavelengths are soothing. The blue color, for example, reduces blood pressure and heart rate. Yellow is the color of medium wavelengths, it is the brightest one and most easily attracts attention. This is the main reason why the "Yellow Pages" are printed in yellow.

It is preferable to choose a color that is easily associated with the brand. For example, John Deere uses green for their tractors. Green reminds us of nature. The role that color plays in creating a brand identity must not be underestimated. The colors draw attention and provoke a reaction. Orange, semi-transparent, which is used by Apple in an earlier series of brand iMac is designed to induce joy and a sense of uniqueness. Coca-Cola is considering color very seriously. Simply, wherever is Coca-Cola, there are red and white colors.

The human brain registers color prior to the form and content. Choosing a color that will create identity requires a high level of knowledge of color theory, a clear vision of how the brand will be perceived and differentiated. Some companies, organizations and even individuals are so thorough in choosing colors, as if they already possessed that color in their minds. But color can be used in achieving the goals, which is much more than a simple brand recognition. It can be used to provoke emotion, express personality and build important connections with the people surrounding the brand. At one shop, "Johnny Walker", through nonverbal communication, indicates the elements of the brand, designed to attract a sophisticated world traveler. On the illuminated wall panel there is depiction of the seasonal travel destinations, a series of clocks showing different times in different parts of the world.

Such non-verbal symbols have many advantages. Especially when it comes to photography, the content allows the customer's imagination to soar on a wave of pleasant associations with the brand identity combined with the lifestyle which they are individually aspiring to. Although words can sometimes accomplish miracles, images are often more useful because they are able to produce an instant impression. Finally, the big picture may attract attention from a distance, while the words are limited by the time needed for us to hear them.

When designing an enterer, one must pay attention to the lighting, because the products look better if they are properly lighted. Studio of Industrial Design at the Royal Academy of Arts designed the glowing object named "DataLamp", which, through utilization of computer technology, can project multicolored ambient images onto walls, that appear to be floating. This light, combined with the music, can create an a mystical atmosphere (Gobe, 2006, p.81). One of the most important brands that rely on the sense of touch is a luxurious electronics company "Bang & Olufsen". Even when their products first appeared in 1943, the company was dedicating as much attention to the detailed design as much as to the sound quality. One of their most famous product was the "all-in-one" remote control, which allowed the user to use one control for the TV, radio, CD, and lighting in each room. This innovation, which appeared in 1985., represented a sophisticated piece of art of elegant and soft lines.

Taste and smell are closely linked. When the nose, for example, due the common cold, is not able to recognize the smell, the taste becomes 80 percent weaker. Loss of taste without losing the sense of smell is very rare. The author of the famous British medical journal says that doctors, when their patients come close, can smell their diseases. He believes that the disease produces certain odors. If the patient smells of wheat bread, the smell in question is probably coming from typhoid, while the smell of apples warns of the emergence of gangrene (Lindstrom, 2004). The sound has an immediate effect on the emotions. Studies have shown that listening to music stimulates the release of endorphins in the body, activating a powerful pleasure center in the brain. There are twenty-five thousand receptors for sound, by which we hear.

Many brands have focused their energy on a strictly visual aspect. Hardly a few brands base their power on the sound, thus making their brand a different, more clearly defined and recognizable. As marketers are becoming more aware of the power of sound, more they will use to improve brand recognition in various sophisticated ways. It is only a matter of time, when our brains will start to automatically identify sounds with brands (Feifer, 2014).

The sense of smell is the most powerful human sense. Many studies have shown that it has the potential to cause emotions more than the other senses. That's probably because there are more connections between the olfactory (smelling) regions of the brain and amygdale hippocampal complex (where emotional memory processing) than in all other senses. Smell is not filtered on ly by the brain, it is also instinctive and curious. That is why the nose of the consumers represents direct connection to their memories and emotions, awaiting your

stimulation (Gobe, 2001). The idea to use the fragrance as the brand identifier is used as a fragrance is not so common today. But as the market has become so demanding, and there are growing difficulties in attracting the attention of consumers, more and more companies are trying to use smell to differentiate their brands from the competition. Seventy-five percent of the emotions generated in one day are caused by the smell. Logically, the smell must coincide with the product and the consumer (Lindstorm, 2004).

CONCLUSION

Neuromarketing provides important methodological advantages over the traditional methods of qualitative consumer research. However, as is the case with the use of any developing technology, the excitement and optimism must be balanced. Neuromarketing, for now, represents only a relatively indirect measure of what happens in our brain. Neuromarketing is methodologically still confused, but if it becomes more patient, careful and discerning, it has the potential to bring marketing experts enormous benefits. Over time, the information provided by neuromarketing will become more and more valid, and therefore more valuable for marketing professionals. The human brain is the most complex evolutionary developed and specialized system. To understand and explain its operation and put the information obtained in the context of a dynamic modern life is still an elusive challenge. Every day, literally, researchers learn something new about the mysteries of the human brain and there are a number of papers on neuroscience. Annually there is an enviable number of conferences at which the papers on this new field are presented.

Advances in neuroscience can help us in understanding the complex dynamics of emotions and thoughts in everyday life. As for an understanding of the needs and desires of consumers, marketing professionals can learn a lot from the broader perspective of neuromarketing, about the machinery that drives the consumers.

In the end, the hope remains that neuromarketing will quickly develop and grow in the years to come. Former fascinating findings will undoubtedly be upgraded, so that in the near future, we will witness a new era of consumer research with everything it will bring. Of course, it is essential to the process, to refine neuromarketing by identifying relevant scientific discoveries in the field of neuroscience in the flood of existing sensationalism. One thing is certain: for all researchers with relevant expertise and specific professional experience, the future potential of this new scientific field is both evident and indisputable.

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THE POTENTIAL OF THE INTERNET AS MARKETING MEDIA IN SERBIA

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ABSTRACT

The greatest influence of the technological and information revolution is reflected in the field of marketing communication. The development of new media has created new forms of communication that have been defined as interactive communication. Interactive communication is characterized by companies turning away from mass media and standardized messages and towards new media with personalized messages.

The Internet is the oldest and the most widely spread interactive media today. The appearance of the Internet has influenced a change in the significance of certain instruments of marketing communication and their roles in an integrated marketing communications (hereinafter: IMC) mix of a company. The Internet has brought revolutionary progress in the communication process and has become an irreplaceable instrument while, at the same time, pushing aside the previously leading classical communication forms.

Therefore, this paper is aimed at determining the role and influence of the Internet as marketing media in the business process of domestic enterprises.

