## UNIVERSITY OF TOURISM AND MANAGEMENT



4th BIENNIAL INTERNATIONAL SCIENTIFIC CONGRESS

ECONOMIC ANALYSIS OF GLOBAL TRENDS IN TOURISM, FINANCE, EDUCATION & MANAGEMENT

# CONFERENCE PROCEEDINGS



SKOPJE October'2015

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Welcome to Skopje and to the University of Tourism and Management in Skopje. It is the Macedonian capital city with a lot of cultural and historical heritage and, at the same time, it is a major economic centre of Macedonia, open to innovation and to new ideas. In this regard, we are very pleased to be hosting the IV International Scientific Congress, ICON BEST - International Conference for Business, Economy, Sport and Tourism, titled: Economic Analysis of Global Trends in Tourism, Finance, Education and Management and to welcome you to our University from October 9th to 11th, 2015.

The IV International Scientific Congress, ICON BEST 2015 is dedicated to the topics which determine the directions of positioning the thematic content in order to increase the level and significance of the total economic development.

The conference will be a great opportunity for university professionals and stakeholders to discuss the latest trends in the economy, tourism, management, marketing and education and to establish new contacts with partners from all over Europe as well as to explore the heartland of Macedonia. I sincerely believe that the conference will be a unique opportunity for university leaders, educators, experts, and scholars from all over Europe to share their knowledge and experience and express their opinions about strategies and tactics in the context of globalization as well as the latest trends and innovations in the respective areas.

All these trends pose new challenges – for organisations in the 21st century. I am looking forward to exciting results and wish all of the participants an interesting experience and a successful conference in Skopje.

Sincerely,

Prof. Ace Milenkovski, PhD Rector, University of Tourism and Management in Skopje



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## THE INFLUENCE OF INDIVIDUAL EMOTIONAL INTELLIGENCE FACTORS ON LEADERSHIP PRACTICES

Zoran Narasanov<sup>1</sup> Zoran Ivanovski

#### Abstract

This research analyzes the character of relationship between the emotional intelligence and practices implemented by leaders. We use advanced research methods necessary to determine the relationships between the four factors of emotional intelligence as independent variables and the leadership practices as dependent variable. We make evaluation and testing of general hypothesis: if there is a positive relationship between the leadership practices and the four factors of emotional intelligence? Performed quantitative research of the relationships between emotional intelligence and leadership practices proved positive relation between the emotional intelligence and he transformable leadership as well as positive relation of leadership with only one of the four dimensions of emotional intelligence. Although, the dimensions of emotional intelligence are all positively related, the results of the regression analysis show that with the existence of demographic factors and three other factors of emotional intelligence, only one is important.

Key words: emotional intelligence, leadership, competencies, regression, correlation, evaluation,

#### INTRODUCTION

Subject of this research is analysis of the relationships between the four factors of emotional intelligence and leadership practices. Quantitative research of the relationship between emotional intelligence and leadership practices will be presented alongside this paper and proving the hypothesis according to research made.

The research is result of the performed research methods necessary to establish the relationship between the four factors of emotional intelligence as independent variables and leadership practices as dependent variable.

The aim of the practical research among the others was through an empirical research to examine if there is positive relation between all four factors of the leaders' emotional intelligence in a business organization and their leadership's practices.

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The remainder of the paper is organized as follows. In Section II we give summary of literature overview concerning relation between leadership practices and emotional intelligence. Section III describes methodology and tools used in research for derivation of stochastic parameters, population and selection of a representative sample, demographic variables and measures. In Section IV we present the results on the derivation of stochastic parameters from the analysis of surveys' results as well analysis and presentation of the conclusions. Section V gives final conclusions and possible directions for future research.

#### 1. LITERATURE OVERVIEW

In almost all researches made in this area, the leadership can be identified as integral part of the daily life, so with the exposure of the attributes which are specific for successful leadership it becomes major challenge for the researchers. According to David Goleman (Goleman 1998), the interpersonal skills are essential component of the effective leadership. Today, the leaders must have ability and flexibility to adapt to the changes of the labor force. Those abilities, including the emotional intellect make the people to become successful leaders.

The emotional intelligence became equally important, or even more important of the coefficient of intelligence (IQ) and the cognitive abilities. The results of the research of Lam and Kirby(Lam and Kirby 2002) show that the emotional intelligence brings higher levels of individual results which are connected to the general intelligence.

In many studies it is proved that the effective leaders use their competencies for emotional intelligence to make their leadership's results better and their companies more successful(Cherniss and Caplan 2001), (Boyatzis, Goleman and Rhee 1999)(R. Mayer 2004). Cherniss and Caplan argue that the leaders with high level of emotional intelligence generate better results for their companies rather than the leaders with low level of emotional intelligence. Many authors (Palmer, et al. 2001)prove with empirical research presence of connection between emotional intelligence and the effective leadership with important correlation between the transformable leadership and emotional intelligence.

Several authors(Kerr, et al. 2005) discover that the results of the emotional intelligence are fine forecaster of leadership effectiveness.

Many authors(Rozell, Pettijohn and Parker 2001) proved that with emotional intelligence may be identified those skills which are essential components for success. Additionally, Goleman(D. Goleman 1996) shows that the supports of development of the competencies of emotional intelligence of employees, or individuals that possess those skills only make the organization stronger.

In the research performed by Gardner and Stough(Gardner and Stough 2002) for the connection between the emotional intelligence and leadership, a strong connection and evidence are confirmed for two dimensions: 1) the ability to identify and understand others' emotions and 2) the ability to manage the positive and negative emotions at leaders and others, for stimulation of the effective leaders' style. The authors Sosik and Magerian (Sosik and Magerian 1999)fulfilled the literature with confirmation that the self-consciousness offers individuals better perceptive control over the interpersonal experiences and results in

their lives. Additionally, the transformable leaders who are self-conscious have benefits of the higher level of self-efficiency and give clear directions for their followers.

There is immense literature that suggests existence of strong connection between emotional intelligence and the leadership effectiveness. Leban and Zalauf(Leban and Zalauf 2004) investigated the connection between the emotional intelligence and the transformable leadershipstyle. In order to summarize, the emotional intelligence is ability to understand the emotions which are importantly connected to the component of the inspiring motivation of the Bass' model of transformable leadership(Bass 2008).

The proofs of Mayer and Caruso (Mayer and Caruso 2002) are similar, who although claim that the emotional intelligence is one of the important abilities, it is just one of the factors that influence the good or bad leadership.

Finally, Duckett and MacFarlane (Duckett and MacFarlane 2003)prove strong connection between the theory of emotional intelligence and transformable leadership.

#### 2. RESEARCH METHODOLOGY

In this research we examine the relationship between fouraspects of the emotional intelligence (the appraisal of emotion in self and others, the expression of emotion, the regulation of emotion in self and others and utilization of emotion in problem solving) and the leadership practices. As previously pointed out, many researches in modern literature constantly confirm the existence of a relationshipbetween emotional intelligence and transformational leadership. This hypothesis are based on numerous studies done in this filed (Barbuto and Burbach 2006)(Ciarrochi, Chan and Caputi 2000)(Duckett and MacFarlane 2003)(Gardner and Stough 2002)(Leban and Zalauf 2004)(Mandell and Pherwani 2003)(Mayer, Salovey and Caruso 2004)(Vrab 2007).

Two scales were used in order to measure the variables. The first scale Leadership Practices Inventory - LPI (Kouzes and Posner 2012)measure the emotional intelligence of managers and leadership practices and competencies while the second scale Schutte Self Report Emotional Intelligence Test - SSEIT (Salovey and Mayer 1990) measure the leadership's level of emotional intelligence.

The questionnaires were distributed to the employees of the Winner, Vienna Insurance Group, who are in top and middle management positions. In addition, the questionnaires were distributed alongside a cover letter in which the purpose of the study was explained with emphasizing the confidentiality of the responses. The mentioned research questionnaires are in addition to the paper.

The first step in analyzing the collected data was initiated in order to be made factor analyze and then to determine the mean, standard deviation and the correlation matrix. The factor analyze is used when analyzing the components or dimensions of a particular set of variables. For some factors it may be assumed that are in common with other factors, and some that are unique. The unique factors do not contribute to the covariance which measures the individual impact of one variable to another. The factor analysis may be used to reduce a larger range of variables to a smaller number of factors. Also, the factor analysis is used to create a set of factors as uncorrelated variables that are used in multiple correlations with multiplied regression.

The factor analysis identifies the number of dimensions for the both scales. Therefore, the number of LPI dimensions cannot be determined before making the factor analysis. The four factors of emotional intelligence are independent variables as specified in SSEIT while the leadership is a dependent variable.

The factor analysis draws the set of factors extracted from the received data and then arranges the factors in proportion to the variance of the original data with which the researcher may keep the factors that make sense for further analysis in the research. The next step is analysis of the remaining set of factors using the method of rotation in order to be interpreted the relevant factors. Varimax (adjusted) rotation(Kaiser 1958) is a method which simplifies each column of the factor matrix that maximizes the variation of each squared variable and creates a matrix pattern. The Varimax rotation simplifies the interpretation of each variable from individual original factors which tend to be associated with a smaller number of factors and represent a smaller number of variables. In this research, the factor analysis with Varimax rotation evaluates the basic dimensions of LPI and SSEIT.

LPI is considered to be single factor of the transformational leadership. This research will determine the correlation coefficient which measures the strength of the linear relationship between two variables and can range from -1 to +1. Positive value initiates positive relationship while on the other hand, the negative value suggests opposite relationship between the variables. When the correlation coefficient is zero, it shows that there is no relationship between the analyzed variables.

The multiply regression is used in this research for testing of all hypotheses. Basically, the multiply regression analysis calculates the statistical expression by connecting one or more foreseen variables with the dependent variable. Actually, it gives an answer to the question what is the best for prediction and implies that there is more than one factor for forecasting of the future events. This research determines what is valuable to use for forecasting leadership practices, when the emotional intelligence factors are being compared.

#### 2.1. Population and Sample

The population covered with this research is composed of 200 employees of the Winner Insurance Company and includes Sales Managers, Sale Agents, Assistant Managers, Regional Managers and Managers from separate directorates of the company. When selecting the respondents, special attention was given to people whose position demands higher level of emotional intelligence. For that purpose, representative sample of 100 respondents was selected of the already mentioned population.

#### 2.2.Demographic Variables

The demographic variables may influence on the levels of emotional intelligence and the leadership(Mayer and Caruso 2002). Therefore, the demographic information is entered into the regression equation as a first step to keep the effect persistent (as controlled variable). Then, the four dimensions of emotional intelligence identified at the process of factor analysis were entered as independent variables, while leadership has been identified as dependent variable. The demographic information as sex, age, education and years of leadership experience were listed in the questionnaire.

#### 3. ANALYSIS AND PRESENTATION OF THE RESEARCH

The Varimax rotation and the Kaiser normalization are used to explain the factor analysis and to identify the parameters of LPI and SSEIT in order the number of factors to be determined and the validity of both scales to be assessed. The mean and standard deviation for the four dimensions of emotional intelligence and LPI are independent variables. The correlation coefficient was calculated to determine the relationship between all researched variables. In the end, all hypotheses were tested by multiply regression with LPI as a dependent variable.

The demographic characteristics of the participants in this study, the process of data collection and the response rates are presented in the first part.

The factor analysis in order to identify the basic factors of LPI and SSEIT are presented in the following part.

The results of the regression analysis and the testing of the hypothesis are presented in the third and fourth part of this section.

#### 3.2. Participants

Participants in this survey were 100 employees in the Winner Insurance Company. The returned responses on questionnaires totaled 97 answers, 7 were rejecteddue to the incomplete data. The overall response rate is 90%, comprised of 62 male (68,89%) and 28 female (31,11%), while in terms of total questionnaires sent (100) is 62% to male and 38% to female. The age of the employees ranged from 20-66 years; most of the answers were from respondents aged from 26-45 years (70%). The majority of the respondents are with higher education. In the years of leadership experience category (seniority in leadership positions) in the eight groups mostly dominated the answers (61,8%) of respondents with leadership experience from 3-15 years. Only a small number of respondents (less than 10%) are not on leadership positions in the company.

Table 1Demographic characteristics of the survey participants

Which age category you belong?

Age	Frequency	Percent	Cumulative percentage
26-30	20	22,2	22,2
31-35	18	20	42,2
36-40	22	24,4	66,6
41-45	10	11,1	77,7
46-50	2	2,2	79,9
51-55	8	8,9	88,8
56-60	5	5,6	94,4
61-65	5	5,6	100
Older than 66	0	0	100

What gender are you?

	Frequency	Percent	Cumulative percentage
Male	62	68,9	68,8
Female	28	31,1	100
What is the highest level of	of education you have attended?		
	Frequency	Percent	Cumulative Percentage
High school	8	8,9	8,9
College 180ECTS	22	24,4	33,3
College 240ECTS	48	53,3	86,6
Master's Degree	10	11,1	97,7
PhD Degree	2	2,3	100

How many years have you been managing, controlling or led at least one person during your work career?

Leadership experience	Frequency	Percent	Cumulative Percentage
Less than a year	10	11,1	11,1
1-2 years	2	2,3	13,4
3-5 years	22	24,4	37,8
6-10 years	20	22,2	60
11-15 years	18	20	80
16-20 years	8	8,8	88,8
21-25 years	5	5,6	94,4
More than 25 years	5	5,6	100

#### 3.3. Factor analysis

The factor analysis identifies the basic dimensions of LPI and SSEIT in order the number of dimensions with one measurement to be selected and the items assessing each factor to be identified. The five dimensions of LPI determined by Kouzes and Posnercannot be identified with the factor analysis. After analysis of all factor solutions, we decided to use all LPI items as a single scale. All 30 items of the LPI questionnaire were used in order the leadership practices to be evaluated, and the mean for each received answer was used so that the result of the leadership practices can be determined as it was done for every scale of emotional intelligence. This resulted in deriving only one dependent variable.

For the SSEIT factor analysis we used Varimax rotation and Kaiser Normalization which resulted with five-factor solution, from which four factors were used in the data

analysis. When the number of factors is not regulated in advance, the factor analysis results with 10 components.

For the emotional intelligence scale, by using the Varimax rotation and the Kaiser Normalization as a result we received five factors which are presented in the Table 2. The first four factors which are corresponding with the four dimensions of emotional intelligence identified by Ciarroci(Ciarrochi, Chan and Bajar 2001). The four dimensions are created according to the following:

- Perception of Emotions (items 5,9,15,18,19,22,25,29,32 and 33);
- Managing Emotions in Self (items 2,3,10,12,14,21,23,28 and 31);
- Managing Others' Emotions (items 1,4,11,13,16,24 and 30);
- Utilizing Emotions (items 6,7,8,17, 20 and 27);

The total scales scores were computed byreverse coding of the items 5, 28 and 33 and with final summation of all items in the end. The higher scores on all items indicate higher level of emotional intelligence.

The first factor correspondents with the "Perception of Emotions", the second one with "Managing Others' Emotions", the third one with "Managing Own Emotions", and the forth one with "Utilizations of Emotions".

Tabl	e 2Rotated Component Matrix					
	•	1	2	3	4	5
29	I know what the others feel when I look at them	0,767	0,077	0,017	-0,023	-0,018
25	I am conscious about the non-verbal messages that the others are sending to me	0,745	0,063	0,259	-0,059	-0,144
18	Following the face expressions of others, I can recognize what kind of emotions the others are experiencing	0,679	0,094	0,112	0,113	-0,024
32	I can say what the other feel with listening of the tone of their voice	0,650	0,282	-0,113	0,246	-0,105
15	I am conscious about the non-verbal messages that I send to others	0,561	0,086	0,441	-0,173	0,083
19	I know why my emotions are switching	0,529	0,010	0,212	0,356	-0,074
9	I am conscious about my emotions and I experience them	0,496	0,247	0,416	0,018	0,010
5	I have hard time understanding the non-verbal messages of others	-0,443	0,024	-0,173	0,279	0,369
24	I give compliments when somebody does good job	-0,070	0,670	-0,003	-0,180	-0,274
11	I want to share my emotions to others	0,105	0,645	0,013	0,219	0,268
26	When somebody tells me important moments about their life, I feel like I have overcome that.	0,217	0,559	0,191	-0,122	0,288
13	When I organize events, the others enjoy.	0,118	0,553	0,034	0,250	-0,013
.30	I help others feel better, when they are not in the mood.	0,372	0,552	0,033	0,095	-0,012
8	The emotions are one of the things that are worth living.	0,168	0,537	0,143	0,221	0,285
31	I am using my emotions when I try to confront my obstacles.	0,044	0,476	0,373	0,430	0,098
6	Some of the important events in my life made me reconsider what is important and what is not.	-0,083	0,429	0,276	-0,137	-0,232
14	I know which activities make me happy.	0,142	0,386	0,060	0,263	-0,217
23	I get motivated by imaging good result for may assessments.	0,060	0,260	0,643	0,154	0,030
16	I present myselfin best wayto others	0,138	0,101	0,643	0,077	-0,044
12	When I experience positive emotions I know how to make them last.	0,158	0,341	0,570	0,216	-0,161
22	I easily recognize my emotions when I experience them.	0,430	0,054	0,520	0,028	-0,252
1	I know when I should speak about my personal problems with others.	0,044	-0,217	0,519	0,085	-0,043
27	When I feel change in my emotions, I try to come with new ideas.	0,068	0,268	0,467	0,371	0,212
21	I have control over my emotions.	0,202	-0,212	0,446	0,076	-0,396

4	Other people easy got confidence from me	0,162	0,181	0,349	0,039	0,045
20	When I am in the mood, I easily get new ideas.	0,017	0,123	0,059	0,813	-0,029
17	When I am in the mood, I easily solve the problems.	0,033	0,177	0,194	0,733	-0,093
3	I expect to do well on most of the things I am currently working on.	0,139	-0,193	-0,329	0,439	-0,308
28	When I am confronted with a challenge, I give up thinking I will not make it.	-0,012	0,109	-0,023	-0,078	0,573
33	I can hardly understand why people feel in that way	-0,302	-0,102	0,013	-0,172	0,532
7	When my mood changes, I see new possibilities.	-0,041	-0,008	0,214	0,383	0,518
10	I expect good things to happen.	-0,011	0,109	0,404	0,091	-0,445
2	When I come across with a problem, I remind myself about the time when I confronted a similar problem and the way I overcame it.	0,076	0,410	0,165	0,024	-0,412

#### 3.4. Descriptive statistics and correlation Matrix

The Means for LPI and the all four factors of emotional intelligence along with the standard deviation and the reliability assessment appears in the correlation matrix in Table 3. The reliability coefficients analyses the internal consistency of the scale with use of the Cronbach's alpha. The results show high level of internal consistency of all factors expect one, because they have higher values of the acceptability level which is 0,70. The first, second and third factors of emotional intelligence have reliability coefficientsof 0,82; 0,76; and 0,74 respectively, while the fourth emotional intelligence factor is below average with coefficient 0,64, but was included in the analysis because it represents particular factor – utilization of emotions.