Key words: *Marketing Communication, The Internet, Interactive Media*

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INTRODUCTION

The biggest influence of the technological and information revolution is reflected in the area of marketing communication. The development of new media has created new forms of communication which are explained as interactive communications. Interactive communication is characterized by substituting enterprises of mass media and standardized messages to new media with personalized messages which are transmitted via the Internet (WWW, E-mail), CD ROMs, virtual catalogues, interactive radio and interactive television. The new media, enabling faster data flow through the communication channels, link the sender with the recipient, which in turn reduces information loss to a minimum. Mass communication forms do not lose their importance, but are combined with new forms in the purpose of providing clarity, consistency, range and message impact.

A dialog between the enterprise and the target market is established through interactive media. This involves an individually directed two-way communication which is realized by using modern means and their integration with the means of mass communication. The information flow is interactive which enables forming close relations between the enterprise and the consumer and a high level of satisfaction.

The development of an interactive communication program is based on the forms and media which enable information transfer to the recipient in a faster, most comprehensive and efficient way. In interactive communication, the emphasis is on the media which provides a higher level of interactivity and consistence of the message, such as the Internet, their services, interactive television and telemarketing. These means of communication have a joint role in the process of getting hold of consumers and maintaining the presence of the brand and the company in the minds of the consumers. Numerous studies indicate the importance of their integration with the traditional media – direct mail (catalogs, shipments), print media (newspapers, magazines), electronic media (radio, television). Marketing research has shown that a high level of online consumers – 68% - buy catalogues in the traditional form, and then opt for online purchases, and 25% of the consumers make the initial purchase in shops, while the following purchase is online.

Interactive communication is the framework of a total marketing effort directed towards retaining consumers. The interactive abilities of the new media lead to a greater interest of the audience, deepening communication, creating confidence and commitment. The active participation of the customer implies awareness regarding interaction and directly influences the communication process.

Interactive media is still in the development phase and exists only on the most developed markets. In Serbia, as in other transition countries, they are only in the initiation stage (Ognjanov, 2009, p. 235). The internet represents today's oldest and the most widely used interactive media. The emergence of the Internet influenced a change in the importance of certain marketing communication instruments and their role in the IMC enterprises mix. The Internet led to revolutionary steps in the communication process and became an irreplaceable instrument which, at the same

time, suppressed the classical communication forms. Interconnected with the radio, television and cable TV, the Internet in the USA rapidly reached fifty million users. Data shows that the same goal took the radio 38 years, television 13, cable TV 10, and Internet only 5 years (Ognjanov, 2009, p. 235).

INTERNET DEVELOPMENT

The Internet was created in September 1969 at UCLA. Its beginning is connected to the moment when an I.O. Crash message was developed successfully between UCLA and Stanford University. At this time, the Internet was known under the name ARPANET (Advanced Research Project Agency). The idea of the U.S Department of Defense, which developed the network, was to enable the connecting of research agencies across the USA (Strauss J., Frost R., 2001, p. 10). The intense wide spreading of the Internet started from the moment when the consumers and the bidders finally met on this new, virtual market. Quickly after its conception, the World Wide Web (WWW) became a synonym for the Internet. Besides WWW, there were other services such are E-mail, user-net (discussion and other informative groups), tell-net (data basis, catalogs and e-news), ftp and http (services providing file transfer between computers), gopher (a service for information approach), WAIS (a service for searching data bases with key words). Thus, WWW is only one service, and its power is in the fact that it enables access to information in the easiest and most universal way, as well as browsing millions of different presentations (sites) of enterprises, individuals, interest groups, universities, governments and government institutions and various other data bases. The advantage of this service is allowing combinations of images, sounds, texts, video records and a very creative usage of graphic design. Thereby, it is clear that the WWW presents a major commercial space on the Internet, representing at the same time a new market, a new information source and also a new channel for communication between companies, between individuals, and between enterprises and customers.

Today there is almost no world famous enterprise which does not use the possibilities of the Internet in regards to information, promotion, sales or organization of procurement and delivery of products and services. As already mentioned, the Internet represents a new media, but it also represents new possibilities for the development of products, price strategies, a strategy of distribution and new ways of supply promotion and building of company images. That is the reason why in marketing practice and theory, Internet marketing is increasingly mentioned as a new business model (Table 1).

Table 1: Using the Internet as a marketing tool

Improving management		Income increase
Communication	[1]E-mail [2]Discussion groups	E-trade
Market research	<ul style="list-style-type: none"> ▪ Collecting secondary data ▪ Collecting primary data 	E-organization
Brand development	<ul style="list-style-type: none"> ▪ Web site building 	

Source: Wilson G. S., Abel I., 2002, pp. 86.

There are three ways of communication on the Internet: one sender – one message recipient, one sender – numerous recipients, numerous senders – numerous recipients. It can be concluded that through the Internet, meaning over one media, personal and mass communication on a global level can be achieved, depending on the use of certain services. It makes this media unique, and the user is not only a passive recipient of certain information, but also an active factor of information exchange. Most users which communicate online are at the same time the senders and the recipients of information.

The Internet enables the following to the enterprises (Vasos T., 1999, pp. 56-57):

- A more precise segmentation of market and customer profiles,
- Facilitates access to the target market,
- A better presentation of the offer to the global market,
- An efficient positioning of the brand on the market,
- A developing of relations between the brand and customer,
- A realization of integrated communication with the market,
- A more efficient collecting of needed information.

It is considered that Internet usage in business is in its second stage. It is the stage when the Internet is mostly used in the purpose of collecting information. The first stage of development has included a simple presentation of the offer, and the basic goal of the promotion was for the enterprise to place more information about itself and its products. Imminent is the third stage which will be based on cybernetic campaigns which will represent the culmination of interactive communication in the purpose of acting in advance or attracting customers. It is hard to predict how the Internet will be used in business purposes due to the intensity of changes in the area of high technology.

FORMS OF INTERNET ADVERTISING

Use of the Internet provides new opportunities for promoting products and services, the first step, before promotion, is understanding the basic forms which function in the frame of such media.

Thus, online advertising could have several forms (Kesić, 2003., pp. 415-416):

- **Web pages.** Some enterprises present all web pages in the form of ads. This page can provide information where to find more details about the enterprise which certain users may need. That means that a web page can have several different and mutually exclusive functions. It can be used as an extended brochure for products and services advertising or as an online catalog of the shop or on the other hand, as a basis for providing detailed information about the company or its businesses. The web page consists of a home page and a smaller or bigger number of extra pages with different information. Certain companies have hundreds of pages long web pages.
- **Direct E-mail marketing.** This form of promotion enables sending promotional mail directly to the addresses of the interested surfers. The ad is the only content of the E-mail, so this promotion gains the entire attention of the readers.
- **Ads in newsletter.** A newsletter is a free electronic publication which interested customers receive regularly in their mail inbox. The response from the audience is usually from 5% to 15%. The ad will have visitors even after the campaign, as the site visitors have access to all the newsletter issues.
- **Banners.** The simplest and most common forms of online advertising are banners. They are located inside the advertising space of each internet page and their dimensions determine their position on the page. These are static or dynamic images in a format of 460x60 pixels and represent an advertiser's offer. Each banner contains a link and by clicking on the banner, the web page of the advertiser is opened. Banners can be done in gif, jpg or flash format, static (in form of one image) or animated (series of small images changing to give the impression of movement, like a movie) depending on the advertiser's wish. Considering the fact that banners for a long time only advertised space on web pages, they started receiving new forms (formats and sizes) and today there are standard banners (460x60 pixels) and numerous such variations (36x280, 300x250, 180x150, 240x400 pixels). The expected response of the audience to banners can be from 0.5% do 5%, depending on the quality of banners and on the fact that promotion is done in the appropriate interest category.
- **Skyscrapers.** Skyscrapers are a form of banners in the 120x600 or 160x600 pixels format. They are mostly positioned to the left or right edge of the page.

- Pop-up windows. Pop-up windows were created as an effort to place, by all means, visible ads in front of the visitor. When a visitor loads a certain web page, next to it there is an extra window of 250x250 pixels or 550x550 which contains the advertisement. Unfortunately, the uncontrolled opening of new windows irritates visitors and they close them even before successful loading the advertisement. So lately pop-under windows are more used, which are basically pop-up windows but they are opened under the visited page. After closing the web page window, there is the window with the advertisement.
- Sponsorships. This is a form of promotion which has an increasing trend on the Internet. Companies can sponsor all or part of the web page or only individual events by a certain enterprise. A consideration to the sponsor is giving of the company a recognizable place on the page and this is sometimes done by including the sponsor logo on the advertiser's page or over the banner. Since sponsorships are forms of promoting with high costs, they are mostly used for pages which record the largest number of exposures.
- Organizing of surveys and prize games. Surveys are the simplest way to get answers to important questions and enlarge a customer data base. Surveys are popular among Internet users, and they have several questions and several possible answers. For a better response, it is also recommended to organize small prize games, as visitors would be more interested in participation. The organizing of prize games is a good opportunity for donations and in such a way present products and services. Prize games can be organized for newsletter subscribers or for surfers and considered are only free awards.

Of all the mentioned forms, the most frequent are banners. Namely, 40% of advertising on the Internet are banners, 31% sponsorships, 12% E-mails, and 8% are pop-up windows. All other forms take only 9% of the advertising on the Internet.

Regardless which form is used, advertising online is focused on directing the right message to the target audience through specific channels. Companies which communicate with their customers in such a way are creating a message and they simply "place" it on the Web. The consumers are also access the Web and take (not receive) messages. At the same time, consumers deliver to the Web information relevant for companies, which in turn access the Web and take information which is interesting for them and which give them an insight into the opinions and attitudes of the consumers, and then analyze their remarks and suggestions.

It is very important to control the success of online advertising after placing a communication message on the Web. The basic parameter used in the aim of determining the success of the Internet campaign is CR or the conversation ratio – the percentage which indicates the number of visitors which are users of services or products of the company related to the total number of visitors of the site with the advertisement. Technically well-done marketing campaigns imply an integration of the data regarding the number of displayed advertising and the number of users which visit the company site from various sites by clicking on the ad, as well as the following and analysis of user behavior when they are visiting the site.

THE ADVANTAGES AND DISADVANTAGES OF INTERNET ADVERTISING

To completely understand the nature of Internet advertising it is necessary to show the basic characteristics of the Internet and other interactive media, as well as objectively list its advantages and disadvantages in the purpose of introducing this marketing media.

Internet advertising has numerous advantages which make it a very popular tool for the broadcasting of propaganda messages. The advantages of Internet advertising are the following (Kesić, 2003, p. 422):

- **Interactivity.** Considering the fact that this involves real interactive media it enables the consumers direct communication with the advertiser and creating future long-term partner relations.
- **Target focus.** A basic advantage of the Internet is the possibility of target focusing of a narrowly targeted audience, so there is no great expenditure.
- **Information approach.** An extremely important advantage of the Internet is information access. The availability of information and the speed at which it can be found are perhaps the biggest advantage of the Internet. When visiting popular pages, potential buyers can get all the needed information and with linking with other pages can have access to even more information.
- **Creativity.** The total potential which the Internet offers is still not completely used. This means that there are enormous possibilities for inciting customer imagination connected to the images of various companies and their products.
- **Sales potential.** The sales potential of this form grows by geometrical progression.
- **A rapidly growing user-market.** The annual users growing rate is over 100% and the members of this market are well educated, with an average or above-average income.
- **Exposure.** For small and medium enterprises which have a limited promotion budget, the Internet is the best solution. The Web provides exposure to the world market, which would be impossible through any other media. For only one part of the investment which would be spent for the local market, today regional and even world exposure is achieved through the Internet.

As all other media for broadcasting propaganda messages, the Internet also has its weak sides. The disadvantages of Internet advertising are the following (Kesić, 2003, p. 423):

- **Congestion.** By increasing the number of ads, the chances of seeing each one are significantly reduced. The result is that certain ads will not be perceived as searchers may give up.

- Slowness of finding desired data. The number of Internet users grows every day, which causes a sluggishness of the global network.
- Problem of measuring. Universal ways of interviewing customers and measuring efficiency have not yet been determined. Different examiners had completely different conclusions which indicates a lack of validity and reliability of measurement techniques.
- The possibility of fraud. This disadvantage is reflected in inappropriate advertisement directed towards children and minors. Other segments of fraud are related to data collecting regarding customers without their will and knowledge. Also, hackers and unauthorized use of credit cards are also problems which the Internet should deal with.

Globally speaking, the Internet offers a series of advantages but its usage, as the media of the future, will increase noticeably. Without doubt, the disadvantages will be overcome gradually which will enable the Internet to leave behind all other communication media.

Table 2. gives a display of the basic features of the Internet and other interactive media.