The calculated mean and the standard deviation for the four dimensions of emotional intelligence and for the LPI are presented in Table 3 as independent variables, and the correlation matrix.

LPI is positively correlated with each dimension of emotional intelligence, with values from 0,24 to 0,34. Because of the fact that the correlation coefficient for LPI and the four factors are relatively low, there is only low concern about the correlation between the independent and dependent variables. All dimensions of emotional intelligence are positively related with each other as expected, because they all construct the emotional intelligence. Because of the doubt in the collinearity among dimensions of emotional intelligence, regression analysis has been made in which all items of emotional intelligence are combined into one variable. Nevertheless, all four factors were used as separate independent variables in the research.

Table 3Descriptive statistics and correlation matrix with diagonal reliabilities

	1						
	Mean	Standard	LPI	Perception of	Emotions of	Self-	Utilization
		Deviation		Emotions	others	emotions	
LPI	6,78	0,81	0,92				
(dependent)							
Coefficient							
correlation							
Perception	3,63	0,51	0,26	0,82			
ofEmotions							

Coefficient correlation							
Others'	3,81	0,53	0,34	0,42	0,76		
Emotions							
Coefficient correlation							
Self-Emotions	3,90	0,51	0,26	0,49	0,39	0,74	
Coefficient correlation		- 7-	., .	.,.	.,	- 7-	
Utilization of emotions	4,21	0,59	0,24	0,27	0,25	0,422	0,64
Coefficient correlation							

#### 3.5. Regression Analysis

The hypotheses were tested with multiply regression, by regressing the four dimensions of emotional intelligence in relation to LPI as dependent variable. The four demographic variables were inserted into the regression in order to keep their effects constant. The results are presented in Table 4. The regression analysis resulted with F of 5,00 (p<0,001), R<sup>2</sup> of 0,225 (p<0,001). The significant F value implies that the model is good. On the other hand, R<sup>2</sup> suggests that just 25% of the variations in the leadership practices are explained by the variations of the emotional intelligence dimensions and demographic variables. Only one of the emotional intelligence factors, "the appraisal of personal and other's emotions" is significantly related to the leadership (LPI), in which the beta coefficient is 0,520 and p-value is 0.

In addition, there is only one demographic variable is connected *to LPI*, because the beta coefficient is 0,094 and p-value is 0,033. Therefore, the item "the years of experience (or supervision) in leadership" is positively related to the leadership. This item has beta coefficient 3,35 with ap-value zero, which implies on conclusion that some not mentioned – other factors may explain LPI, including empathy and gender difference.

Table 4RegressionAnalysis - Model Summary

Model 1	R 0,474	1		Adjusted R square 0,180		
Model	Sum of squares	df	Mean square	F	Sig.	
Regression	21,650	8	2,706	5,00	0	
Residual	74,696	138	0,541			
Total	96,346	146				
Model	Non-Standard	Standard				
	Non-standardi Coefficients		ardized icient			
	B Star		eta	t	Sig.	

Constant	3,352	0,701		4,782	0
In which category	0,013	0,040	-0,108	0,330	0,742
you belong?					
What gender are you?	-0,178	0,134	-0,108	-1,325	0,187
Highest level of education	-0,060	0,043	-0,107	-1,387	0,168
How many years of leadership practice do you have?	0,094	0,044	0,205	2,158	0,033
Perception of emotions	0,132	0,145	0,082	0,908	0,365
Appraisal of Emotions	0,520	0,140	0,340	3,719	0
Management own emotions	0,122	0,150	0,077	0,815	0,417
Utilization of emotions in problem solving	0,144	0,116	0,104	1,244	0,216

#### 3.6. Hypothesis Testing

This research is aimed at evaluation and proving of a major questionif there is positive relationship between the leadership practices and the four factors of emotional intelligence: 1) the appraisal of emotions; 2) the expression of emotions; 3) the regulation of emotions in self and others; 4) the utilization of emotions in problem solving and the leadership practices (starting the process, inspiration of joint vision, permission for others to perform, modeling of the path and encouragement of the leaders in the business sector).

We are answering our major question through general hypothesis: if there exists positive connection between the emotional intelligence and the transformable leadership, there should also exist positive connection between the four aspects of emotional intelligence as: 1) the appraisal of emotions; 2) the expression of emotions; 3) the regulation of emotions in self and others; 4) the utilization of emotions in problem solvingand the leadership practices (starting the process, inspiration of joint vision, permission for others to be able to perform, modeling of the path and encouragement) of the leaders in the business area.

The results of the regression analysis are implemented for the four individual hypotheses according to the following:

 $H_01$ : The appraisal of emotions is negatively connected or is not connected to the leadership at all.

The first individual hypothesis  $H_01$  is rejected. The results of the previous Table show that the "t" value for appraisal of personal and others' emotions is 3.72 and is significant (p<0,001). This dimension is positively correlated with LPI.With this, hypothesis  $H_01$  is rejected and reformulated that appraisal of emotions is positively connected to the leadership.

 $H_02$ : The expression of emotions is negatively connected or is not connected to leadership at all.

The individual hypothesis  $H_02$  may not be rejected. The results of the previous Table4 show that the "t" value for expression of emotions is 0,815 and is not significant (p=0,417). With this, the individual hypothesis  $H_02$  is proved.

H<sub>0</sub>3: The regulation of personal and others' emotions is negatively connected or is not connected to leadership at all.

The individual hypothesis  $H_03$ may not be rejected. The results of the previous Table 4 show that the "t" value for the regulation of emotions is 0,908 and is not significant (p=0,365). With this, the individual hypothesis  $H_03$  is proved.

H<sub>0</sub>4: The utilization of emotions for problem solving is negatively connected or is not connected to leadership at all.

The individual hypothesis  $H_04$  may not be rejected. There is no connection between LPI and the utilization of emotions. The results of the previous Table4 show that the "t" value for utilization of emotions is 1,24 and is not significant (p=0,216). With this, the individual hypothesis  $H_04$  is proved. With proving the individual hypothesis we may come to conclusion for the special hypothesis as well.

Although, the dimensions of emotional intelligence are all positively correlated, the results of the regression analysis show that with the existence of demographic factors and three other factors of emotional intelligence, only one is important – the appraisal of emotion in self and others is significantly related to leadership (LPI).

According to that, the general hypothesis is not entirely proved. It should be reformulated and to state: If there is positive connection between the emotional intelligence and the transformable leadership, there should also have positive connection with only one of the four dimensions of emotional intelligence, the appraisal of emotions and the leadership practices (starting the process, inspiration of joint vision, permission for others to perform, modeling of the path and encouragement) of the leaders in the business area.

According to this, because of the proved positive correlative connection between all dimensions of emotional intelligence and leadership, and the proved connection with regression analysis positive relation of only one of the emotional intelligence dimensions with leadership in terms of presence of the other three dimensions of emotional intelligence and the demographic variables, and based of the analyzed data, researches, studies and the performed researches, we can derive conclusion that if the emotional intelligence is used in the daily leadership practices, a qualitative transformable leadership will be created, and the organizations will be able to realize the planned aims and the working results, with the possibility for more successful management of the raised complexity in the business and generally in the society.

#### CONCLUSION

The aim of the research among the other was through an empirical research to be examined if there is positive correlation between the emotional intelligence of leaders in a business organization and their leadership practices.

In almost all researches made in this area, the leadership can be identified as integral part of the daily life, so with the exposure of the attributes which are specific for successful leadership it becomes major challenge for the researchers. Today, the leaders must have

ability and flexibility to adapt to the changes of the working force. Those abilities, including the emotional intellect make the people to become successful leaders.

The companies constantly search for suitable strategies in order to raise the leadership skills on a higher level in their organizations. Today, the companies try to keep or build up their comparative advantages. The questions of the hypotheses stated in the research are aimed to discover empirical evidence for support or rejection of emotional intelligence in the leadership. The first, second and third factor of emotional intelligence have reliability coefficients of 0,82, 0,76 and 0,74. The four factor of emotional intelligence has reliability coefficient of 0,64 and is covered with the analysis, because it represents a separate factor – utilization of emotions.

Multiply regression has been used in the research in order to support the conclusion that there is positive connection between the one dimensions of emotional intelligence: the appraisalof personal emotions and emotions at others and the leadership. With other words, in conditions of presence of the other three factors and the demographic variables, just that dimension is importantly connected with LPI. The results of the research showed in the Table 4 in which they are covered, show that the "t" value for "appraisal of personal and other's emotions" is 3.72 and is important (p<0,001). There is one demographic variable, "years of leadership experience", which is important (p=0,033). According to that, "years of leadership experience" is positively connected to the leadership.

The effective leaders use their emotional intelligence not only to manage themselves but effectively to manage with others in the organization and with the organization as whole. The results from this paper and the performed research suggest that the emotional intelligence has important influence on the leadership. Hereby, we can conclude that the higher level of emotional intelligence can improve the result of leadership and leadership's effectiveness.

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#### THE ROLE OF INNOVATION IN THE DEVELOPMENT OF NEW BUSINESSES

Izet Zeqiri<sup>1</sup> Kosovare Ukshini

#### Abstract:

New enterprises are the generator of new working places, but not in all cases they can succeed in this mission, because these enterprises are very sensitive in the first phase, so they are at blooming stage. Ignoring or not to know the need for innovation and creative ideas that the firm did not withstand the competition and almost the majority of new enterprises fail for precisely this reason. What is the role of innovation in this regard? How can those innovative activities help this enterprise? How can innovation enhance competitiveness? Do the creative ideas impact the prolonging of product life? Is it fate or knowledge of innovations that lead to success in the business? What are the areas where we can do innovations? These are issues which will be the subject of a discussion of this paper which will describe the need of enterprises for innovation and ways of management of innovation and uncertainty in their work, by eliminating believe that success of new enterprises is dependent on luck.

Of course, these are not the same ways for all organizations but at large will be a suitable model for enterprises and utilitarian.

Keywords: new enterprises, innovation, competitiveness, innovation sources,

#### 1. IMPORTANCE AND NEED OF BUSINESSES FOR INNOVATIONS

Today's life is dynamic enough, when the companies are quite challenged to find ways of selling the products. The competition is rough enough between the competitors. Today people should think differently from how they were thinking until now to solve problems. The production of products now is not only dependent on the possibility of production. Agreeing that quite an important role in the production of products plays technology, today we are witnesses that even if a product produced with the most sophisticated technology, it might never be sold. The reason for this situation is because the product has not found customers who want to consume it.

It is useless to create efficient products while you are not effective. This means that no matter how much the technology has advanced the world has made it simpler and more complicated; again it has not managed to output the need for human, respectively the need for its intelligence. Today we are not only in time of technology any longer but we are definitively in time of thinking – knowledge.

Considering such a dynamic situation, we see how difficult it is to create difference but also an advantage towards other companies. But companies cannot survive if in their policies they do not predict the need for new ideas and products. This is because there are

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so many companies and products that the commodity of selection by the customer has quite increased. This situation becomes much more fragile for new businesses which are in the senile phase where the enterprises are always endangered from the bankruptcy. The solution to this problem can be seen in the minds of people who can produce more ideas than customers have products in front of themselves. Every idea is a result of thinking and every product is manifestation of a free mind. Today problems should be viewed as an opportunity which cause to think in the new situation and act to change the situation by producing something completely different and functional. "What can I do to make things right, or what can I do to make good things?" this is known as a product of thinking (Okpara, 2007).

In insecure and complex processes innovation, fate plays an important role. There are plenty of cases when success arrives completely randomly. But a real success stands in the management of consistence of innovation process. This depends on the ability to understand and manage the process in such a way, so as to leave very little to fate.

In the heart of innovation process is sequence of basic activities. Management of innovation has to do with learning of finding more convenient solutions to the problem of consistent management of the process and the doing of this according to methods that better suit to the specific circumstances in which the organization acts. It should be emphasized that management of innovation process is specific for each special organization. As a consequence of this, there is no determined "path" which should be followed which would be valid for each organization. "Path" will depend on the connection between the structure, processes and culture of organization, possibilities and characteristics of technological innovations, conditions of competition and trade in which the organization operates.

Companies cannot be competitive if in their policies they do not predict changes, because changes bring life to the organizations. Certainly, these things are not easy to be achieved but are necessary, and being as such companies must orientate their sources not towards change of products but towards change of thinking about products and in the creation of new products. When we make comparison of big companies with small companies, despite the fact that the first are deficitary in the good functioning of changes, to survive big companies must behave like small companies, to create a free environment for innovations and flexibility. Bob Jonson, Chies of BE Airlines, has said that to survive in this industry we must definitively change. Exactly here, we connect with the reason of punim, where we say that for new businesses it is more than necessary to utilise innovative activities to create possibilities for the enterprise to create competitive advantages.

Josef Shumpeterhighlights three types of innovative activity of the firms: (Schumpeter, 1934).

**Invention,** which represents activity of creation and development of new production;

**Innovation**, which represents process of creating commercial product from invention. According to this invention brings something new in life, whilst innovation brings something new for utilisation.

**Imitation** represents acquisition of innovation by similar firms, imitation leads towards standardization of production and processes which enable that imitated products are offered with lower prices and not with differentiated features.

#### 2. UNDERSTANDING OF INNOVATION

Innovations represent a process, respectively activity of creating new product or service, new technological process, new organization of work, or improvement of product, technological process and existing organization of work. It has been emphasized until now that innovation plays a central role in the competition of companies and countries. It is understood that innovation is the main conductor of productivity. Innovation helps businesses to improve ways in which products and services are made and sent, or present completely new features (Krasniqi, 2011). It includes creativity and experimentation, which result in new products and services or in the improvement of technological processes. Innovation is one of the main components of the entrepreneuship strategy. In today's conditions of rapid changes, the utilization of innovations could be an effective path for the achievement of competitive advantages. Two main methods which companies can use to improve their competitive position through the innovations are instigation of creativity and experimentation, as well as investment in new technologies, R&D and continuous perfection.

Research shows that about 12% of ofSMEcirculationare a consequence of new or obviously improved products and services (European Commision, 2007). Data show that innovative companies have a better performance and grow faster than those non-innovative. While creativity is the creation of ideas, innovation is the discovery of paths to convert idea into product or service. British people are very creative people, but very often fail for the fact that they are not innovators, to find ways to realize or vitalize ideas. If ideas are not vitalized they will not be of use to anybody because if they cannot be implemented they will become amortizated. Implementation or putting ideas into practice is viewed in three aspects: selection of idea, its development and commercialization, and certainly here it's needed inclusion of creativity (Interview for the Innovation Exchange, 1999).

All organizations can be innovative. By becoming an innovative company you will be part of trade to which you will offer new products and services, and as such trade will accept it. Innovation and development of new products is a risk for organizations, but they must necesseraly take this risk because new products are one way to adapt in trade and a way of adapting of changes which happen in trade, technology and competition (Dougherty and Hardy, 1996). Instead of imitating creation of a great business, why not create and imitate you instead being a small business.

To create these kinds of differences, companies must accept in their policies the idea to allow their employees. It must be understood that changes in a company begin from employees; furthermore they must derive from them. Entrepreneurship includes both creativity and implementation of idea, then includes solution to the problems, communication and need for undertaking actions to makeoccurances happen. All these are connected with motivation of people or employees to give chance to creation. If this does not exist, change will have no effect and the enterprise will have no success. But not only employees.

Further a question arises here, why some products are successful and some are not? According to studies success of new products is connected with cooperation between department of technology and marketing. (Draft, 2008) "Marketing is social and managing process via which individuals and groups benefit what they need and what they want through creation, the offering and exchange of valuable products with others" (Kotler, 2010). From this definition we understand that those products wich fulfil customers' wishes and will realize their expectations, will score off.

To offer such products there must be a channel through which trade is contacted to get information on what products are required so that sources of production are directed towards production of those products which satisfy the customer. If such products are not produced, they will remain in storages of unsold enterprises. This way by producing qualitative products (technological department) and products which customer desires (marketing department) companies insure themselves in trade.

One study called SAPPOH examined seventeen pairs of new products, one successful and one failed in each pair, and conclusions were:

Innovative companies had a better meanaing for the customer

Successful companies made a more effective use of technology to produce products Successful innovative companies are led by top management made of experienced and authoritative people (Draft, 2008).

This means that there should be cooperation between departments and all this supported by a management with experience makes the functioning of an idea or to take place a new product.

Many successful companies today are directly including customers, strategic partners, suppliers, and other third parties in the process of development of products and services. One of most used formats is open innovation.

Innovation contributes in different ways in the creation of competitive advantages. The research data show a strong correlation between market performance and new products (Souder and Sherman, 1994). Through new products, business organizations conquer new markets and maintain the position in existing markets, also increase the profitability in these markets (Tidd, Bessant and Pavitt, 2005). Competitive advantage in a business organization, not necessarily have to come from the provision of products and services at lower costs, but also fom other factors such as the design, packaging, practicality, quality, etc.

Although competitive advantage may arise as a result of the size of the organization and ownership of resources, yet, in the higher competitive advantage remain organizations wich are in the situation to mobilize technological skills and knolwledge, to create novelty in their offer (for goods and services) and for the way in which they create and deliver this offer (Kay, 1993).