Table 2: Features of the Internet and other interactive media

Features	Internet	Interactive media
Flexibility	Extremely high flexibility, as it is possible to prepare and place the ad in a short time.	High
Interactivity	High	High, as it is possible to focus on the representatives of the selected target group, and also to adjust to the individual.
Selectivity	High, as it is possible to focus on the representatives of the selected target group, and also to adjust to the individual.	High, as it is possible to focus on the representatives of the selected target group, and also to adjust to the individual.
Technical possibilities	Great. The creativity is almost unlimited.	Great. The creativity is almost unlimited.
Lifetime	Long-term, enables a multiple exposure of the message.	Could be long and short term.
Availability	Thanks to technological and economic progress in developed countries, almost unlimited.	Relatively low. Large investments in extra technical equipment needed, which is for most families, even in developed countries, still very expensive.

Costs	High	High
Competition	Small	Small
Relation of target group	High engagement and high trust.	These media are used in the aim of avoiding advertising messages. Their intrusion could cause a negative reaction. However, new forms are designed for those who would like to take a look at specific ads.

Source: Ognjanov G., 2009, pp. 243.

INTERNET USAGE ON A GLOBAL LEVEL

Globally speaking, the number of Internet users is in a constant increase. All predictions related to internet user population growth have far been exceeded. Thus, the growth rate of Internet users in Europe was 110%, in Asia and Pacific more than 150%, in Middle East and South America more than 100% and in Canada and USA more than 40% (Kesić, 2003, p. 412). At the end of 2000, the estimated number of Internet users in the world was 360 million of people, and in 2012 the number of Internet users reached 2.4 billion people (Internet World Stats - <http://www.internetworldstats.com/stats.htm>). Figure 1 gives a display of the Internet user per region.

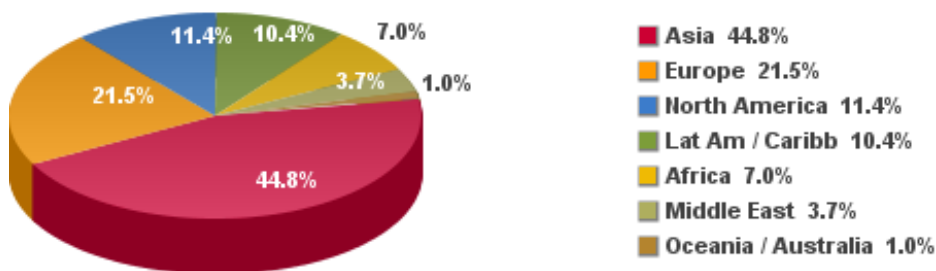


Figure 1: Internet Users in the World Distribution by World Regions – 2012 Q2

Source: Internet World Stats - <http://www.internetworldstats.com/stats.htm>

Based on the data in Figure 1, it is visible that in the second quarter of 2012 the biggest number of Internet users in the world was recorded in Asia, as many as 44.8% of the total number of world Internet users, which is in an absolute amount of 1.1 billion people. Europe is placed on the second place with 21.5% or 518 million of people, then North America with 11.4%, Latin America with 10.4%, Africa with 7%, the Middle East with 3.7% and at the end Australia with a participation of only 1%. Compared to 2000, the Internet usage increased mostly in Africa - from 4.5 million to an incredible 167 million users.

The distribution of ten largest European Internet users is given in Figure No. 2. In the first place is Russia with 68 million of users, then Germany with 67.5, the third place is shared by England and France with 52 million, then Turkey with 36.5, Italy with 35.8, Spain 31.6, Poland 24.9, Holland with 15.5 and Ukraine is on the 10th place with 15.3 million of Internet users.

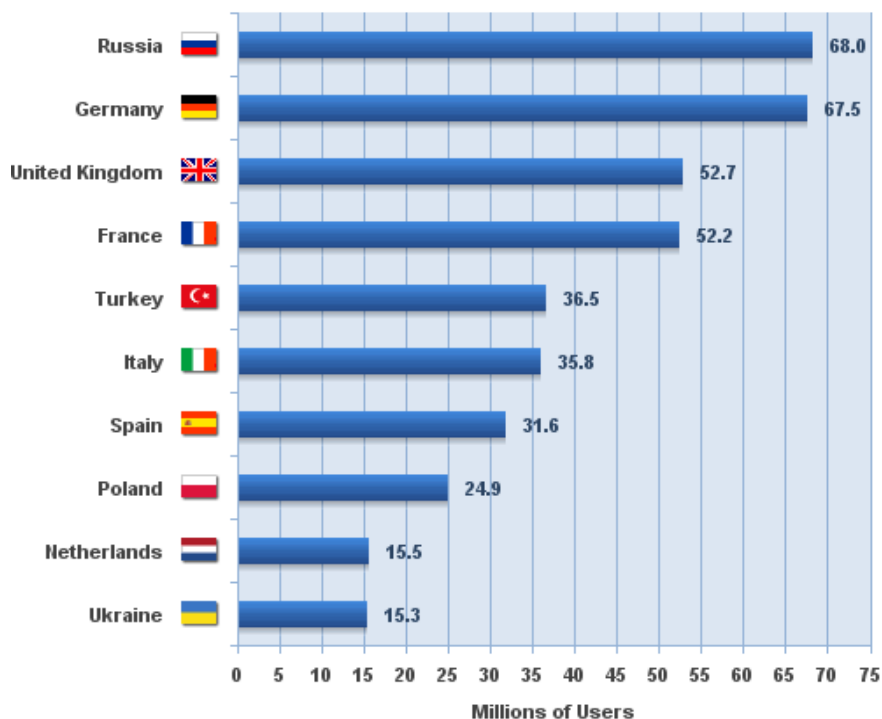


Figure 2: Top 10 Internet Countries in Europe June 30, 2012

Source: Internet World Stats - <http://www.internetworldstats.com/stats4.htm>

INTERNET USAGE IN THE REPUBLIC OF SERBIA

For the assessment of the Internet potential as a marketing media in Serbia, it is necessary to determine the development of the infrastructure as the demographic specifics of Internet users on the area of the Republic of Serbia.

In Serbia, according to the data from the Republic Institute for Statistics in 2013, the number of Internet users was 4.1 million people, or 55.8% of the total population, which makes an increase of 8.3% related to 2012, and 14.6% related to 2011. The presence of Internet connectors is the biggest in Belgrade – 65.8%, in Vojvodina 58.3% and in Central Serbia 49%. Also, there is a big gap in the presence of Internet connections in the urban and rural parts of Serbia: 63% versus 42.5%. But compared to 2012, we can conclude that differences related to the Internet connections between the rural and urban parts of Serbia have been reduced. In the urban part of Serbia, the growth rate is 6.3% and in the rural part of Serbia it is 9.3%.

Big differences exist regarding the ownership of internet connections related to monthly income. Internet connection are mostly owned by families with a monthly income over 600 Euros (89.9%), while the participation of families with an income less than 300 Euros is only 39.5% (Vukmirović et al., 2013, pp. 14-15).

In the aim of determining the position and importance of the Internet as a media in Serbia, it is important to mention that 53.5% of the population have used the Internet in the last three months, 2.7% of respondents have used the Internet over three months ago, and 2.3% over a year ago. Moreover, as many as 41.5% of respondents have never used the Internet. The number of internet users related to 2012 increased by 6.9%, and by 11,5% in relation to 2011 and 12.6% in regards to 2010 (Vukmirović et al., 2013, p. 23). Considering the fact that in order to consider the Internet as marketing media, the most relevant is the part of the population which has used the Internet in the last 3 months, and thus we will analyze their demographic characteristics.

According to the education level, the share of Internet users (in the last three months) is the following:

- 80.8% of individuals with a college or university education
- 68.3% of individuals with a high school education
- 27.5% of individuals with a education level lower than high school

This further implies that the educational structure of Internet users looks like this:

- 62.7% have a high school education,
- 12% have an educational level lower than high school,
- 25.3% have a college and university education.

The input of internet users according to employment status is as follows:

- 100% students
- 76.6% employees
- 49.1% of the unemployed
- 20.5% of others (retirees, those in military service, etc.).

Regarding Internet usage according to age and gender leads - in the last three months, 57% of males and 50% of females have used the Internet, while the most common customer segment allocated is the younger population aged between 16 and 24 (Vukmirović et al., 2013, p. 24-26).

Based on the previously mentioned, we can conclude that Internet users in Serbia have the following demographic characteristics: they are mostly men, of a younger age, students, and individuals with a high school education. They use the Internet mostly for communication via E-mail – 70.4%, reading or downloading online newspapers – 69.5%, social networks (Facebook and Twitter) – 68%, searching for information about products and services 60.8%, downloading of software – 27.9%, job seeking 24.3% and professional networks – 17.4%.

During the previous year, more than 900,000 Serbian citizens were shopping or ordering products or services online, which, related to last year, represents a growth of 300,000. The largest number of Internet users purchased/ordered clothing and sports products (29.6%) and household goods (20.1%) (Vukmirović et al., 2013, pp. 30-31).

In 2013, the Republic Institute for Statistics conducted for the 8th time a research about using information-communication technologies in companies. According to the results of the research conducted in the period from April 15 to 26 via telephone on a sample of 1,200 companies, 100% of them use computers for conducting business, and 99.6% have an Internet connection, which is by 1.9% more than it was in 2012 and 2, and 45 more than in 2011.

Of the total number of companies which have an Internet connection, 73.8% have their own web sites, which is the same as it was in 2012, while in 2011 it was 67.6%, and in Belgrade 83.7% companies have web sites, in Vojvodina 73.5%, and in central Serbia 61.9% (Vukmirović et al., 2013, p. 74).

Such a high percentage of companies which own computers and Internet connections shows that domestic companies are very well equipped with IT equipment and that they have realized the advantages of the Internet and the necessity of its appliance in modern business activities and communication with the target audiences.

Observing the structure of companies in regards to size, we can conclude the following (Vukmirović et al., 2013, p. 74):

- 87% of big companies have their own web sites
- 87.7% of medium-sized companies have web sites
- 69.1% of small enterprises have web sites

When we take under consideration the type of activities of the companies which have their own web sites, the situation is as follows (Vukmirović et al., 2013, p. 75):

- Banks and insurance companies (100%)
- Information and communication (86.9%)
- Accommodation and food services (81.1%)
- Administrative and support service activities; computer repairs (80.4%)
- Manufacturing (79.7%)
- Real estate; professional, scientific and technical activities (79.6%)
- Transportation and storage (73.3%)
- Wholesale and retail (68.1%)
- Construction (57.6%)
- Electricity, gas and water; wastewater management (49.7%).

The most common services which are provided by companies in Serbia through their web sites are first of all adjustments of web site content for regular visitors (77.8%), the introduction of company products (76.2%), as well as access to product catalogues and price lists (63.7%).

THE GROWTH OF INVESTMENTS IN INTERNET ADVERTISING

Along with the extreme growth of the number of Internet users, there is also a progressive growth of investments in Internet advertising. Based on the research of the American agency for research of digital media and marketing *eMarketer*, 79 billion dollars was spent on Internet advertising in the world in 2012, which is by 15% more than in 2011. In relation to 2008, the costs of Internet advertising increased by 37%. It is expected that Internet advertising will continue to make progress in the following four years, albeit more moderately. The predictions are that in 2016, 96.8 billion dollars will be spent on this kind of marketing (www.eMarketer.com)

The European online advertising market in 2011 reached the value of 20.9 billion Euros and recorded a growth of 14.5% compared to 2010. The biggest growth was recorded in Russia (55.5%) and Serbia (46%), and the smallest in Norway (5.5%) and Romania (4.6%). Russia is now the sixth biggest market for online advertising, together with Great Britain, Germany, France, Italy and Holland. These six countries take up almost 67.9% of the European online advertising market.

Table 3: Structure of global advertising trends in the period from 2006 to 2009.

ADVERTISING MARKET SHARE BY MEDIA IN THE WORLD				
(PERCENTAGE)				
Year	2006.	2007.	2008.	2009.
Newspapers	28,5	27,3	25,9	24,8
Magazines	12,5	12,1	11,7	11,5
TV	37,5	37,5	37,8	37,6
Radio	8,3	8,1	7,9	7,8
Cinema	0,4	0,4	0,5	0,5
External advertisement	6,2	6,3	6,5	6,7
Internet	6,7	8,2	9,7	11,1

Source: Ognjanov G., Integrisane marketinške komunikacije, Faculty of Economics, Belgrade, 2009, pg. 225

Based on the data given in the table, we can see that in the structure of media advertising on a global level, printed media (newspapers and magazines) are in the first place in 2006 and in 2007 with 41% or 39.4% observed respectively. The change came with the growth of Internet use as an advertising tool from 6.7% in 2006 to 11.1% in 2009. Investment growth in online advertising caused reduced investments in printed media by about 5% in the period from 2006 to 2007. Thereby, it can be concluded that the greatest threat to printed media in the future is without doubt the Internet.