#### 3. TYPES OF INNOVATION

When we talk about innovation, we consider the change and change can take different forms. We will focus on four categories (4P's of innovation):

- Product Innovation changes in the products and services that the organization offers;
- Process innovation change of way in which these goods and services are created;
- Position innovation changes in the context in which products and services are entered in trade;
- Paradigm innovation changes in basic mental models which structure what organization makes;

Different authors have elaborated many kinds of innovation, according to which organizations create competitive advantage, by **Paul Trott** innovation can be:

 Manufacturing innovation - which imply development of a new product or improvement of competitive product.

- **Procedural novelty**—have to do with promotion of process, development of a new production process, foremost in technological aspect.
- Organizational innovations organizational innovations have to do with making of contracts between our enetrprise and specilaized enetrprises which will perform any activity for our enterprise. This type of innovation mostly connects to outsourcing.

Another classification of innovations is their division in**incremental** innovations and **radical** innovations. For example incremental innovation, may be a new car design, and creation of a new concept car is an example of radical innovation.

Despite the fact that innovations may include a radical or fundamental change, in response to a dramatic change of conditions, in most cases, novelties occur in incremental way (in form of increase or improvement). Very rarely it happens that a product can be "new for the world". Most often, the process of innovation has to do with optimization and avoidance of disadvanateges.

Studies for the process of incremental development, talk about greater benefits in efficiency during these processes, in comparison to radical changes (Hollander, 1965).

#### 4. SOURCES OF INNOVATION

According to Peter Drucker sources of innovation are (Drucker, 1985):

- 1. **Unpredictability**. Expected and unexpected success as well as any unexpected event from the outside, can compose a great challenge as a unique possibility. There are many cases when an unexpected event changes the firm's success. In many cases management does not consider the unique opportunities which appear, because there is no vision to view them as innovations, which can bring success.
- 2. **Inconsistency.** The inconsistency between the reality, what is and what "should" be, or between what is and what is supposed to be, can create opportunities for innovations.
- 3. The needs of the process. Process needs arise from eneterprise itself and not from the circumstances.
- 4. Changes in the structure of industry or market. An innovative product, service or access to business activity can cause shifts in industry or market.
- 5. Changes in demographic movements. Changes in population, its size, age structure, composition, employment, level of education and income, can provide opportunities for innovation.
- 6. Changes in understanding, behavior and thinking. Opportunities for innovation can be created even when the attitudes and general social thoughts change.
- 7. **New knowledge.** Innovations wich are established on the grounds of knowledge are the basis of entrepreneurship. Usually when it is talked about innovations, this implies change in knowledge for utilization of opportunities (8 to 9 from 10 innovations). These innovations need longer time to be realized. They are not solely based in the impact of one factor, but usually are a result of more factors. These innovations arise from an excellent idea which is implemented afterwards.

## 5. THE EXPERIENCE AND THE KNOWLEDGE AS THE BASE OF THE INNOVATION

The innovations have to do with the knowledge inseparably. They imply the creation of new opportunities through the combination of various existing knowledge. Knowledge may exist in our experience, based on something we have done in the past, but can also be the result of the research process - research on technology, on markets, on actions of competitors. They can be public, so in which everyone can have access to, or may be implied (Nonaka, Keigo and Ahmed 2003).

Many companies have failed because they did not allow external factors to become part of the company, supposedly to preserve the integrity of the company. They saw themselves as untouchable and that nothing and no one can be above them. But the reality is different; because no company can survive if it does not fit the circumstance created or does not know how to respond to the requirements established in the market. It should not be produced for them; it must be produced for consumers. Those companies which refused to change or failed to change and as such they were gobbled by those who succeeded. So it is very important for companies to open their doors to see the needs and then create space for everyone to display ideas to accomplish those needs better than other competitors. Japanese companies are among the companies with the greatest number of ideas for the workers in the world. Among which stand out Toyota, which are written the books as ex. "Forty years and twenty million idea" (Godfrey Creativity, 2009).

Why some companies are successful and some are not? Most people think that people that are able to create ideas, be creative, are born, while others simply are not born and cannot ever become such. If this is thought to be true then we would say that successful companies have people who are born with the ability of creation and innovation and are privileged from those which do not have these abilities. But this is not true because many companies have undergone ups and downs with the same employees. So the answer to this entire dilemma is that companies that care to allow creativity create such environments that allow employees to engage to create something new, so they are called to succeed. This is the difference from the unsuccessful companies.

Each man is likely to be a creative person, including you dear reader. Creating does not mean to do something out of nothing, to create means to form something of what exists and do things that does not previously existed as such, that have not been heard. Thus, Threadless, a company producing shirts with short sleeves, used a very interesting idea to produce shirts that will find sale. In a social network where there were hundreds of people who attended it, he posted a request to design shirts that looked like them. And every day, more than 100 members produce ideas. Then, they had to vote for the best design which would then see light output (Draft, 2008).

This means that companies which want to be successful in creating new things, they need to involve people and factors outside the company, they should think beyond its borders and should use different methods to release ideas from people because every person is potential for genius idea.

A US television company had used a very interesting shape to attract creative people. The Television Agency creates a mysterious advertisement in which presents an enigma when a vehicle should drive to find a way out. The driving is by seconds. The truth was that the vehicle had no choice, except to fall in a pool. Therefore, due to the fastest time, the television had contacted and invited that person to sign the contract (Oser, 2004). That television had the greatest number of clicks since it was appealing and attractive. The idea was genius to attract creative people, but even more brilliant was the idea to attract

customers, because when the vehicle plunged into the pool, there was presented the TV logo and information about television programs. Companies should not put pressure on workers to be creative, they should create the environment that workers see the need for creativity or feel they can do something good. Of course, not all ideas can be applied, but when people generate ideas and these ideas unfold to others, from them can arise other ideas which could create major changes.

Many companies like Procter & Gamble, W. L. Gore and Boeing posted on their networks their needs for advices from customers (Harrington, 2003). Also, Cadillac issued 800 lines for customers and asked them complaints about their services, these lines were free. For a month, Cadillac received more than 2,400 calls, but 80% of them were not complaints but were suggestions to improve other models. Therefore, when customers suggest, then this is the best way to produce appropriate products (Godfrey Creativity, 2009). So consumers became a source of creative ideas. Other companies also benefited ideas from their suppliers. Why it happened? Because to thinking creatively is very important. Xerox Company has used such form. They knew that their suppliers are specialized in the product parts or product as a whole, and they ask them for ideas to produce new products by replacing old ones with new capacities and designs.

If something should be called creative it should be evaluated as follows:

- To be young / or unique
- Be needed / or have value

According to Teresa Amabile, a professor at the University of Harward, the inspiration and the creativity come as the complicity of three components which are presented in the figure given below:

- Knowledge
- Creatively thinking
- The motivation

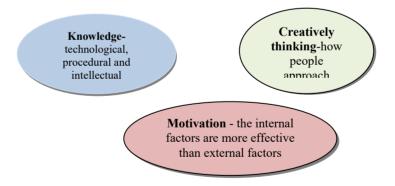


Fig1. The influencing components of creativity

Thinking creatively is the art of reflection of the imagination and reason. People do not see things the same, so they give different solutions by doing different interpretation. Creating does not mean just giving something new, but you think about it all, from the

idea, its implementations and making something that can be seen or perceived and judged. Creations are not accidental events of people; they derived from their experience, their motivation and their desire to see something different and to be personified with it. When we say Microsoft, it comes to your mind Bill Gates or Apple, you remember Steve Jobs, Isaac Newton and the science of Physical Law, Penicillin and Fleming, etc, it is an infinite list. Such a person you may also be.

#### 6. FACTORS THAT HINDER MOST THE INNOVATIONS

From the beginning of the paper we say that the innovations are essential elements for long-term business strategies as the existing ones and new ones. But in fact, there is a big difference when comparing these two businesses by size, because these vary not only in size but access to financial resources, by way of management, organizational structure, culture, and others which do new businesses have more difficulty in realizing its work in innovative activities, primarily it's because of the high cost. Then there are other elements as very high risk, lack of funds; lack of information on markets; lack of skilled workers; organizational rigidity of the organization; Non-compliance with standards, regulations; lack of interest from the customers; Lack of information on technologies and so on. However, it should be emphasized that if businesses do not adapt themselves to the fact that the innovations are their salvation, this will come back as a boomerang to them.

#### CONCLUSION

New businesses do not adapt themselves with the fact that innovations are their salvation, it will boomerang back to them, which we have seen in this paper. We are in that time when we can say without doubt that the innovations help companies to find themselves in the market, expand it and boost the market. From this process the customer will benefit, which is provided with products and services that meet his request, the market benefiting worthy competitor and rich but also enterprises that realize their interests by increasing performance.

The expansion of markets, number of customers, number of offers, made the finding of place in the market really challenging. But the fact that this is challenging does not make it impossible to be a successful process. Absolutely not. Enterprises in general, new in particular, should feel a confrontation with the market with a completely innovative approach and not mock a whole. We do not say that imitation is not appropriate, because also immitation is a possibility where innovative activity can find a place. Activity innovation should serve to create competitive advantages and to ensure a place in the market for a longer period than a month after leaving the product on the market, do enable the product to pass all stages of the life cycle, and not only that, but to extend this route just by doing things differently from others, or finding different forms of acting, of producing and offering.

We saw that new businesses are really weak in the face of the market, and think for innovation, it is even more difficult for these businesses. But innovation, despite significant links with technology, does not mean that only technology and from technology innovation comes. Innovation is knowledge, derived from people who are basically the same. Each of us can think and create things creative. Stephen Hawking, who is disabled, and is one of the best scientists in the world, says that people must use their skills and not complain about their disabilities. So, innovation comes from the possibility of using the knowledge of people.Of course, it is not enough to say that we

have ideas, because everyone can say something, to adjust and to adorn, but what makes it look even more beautiful, is when it's implemented. Finding ways to implement the idea is still skill that stems from the experience, knowledge or even by research.

We cannot present static models of the ways and forms of innovation because this would distinguish from organization to organization, but since the organizatin is managed by people and technology, one well refined combination will bring important changeds for organization, and not only, but also for the society as a whole. Innovations are not supposed to create global changes, but to create conditions for organization to remain safe in the market. Enterprises which implemented and accepted the need for change were "planted" in the mind of the consumer, and if we ask marketing connoisseurs, they will certainly say that this is the whole purpose of the marketing process. When the customer remembers and continues to hold, it is why you are always creating things which he appreciates and values.

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# R&D TECHNOLOGY WAGE INEQUALITY AND ECONOMIC GROWTH

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### Abstract:

Concerning the pattern of wage inequality and of economic growth, the skill-biased technological change is one of the most important explanations, implying a shift in the endogenous production of technological knowledge that favours skilled over unskilled labour by increasing its relative productivity and, thus, its relative demand, i.e., the increase in the demand for skills induced by the technological-knowledge bias dominates the increase in skills supply. In this paper, the standard R&D technology is modified by introducing risk assessment and by removing scale effects so that wage inequality results similarly from technological-knowledge bias. By solving the transitional dynamics numerically, the rise of the skill premium is shown. The concept risk assessment represents an entry cost in conducting R&D. In fact, firms are dealing with limited financial resources, and as a consequence, they need to make decisions about financial resources, being the management strategies for productive process often dissociated from Occupational Safety and Health issues.

**Keywords:** R&D; Technological-knowledge bias; wages; scale effects; risk assessment; numerical simulation.

## INTRODUCTION

The skill-biased technological change (SBTC) is one of the most important explanations for the pattern of wage inequality and of economic growth (Acemoglu and Zilibotti, 2001). SBTC implies a shift in the endogenous production of technological knowledge that favours skilled over unskilled labour by increasing its relative productivity and, thus, its relative demand; i.e., the increase in the demand for skills induced by the technological-knowledge bias dominates the increase in skills supply.

We analyse the direction of technological knowledge in a dynamic setting where, in line with the literature on scale effects (e.g., Jones, 1995a, 1995b), the scale effects are removed.

Moreover, we follow reports of the Organisation for Economic Co-operation and Development (OECD, 2007), which point out that the capability to innovate and to bring innovation successfully to market will be a crucial determinant of the global competitiveness of nations over the coming decade. Indeed, there is growing awareness among policymakers that innovative activity is the main driver of economic progress and well-being as well as a potential factor in meeting global challenges in domains such as

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the environment and health. It is reported in literature (see, e.g., Cohen and Levinthal, 1990; De Jong and Freel, 2010) that the influence of R&D intensity on firms' growth is an issue of great interest and complexity. R&D investment increases absorptive capacity, i.e. the capacity to absorb knowledge created from the relationships formed with agents outside the firm, as well as the capacity to use that knowledge to increase firm performance. In consequence, firms have to adjust their priorities regarding the investments namely in the Occupational Safety and Health (OSH).

In fact, firms are dealing with limited financial resources, and as a consequence, they need to make decisions about financial resources, being the management strategies for productive process often dissociated from OSH issues. The European Agency for Safety and Health at Work (EU-OSHA, 2014) promotes good safety and health, as an integral part of the smart and inclusive growth objectives of Europe 2020. This model meets the priorities for occupational safety and health research in Europe for the years 2013-2020, including keeping people healthy and active for longer, having a positive impact on productivity and competitiveness. Thus, safety and health at work and OSH research have a role to play in delivering smart, sustainable and inclusive growth. Reaching the highlevel goals of Horizon 2020 and the overall EU policies for the next decades will depend on the success of new enabler technologies such as those needed for new energy policies, climate adaptation and future manufacturing. However, new technologies will succeed only if the benefits are clearly visible and the potential risks are regarded as acceptable by society. This requires identifying and addressing stakeholder and public expectations and responding to their concerns in order to build trust and confidence and to show that the new technologies are 'well under control'. This in turn requires identifying and assessing the safety and health risks associated with new technologies and integrating OSH aspects in the development of new technologies and processes, as well as strengthening risk communication and OSH communication.

The influence of R&D intensity on firms' growth is an issue of great interest and complexity (Cohen and Levinthal, 1990; De Jong and Freel, 2010). The concept risk assessment represents an entry cost in conducting R&D. As new technologies and globalisation reduce the importance of economies of scale in many activities, and larger firms downsize and outsource more functions, the weight of Small and Medium-Sized Enterprises (SMEs) in the economy is increasing.

In fact, firms are dealing with limited financial resources, and as a consequence, they need to make decisions about financial resources, being the management strategies for productive process often dissociated from Occupational Safety and Health (OSH) issues.

The potential of small enterprises has been recognised and it is appreciated that employment and economic growth to a large extent depend on these enterprises. Both political and scientific interests in OSH in small enterprises have grown considerably during the last decade. In terms of OSH, small businesses present a challenge: they are difficult to regulate, as they are heterogeneous, geographically scattered, lack cohesive representation and have a short life cycle. The need to focus OSH research on small businesses is now recognised, but effective mechanisms to reach, assist and impact these companies continue to be a challenge. To date, most OSH research and interventions have been primarily focused on large companies (EU-OSHA, 2014).

For reasons of simplicity, we reflect in R&D technology all these concerns, by making use of the concept risk assessment, which represents an entry cost. In particular, we consider that the difficulty in conducting R&D is proportional to the size of the market measured by the stock of labour, which results in a 'permanent-effects-on-growth' specification (see, e.g., Dinopoulos and Segerstrom, 1999) because the technological-

knowledge progress and economic growth are endogenous. In this case, however, the chain of effects is induced by the price channel, by which there are stronger incentives to improve technologies when the goods that they produce command higher prices, i.e., technologies that use the scarcer labour are favoured.

In order to understand the mechanism, we model a standard (in endogenous R&D-growth theory) economic structure. The production of perfectly competitive final goods uses labour together with quality-adjusted intermediate goods, which in turn use innovative designs under monopolistic competition. In particular, each final good can be produced by one of two technologies: one uses high-skilled labour together with a continuum set of high-specific intermediate goods; the other brings together low-skilled labour and a continuum set of low-specific intermediate goods.

In this paper, we modify the standard R&D technology by introducing risk assessment and by removing scale effects so that wage inequality results similarly from technological-knowledge bias. An increase in skilled labour causes an immediate steep drop in the skilled premium since its relative supply decreases its relative wage. This immediate effect is reverted in the transitional dynamics towards the constant steady-state skilled premium, due to the stimulus to the demand for skilled labour resulting from the technological-knowledge bias. Moreover, we note also that with a sufficiently strong technological-knowledge-absorption effect, the steady-state high-skilled premium is greater than the previous one.

## 1. Materials and Methods

## 1.1. Final goods sector

Following the contribution of Afonso (2006), each final good  $n \in [0, 1]$  can be produced by the *L*-technology, which uses unskilled labour, *L*, complemented with a continuum of *L*-intermediate goods indexed by  $j \in [0, J]$ , or by the *H*-technology's, which uses skilled labour, *H*, complemented with a continuum of *H*-intermediate goods indexed by  $j \in [J, 1]$ . The output of  $n, Y_n$ , at time t is,

$$Y_n(t) = A \left\{ \left[ \int_0^J \left( q^{k(j,t)} x_n(k,j,t) \right)^{1-\alpha} dj \right] \left[ (1-n) l L_n \right]^{\alpha} + \left[ \int_J^1 \left( q^{k(j,t)} x_n(k,j,t) \right)^{1-\alpha} dj \right] \left[ n h H_n \right]^{\alpha} \right\}_1 \right\}$$
(

A>0 represents the level of productivity, dependent on the country's institutions. The integrals sum up the contributions of intermediate goods: the quantity of each j, x, is quality-adjusted – the constant quality upgrade is q>1, and k is the highest quality rung at time t. The expressions with exponent  $\alpha \in ]0$ , 1[represent the role of labour. An absolute productivity advantage of H over L is captured by  $h>l\geq 1$ . A relative productivity advantage of either type of labour is captured by n and (1-n), which implies that H is relatively more productive in final goods indexed by larger ns, and vice-versa.

Plugging the demand for the top quality of each intermediate good j by the producer of n into (1), the supply of final good n is

$$Y_n(t) = A^{1/\alpha} \left[ \frac{p_n(t) (1-\alpha)}{p(j,t)} \right]^{\left(\frac{1-\alpha}{\alpha}\right)} \left[ (1-n) l L_n Q_L(t) + n h H_n Q_H(t) \right]$$
(2)

where 
$$Q_L = \int_0^J q^{k(j,t)[(1-\alpha)/\alpha]} dj$$
 and  $Q_H = \int_J^1 q^{k(j,t)[(1-\alpha)/\alpha]} dj$  (3)

are two aggregate quality indexes, measuring the technological knowledge in each range of intermediate goods, adjusted by market power that is the same for all monopolistic producers; the ratio  $D \equiv Q_H/Q_L$  is the relative productivity of the technological knowledge used together with H; and  $p_n(t)$  and p(j, t) are the prices of n and of j, respectively.