CONCLUSION

Observed as a whole, the Internet as a marketing media offers a series of advantages and its usage will undoubtedly be increasing. The inadequacies will be resolved, one by one, and will leave behind other IMC forms. The Internet, due to its features, has become a widely-used and popular media, but compared to the classical promotional forms, its superiority is quite obvious. The major advantages of Internet advertising, compared with other propaganda tools such as catalogues, brochures and leaflets, can be summarized in the following: a cheaper and easier distribution of information, improvement of services, possibilities for faster and easier shopping, and a more efficient communication with target markets.

Another immense advantage of Internet advertising is the fact online space is unlimited and relatively cheap, which is not the case with other IMC forms. The Internet is used to create advertisements for various types of customers, for posting encyclopedic valuable information about companies and products, various statistics

and various data, while in the conventional media some information has to be omitted due to limited space or the formidable cost of advertising space.

With the advent of the Internet, for the first time there is interactive communication between the company and the consumer, this being its greatest advantage compared with the classical IMC instruments. With Internet advertising, for the first time in history, the user gets the same, or even a preferred position within a company. When individuals inadvertently or purposely find themselves surfing a company's web page, interest is inevitably aroused. If something is unclear or the consumer is dissatisfied, immediate searching for explanations is possible, as well as an appeal for information and in such a way, the consumer becomes an equal partner and at the same time gives the possibility to a company to adjust their information. By using interactive communication and caring for the consumer, the mass media outlets are losing their formerly held place.

Considering all the given facts about this IMC instrument, the fact that Internet advertising has become widely used is not surprising at all. The number of users, its effectiveness and the popularity of the Internet in the global area is increasing every day, and the presence of companies on the Internet has become the imperative of successful business.

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INTERCULTURAL AND INTEGRATIVE COMMUNICATION IN SPACE: DEPRESSED URBANIZATION

*Nikola Cekic*³⁰

ABSTRACT

Ecourbarchitecture of the past and the new century is marked by a large number of constructed structures and agglomerations which did not have an integrative approach in the creation of space, and in which the urban life has negative characteristics. The paper emphasizes the strategic importance of function and understanding of culture and cultural diversity in an urban design, as well as the importance of preservation of a healthy identity and historicity of macro ambient entities.

Key words: *Depressed Urbanization, Ecourbarchitecture, Apathetic Space, City Building, Conflicts, Cultural Diversity*

JEL Classification: *O18*

UDK: *711.4.01 72.01*

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INTRODUCTION

The immense globalization pressures brought about so extensive changes in value of eourbarchitectonic space, that the city-building patterns must be urgently redefined so that a new ideology in solving of multiple endangered interests of the participants could be established in the apathetic urban life. The examples of Nowa Huta, Chernobyl, Fukushima, Hong Kong, Bucharest, Dharavi or large megalopolises, indicate the unsustainable depressing physical structures, and draw attention to the necessity of interventions in order to restore normality to the urban development. The remodeling concept should be accepted as a mechanism for stabilization of the condition of physical and mental space where artifact structures were not correlated nor supported by natural structures in the environment, and where sensitivity of environmental connection and dialog of forms can considerably reduce the conflict in space. The hybrid identities in the manner of Zaha Hadidi or Frank Gehry with archisculptural forms approximated to nature, through implementation of new natural material or colors on the facades, articulate new city building tendencies. They demonstrate how the rigid-angled and many times repeated volumes founded on orthogonal matrices cannot always be successful. They confirm the static rationality, non-creative, non-artistic, uninventive, purely engineering approach to organization of spatial entities, where intercultural communication, genius loci and observation of the specific cultural diversity are often neglected.

This paper, through ten examples, presents specific micro and macro ambient entities in the urban agglomerations where there were noticeable perturbations, modifications and degradations of the value of local identity in space. Hasty and ill-considered interventions of the builders brought about the stigma of conflict and nonsustainability to these communities and a long term exposure to negative emotions to its users.

- Krakow area - Nowa Huta
- Chernobyl - Pripyat, Ukraine. Destroyed structures in a wide area.
- Fukushima and devastated city Kesenuma, in Japan
- Mega cities create stressful situations
- Kitwonen in the Netherlands is the largest container city in the world
- Depressing facades of Hong Kong
- Hotel dwelling capsules in Japan
- Housing blocks in Bucharest, Romania
- Housing district Falowiec in Gdansk, Poland
- The largest wild settlement in the world, Dharavi, India



Figure 1: Krakow area - Nowa Huta

Source: <http://anotherbagmoretravel.wordpress.com/2012/09/25/krakow-nowa-huta/>

<http://www.krakow-tours.pl/tours,3.html>

http://www.male-siostry-jezusa.org/gdzie_jestesmy.html

<http://krakow.naszemiasto.pl/artukul/chca-odlaczenia-nowej-huty-od-krakowa,1646489,t,id.html>

In 1949 through working actions, the construction of Nowa Huta, nearby Krakow was started, which was a town in the place of former villages of Mogila, Pleszów and Krzesławice. It was planned as a center of heavy industry in the southern Polish duchy without a detailed study of micro-location and climatic conditions. It was built from scratch, and after five years, it already housed 200.000 denizens. The city was populated by industrial workers mainly. In 1951 it merged with Krakow and on 22nd July 1954, a newly built steel mill was promoted, which in less than 20 years became the largest steel mill in Poland and the leading polluter of the environment. The soot particles from the still mill smokestacks, which were carried by the wind to the city, soon covered all the buildings in the city. The roofs and the facades turned black. The visual appearance and the esthetic physiognomy of the city were radically changed, while the public spaces became catastrophic, unattractive and depressing for the users. In 1970, 7 million tons of steel was produced! The wind rose was decisive, since the dominant winds streamed towards the Krakow territory. The reasons for construction of such a large industrial city in the proximity of Krakow mostly were ideological and contrary to the economic sense. Coal was transported from Silesia and iron ore from the Soviet Union. Urbarchitecture was fashioned according to the socialist realism doctrine in Poland. It took part in all the segments of art. The main development directions were precisely defined in 1949 in the resolution of the

National council of architects, where architecture was marked as a driving force of construction of a new socialist social order, where an engineer was seen as a creator - "engineer of the human soul". The esthetics of the built structures was extremely simple, monotonous and featureless in the socialist national "standardized" format which supports design of Soviet architecture. Only after 1956 and after political liberalization it was possible to introduce the modernist style in architecture.