We define the aggregate output, i.e., the composite final good, as:

$$Y(t) = \int_{0}^{1} p_{n}(t) Y_{n}(t) dn = \exp\left[\int_{0}^{1} \ln Y_{n}(t) dn\right]$$
 (4)

where we normalise its price at each time t to one. Resources in the economy measured in terms of aggregate output, Y, can be used in production of the intermediate goods, X, in the R&D sector, R, or consumed, C; i.e., Y(t) = X(t) + R(t) + C(t).

## 1.2. Intermediate goods sector

Since Y in (4) is the input in the production of  $j \in [0, 1]$  and final goods are produced in perfect competition, the marginal cost is one. Since the production of j requires a startup cost of R&D, profits at each date need to be positive for a certain time in the future. For this, there is a system of intellectual property rights that protect the leader firm's monopoly, but the technological knowledge on how to make j tends to be public.

The profit-maximisation price of the j firms yields  $P(k,j,t) = p = 1/(1-\alpha)$ , which is a mark-up, since p > 1. This mark-up is stable over t, across js and for all qualities, which makes the problem symmetric. Since the leader firm is the only one legally allowed to produce the highest quality, it will use pricing to wipe out sales of lower quality.

Such as Grossman and Helpman (1991, Ch. 4), for example, we assume that limit pricing strategy is binding and then is used by all firms, so that p=q. Since the lowest price that the closest follower can charge without negative profits is 1, the leader can capture all market by selling at a price slightly below q.

## 1.3. R&D sector

The value of patent relies on the profits at time t, and on the duration of the monopoly. The duration, in turn, is governed by the probability of successful R&D, which creatively destroys the current leading-edge design. The probability of success is thus at the heart of the model. Let pb(k, j, t) denote the instantaneous probability at time t - a Poisson arrival rate - of successful innovation in the next quality intermediate good j, k(j, t)+1, which complements m-type labour (where m = L if  $0 \le j \le J$  and m = H if  $J < j \le 1$ ). Formally,

$$pb(k, j, t) = rs(k, j, t) \cdot \beta q^{k(j, t)} \cdot \zeta^{-1} q^{-\alpha^{-1}k(j, t)} \cdot m^{-1} \cdot f(j)$$
 (5)

where rs(k, j, t) is the flow of aggregate final-good resources devoted to R&D;  $\beta q^{k(j,t)}$ ,  $\beta > 0$ , represents learning by past R&D, being  $\beta$  the coefficient on past successful R&D experience, where a greater  $\beta$  depicts a better innovation capacity;

 $\zeta^{-1}q^{-\alpha^{-1}k(j,t)}$ ,  $\zeta>0$ , is the adverse effect, *i.e.*, cost of complexity, caused by the increasing complexity of quality improvements, being  $\zeta$  the fixed cost of R&D;  $m^{-1}$  is the adverse effect of market size, capturing the idea that the difficulty of introducing new quality-adjusted intermediate goods and replacing old ones is proportional to the size of the market measured by the labour employed. That is, for simplicity, the costs of scale increasing are reflected in R&D due to risk assessment, coordination among agents, processing of ideas, informational, organisational, marketing and transportation costs, as suggested by works such as Becker and Murphy (1992), Alesina and Spolaore (1997), Dinopoulos and Segerstrom (1999), Ramos et al. (2013), Ramos et al. (2015), Dinopoulos and Thompson (1999). f(j) measures an absolute advantage of H over L in R&D and we consider that

$$f(j) = \begin{cases} 1 & \text{if } 0 \le j \le J; \text{ i.e., } m = L \\ \left(1 + \frac{H}{H + L}\right)^{\sigma} & \text{if } J < j \le 1; \text{ i.e., } m = H \end{cases}, \text{ where: } \sigma = 1 + \frac{H}{L}.$$
 (6)

### 1.5. Consumers

The economy is populated by an infinitely-lived household who consumes and collects income from investments in financial assets and from inelastically supplying labour. We also assume that household has perfect foresight concerning the technological-knowledge progress over time and chooses the path of final-good consumption to maximise discounted intertemporal lifetime utility. Thus, the infinite horizon lifetime utility is the integral of a discounted CIES utility function,

$$U(a,t) = \int_0^\infty \left[ \frac{c(a,t)^{1-\theta} - 1}{1-\theta} \right] exp(-\rho t) dt, \qquad (7)$$

where: (i) c(a,t) is the amount of consumption of the composite final good at time t; (ii)  $\rho > 0$  is the homogeneous subjective discount rate; and (iii)  $\theta > 0$  is the inverse of the inter-temporal elasticity of substitution.

The budget constraint equalises income earned to consumptions plus savings, which consists of accumulation of financial assets -K, with return r. The budget constraint, expressed as savings = income – consumptions, is

$$\dot{K}(a,t) = r(t)K(a,t) + w_m(t) \ m(a) - c(a,t),$$
 (8)

where: m = H if  $a > \overline{a}$  and m = L if  $a \le \overline{a}$ .

From the problem of optimal control, the solution for the consumption path, which is independent of the individual, is the standard Euler equation:

$$\hat{c}(t) = \frac{r(t) - \rho}{\theta}$$
, where  $\hat{c}(t)$  is the growth rate of  $c$ . (9)

#### 2. Results and Discussion

## 2.1. Equilibrium for given factor levels

The endogenous threshold final good  $\overline{n}$  follows from equilibrium in the inputs markets and relies on the determinants of economic viability of the two technologies – i.e., H-technology is used in final goods  $n > \overline{n}$  and L-technology in final goods  $n \leq \overline{n}$ .

$$\overline{n}(t) = \left\{ 1 + \left[ \frac{Q_H(t)}{Q_L(t)} \frac{h H}{l L} \right]^{\frac{1}{2}} \right\}^{-1}$$
(10)

It can be related to prices since on the threshold both an L- and H-technology firm should break even. This yields the ratio of index prices of final goods produced with L- and H-technologies,

$$\frac{p_{H}(t)}{p_{L}(t)} = \left[\frac{\overline{n}(t)}{I - \overline{n}(t)}\right]^{\alpha},$$
where: 
$$\begin{cases} p_{L} = p_{n}(1 - n)^{\alpha} = \exp(-\alpha) \overline{n}^{-\alpha} \\ p_{H} = p_{n} n^{\alpha} = \exp(-\alpha) (1 - \overline{n})^{-\alpha} \end{cases} \text{ since } \exp\int_{0}^{1} \ln p_{n} dn = 1.$$

The equilibrium aggregate resources devoted to intermediate-goods production, X, and the equilibrium aggregate output, Y, are expressible as a function of the currently given aggregate quality indexes,

$$X(t) = \int_{0}^{1} \int_{0}^{1} x_{n}(k, j, t) dj dn = \exp(-1) \left[ \frac{A(1-\alpha)}{q(1-s_{x})} \right]^{1/\alpha} \left[ \left( Q_{L}(t) l L \right)^{\frac{1}{2}} + \left( Q_{H}(t) h H \right)^{\frac{1}{2}} \right]^{2}; \tag{12}$$

$$Y(t) = \int_{0}^{1} p_{n}(t) Y_{n}(t) dn = \exp(-1) A^{1/\alpha} \left[ \frac{1-\alpha}{q(1-s_{x})} \right]^{\frac{1-\alpha}{\alpha}} \left[ \left( Q_{L}(t) l L \right)^{\frac{1}{2}} + \left( Q_{H}(t) h H \right)^{\frac{1}{2}} \right]$$
(12 b)

The price paid for a unit of m-type labour,  $w_m$ , is equal to its marginal product. From (12b), the equilibrium growth rate of  $w_m$  and the equilibrium H-premium, W (a measure of intra-country wage inequality), are, at each time t, respectively:

$$\hat{w}_m = \frac{1}{\alpha} \hat{p}_m + \hat{Q}_m \text{ and } W \equiv \frac{w_H}{w_L} = \left(\frac{Q_H h L}{Q_L l H}\right)^{\frac{1}{2}}.$$
 (13)

## 2.2. Equilibrium R&D

The expected current value of the flow of profits to the producer of j, V(k, j, t), relies on the profits at each time,  $\Pi(k, j, t)$ , on the interest rate and on the expected duration of the flow, which is the expected duration of the successful research's technological-

knowledge leadership. Such duration, in turn, depends on pb(k,j,t). The expression for V(k,j,t) is

$$V(k, j, t) = \frac{\Pi(k, j, t)}{r(t) + pb(k, j, t)}.$$
(1)

Under free-entry R&D equilibrium the expected returns are equal to resources spent,

$$pb(k, j, t) V(k+1, j, t) = rs(k, j, t).$$
 (15)

The equilibrium can be translated into the path of technological knowledge. The following expression for the equilibrium m-specific growth rate (where the equilibrium m-specific probability of successful R&D,  $pb_m$ , given r and  $p_m$  is plugged in) is obtained:

$$\hat{Q}_{m}(t) = \left\{ \frac{\beta}{\zeta} \left( \frac{q-1}{q} \right) \left( p_{m}(t) A(1-\alpha) \right)^{\frac{1}{\alpha}} \overline{m} f(.) - r(t) \right\} \left[ q^{\left( \frac{1-\alpha}{\alpha} \right)} - 1 \right] \cdot 16 \right\}$$

The equilibrium aggregate resources devoted to R&D, R, at each time t, are

$$R = \int_0^1 rs(k,j) dj = \frac{\zeta}{\beta} \left\{ Q_L L p b_L + Q_H H p b_H \right\}. \tag{17}$$

# 2.3. Steady state

The stable and unique steady-state endogenous growth rate, which through the Euler equation (9) also implies a stable steady-state interest rate,  $r^* (= r_L^* = r_H^*)$ , designed by  $g^* (= g_L^* = g_H^*)$  is:

$$g^* = \hat{Q}_L^* = \hat{Q}_H^* = \hat{Y}^* = \hat{X}^* = \hat{R}^* = \hat{C}^* = \hat{c}^* = \frac{r^* - \rho}{\theta} \Rightarrow \hat{p}_H^* = \hat{p}_L^* = \hat{n} = 0.$$
(18)

Thus,  $r^*$  is obtained by setting (9) equal to (16), and  $g^*$  results from plugging  $r^*$  into (9).  $p_m^*$  and  $\overline{n}^*$  can be found by equaling the steady-state growth rates of  $Q_H$  and  $Q_L$ .

## 2.4. Subtitles Transitional dynamics and sensitivity analysis

Since our aim is to analyse the direction of technological-knowledge progress and its repercussion on H-premium, we can use (16) to obtain the differential equation:

$$\hat{D}(t) = \frac{\beta}{\zeta} \left( \frac{q-1}{q} \right) \left( A(1-\alpha) \right)^{\frac{1}{\alpha}} \exp(-\alpha)$$

$$\left\{ h \left( 1 + \frac{H}{H+L} \right)^{\sigma} \left[ 1 + \left( D(t) \frac{hH}{lL} \right)^{-\frac{1}{2}} \right]^{\alpha} - l \left[ 1 + \left( D(t) \frac{hH}{lL} \right)^{\frac{1}{2}} \right]^{\alpha} \right\}$$
(19)

We can thus verify first the stability of the relative productivity of the technological knowledge used together with H,  $D = Q_H/Q_L$  (a technological-knowledge bias measure). Then, we can characterise the behaviour of other variables, namely the H-premium in (13).

Using the 4th-order Runge-Kutta numerical method, we present technological knowledge's precise time path for a set of baseline parameter and labour level values:

Baseline parameter values and baseline labour endowments

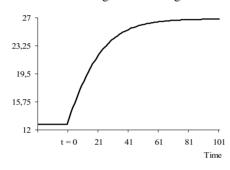
- 1								
	Paramet	Valu	Paramet	Valu	Parame	Valu	Parame	
	er	e	er	e	ter	e	ter	Value
	A	1.50	α	0.70	ζ	4.00	H	0.90
	h	1.20	q	3.33	$\theta$	1.50	L	1.00
	l	1.00	β	1.60	ρ	0.02	σ	1.90

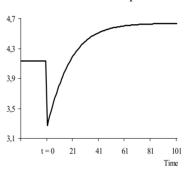
Figures 1a and 1b below summarises the main results.

Figure 1. Transitional dynamics of

1a. The technological-knowledge bias

1b. The *H*-premium





They compare the baseline steady-state paths of, respectively, the technological-knowledge bias, D, and the H-premium, W, with the ones resulting from an exogenous increase (at time t=0) in skilled labour (from 0.9 to 1.1, 1.3 and 1.5). Table1 compares initial and steady-state values of D and W under different scenarios.

Table 1 - Comparing initial and steady state values of the variables

16	Table 1 - Comparing initial and steady state values of the variables									
	Three different scenarios									
	Scenario 1,		Scenar	io $2, H = 1.3$	Scenario 3,					
Vari	H = 1.1				H = 1.5					
able	Initial y	Stead	Initial	Steady	Initi	Steady				
		y state		state	al	state				
D	12.78	15.96	12.78	20.499	12.7	26.810				
	4	7	4		84					
W	3.734	4.174	3.435	4.350	3.19	4.632				
					8					

Due to the increase in skilled labour, f(j) in (6) jumps immediately. This biases the technological-knowledge in favour of H-intermediate goods (see Figure 1a). Such bias increases the supply of H-intermediate goods, thereby increasing the number of final goods produced with H-technology – see (10) – and lowering their relative price – see (11). Thus, relative prices of final goods produced with H-technology drop continuously towards the constant steady-state levels. This path of relative prices implies that the technological-knowledge bias is increasing, from  $D^*_{Baseline} = D(t=0) = 12.784$ , but at a decreasing rate until it reaches its new higher steady state,  $D^* = 26.810$  (see Figure 1a).

Figure 1b shows that an increase of skilled labour causes an immediate drop in the H-premium, at time t = 0, from  $W_{Baseline}^* = 4.129$  to W = 3.198. This is because an increase in H raises its relative supply and lowers its relative wage – see (13); i.e., the H-premium falls instantly due to the rise in the supply of skilled labour without new endogenous technological knowledge and so without change in technological-knowledge bias.

By reason of complementarity between inputs in (1), changes in the *H*-premium are closely related to the technological-knowledge bias, as (13) clearly shows. As the increase in the supply of skilled labour induces technological-knowledge bias, the immediate effect on the level of the *H*-premium ends up being reverted in the transition. That is, the stimulus to the demand for *H*, arising from the technological-knowledge bias, increases the *H*-premium. Once in steady state, with a constant technological-knowledge bias, the *H*-premium remains constant. Moreover, we must highlight that the steady-state *H*-premium can be greater than that which has prevailed under the baseline case.

In summary, instead of the market-size channel emphasised by the skill-biased technological change literature, we propose another mechanism to explain the increase in the *H*-premium even when the relative supply of high-skilled labour has also increased. In particular, the market-size is neutralised by introducing risk assessment.

## CONCLUSION

Instead of the market-size channel emphasised by the SBTC, we propose another explanation for skill-biased technological knowledge. By removing the scale effects, we propose a new mechanism by which the pool of labour increases the rate of technological-knowledge progress and thus determines the technological-knowledge bias. Indeed, through the price channel, the technological-knowledge bias increases but at a decreasing rate until it reaches its new higher steady state.

Concerning wage inequality, we find that an increase in skilled labour causes an immediate steep drop in the skilled premium since its relative supply decreases its relative wage. This immediate effect is reverted in the transitional dynamics towards the constant steady-state skilled premium, due to the stimulus to the demand for skilled labour resulting from the technological-knowledge bias. Moreover, we note also that with a sufficiently strong technological-knowledge-absorption effect, the steady-state high-skilled premium is greater than the previous one.

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# INTERNATIONAL POLITICAL ECONOMY AND FOREIGN POLICY – BETWEEN WEAPONS AND TRASE

Mladen Stanicic<sup>3</sup> Josip Sapunar

### Abstract:

The main task of foreign policy of any country is to achieve the clearest possible political objectives through diplomatic, economic and military means. Surely, it is sometimes difficult to make a clear distinction between these types of impacts, for sometimes they are combined. From the viewpoint of interconnectedness of foreign policy and international political economy, this paper analyzes economic measures applied to achieve certain foreign policy goals, methods of their implementation and reasons for their application. Although international economic measures cannot be reduced simply to economic sanctions, they are still commonly used. Many analysts believe that sanctions are successful despite all problems they generate, which can be exemplified by numerous examples from the past. The affected country, especially an undemocratic one, is unable to change its foreign or internal policies overnight, because its leaders cannot admit it publicly, for political reasons, but will do it indirectly, softening its policies.

Foreign policy is not carried out solely via economic measures, but also through other means of economic cooperation with other countries, which generally means that market or economic criteria increasingly affect the foreign policy of any country in the current stage of globalization. The more the process of globalization deepens, the more it will be general and thus more objective market criteria influencing foreign policy of all countries of the world, observing the following motto: better market than weapons.

**Keywords:** international political economy, foreign policy, foreign policy objectives, globalization

#### INTRODUCTION

Every country has a number of options in carrying out its foreign policy. In liberal democracy, the state carries out the so-called constructive foreign policy, for it is one of the characteristics of the model of liberal democracy, together with political pluralism, market economy and the respect for human rights. Constructive foreign policy can be implemented through diplomatic and economic measures. Furthermore, there is another option: the state can carry out its foreign policy through military means, which is typically not used in liberal democracy (Many examples from the past and the present alike, show that democracies have occasionally used military measures, but it is not the topic of this discussion). The main task of foreign policy is to achieve the clearest possible political objectives by means of diplomatic, economic and military measures. Certainly, it is

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sometimes difficult to distinguish between these types of impacts, for they are often combined; still, this is not the subject of our analysis. The topic is the interconnectedness between foreign policy and international political economy (IPE), which is why our analysis centers upon how and why economic measures are carried out to achieve certain foreign policy goals.