Figure 2: Chernobyl - Pripyat, Ukraine. Destroyed structures in a wider area

Source: <http://blog.impossibleliving.com/page/5/>
<http://www.slice.ca/travel/photos/ruins-around-the-world/#!9721cc25de91c41347c9e6e10154f9cd>
<http://hqdesktop.net/pripyat/>
<http://imgur.com/gallery/yelZ1>

The Chernobyl disaster occurred in the former Soviet Ukraine, in the north of the country near the Ukrainian-Belarus border on 26th April 1986. It was caused by the explosion which destroyed one of the four reactors in the "Memorial power plant Vladimir Ilyich Lenin", that is, in the so called Chernobyl nuclear power plant. The explosion effects were unlike nuclear bomb blast. A relatively small explosion caused damage to the reactor, which released huge amount of radioactive dust, causing nine times the contamination than one of the bomb detonated in the Japanese city of Hiroshima. The direct and indirect consequences of the radioactive radiation affected near 5 million people! The health issues of the large number of people linger even today, and a special problem is the treatment of the environment in the immediate vicinity of the nuclear power plant. All the people are evacuated, and the buildings appear ghostly. Because of the radiation, the area has been a closed zone for people and animal living. The world community promised a concrete assistance for the completion of construction of a new concrete sarcophagus for the destroyed reactor in the Chernobyl power plant, even though one protective sarcophagus 200 m thick has already been constructed. Nowadays, the contaminated area is under special control and active observation of Ukrainian

and international experts. According to the individual research of the experts, the flora and fauna in the area has demonstrated an astonishing recovery by the end of the 90's. It was observed that the severely radiated area was populated by the animals which were close to extinction or completely destroyed.

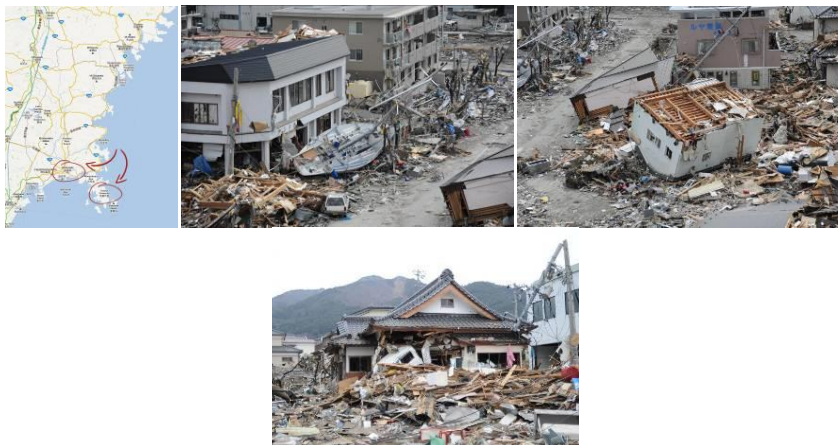


Figure 3: Fukushima and devastated town Kesenuma, in Japan

Source: <http://www.37framesphotographyblog.com/2011/08/09/37-frames-great-tohoku-earthquake-tsunami-2011-japan-ghost-towns-a-miracle-tree-and-the-august-view/>

Several thousand houses were destroyed by a powerful tsunami in the port cities Kesenuma, Yamada, Sakari/Ofuato, Sanuma, Wakuya, Ishinomaki, Joghe-dzutumi, in the Miyagi Prefecture, on the north-east coast Tohoku, in Japan, after the catastrophic earthquake of 11th March 2011, having magnitude 9.0 degrees. Several thousand people died from its effects, and large urban territories were devastated. It is the strongest known earthquake that ever hit Japan, and the fifth strongest earthquake in the world since the year 1900. Powerful tsunami waves reached the height of 40,5 meters in Miyako, Tohoko and Iwate prefecture. Mass of water in the Sendai area went 10 km inland. The earthquake hit the main island of Honshu and moved the Earth around its axis for between 10 cm and 25 cm, according to our assumptions. The population who survived this catastrophe, lives in temporary shelters, in deep depression in the devastated regions.



Figure 4: Mega cities generate stressful situations

*Source: <http://www.sushang.cn/thread-896-1-1.html>
<http://www.flickr.com/photos/aatemu/7445685100/>*

Gigantism in construction of large, rapidly-sprawling global metropolises became an increasingly present phenomenon. Tokyo, Seoul, Mexico City, New Delhi, New York, Shanghai, Sao Paulo and other multi-million cities indicate an enormous and absurd concentration of population, and multitude of problematic situations, very serious issues in traffic and communications, environment pollution, people under increasing psychological pressure, and architectural space which is becoming cramped for living and increasingly gloomy. Irrespective of the accelerated and advanced progress in terms of technology, it is not possible to oversee the robotization of the users of space, their apathy and reduced social interaction. We are dealing with a uniformity in global city-building, a philosophy of living in which the rigid-angled, ordering coordinates of the houses with similar functional horizontal, vertical and labyrinth-like volumes only amplify the alienation and isolation of the dwellers. Research indicates that the physical coordinates of space have a key impact on the spiritual ones, on the users in increasingly discordant micro-ambient spatial entities. If the spiritual is granted only a small participation in that ambient, says prof. Bogdan Bogdanović, "then I am less what I am, and then, I even less know where I am and who I am. It is the pinnacle of misunderstanding. In turn, I better understand what the collective ambient neurosis are, followed by the lost bearings in time and space, and by the onset of general insecurity in understanding and thinking, states of tragic emotional emptiness, and eventually different degrees of irrevocable collective amnesia (Bogdanovic,1980)



Figure 5: Kitwonen in the Netherlands is the largest container city in the world

Source: <http://www.tempohousing.com/projects/keetwonen.html>

Kitwonen is an indicative container neighborhood – a physical structure with housing units repeated many times and an inappropriate motley coloration, which de facto makes a depressive impression. The same façade fronts of housing units, same window openings, offer an astonishingly tiring artistic appearance, with an eourbarchitectonic esthetics of low order and meaning. The characteristic rigid-angled geometry „with one language and the same words “ in the exterior and interior of physical structures, in disharmony with natural forms, as a separated enclave gives a tiring and melancholic impression. Forced, functional and esthetic poverty was created by repetition of prefabricated and standardized volumes and it disrupts the eourbarchitectonic sustainability.