These measures can be divided into domestic and international ones. While it is clear that international measures correspond to foreign policy, domestic measures need further explanation. Domestic measures can be manifested as political, but also economic support to a particular local company or economic sector. In the past, it was common for a country to support a company or sector if this was considered to be of national interest. However, during the current stage of globalization, the perception is changing. For example, in the EU, which can serve as an illustrative example of the globalization process, such government intervention in favor of national economic subjects may represent unfair competition against an economic entity within the community – the Union. This is why such state intervention is limited in the EU, as will be discussed later. Therefore, we will firstly analyze international measures, which may be combined with domestic ones.

#### 1. International measures

Although international economic measures cannot be reduced to economic sanctions, they are still the most commonly used ones. First of all, it is important to delineate the different types of international measures – notably bilateral and multilateral. Bilateral measures refer to a single country, and multilateral refer to a group of countries. It is important to emphasize that these measures are mostly undertaken by economically and politically powerful countries or groups of countries against poorer ones. In certain cases, such measures may have a negative effect on countries imposing them, but according to experiences from the past, they are mostly positive, provided they are long-term solutions. Surely, when we talk about positive impacts, it is those resulting from measures that achieve foreign policy objectives in the The implementation of such measures is not new in international economic relations. According to some sources (Smith, Hadfield and Dunne, 2008), they were used in the Antiquity, during the Peloponnesian War, when Greek city-states (poleis) fought each other or had strained political relations. Some city-states decided not to trade with others or not to purchase their goods. However, it is in these times of advanced globalization that such measures have reached a point of culmination, becoming much more effective due to the interconnectedness of the global economy. If a country is member of an international association, such as a trade agreement, then all the members of this international structure can take part in the measures taken by the most influential member, and more successfully so than in times when they had no political or economic obligations to it. According to the survey (Ibidem), there were 116 cases of such measures being applied between 1914 and 1990, while in the period between 1990 and 2000, they multiplied, i.e. there were 290 recorded cases. It was the great political and economic powers such as the US and the former Soviet Union who used such measures most frequently, and sometimes even the EU countries joined in, for instance in the case of international community imposing sanctions against South Africa and Rhodesia through the UN Security Council because of their system of apartheid. "Victims" of such sanctions were other countries as well, such as Iraq, Somalia, Libya, Serbia, Haiti, Rwanda and Iran, some due to human rights violations, others due to armed aggressions against their neighbors, among other reasons. Since such measures began to be applied, a debate has been developing on how effective

they actually are and, if so, to what extent. Oftentimes, countries imposing them had to come to terms with the fact that their main goal had not been reached in an expected period of time. For instance, a dictator had not been removed from power; a government had not changed its undemocratic policy or had not ceased its aggressive policy toward its neighbors, from the point of view of those imposing measures, etc. Therefore, such measures cannot be expected to bring about rapid achievement of goals for the purpose of which they had been adopted. The sooner the countries establishing such goals accept it, the more effective those measures will become.

In order to clarify this, various types of such measures should be analyzed in detail and given their true name – economic sanctions. They mainly concern trade restrictions, trade embargos, withholding of development aid, freezing of assets of residents of such "penalized" countries in banks of the countries imposing restrictions and financial sanctions.

## 1.1. Trade restrictions

Trade restrictions are most effectively imposed against countries with unilateral foreign trade policies or those dependent on export of a single product or on import from a single partner. With opportunities for further export closed, the affected countries face a deteriorating economic situation, with negative consequences on their internal political stability, breading discontent and eventually causing changes in government, which is the ultimate goal of sanctions. Of course, this does not happen overnight, because every government, and particularly a totalitarian one, is strong enough to prevent such developments, at least temporarily, using violent methods, but it eventually yields to change or softens its negotiating foreign policy, to a certain extent. For instance, the UN sanctions against Iraq in 1990-91 prevented the country from earning the so called hard currency through oil exports, which could have enabled it to finance war.

Such measures can be used by the so-called developing countries as well if they have available resources the developed countries are dependent on. This was best seen in 1973 when the OPEC (Organization of Petroleum Exporting Countries (OPEC) was established as a cartel of 13 oil exporting countries, among which there were some wealthier countries such as Saudi Arabia, but also poorer ones, like Ecuador or Gabon.) countries sharply increased oil prices and thus practically increased the cost and limited the export of oil in the developed countries because of the Western countries' (mainly developed countries) foreign policy in the Middle East. Such price increase of an irreplaceable resource necessary for the development of Western countries acted as a trade restriction. Reactions from the West and their countermeasures will be discussed in subsequent sections. Yet, to this day, it remains the only documented case of the so-called developing countries managing to impose such measures against developed countries, which is why it had certain limitations, analyzed in greater detail in the following chapters.

## 1.2. Trade embargo

Trade embargo is a measure similar to trade restrictions, but significantly stricter. It serves as the basis for the prohibition of any form of economic cooperation with the country on which embargo has been imposed. The best example is the embargo imposed on Cuba by the USA after Fidel Castro assumed power on the island. The measure periodically included US Western partners, so it had an even greater negative economic

impact on Cuba. The regime was not replaced overnight, with the Cuban people "proudly" claiming they could endure as long as necessary, but it is only now, after the announcement of its mitigation 50 years since the embargo has been in place, when we witness sights of the people celebrating on the streets of Cuba, that it has become clear that the embargo has produced results. A similar measure was undertaken by Soviet Bloc countries toward the former Yugoslavia after the Cominform Resolution of 1948, but this embargo, unlike that in Cuba, "missed its target" because Yugoslavia turned to Western countries, which generously provided economic help, for obvious political reasons. Cuba also tried to compensate the US sanctions by turning to the Soviet Union for help, which resulted in the infamous 1962 Cuban crisis, with all its political ramifications. Since the Soviet Bloc countries were also in an unfavorable economic situation, their economic assistance was relatively ineffective.

## 1.3. Financial sanctions

Regime changes in many former colonies brought about corruption and embezzlement of public money. Funds acquired by the leaders of such regimes were stored in Western banks, which were deemed safer than domestic banks. Therefore, if a country wanted to impose financial sanctions, it simply needed to block those assets in "their" banks in order to prevent the owners from "victim" countries (countries under sanctions) from using them. Underlying reasons are not all that simple, in that not all new leaders had a propensity for corruption – the West blocked Iran's funds from oil exports in order to make them change their fundamentalist policies.

The case of the United States taking financial measures against Chile in 1970-1973, influencing the World Bank and other global investment agencies to stop their financial support to Chile in order to topple the country's socialist (Allende) government, in which they eventually succeeded, can be considered financial sanctions. The more a country depends upon foreign investments (mostly developing countries), the better the results of such measures will be. However, we know from experience that it does not always have to be developing countries. For example, under pressure from governments of their countries of origin, certain transnational companies stopped their cooperation with South Africa in order to force them to change their racist policies. Even the economically very powerful Great Britain fell "victim" to sanctions when, under pressure from the US, international financial agencies began to manipulate the British pound in an attempt to destabilize its exchange rate, thus forcing the country to change its policy during the Suez Crisis. During the same crisis, France made a counteracting attempt to manipulate the US dollar (The US opposed the Anglo-French intervention in the Suez Canal in an attempt to reclaim ownership of the canal, nationalized by Egypt in the 1960s.).

## 1.4. Withholding development aid

Since it is the developing countries that fall "victim" to sanctions more frequently than the developed ones, they are often dependent on international development aid, not only commercial aid but also grants (World Bank funds, EU funds, etc.). In this way, such aid, or lack thereof, becomes subject to sanctions. In this respect, many Middle Eastern countries and some African countries such as Algeria, Malawi and Togo became "victims" of sanctions at various stages of their development. Similar measures were taken against Israel, when such aid, or partial access to it, was provided in cases they would go too far with aggressive defense against their neighbors.

## 2. Positive and negative aspects

As we have already mentioned, it is essential that such measures be long-term, requiring patience from those who impose them. At times, especially in the initial stages, they can even be counterproductive for those imposing them, and particularly in this advanced stage of globalization, the interconnectedness and interdependence of world economies. For example, the current economic sanctions imposed by the EU against Russia have negative consequences for those imposing them, in that their economies become closely connected to the Russian economy. Many EU companies have their subsidiaries in Russia, so the sanctions affect their business success as well. Foreign workers who earn their salaries in Russian rubles experience falling incomes with the decline in the ruble. But, with the recent rise in the ruble and stabilized oil prices, the Russian economy, heavily dependent on oil export, is nonetheless improving. This encouraged Prime Minister Medvedev to declare that the sanctions "battered" Russia, but still, the economy endures. It is clear that those are political measures, harming the Russian economy in a very short period of time.

This shows that there is still a difference between sanctions against small countries and sanctions against large countries, which are more interconnected and thus more influential in global economic relations than it is the case with smaller and less influential countries. Therefore, sanctions against a large country are much more subtle and caution is exercised to minimize damage to their own interests, although sacrifices need to be made. It is also particularly important to ensure the long-term character of such measures. Occurring in those countries, but also in smaller countries, is another adverse effect – such measures may cause potentially conflicting political actors to unite, following the logic of "no one tells us how to behave". Such unnatural homogenization can be seen in the case of sanctions against Russia, where President Putin is gaining growing support, even from those who would otherwise be against him.

In times of rapid scientific, technological and communications revolutions, such measures may have yet another negative effect. Regardless of the reasons they are being implemented, economic sanctions can cause great economic problems in "victim" countries, leading their populations to the brink of poverty. Footage of dying children and reports of humanitarian crises spread by the media all over the world can cause resentment toward those imposing sanctions, who are blamed for such disasters.

Many analysts (Hufbauer, Schott and Elliot, 1990) still believe that, despite all the problems they create, sanctions are still successful, as can be demonstrated by numerous examples from the past. The affected country, especially an undemocratic one, is unable to change its foreign or internal policies overnight, because its leaders cannot admit it publicly, for political reasons, but will do it indirectly, softening their policies. This can be seen in the case of Cuba: its leaders would never admit a change in policy under pressure from sanctions, but would consider appeasing the internal political situation (opening up to market forces) to prompt the US to mitigate the sanctions.

## 3. Foreign trade and foreign policy

The analysis of economic measures for the purpose of achieving foreign policy goals in the current stage of globalization assumes yet another aspect. Although it involves potential conflicting elements, competition in foreign trade still carries fewer security risks than arms race, for example. Usually, it is not about who has more weapons or a stronger military; no one threatens with violence, but rather negotiations are held within the framework of economic, and therefore peaceful relations. This can be exemplified by the current negotiations between the US and the EU on the so-called TTIP (Transatlantic Trade and Investment Partnership). After two years of negotiations, there is an ongoing discussion on the advantages and disadvantages of the agreement; there are those who support it, but also those that fiercely oppose it (in Croatia as well); some say that the agreement will cement the economic supremacy of the US over the EU, creating a new trade bloc (some even call it an economic NATO). Many estimate that this is actually a Western response to the growing economic and trade consolidation of Asian economies, led by a strong Chinese economy, which can become a very formidable economic block, as opposed to the so-called Western economic NATO, especially if they unite with Russia. So, we are witnessing the creation of two strong opposing economic blocs; and it is estimated that in the future a new cold war might break out, this time a trade war between the two blocs. However, a crucial difference between this and the last cold war lies in the fact that this new "war" will be led by means of trade and economy, not weapons. Naturally, economic espionage is not excluded, nor are its violent implications, but this is still a time very different from the time of looming nuclear disaster.

This is simply a current example of how foreign policy can be led by means of foreign trade and international economy in general. Another illustrative example is the "cold war". Although humanity faced an imminent threat of nuclear weapons, in the end it was the economy that had the final say. Arms race and prestigious space competition finally exhausted the economy of the Soviet Union, so eventually it crumbled politically. The battle was won by the US without a single bullet being fired.

Even after the "cold war", the economy played an important role in the integration of the former Soviet economy and the economies of former Soviet states – its satellites – into the global market, where market forces prevailed over political forces. Even before 2004 and the "Big Bang" accession of 10 countries into the EU, several political analysts said it was not a "routine" or common enlargement (LSE, 1997). They considered it a historic moment when Europe "exceeded" its old ideological boundaries, which meant crossing the borders and separating the political from market (oriented) behavior, viewed from an economic point of view. The former Soviet countries' main motivation was to enter a wealthier and more economically advanced society, and therefore economic reasons played the most dominant role.

These examples show that world history and the decisions made in its course largely played out within the relations between the state and the market, or political and economic criteria. In systems preceding capitalism, state or political factors were dominant, as was recently seen in totalitarian countries, such as communist and fascist countries, where the states decided on the entire gross domestic product, based on state needs, namely political needs. With the onset of globalization processes, the state, i.e. political reasons or criteria, are increasingly giving way to market criteria. Market laws are general and applicable to the whole world, while political laws are tied to particular political communities, namely states or groups of states (This is most clearly seen in the proportion of national budgets in the national GDP. In market oriented, globalized countries, it usually does not exceed 40 percent, while in totalitarian countries it is 100 percent.).

This is not to say that states in today's stage of globalization should base their foreign policies solely on market criteria. Each state has its political particularities, which are dealt with in accordance with political relations within it. However, a globalized state, a type predominant in today's world, must be very careful to combine both market and political criteria in a most advantageous way. Otherwise, it might find itself isolated from

world economy and in a position of today's North Korea, which does not abide by market criteria because its government structure maintains power only by political criteria, deliberately sacrificing the welfare of its citizens. North Korea's foreign trade remains only a dream, if we disregard certain economic incentives the country receives from the People's Republic of China, exclusively for political reasons and not economic, or market reasons.

All things considered, it is becoming increasingly clear that competition in the economic arena is much more suitable for the stability of international relations than it is in the case of arms race. There will always be exceptions and special cases, but that does not diminish our claim, which can ultimately be reduced to the following motto – better market than war

## 4. State aid

According to the definition, state aid is a form of state intervention with the aim of encouraging the development of a particular area, sector or individual company (COM, 2000). At this point, we can ask ourselves why such distinctly domestic measures are being put in the context of foreign policy. It is common for a country to use aid occasionally, in order to assist the development of its economy or certain parts of it. However, in the present stage of globalization, this is becoming difficult due to increased competitiveness of a given sector compared to the same sectors in other countries. It would not be as ambiguous if it happened in a community, in fact a union such as the EU, which serves as an illustrative example of the globalization process. A community, in this case the EU, limits this kind of competition, as it does not want to develop the economy of its member states following the state logic, as opposed to the logic of the market. Therefore, if one member state tries to raise the competitiveness of a part of its economy at the expense of its counterpart in another member state using state aid, the European Commission will consider it unfair competition within the same community and will seek to limit it.

Therefore, the EU classifies state aid as follows:

**Horizontal grants** are aimed at all business entities:

- research and development;
- environmental protection;
- employment and training;
- small and medium-sized enterprises;
- etc.

**Sectoral grants** are aimed at particular industries and companies:

- steel and coal;
- shipbuilding;
- financial reconstruction and restructuring;
- audiovisual production;
- regional grants.

Based on this classification, the EU evaluates grants of its members. According to the estimates, the so-called horizontal grants are bolstered the most since they are in accordance with financial, i.e. budgetary plans of the EU, as well as its seven year financial perspective 2013-2020. Therefore, these grants are not given to individual companies to increase their competitiveness, but generally to foster common values, such as environmental protection, research, etc. According to the EU, considerably less attention is paid to the so-called vertical grants, because they affect the competitiveness of

individual companies directly. The same applies to regional grants, but they must be in line with the regional policy of the Union.

Thereupon follow certain guidelines for conducting the foreign policy of the EU countries on the economic level. If a country invests too much in vertical grants, it automatically distorts the economic balance within the EU and thus indirectly influences its foreign policy balance. Therefore, the tendency of the EU is to reduce state grants, and if they have already done so, to work toward horizontal ones. Figures show the following: the EU recommends that state grants for each member state amount to no more than 0.2 percent of GDP, while in Croatia, for example, they still amount to 1.2 percent of GDP.

#### CONCLUSION

There are international and domestic measures used with the purpose of achieving desired foreign policy goals through economic means, which in turn means that foreign policy can be conducted in the same way as well. Firstly, those are various economic sanctions, usually imposed by developed countries against the developing ones (or undemocratic ones, according to those who impose them) in order to affect their external as well as internal policies. Although evaluations of such measures differ, many examples described in this paper show that sanctions are slow, but ultimately effective. A country under sanctions will not change its policies overnight, but if you wait patiently, results will come. It is important that sanctions do not increase instability of international security and global foreign relations, but they are still a better choice and produce better results than can be achieved through military means.

Foreign policy is not carried out solely via economic measures described in this paper, but also through other means of economic cooperation with other countries, which generally means that market or economic criteria increasingly affect the foreign policy of any country in the current stage of globalization. The more the process of globalization deepens, the more it will be general and thus more objective market criteria influencing foreign policy of all countries of the world, observing the following motto: better market than weapons

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### THE ANALYSIS OF DAILY STOCK RETURNS AT MSE

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### Abstract

Thelinear regression and correlation analysis of daily returns of several stocks and stock-exchange index at Macedonian Stock Exchange (MSE) provide evidence for statistical significance of the stocks' daily returns at MSE. Statistical analysis was focused to determine the character of relationship between the ten most liquid stocks at MSE using ten-year time-series of daily stocks' closing price and for the Macedonian Stock Exchange Index (MBI-10). The Analysis of daily stock returns provide R² values and confirmed that the proportion of the total correlation in the dependent variable (one stock price) can be explained by the independent variable (other stock price) as well as that accurate forecasting of one stock price movements enables reliable prediction of other stock future price at MSE. Some implications for stock valuation are drawn.

**Keywords**: stock, return, correlation, regression, volatility

## INTRODUCTION

Macedonian Stock Exchange (MSE) was established in September 1995, but its real start was with the first ring of Stock-Exchange bells on 28 March 1996. MSE started at 01.11.2001 to calculate Macedonia Stock Exchange Index (MBI), which consists of five most liquid stocks at MSE. MBI was price not weighted index, and as a first index it finished its function as aggregate indicator for stock exchange movement quantification.