Figure 6: Depressing facades of Hong Kong

Source: <http://diegobusiol.blogspot.com/2014/02/physical-spaces-and-mental-space-how.html>

<http://robertcowley.wordpress.com/tag/high-rise-residential/>
<http://www.chinasmack.com/2012/pictures/hong-kong-high-density-housing-cramped-living-conditions.html>

Terrifying giant cities seem to have gone mad. With excessive concrete and asphalt with multiple same prefabricated portals, a lot of glass and aluminum, with a multitude of overloaded traffic, labyrinth communications, rightly raise the question of the relationship of building activities and psychological-sociopathological action, issues of tension, stress, illness and conflict of users, their emotions in the overpopulated space. There we see the drama of the disharmonious colossal city with the unfitting environment for its identity, we see people with a real lack of physical space. A completely perplexing homogenized conglomerate, globalization modernity in which redesign of uniform physical structures can bring about a partial improvement of the state of affairs. Current globalization attributes of cultural complexity affect the new dynamism of cultural flows of a large and complex contemporary city.



Figure 7: Hotel housing capsules in Japan

Source: <http://www.yesicanusechopsticks.com/capsule/>

The example of the Capsule Hotel on the sixth floor of a building with approximately 150 capsules, in the proximity of Kabukicho (Red Light District) in Shinjuku – in the Tokyo area, is opened for 24 hours. There are buildings with 600 capsules. They are intended for the business people who do not plan to go home during working weeks, but only on weekends. In the capsules of minimum dimensions, equipped with the latest technologies, a second or a third culture is being created a different living model, a new specific identity of a housing unit accentuating isolation and encouraging adaptation to uniformity and stressing the amplified gloomy ecourbarchitectonic drama. Is it an overture to the death of the cities? Are we on a good civilization path, having this hint of orientation to spatial

encapsulated structures, with the city building perversion where conversion of denizens activities has brutal dimensions. We are terrified by this semi-idea of future building of houses and cities, in which we recognize and horribly stripped functionality, which leads us into the world of horrible fairy-tales, world of monstrous cities.



Figure 8: Housing blocks in Bucharest Romania

Source: <http://pher.ch/photos/cities/bucharest/slides/Bucharest,%20Building.html>
<http://www.romaniacconnect.org.uk/wp-content/uploads/2011/10/Typical-Bucharest-block-of-flats1.jpg>

The housing blocks in Bucharest reflect the time of massive construction of buildings in former socialist states, upon the instructions of a totalitarian politics. The building megalomaniac development and message had a fundamental idea that the buildings with as many housing units as possible are an expression of progress, welfare and prosperity of the state. In such circumstances were formed the housing standardized blocks of buildings to express equality and collectivity of people. In the process, the past was destroyed, historicity and culture of micro-ambient spatial structures. The consequence of such conceptual directions are depressing ecourbarchitectonic communities with little spirit and esthetics, with almost erased memory of city building creativeness in the past.



Figure 9: Housing district Falowiec in Gdansk, Poland

Source:

http://en.wikipedia.org/wiki/File:GDANSK,_Falowiec_na_Obroncow_Wybrzeza.JPG

In the period 1960-1970 a huge gigantic 11-storey high housing linear block was built, having length 850 meters and height 32 meters, with eight structures and 1800 flats, of a mildly undulated shape in Gdansk. The physiognomy of the structure, of extremely large dimensions for 6000 inhabitants, with many time repeated housing units appears depressing, unison, monstrous, globalistic, with not color, taste and aroma. As housing machine for the people who know only the dwellers from the nearest neighborhood. The social integration of the tenants is at the minimum. Ecourbarchitecture is the reflection of time in which the prefabricated and standardized structures, especially in the socialist countries, were built en masse. Similar buildings can be seen in other locations in Europe: Byker Wall, Newcastle upon Tyne - UK, Corviale, Rome - Italy, Prora, Rügen - Germany, Park Hill, Sheffield - UK, Karl-Marx-Hof, Vienna - Austria etc.



Figure 10: The largest slum in the world, Dharavi, India

Source: <http://pinklotusinindia.over-blog.com/inde-le-tourisme-de-l-horreur>
<http://herbertwright.wordpress.com/2011/03/30/mumbai-skyline-going-up/>
<http://terrania.ru/wp-content/uploads/2012/05/Mumbai-Goregaon%E2%80%99s-Aarey1.jpg>

In the central area of the city of Mumbai, u India, there is the largest slum in Asia - Dharavi, „city within a city grad“, with more than a million dwellers! Many of the residents belong to the second generation. The settlement which was once known for fishing, now features numerous labyrinth-like and long streets, with open sewers and multitude of small huts made of most diverse materials. Noncourbarchitectonic, utterly melancholic, wild, depressing and unhygienic structure is city building “bomb” which prevents the planned urban development of Mumbai. A favorable position of this enclave with electrical grid, between the railway and road communications provides a rapid flux of workforce to Dharavi where there is a large number of small, advanced industries producing quality embroidered dresses, leather, ceramics and plastic products. The Indian government has plans to redevelop Dharavi and transform it into a modern part of the city with a regular matrix and contemporary housing and shopping complexes, hospitals and schools. This complex process of city remodeling is going on very slowly.

CONCLUSION

Non-existence of intercultural, integrative communication in space and the increasing globalist pressures in city-building brought about uniformity and a dramatic drop of urbanity amplitude, a city-building elephantiasis, brutalist ecourbarchitectonic forms and depressing situations in which the users are socially isolated and less and less adapted to the micro-ambiental conditions and more distant from the nature. New spatial ecourbarchitectonic forms, have little respect for the plurality of cultures in the milieus where they are generated, which affects the mostly known civilizational synopsis – assimilation of new cultural models in the community and establishment of post-traditional identity which should be liberated from being closed and uniformed. The importance of emphasizing incubation of cultural diversities can essentially improve and affirm the contacts among people, decrease depressing ecourbarchitectonic futuristic visions in which the users become progressively robotized, with the decreased feeling of belonging to microambient places with special values.

Very rapid modification of traditional cultures and globalist city-building efforts to organize life in multi-million, conflicting, ecourbarchitectonic, monstrous, Burj - Kalifa agglomerations, with little intercultural sensibility, indicate a new quality where the social reality has everyday technical-technological-digital acceleration, where the housing units become the dwelling machines, as it was once said by the famous architect Le Corbusier. We have an impression that the contemporary cites, maddened and in chaos, become machines for accommodation of progressively stressed and alienated people, and that the city builders forgot how in the serious scenery of ecourbarchiteconic space, apart from the complicated physical coordinates there are also the mental ones, there is a genius loci, as key factor for identification and understanding of conflicting values. Has the idea of city started to die, to separate from itself, to become cagedcity, allcity, anticity, stresscity?

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