On 04.01.2005 new MSE index was introduced (MBI-10), as weighted average indicator. It enables using market capitalization more realistic following price movements at MSE. MBI-10 calculation is making in accordance with Methodology for MBI-10 calculation and it consists of ten quoted stocks on MSE Official market segment. Stock Index Committee regularly (two times per year) and ad-hoc (in special circumstances) make update of MBI-10 structure in accordance with market conditions. With the start of MBI-10 calculation, MSE stopped MBI calculation. Starting from 2006, MSE regularly calculates Bond Price Index (OMB).

MSE's short-history strongly affects security valuation that usually required long-term time series (more than 10 years). With the end of 2014 MBI-10 we have ten years data for MBI-10 daily closing prices. This makes regression analysis results more reliable that can be used for MSE stocks. We focus our research on stocks that contained MBI-10. The basic task of our research is examination of the basic parameters and character of returns at MSE as emerging market.

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The remainder of this paper is structured into three sections. In Section 2 we present theoretical reviewabout returns at emerging markets. Section 3 present empirical results from regression analysis of stocks at MSE. Section 4summarizes the main conclusions.

### 1. LITERATURE OVERVIEW

In his paper (Rouwenhorst 1998)argues that the factors that drive cross-sectional differences in expected stock returnsin emerging equity markets are qualitatively similar to those that have been found in developed equity markets. In a sample of more than 1700 firms from 20 countries, he found that emergingmarket stocks exhibit momentum, small stocks outperform large stocks, and value stocksoutperform growth stocks. There is no evidence that high beta stocks outperform low beta stocks.

Moreover, emerging market countries are particularly interesting because of their relative isolation from the capital markets of other countries(Rouwenhorst 1998). Therefore, he argues that the relative segmentation of emerging markets provides a uniqueopportunity to examine cross-sectional variation of stock returns: if the return factors found in agroup of relatively isolated markets are the same as in developed markets, it becomes more likelythat these factors are fundamentally related to the way in which investors set prices in financialmarkets around the world.

The underlying dynamic of returns is either given exogenously or is based on the assumption that returns have independent and identical distributions. However, such characteristics do not fit adequately with the empirically-observed features of financial returns and investor choice(Copeland, Weston and Shastri 2004).

In their study for the dynamics of expected stock returns and volatility in emerging financial markets, (De Santis and Imrohorglu 2009) found that clustering, predictability and persistence in conditional volatility, as others have documented for mature markets. However, emerging markets exhibit higher conditional volatility and conditional probability of large price changes than mature markets. Exposure to high country-specific risk does not appear to be rewarded with higher expected returns. They detect a risk-reward relation in Latin America but not in Asia when we assume some level of international integration. They did not find support for the claim that market liberalization increases price volatility.

In their paper (Kearney and Daly 1998) examines the extent to which the conditional volatility of stock market returns in a small, internationally integrated stock market are related to the conditional volatility of financial and business cycle variables. It employs a low frequency monthly dataset for Australia including stock market returns, interest rates, inflation, the money supply, industrial production and the current account deficit over the period from July 1972 to January 1994. They argue that among the most important determinants of the conditional volatility of the Australian stock market are found to be the conditional volatilities of inflation and interest rates which are directly associated with stock market volatility, and the conditional volatilities of industrial production, the current account deficit and the money supply which are indirectly associated with stock market conditional volatility. Paper also determines that among these variables, the strongest effect is found to be from the conditional volatility of the money supply to the conditional volatility of the stock market. By contrast, no evidence is found of volatility spillover from the foreign exchange market to the stock market in Australia.

MSE was not previously considered in the literature considering stocks return until 2007 (Kovacic 2007), where he derived some conclusions about volatility of MBI-10 returns series are characterized with volatility clustering.

## 2. DESCRIPTIVE STATISTICS

We analyze ten years stocks daily returns data at MSE in order to determine stocks' correlation and comprehensive regression analysis. We believe that provided results will be useful for stocks' valuation. The basic task of our research is determination of returns character at MSE and identification of mutual dependence and correlation of stocks returns. We argue that our findings have practical application for stock value forecast.

We use the sample of ten stocks from official market segment of MSE contained in the MBI-10 Index. The ten selected companies were selected based on stock market capitalization, influence in the MBI-10 and the volume traded at MSE as follows: ALK, BESK, GRNT, KMB, MPT, REPL, SBT, STIL, MTUR, TPFL. The accepted criteria ensured that all economic groups represented in the MSE were under analysis. MSE was the main source of data through the official stock newsletters and annual reports. The time period of ten years allowed us to make appropriate conclusion. The analysis was performed using the daily closing prices of the traded stocks as well for MBI-10 for the period 30 December 2004 to 31 December 2014. The base data for MBI-10 is 30 December 2004 = 1000 (when MBI-10 index started).

Using regression analysis we have determined strong positive correlation between stocks prices at MSE (most of the values oscillate around 0.90), as shown on following table:

Table 1Correlation Coefficients at MSE

	ALK	BESK	GRNT	KMB	MPT	REPL	SBT	STIL	MTUR	TPFL	MBI- 10
ALK	1,00										
BESK	0,96	1,00									
GRNT	0,97	0,97	1,00								
KMB	0,87	0,78	0,80	1,00							
MPT	0,97	0,96	0,97	0,84	1,00						
REPL	0,86	0,89	0,91	0,77	0,86	1,00					
SBT	0,71	0,60	0,60	0,85	0,71	0,47	1,00				
STIL	0,89	0,92	0,95	0,63	0,91	0,84	0,41	1,00			
MTU R	0,96	0,95	0,97	0,81	0,95	0,90	0,62	0,91	1,00		
TPFL MBI-	0,96	0,97	0,96	0,78	0,95	0,83	0,63	0,91	0,94	1,00	
10	0,42	0,33	0,32	0,67	0,47	0,29	0,81	0,13	0,31	0,31	1,00

Note: Column/Row 1: Stock ISIN code. Column/Row 2-12: Correlation coefficients

Table 1 provides correlations among stocks and MBI-10 at MSE. We can see lower but still positive correlation among stocks and MBI-10. The difference of correlation among stocks and MBI-10 compared with only mutual stocks correlation coefficients suggest that MBI-10 changes are not immediately followed by the other stocks on MSE.

The conclusion aboutlower statistical significance between stocks' price movements and MBI-10 daily values can affect using MBI-10 for predicting other stocks' market prices at MSE. This finding will be tested with regression analysis.

We explore correlation of MSE stocks' daily returns in order to determine mutual dependence and correlation of stocks returns as tools for stock value forecast. Using regression analysis we are trying to determine if there is a statistically significant relationship between the variables (two stock prices or daily index values and stock price). We first analyze the Multiple R (coefficient of correlation) and R Square (R<sup>2</sup>). The R<sup>2</sup> is the coefficient ofdetermination and tells us the proportion of the total variation in the dependent variable that is explained by the independent variable. If there is a stronger relationship (higher coefficient of determination), it indicates that this relationship is statistically significant and prediction of dependent variable will be accurate if we have a good forecast of independent variable. Using variance statistics, we determine f-test that confirms if regression analysis is statistically significant. Very low level of Significance F value confirms statistical significance of analyzed relationship. Next, we look at the tstatistics for our regression coefficients. We analyze whether t-statistic coefficient is statistically distinguishable from zero (i.e., statistically significant.). The magnitude of the coefficient is not the issue of our interest. If the coefficient for one stock price issignificantly different from zero, then we know that independent value (stock price) is useful in predicting other company stock price. The t-statistic tells us how many standard deviations away from zero thecoefficient is. Obviously, the higher this number, the more confidence we have that the coefficient is different from zero. Generally for large samples, a t-statistic greater than 2.00 is significant atthe 95% confidence level or more. We alsouse the p-value to determine the exact confidence level. We calculate p-value by subtracting the p-value from 1 to find the confidence level. This number is simply the best point estimate givenour set of sample data. We also present result:Lower 95%. This gives us a range of values between which we can be 95% surethe true value of this coefficient lies. Since we are merely using this model for forecasting, the significance of the intercept is not important. In our regression statistics we asked for 95% level of confidence.

The Descriptive statistics results and regression analyzes of daily stock prices at MSE are present on next tables as follows:

Table 2Descriptive statistics for ALK, BESK, GRNT&KMB

	ALK	BESK	GRNT	KMB
Mean	5078,218514	11071,16551	746,73341	3786,1963
Standard Error	57,55296452	237,8256523	14,100063	44,200132
Median	4299,85	7400	573,165	3249,89
Mode Standard	1900	5996,15	90	560
Deviation Sample	2559,651517	10577,22737	627,09623	1965,7881
Variance	6551815,887	111877738,9	393249,68	3864323
Kurtosis	1,405879297	2,452043745	1,429878	-0,7222527
Skewness	1,366062562	1,707005518	1,4935188	0,3592342
Range	12493,55	52089,02	2852,19	7654,02
Minimum	1686,68	1292,91	90	420
Maximum	14180,23	53381,93	2942,19	8074,02
Sum	10044716,22	21898765,38	1477038,7	7489096,3

Count	1978	1978	1978	1978
Largest(1) Confidence	14180,23	53381,93	2942,19	8074,02
Level(95,0%)	112,8708362	466,4152483	27,652544	86,683734

Table 3Descriptive statistics for REPL, SBT, STILL, & MPT

Tuble obesett		KEI E, SDI, STIEL		
	REPL	SBT	STILL	MPT
Mean	39868,36359	5585,825445	205,8229019	43274,69193
Standard				
Error	477,9618461	80,85580883	4,03407064	818,6722747
Median	39500	3425,725	154,715	27500,5
Mode	7000	2500	92	12500
Standard				
Deviation	21257,21541	3596,038804	179,4141296	36410,21357
Sample				
Variance	451869207	12931495,08	32189,42988	1325703652
	-			
Kurtosis	0,301025848	-1,14650576	1,96189911	2,115439148
Skewness	0,258551862	0,694351463	1,58379299	1,690878859
Range	89500	11416,12	851,51	164898,22
Minimum	5500	1799,86	16,63	10300
Maximum	95000	13215,98	868,14	175198,22
Sum	78859623,19	11048762,73	407117,7	85597340,63
Count	1978	1978	1978	1978
Largest(1)	95000	13215,98	868,14	175198,22
Confidence				
Level(95,0%)	937,3618487	158,5715493	7,911476499	1605,551077

**Table 4**Descriptive statistics for MTUR, TPLF& MBI-10

	MTUR	TPLF	MBI-10
Mean	3488,241254	4812,058003	3319,284424
Standard Error	47,47026783	82,1674486	43,37558011
Median	2800	3600	2519,705
Mode	3000	3500	1834,28
Standard Deviation	2111,226486	3654,373606	1929,11643
Sample Variance	4457277,276	13354446,45	3721490,199
Kurtosis	0,874277758	3,460493487	1,623444514
Skewness	1,35818234	1,953972868	1,590405494
Range	9113,74	17819,04	9057,77
Minimum	930	1200	1000
Maximum	10043,74	19019,04	10057,77
Sum	6899741,2	9518250,73	6565544,59
Count	1978	1978	1978
Largest(1)	10043,74	19019,04	10057,77
Confidence Level (95,0%)	93,09700842	161,1438908	85,06665186

It is obvious from descriptive statistics results that stocks at MSE have high volatility, positive skewness and high kurtosis values (only two stocks REPL and SBT have negative kurtosis). The daily return series for all stocks from MSE are leptokurtic, with no exception. This means that significant variations in the daily prices are very common. All MSE stocks have large kurtosis values.

In Table 5 we reports linear regression statistics results for GRNT stock as dependent variable (Multiple R, R Square, Adjusted R Square, Standard Error, Number of Observations, *df, SS, MS, Significance F, t Stat, P-Value*)where BESK stock is independent variable.

Table 5Linear Regression Statistics for GRNT&BESK stocks

Regression	Statistics				
Multiple R	0,97				
R Square Adjusted R	0,93				
Square Standard	0,93				
Error	75,16				
Observations	999,00				
ANOVA					
	df	SS	MS	F	Significance F
Regression	1,00	79.562.607,41	79.562.607,41	14.084,91	-
Residual	997,00	5.631.839,07	5.648,79		
Total	998,00	85.194.446,49			
	Coefficients	Standard Error	t Stat	P-value	Lower 95%
Intercept	108,57	5,48	19,80	0,00	97,81
BESK	0,06	0,00	118,68	-	0,06

Note: Significance at the 95% confidence level

Table 5 reports results of analysis fortwo companies' stocks (Granit and Beton Skopje) from construction industry in the Republic of Macedonia. Values for Multiple R (coefficient of correlation) and R Square (coefficient of determination, variance) for GRNT daily stocks returns as dependent and BESK as independent value are around 1 (0.97 and 0.93 respectively) which gives us conclusion that there is statistical significant relationship between this two variables. In fact, there is almost 100% significant relationship between the outcomes and predicted value. The R<sup>2</sup> tells us that the proportion of the total variation in the dependent variable (GRNT stock market price) can be explained by the independent variable (BESK stock price). Using variance statistics, we determine f-test that confirms regression analysis significance. Very low level of Significance F confirms statistical significance of analyzed relationship. A t-statistics is high and confirms significance. We can also see that p-value (probability value - that explains that results occur randomly) is zero, which means that we are 100% confident that our coefficient (BESK) is significant for predicting GRNT stock price changes. There are only 6% chances that determined coefficient for BESK can be lower than determined in regression analyses.

Tables 6reportsmultiplied regression analysis results where ALK stock price as dependent variable was tested using other MSE stocks and MBI-10 as independent

variables. Our findings are confirmed with high values for Adjusted R Square and appropriate values of t-statistics and p-values.

Table 6 Multiplied Regression Statistics for ALK stock

Regression Statistics					
Multiple R	0,97				
R Square	0,94				
Adjusted R Square	0,94				
Standard Error	321,78				
Observations	999,00				
ANOVA					
	df	SS	MS	F	Significance F
Regression	8,00	1.558.065.574,45	194.758.196,81	1.880,90	-
Residual	990,00	102.509.492,30	103.544,94		
Total	998,00	1.660.575.066,76			
	Coefficients	Standard Error	t Stat	P-value	Lower 95%
Intercept	2.052,19	120,48	17,03	0,00	1.815,76
GRNT	3,42	0,20	17,31	0,00	3,03
KMB	0,15	0,03	5,46	0,00	0,10
MPT	0,01	0,00	1,57	0,12	0,00
REPL	0,02	0,00	4,97	0,00	0,03
SBT	0,07	0,03	2,04	0,04	0,00
STIL	0,14	0,45	0,30	0,76	1,03
MTUR	0,05	0,03	1,65	0,10	0,10
TPFL	0,07	0,03	2,37	0,02	0,01

Note: Significance at the 95% confidence level

Table 6 provides multiplied regression statistics results for ALK stock listed at MSE. Multiplied regression analysis is significant (Adjusted R² is 94%) which indicates high level of relationship between ALK and other MSE stocks prices. Regression statistics confirms our findings (with 95% level of confidence), that the proportion of the total correlation in the dependent variable (ALK stock market price) can be explained by the independent variables (stock prices of BESK, GRNT, KMB, MPT, REPL, SBT, STIL, MTUR, TPFL).

#### CONCLUSION

This paper contributes to the determination of the character of stocks returns and stocks' valuation at MSE. In particular, we first identify correlation between stocks at MSE. Using regression analysis we have determined strong positive correlation between stocks prices at MSE (most of the values oscillate around 0.90). We can see lower but still positive correlation among stocks and MBI-10. The difference of correlation among stocks and MBI-10 compared with only mutual stocks correlation coefficients suggest that MBI-10 changes are not immediately followed by the other stocks on MSE.

Linear and multiplied regression analysis results lead us to conclusion that there is statistical significance between stock prices at MSE as well as that regression analysis is useful tool for stocks market prices forecasting at MSE. We did not detect difference in our findingswhen analyze stocks from same industry and stocks from different sectors. The R²values confirmed that the proportion of the total correlation in the dependent variable (one stock price) can be explained by the independent variable (other stock price)as well as that accurate forecasting of one stock price movements will lead us to safe valuation and prediction of other stock future price. Using regression analysis we find that stock prices movements (as dependent variable) can be explained by MBI-10 as independent variable movements. We determine statistical significance among which lead us to conclusion that we can use MBI-10 returns for stock price forecasting at MSE. This finding can be used for portfolio management at MSE.

## ECONOMIC RISK AND GAMBLING AREA

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#### Abstract

The principles on which financial institutions operate, in whole or in part, applicable even in organizations that are not at first could not think of them have any common ground. One of these activities is the organization of games of chance.

Themes gambling as a business activity for the investor needs to make a profit, and for the community budget revenues based on taxes, with professional - theoretical aspect is not given due attention. In considering the game of chance is the dominant sociological approach where gambling is health - social problem, addiction or disability restraint which entails generally harmful consequences. As between gambling and organizing gambling as a business activity, unjustly withdrew the equal sign, so the organizers of games of chance are viewed as a necessary evil, something that exists, which contributes significantly to the truth filling the state budget, but it might have been better off. Somewhere inside Balkan mentality shared business activities to those social standpoint In - banks, insurance companies, etc., and those that are less valuable, while in those less valuable necessarily falls gambling. Therefore, the more serious professional - theoretical analysis of issues management organizations organizing games of chance, both from the standpoint of efficiency of organization in terms of making a profit, and from the standpoint of business risks to which these organizations face, in the Balkans, is not, nor is paid due attention.

**Key words**: risk, uncertainty, difficulties, gambling, VaR, probability, market, profit.

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Risks, as an integral part of life, are becoming increasingly important in the business activities of all entities that want to achieve their goals. Therefore, it may seem surprising, but the risks and uncertainties in economic theory have a fairly short history. The first serious theoretical elaboration of uncertainties and risks, was brought up by Frank H. Knight in 1921, the paper "Risk, Uncertainty and Profit". The prevailing approach until then was that economic activities have a high degree of randomness that are difficult to predict, and therefore manage unpredictable situations and risk.

The economic crisis in the world, which have spiraled in the last twenty years, have resulted in catastrophic losses for all participants in the financial market. A number of large public and failure of organizations and governments over the past ten years (Woolworths, Golden Wonder, Northern Rock, Citigroup, Enron) has led to questions considering possible risks, their identification, estimation of probability of their occurrence and their consequences, and came into the focus of observation and investors and customers and regulators. This resulted that risk management organizations (Enterprise Risk Management) becomes a "conditio sine qua non" for any serious business, and risk management is one of the key disciplines of the business.

Organisations face various forms of risk in business. Risk is everywhere and it stems directly from the unpredictability and uncertainty. The process of identifying, evaluate and manage the risks leading any business in the initial strategic objectives,

where it becomes clear that not everything can be controlled, but risk management can mitigate the negative effects of their occurrence.

The risks inherent in the business processes. Crisis, changes in the political, economic and financial sphere, market economy conditions, the organizational structure of the company, business processes, investment, innovation, etc. represent risks management daily life.

According to their character it can have extremely different forms:

- natural hazards (earthquakes, floods, lightning strikes, changes in the ecosystem, etc.) that are usually called risk of "force majeure"
- political risks caused by changes in the social environment,
- business risks (organizational risks organizational structure, implementation of the processes, personnel, etc.,
- operational risks products, markets, innovation, investment, financial risks risks of losses on financial positions).

In order to successfully manage the risks, companies must be able to be measured, which is, so far, the lack of application of modern methods, a problem.

Elaboration of measurement of market risk using VaR methods as value at risk, which is currently considered the best techniques of risk measurement and that the Basel Committee on Banking Supervision has accepted and recommended as a standard for measuring market risk. This part cover management issues of a market risk using VaR methods and point to the possibilities of their application, as well as past experience in the application and advantages and disadvantages of VaR method.

With regard to the necessity of managing business risks can be concluded to date, no significant companies, particularly financial institutions, can not be a long-term plan for their business without a full understanding of the environment and the risks that surround it and which are in operation every day. Therefore, the necessity of the risks management setup as imperative to business survival.

Seen from a business point of view, the question of risks, their identification, assessment of the probability of occurrence and risk management is extremely complex. Changes and developments in the closer or wider environment, regardless whether it is a natural, political, or business risks, have a certain, larger or smaller impact on the organization.

Taking into account the full complexity of risk issues, interactive impact on each other, as well as the necessary comprehensiveness in analyzing the impact of risks on business processes, business risk in the narrow sense, ie the risks that lead to losses in financial positions, which include:

- · Market risk:
- Interest rate risk;
- Currency risk;
- · Credit risk;
- Operational risk:
- Liquidity risk;
- The portfolio risk
- The risk of reputation and legal risk;
- · Country risk;

The level of development of organizational structures and business philosophies represented in management processes in most companies transition countries, in which among others also includes Macedonia, lagging behind the level of development of organizational structure and applied business philosophy

economically developed countries. Comes to active risk management, and methods for their identification, assessment of the probability of occurrence and their measurement is not paid to the system set attention. Risk management, as part of the organizational structure is often insufficient, or not represented in the functional organizational structure of the company, as well as companies operating in the financial markets, and management of business risks are still in the majority, operate on the principle Ex capita, or experience and intuition of individuals from top management. Therefore, the management structure of the company risk issues mostly deal consequently in respect to elimination of the consequences of their occurrence. This business approach, without the use of modern methods of active risk management, and if you always made with the best intentions do not always provide the optimal finishing result effects. All this ultimately leads to a further economic slowdown and reduced the competitiveness of domestic companies compared to developed.

There is an imperative Capture the connection of the domestic economy for developed and raising the competitiveness of domestic companies in relation to developed. This, among other things, implies that the change is now the prevailing business philosophy and the inclusion of modern methods of management. In this issue of management of business risks has an important role.

In order to successfully manage the risks, companies must be able to be measured, which is by far, the lack of application of modern methods, a problem.

In most of transition countries, as well as entities that are present on the financial market, excluding banks, to actively manage business risks in terms of the application of modern methods of their identification, assessment of the probability of occurrence and their measurement is not sufficiently represented.

Risk management, as part of the organizational structure is often insufficient, or not represented in the functional organizational structures and process management.

The notion of risk is fascinating to the point that attracts a large number of scientists and theorists since the Renaissance up to the modern era in which it was adopted as a standard. From the expressions that denote printed in unmarked sea and the uncertainty to an attitude in which the risk is known, measurable and predictable category.

The risk exposure uncertainty, or rather the uncertainty of future outcomes. Care thus consists of two components: uncertainty and exposure to the uncertainty.

From the aspect of financial management, risk is a condition in which there is a possibility of a negative deviation from the desired outcomes that we expect or hoped for. Therefore we can say that the risk existed in the financial operations must: be a possible cause economic damage, is uncertain and is random.

The international standard ISO 31000: 2009 in the manual, which includes definitions related risks, (ISO GUIDE 73), defines risk as the effect of uncertainty on objectives and explains that the effect can be positive, negative, or is a departure from the expected. These three types of events associated with the risk can be described as a chance (possibility), hazard (risk) or uncertainty or cumulative probability of all outcomes of this event will be the same as the first.

It is believed that the modern era of measuring risk in the world begins in early seventies of the last century. The crisis of the system of fixed exchange rates, inflation and volatility in interest rates caused a jump in oil prices on the world market, as well as the jump in oil prices, caused the financial markets to become highly variable, and their basic characteristics distinct volatility.

As a result of strong volatility in the financial markets there has been a collapse of many banks. Although the destruction of each bank has its own characteristics, when compared to the banking crisis of the past thirty years a noticeable have some common characteristics. Credit and market risk, due to investments in real estate and securities based on mortgages, were present in virtually every significant banking crisis. After the deregulation of the financial sector there has been a rapid increase in the marketing of credit, especially by investing in real estate and securities issued on the basis of them. Without adequate surveillance rising house prices attracted more investment. At the very moment the state of recession and falling property values, many banks due to their overexposure failed. Common to all these events was their unexpectedness and complete unwillingness of participants in the financial markets. The growth of interest in the management of financial risks is the result of efforts just to be in the future if it is possible to avoid or at least mitigate the effects of such fi nancial catastrophy. As a theoretical response to the emergence of high volyantholy, financial markets in 1973. Black-Scholes model, laid the basic conceptual framework for the measurement and management of risk, which, together with its various variants, eventually led to the development of a set of statistical and other methods in the analysis of financial markets.

Based on the risk management approach rough division of risks related to general and specific.

Common risks include risks of pure, speculative, basic, individual, dynamic, static, financial (credit, market, liquidity risk, operational risk, legal, political, settlement risk, solvency, profits, events), non-financial, systemic, non-systemic.

Specific risks in relation to the organizations that are most often identified as banking risks, the risks of insurance companies, the risks of investment funds, the risks of business organizacija.

One of the most common classification of risks is to:

- 1. Financial and non-financial risk financial risk involves situations in which there is uncertainty about the financial (monetary loss), while in the case of non-financial risks are no financial consequences.
- 2. Dynamic and static risk dynamic risk is one that occurs due to changes in the economy (changes in the level of prices, consumer tastes, income and expenses and Technology). Over a longer period of time in favor of society. Static risk is the loss that would be incurred even if there were no changes in the economy the dangers of nature and the dishonesty of an individual (not a source of benefit to society; a certain degree of regularity of occurrence of static risk over time can be observed).
- 3. The fundamental and specific risk which is based on the consequences and origin of the loss. The fundamental risk includes losses that are at the origin and consequences impersonal (economic, social, politically and natural phenomena), and affects large segments even the entire population. Specific risk includes losses arising from individual events and that individuals perceive more than the whole group (individual responsibility).
- 4. Clean and speculational risk the situation where there is the potential for loss but also the potential for gain. Clean the risk of a situation that involves only the possibility of loss or no loss.

International Financial Reporting Standards-7 (IFRS 7) determined the market risk as "the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other risks of price changes.

A comprehensive understanding of the currency risk is not satisfied with only static approach, as in the case of translational risk currency risk. In order to comprehend the risk exposure as a whole, must be constructed and dynamic approach to currency exposure. The goal of a dynamic approach to foreign currency risk is to consider relative prices of currencies that will occur in the near and distant future. The risk spectrum is referred to as economic exposure or economic risks of currency risk.

Economic risk of currency risk or economic exposure, determined the future flow of foreign exchange rates in relation to the course of a domestic currency. Because of these future flows economic exposure is not easy to define precisely, as is the case with the transactional and translational risk. The quantitative definition of economic exposure observed economic exposure to changes in the exchange rate as a percentage change in the economic value of the organization, expressed by market capitalization, resulting from exchange rate changes by one percentage poen.

International Financial Reporting Standards-7 (IFRS 7) defines credit risk as "the risk that one party to a financial instrument by not fulfilling their obligations causing financial loss to the other side."

International Financial Reporting Standards-7 (IFRS 7) Liquidity risk is defined as "the risk that an entity may have difficulty in meeting obligations associated with financial liabilities."

Financial business is regulated by a number of different laws, by-laws and other normative acts binding. Consistency provisions masses of adopted binding regulations is often extremely questionable. Norms, especially in lower binding laws are often inadequate for resolving legal issues relating to the operations of financial institutions.

It should also be noted that some of the activities that occur in the course of business, and the legal protection of banks or other financial organizations, for example the judicial process, in some cases it may have wider negative consequences and result in higher costs than anticipated positive effects of the judicial process.

Reputational risk can be determined as the risk arising from the negative perception of customers, partners, shareholders, or other relevant parties about the bank or other financial organization, that adversely affects the ability of banks or other financial institutions, to maintain existing or establish new business relationships and to maintain unhindered access to available sources of financing.

Reputational risk may have a negative impact on liquidity, profits and capital position of banks or other financial organizations, expose the operating losses, or reducing the number of clients. Therefore, the bank or other financial organization, should perform identification of potential sources of reputation risk it is exposed. This includes business bank liabilities, the related operations with other financial intermediaries within a financial group and the like. Risks stemming from it should be included in the bank's system for managing processes and the plans for unforeseen circumstances.

Country risk is the possibility that the borrower can not meet its obligations to foreign creditors for political, social, legal or economic disruptions that are happening in his country. It expresses the probability that the debtor country or borrower from a country is unable or unwilling to blink their obligations due to reasons that are not included within the normal credit risk. The risk of countries in which to invest means and probability of potential changes in the business environment have negative impact on operating profits or the value of assets in that country.

The exposure of Casino business or financial risks analysis in the foreground stands out liquidity risk, which is in the true sense of the word "conditio sine qua non" of business - Casino if you can not promptly pay its obligations, then the bankruptcy - closes. Also, for the casino business is very importance of the influence of the exposure to operational and other business risks.

The situation regarding the organization and normative regulation of the activity of organizing games of chance, more precisely in the area of special games of chance - Casino activity determines the general hypothesis that has proven through research. A general hypothesis is that the current way of normative regulation of organizing casino games of chance is not well resolved, it does not provide enough security to the players in terms of normative obligations established casinos that can cover the liabilities arising from operating the game, to the minimum necessary financial resources are not manufactured by the budget and not to suffice calculation models operably minimum required funds according to the number of places to play and the types of games that Casino organizes or wants to organize. At the same time hypothesis is that, in most cases, Casino Management, regarding the risks to which it is exposed Casino, due to a lack of eligible models and methods for measuring and identifying possible business losses on the basis of risk exposure, risk management is accessed, consequently, on a case-by-case basis, which is in final reflection on the profit that is realized from operations.

The basic idea regarding the activity of organizing games of chance, especially casino industry, processing from the scientific point of view in terms of: defining scientific models and methods of measuring exposure, primarily liquidity risk, followed by operational and other business risks, and scientific definition of the calculation model operably minimum required funds according to the types of games that Casino organizes or wants to organize. At the same time, it would be determined the underlying principles of Enterprise Risk Managament Casino activity.

## CONCLUSION

As the certainty or confidence in the outcome of events decreases, we are talking about increasing the risk. On the other side of security, as well as the complete opposite, there is uncertainty. At the same time, security, and certainty and uncertainty, and uncertainty endpoints which weighs the risk, but never touching. Namely, if the risk is reached the point of complete safety, then we can not talk about the risk - the risk at this point does not exist, it's gone. Also, if risk score another point of complete uncertainty, yet we can not talk about risk - the risk at this point does not exist, there was a problem.

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# APPLICATION OF GAME THEORY ON THE EXAMPLE OF THE CONSTITUENTS OF THE UNIVERSITY OF RIJEKA

Ornella Jadreškić<sup>6</sup> Ljerka Cerović Branka Crnković Stumpf

#### Abstract:

Game theory is getting more and more important in many social and natural sciences today. Using game theory, members of the game try to bring decisions that will enable them to get the most possible benefit. This paper is based on a game with a leader and two followers: the University of Rijeka (UNIRI) as the leader, while the followers are the Faculty of Economics (FE) and the Faculty of Tourism and Hospitality Management (FTHM). The strategies of their doctoral studies are presented. Both faculties want to offer high-quality doctoral studies in order to attract more PhD students. That would bring UNIRI closer to the goal: to be one of the three hundred best European universities by the year 2020. Presumptions of achieving the goal are rational decisions of its constituents, FE and FTHM. Hypothetical values are used in the paper, taking into account that the aim of the paper is not to form optimal strategies of the leader and the followers, but to consider the importance of the usage of game theory in higher education. The possibilities that players use are represented by the strategies of cooperation, folk theorem and tit for tat.

**Keywords:** game theory, higher education, doctoral studies, Faculty of Economics, Faculty of Tourism and Hospitality Management

### INTRODUCTION

Game theory is a set of theories and methods which are used in attempts to bring optimal decisions in various situations. John von Neumann is considered to be the founder of the game theory. Though he developed basic principles of game theory as early as 1928, the occurrence of game theory is related to the publishing of the book "Theory of games and economic behaviour" in 1944, which he wrote with Oscar Morgenstern. It started to apply in analysis of military strategies and wars, and today it is mostly used in economics, and other social and natural sciences.

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The subject of the research is game theory and its application in the analysis of the strategies of doctoral studies of economic orientation at the University of Rijeka, with special emphasis on the Faculty of Economics (FE) and the Faculty of Tourism and Hospitality Management (FTHM). The aim of this paper is to show how game theory can be used in acquiring decisions/strategies which will bring to optimal results. Hypothesis of the paper is related to the achievement of the University of Rijeka strategy, which includes increasing of the number of doctoral students and defended doctoral dissertations, and becoming one of the three hundred best European universities, with the assumption of rational behaviour of its constituents, FE and FTHM.

# 1. BASIC FEATURES AND HISTORICAL REVIEW OF THE GAME THEORY

Game theory is a theory of strategic interactions, i.e. a theory of rational behaviour in different social situations (Sharma, 2015). There are at least two participants, and the game starts by choosing a specific alternative by one of the participants. The result of this choice is a situation which determines the next choice based on alternative options. For each participant of the game, strategy is a set of instructions for playing that contain guidelines on what to do in certain situations during the game. If it is possible to choose the strategy that provides most profit, the competitor will choose an alternative strategy of which he can expect his own maximal profit (http://tacno.net/novosti/klasni-sukobbeskrajna-igra/). Both players can choose strategies that achieve most benefit for them, in which most benefit can sometimes be minimal loss.

## 1.1. About game theory: meaning, elements, types, hypothesis

As already highlighted, game theory describes strategic interactions and rational behaviour in social situations. The least number of players is two, and their goals can be common and contradictory. Game theory presents a set of rules, procedures, agreements and hypothesis according to which players have to act.

The most important terms in game theory are *strategy* and *move*. Strategy presents a set of possible actions available to every player, i.e. a plan of instructions for bringing decisions in different circumstances of the game (Sharma, 2015). Strategy depends on the profitability of the results, i.e. on the expected outcome of the strategic interaction. Move is a choice among possible alternatives by each player. Set of a larger number of moves makes one stage of the game (Mukić, 2014).

The structure of the game is defined by four elements:

- 1. Identity of the players at least two players have goals that are mutually exclusive. This is used for forming basis of a strategic game while each player chooses strategy according to his preference.
- 2. Rules regulate conflict among players. They define temporal aspect of the moves of all the players, strategies of each of them and information available to each of the players in specific move.
- 3. Result depends on the chosen options of the player, i.e. on the actions taken by each player during the time of his move in the game.
- 4. Payoffs the result of the player's preferences according to the outcome of the game. Payoffs can take place at the end of every stage of the game or as a final payoff which depends on the final result.

Players can have different interests for participating in the game. According to interests, the game can be:

- 1. Cooperative players have common interest. This leads to forming of coalitions with which they will adjust mutual behaviour and strategies for achieving optimal results.
- 2. Uncooperative no motive for cooperation. Interests of the players are in opposition, each player will make the move which will provide the most profit for him, no matter of the other player's move.
- 3. Combined has elements of both cooperative and uncooperative game. Players cooperate to certain measure because they have both common and contrary interests.

Analysis of the game theory is based on two basic assumptions (Sharma, 2015):

- 1. Rationality players are interested in maximizing their payoffs. Function of the utility in game theory is often called the function of the payoff. The payoff of the players is the earnings, i.e. expected profit. Thereby the hypothesis is that players are interested in maximizing their profits, so they follow rationally defined exogenous goals.
- 2. General knowledge broadened aspect of rationality which means that all the players know the structure of the game and that all of them act rationally. In general, the assumption is that all the players take care of their knowledge about the game and about expected actions of other players, i.e. that they behave strategically because other players behave that way.

Exceptionally important notion in game theory is Nash's equilibrium. It got its name after Nobel Prize winner John Nash. It is about the concept of the game that means that each player knows the strategy of the other player, so the basic premise of Nash's equilibrium is that every change or choice of a new strategy influences the strategies of other player or players (http://limun.hr/main.aspx?id=518692). Players in Nash's equilibrium bring the best possible decision taking into account the decisions of other players. However, Nash's equilibrium doesn't necessarily mean the most profit for all the players. Also, there are situations when players increase their profit with the agreement about simultaneous changes of strategies of all the players. In practice, the best example of this situation is cartel, because merchants inside the cartel agree on the way in which everyone would have benefit from forming it.

Game theory doesn't apply only in economical situations. Indeed, at first it began to apply in analysis of wars and military strategies. With time, as it will be analyzed further on in the paper, it has bigger role in economics, politics, sociology, psychology, evolutionary biology, computer science, philosophy etc.

#### 1.2. Development of game theory

Present-day model of game theory occurred in the 19<sup>th</sup> century. Two economists, Cournot and Bertrand, developed duopoly games, thereby making grounds for the development of uncooperative strategic game with Nash's equilibrium. The first mathematician who used game theory in practice is Ernst Zarmelo, who linked game theory strategies with chess in his article in 1912 "On the application of set theory to the theory of chess". Frederik Zeuthen developed game theory according to the model of market with few producers. With this model he set parameters for the development of cooperative game with Nash's equilibrium and Stackelberg's concept of dynamic games with leaders (1934).

Until 1944 game theory didn't have clearly defined role in economics and science in general. That year John von Neumann and German economist Oskar Morgenstern published the book "Theory of games and economic behaviour". They analyzed matrix

game with two players and sum zero, which means that the profit of one player must present the loss of the other (Rakočević, 2006). They started the analysis with the following assumptions: players behave rationally between each other and their interests are in conflict (their goals have no connection). In order to achieve maximum benefit, they will make various moves, which can be allowed and not allowed. Players make their decisions independently, which is why they constantly try to figure out what their opponents are thinking about (Rakočević, 2006). Precisely this last fact motivated von Neumann and Morgenstern to develop mathematical model of conflict and cooperation. Though at first they wanted to present strategic models on economic models, the Second World War also had influence on the development of game theory, in which war strategies were trying to be modelled by it.

In the year 1949 John Nash at the Princeton University (New Jersey) publishes his doctoral dissertation called "Uncooperative games". He was studying the theory of equilibrium and in only 28 pages of text set grounds of the game theory known as Nash's equilibrium, in which every change or choice of a new strategy influences the change of other player's strategy. Nash defined the difference between strategic and non-strategic players. Strategic players make bounding agreements in advance, while bounding agreements are not possible with non-strategic players.

In 1950s game theory starts to be used for practical purposes. Wars and military strategies are being analyzed, but on a higher level than during the Second World War. In 1950 game theory model known as *prisoner's dilemma* was formulated. It is the merit of American mathematicians Merrill Flood and Melvin Drecher, and Albert Tucker named the model. The simplest representation of prisoner's dilemma is matrix, and matrix itself gives all the information about the game. Rows in matrix present strategies of the first player, and columns strategies of the other player (table 1).

Table 1. Prisoner's dilemma matrix

	Player B keeps quiet (positive game)		Player F (negativ			
Player A keeps quiet (positive game)	A = 1 year	B = 1 year	A = free years	В	=	8
Player A admits (negative game)	A = 8 years	B = free	A = 4 years years	В	=	4

Source: author's interpretation

Variants of cooperation/un-cooperation are the following: if both players decide to cooperate (in this case not admitting the offense), they will get one year of imprisonment. If both players decide not to cooperate, i.e. admitting the offense, then the years of imprisonment will rise to four. But, if player A admits the offense, he will get eight years of imprisonment if player B keeps quiet. Then player B is free. The same situation happens in reversed roles, if player B admits the offense, while player A keeps quiet.

In the year 1954 Lloyd Shapley and Martin Shubik were estimating the measure of influence of the participants of the game in achieving income, called *power index*. In 1950s power index was mostly used in sociology for measuring voters' preferences at the elections (Mukić, 2014). The overall electoral system, which includes legislature,

executives, candidates and voters, can be presented as a game with n-players. The hypothesis is that the players who share the same preferences will form a coalition. Every coalition which has enough votes to pick a candidate or to pass a law is called the winner, while others are losers. In general, the strategy consists of finding the right partner so that the realized share in the coalition would surpass the amount that would be achieved by working on one's own.

In the year 1965 Banzhaf introduces a new power index. According to him, power index is defined as a probability of the change of the outcome of voting because the right to vote is not necessarily equally distributed among voters and candidates.

Theories of Shapley, Shubik and Banzhaf are characterized by the concept of strategic voting which will later become one of the most important concepts in politics. Besides in sociology, game theory is applied also in psychology. Psychologists started to study people's behaviours in experimental games. In 1970s game theory started to apply also in evolutionary biology.

R. J. Aumann used the game of prisoner's dilemma as US counsellor in negotiations on disarmament in 1960s. In order to achieve the wanted results, it had to come to cooperation. Players will cooperate today so that tomorrow there wouldn't be penalties for not cooperating. This kind of game Aumann called the *folk theorem*. Still, folk theorem explains the need for cooperation for achieving the goal of the game, but gives no instruction for playing prisoner's dilemma which would bring to conclusion that cooperation is needed for optimal results

(https://sikic.wordpress.com/2013/12/13/reciprocitet-i-iterirana-zatvorenikova-dilema/)

Those instructions will in 1979 be defined by a number of experiments by political scientist and mathematician Robert Axelrod with the theory of cooperation between players. Starting from the hypothesis that every player is selfish, he searched for strategies that could lead to their long-term cooperation which would insure benefit for all. He set a tournament to examine what kind of strategies would give best results in the game of prisoner's dilemma. Players were many, and the payoff matrix was defined in the following way (table 2):

Table 2. Payoff matrix at the Axelrod's tournament

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	Player B cooperates			Player B enters a conflict	
Player A cooperates	A = 3 points				A = 0 points
	_	В	=	3	B = 5 points
	points				•
Player A enters a conflict	A = 5 points				A = 1 point
	_	В	=	0	B = 1 point
	points				_

Source: author's interpretation

Each player played 200 games, and the winner was the player who collected the most points. The winner strategy was shown to be the *tit for tat* strategy, developed by Russian mathematician and psychologist Anatol Rapoport. The player who uses this strategy cooperates in the first round, and in every following round copies the moves of his rival. After analysis of the results, Axelrod gave four instructions for playing prisoner's dilemma: be good (cooperate and don't enter a conflict first), be just (respond

cooperatively to cooperation, and respond to conflict with conflict), don't be envious (be fair to your partner), and don't try to be smart (be consistent in your strategy).

In the year 1994 Nobel Prize winners for economics were John Nash, John Harsanyi and Reinhard Selten. Their theories contributed to the development of game theory and its importance in the analysis of economical phenomena (Mukić, 2014). Today game theory is theoretically and mathematically developed theory which successfully explains many phenomena in science, but also in everyday life.

# 2. APPLICATION OF GAME THEORY ON DOCTORAL STUDIES OF ECONOMIC ORIENTATION AT THE UNIVERSITY OF RIJEKA

The University of Rijeka has two faculties of economic orientation in its structure: The Faculty of Economics and The Faculty of Tourism and Hospitality Management. Both faculties have their doctoral studies and elaborated strategies for their implementation. In the second part of the paper strategies of the University of Rijeka, Faculty of Economics and Faculty of Tourism and Hospitality Management will be presented, after which they will be analyzed by game theory.

# 2.1. The University of Rijeka Strategy until the year 2020

The University of Rijeka was founded in 1973. During its existence it grew into one of the five hundred best European universities, and with that fact it is promoted as a centre of knowledge and excellence. It adjusts to the needs of different generations of people through continuous improvement of course programmes and programmes for lifelong learning. Sports activities of the University, which include great number of students, are also being especially encouraged. This enabled the University of Rijeka, along with the University of Zagreb, to be the host of European Universities Games in 2016. Excellent cooperation with the City of Rijeka and Student Cultural Centre also contributes to the development of the University. Entering European Union, the number of applications to the EU projects on the side of all the components of the University is expected to rise, which should insure bigger amount of financial means necessary for numerous science and development projects. Strategy Europe 2020<sup>7</sup> gives a great role in realization of its goals precisely to the universities, which for the University of Rijeka means that it has to adjust its strategy, besides to its own needs, also to the needs of the development of the community of west Croatia, so that all available potential for accessing European funds would be used.

The University of Rijeka Strategy until the year 2020 contains four main features (Sveučilište u Rijeci, 2014):

1. Research – the goal is to increase the number of defended doctoral dissertations, the number of students at the doctoral studies, of mentors in the doctorate, the number and quality of scientific works. That will be accomplished, besides by improvement of existing doctoral studies, also by opening new doctoral studies and schools. For the accomplishment of goals it is necessary to increase financial budget, so funds for research

75% and lowering the number of socially excluded persons.

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<sup>&</sup>lt;sup>7</sup> Strategy Europe 2020 is a strategy defined by European Commission as "a strategy for smart, inclusive and sustainable growth". It is formed in 2010 to direct countries of the European Union, especially those affected by global recession, towards economic recovery. Its goals include development of economy based on knowledge and innovations, more efficient exploitation of resources, environmental protection, high rate of employment of

supports are intended to be established. One of the goals is also the increase of protected intellectual property and the income of it. All this goals should enable the University of Rijeka to become one of the three hundred best European universities.

- 2. Education the goal is to improve efficacy of studying at undergraduate studies and insure favourable ratio of students and teachers. That should ultimately insure bigger number of postgraduate students and bigger number of doctoral studies. It is necessary to introduce programmes on music, improve the system of e-learning, continuously improve teachers of all academic ranks, increase the mobility of students, insure financial supports for students, and ultimately increase overall contentment of studying.
- 3. Public function connecting research projects with various organizations, increasing the number of students-volunteers, development of professional services for support of the new industries, strengthening the cooperation with the local administration, improvement of communication with the media, development of good relationships with the universities of the Adriatic region and development of sports culture. Though the University of Rijeka, together with the University of Zagreb, got to be the host of European Universities Games, it is necessary to strengthen this features, so that Rijeka would get the status of the European Cultural Capital in 2020.
- 4. Organization increasing capacities in education through greater inclusion of professional services, informational-communicational system, publishing activity and energetic efficiency system. Until the year 2020, the end of the second phase of the construction of the campus is planned, which includes student accommodation, four faculties (Faculty of Economics, Faculty of Engineering, Faculty of Medicine and Faculty of Health Studies), library, sports grounds, social and cultural centre, and upgrading the Faculty of Maritime Studies. The goal is to increase the quality of human resources, increase the number of researchers, insure the quality of teaching through evaluation, and invest in research and development. One of the most important strategic goals of the University is building the University Hospital and its integration in Clinical Hospital Centre Rijeka and the Faculty of Medicine in Rijeka.

Overviewing the strategic goals of the University of Rijeka, it is visible that one of the main goals is exactly the increase of doctoral studies, i.e. the number of doctoral students, their mentors, and defended doctoral dissertations. In the following pages, possible strategies of two faculties at the University of Rijeka, the Faculty of Economics and the Faculty of Tourism and Hospitality Management, will be shown by using game theory, in achieving one of the fundamental features of the University.

# 2.2. Strategies of doctoral studies of the Faculty of Economics and the Faculty of Tourism and Hospitality Management

The University of Rijeka Strategy gives great importance to doctoral studies. This includes both doctoral studies of the Faculty of Economics and the Faculty of Tourism and Hospitality Management. Their strategies are presented in the following pages.

#### 2.2.1. Doctoral studies at the Faculty of Economics

Faculty of Economics (FE) offers two doctoral studies (http://www.efri.uniri.hr/): Economics and Business Economics. The goal is to enable students of doctoral studies for leading of researches according to international standards and training in general for all kind of independent research. Attendants will be able to apply all of the trained skills in the process of making their doctoral dissertation at the highest academic level. Doctoral

studies stimulate forming of strategic partnership between FE, the University of Rijeka and the economy, and enable gradual establishment of research and development units into the economy.

Doctoral studies last from at least three to most ten years. Candidates with appropriate academic title and appropriate knowledge of English can enrol.

The price of doctoral studies is 75.000 HRK.

# 2.2.2. Doctoral studies at the Faculty of Tourism and Hospitality Management

Faculty of Tourism and Hospitality Management (FTHM) offers two doctoral studies (http://www.fthm.uniri.hr/): Business Administration in Tourism, and Hospitality and Management of Sustainable Development. Studies offer possibility for education of the economists in tourism and hospitality at the highest level for the needs of academic market and economy. The goal is to enable attendants of doctoral studies for leading independent research so that they could implement their knowledge into economy and overall society. That will be accomplished by theoretical and methodological teaching. During doctoral study connections will be kept between FTHM, the University of Rijeka and the economy. Maintaining of these connections is one of the strategic goals of the development of science in Croatia.

The price of doctoral studies is 13.600 EUR, which is, recalculated according to HNB middle exchange rate on June 1 2015, 103.105 HRK (1 EUR – 7,58 HRK).

### 2.2.3. Analysis of doctoral studies at FE and FTHM using game theory

Doctoral studies of the two faculties (players) in game theory terminology can be characterized as a game with two players. Game will be based on the following assumptions:

- 1. Faculties are each other's rivals; the assumption is that they will behave as oligopolists (duopoly). Players' power is limited because of the presence of competition, though every player would like to behave as a monopolist. Though game theory can't precisely determine which strategy will players individually choose, it can assume specific action of the opponent. In this case, strategic fight will mean competition in the prices of doctoral studies, i.e. their (as much as possible) quality, with optimal prices of doctoral studies. Players' profit depends on that, but also their reputation inside academic community.
- 2. Though they have the same goals, their game won't be cooperative because in that case there is no motive for continuing the game. All the information on doctoral studies are public and available, which means that players have complete information at disposal.
- 3. Players are perfectly rational and they try to maximize their profit. In their aim to achieve the best possible results according to their individual criteria, they will sometimes copy the strategy of their opponents and anticipate his moves based on that, which indicates broader aspect of rationality. The only condition for that is that there are no differences between players, i.e. that the opponents are equal.

In their goals, players differ in the following features: FE wants to attract attendants at its doctoral study who want to acquire competences for working in "all" economic areas, and doctoral study programmes will be based on that. But, besides that, it offers "insight" into extremely important theoretical aspect of economy which is given through the programme of Economics, which is something that FTHM doesn't have. It insures broad

theoretical knowledge to the attendants and qualities for scientific thinking and acting. FTHM is, on the other side, directed at attendants who want to improve their knowledge and skills in tourism and hospitality, and will offer less theoretical and more practical knowledge directed at tourism and hospitality. FTHM includes "sustainable development" in its programme, programme for continuous economic and social progress with great emphasis on ecology and protection of the environment. This is why FTHM doctoral study programmes will be more specialized than the FE programme. Taking into account that tourism is the most successful activity in Croatia, which brings most profit on all economical levels, it is possible that FTHM doctoral studies will be more popular. But that doesn't mean that FE will be less popular, its doctoral programmes will insure, however, broader knowledge and competences in all areas of economic activity. The matrix of the strategy of both faculties was defined in the following way (table 3):

Table 3. Matrix of the strategy of both faculties

	Orientation to the strategy of specialization - FTHM (B)			
		high	low	
Orientation to general and theoretical knowledge	high	Optimal strategy	A – competitive superiority B – low effect	
- FE (A)	low	A – low effect B – competitive superiority	Lesser quality of both studies	

Source: author's interpretation

The table 3 is made under the assumption *ceteris paribus* that every faculty strictly sticks to its programme, i.e. strategy. FE is more orientated to the strategy of general and theoretical knowledge, while FTHM is more orientated to the strategy of specialization. This means forming of plans and programmes of doctoral studies according to the preferences of each faculty. Each faculty will try to maximize its effect, so they will invest resources into forming doctoral study of high quality. This will consequentially "produce" capable, high quality PhDs, who will know how to use knowledge and skills acquired during their doctoral study in the best possible way. Because of these facts it is extremely important to be orientated to the given strategy. Then this strategy becomes **optimal strategy**.

Opposite situation presents low orientation of both faculties to its strategies. This situation can happen when faculties decide to combine strategies in order to attract more PhDs. For FE this would mean reduction of the theoretical part of doctoral study classes and increase of the specialized part. This by itself is not a bad strategy, but it is necessary to know that EFRI will, *ceteris paribus*, maximize its utility by high orientation to theoretical and general knowledge. Attempts to introduce specialization in the programmes of FE doctoral studies will disturb the balance of overall system of FE doctoral studies, which will result in **lesser quality** of its doctoral studies and in lesser number of their attendants. It is similar with FTHM, which orientates its doctoral studies to specialization in the area of tourism and hospitality. If FTHM would decide to reduce

the specialized part of doctoral study and increase the theoretical part, it would lose its "identity". That would bring to the following consequences: attendants who would like to specialize economics in the area of tourism and hospitality will be "disappointed". Most likely they will decide to enrol in doctoral study at some other faculty. Overall number of the enrolled attendants at FTHM will decrease, which will consequentially lead to doctoral study profit drop.

The third situation is high orientation of FE to its strategy of general and theoretical knowledge, while FTHM doesn't pay significant attention to its strategy of specialization. That's a huge advantage for FE, which would attract larger number of attendants to its doctoral studies in this situation. Students who have doubts about choosing their doctoral study in this situation would rather choose FE because of higher quality in comparison to FTHM and their new programme with less specialization. And while FE would in this way increase its profit from doctoral studies and achieve **competitive superiority**, FTHM would lose the quality of doctoral studies, the number of PhD candidates and the profit from doctoral studies. Finally, FTHM will achieve **low effect** of its doctoral studies. If it wants to improve its effect, i.e. maximize its utility, it will have to be more orientated to its strategy of specialization.

The fourth situation is high orientation of FTHM to its strategy of specialization, and low orientation of FE to its strategy of general and theoretical knowledge. Here FTHM will achieve **competitive superiority** over FE. Students who decide to study at doctoral studies will rather choose FTHM than FE. While FTHM stays with its strategy of specialization, FE is no longer trustworthy in its strategy. This will cause suspicion among the attendants, who will rather decide to choose FTHM in this situation. FE will eventually achieve **low effect** of its doctoral studies, lose part of its PhDs and also lose profit from its doctoral studies.

Overall analysis of strategy matrix of both faculties is based on assumptions. Exact information on increase or decrease of the number of enrolled PhDs, profit, and other changes would require deeper analysis, which is not the aim of this work. Price competition favours FE. Namely, the price of its doctoral studies is 75.000 HRK, which is 28.105 HRK (37,5%) less than at FTHM. However, in economical context doctoral study presents luxury goods which are related to greater elasticity of market. That means that, in the situation of two competitives, cheaper goods will be more wanted, i.e. the competitive who offers his services for lesser price. Though with luxury goods there is a danger of so called Veblen's effect (snob effect; http://www.academia.edu/8296444/666), it can be assumed that, taking overall economic situation into account and the fact that neither of the two faculties is a "world name", that is not about to happen. Situation can be set in the following way (table 4):

Table 4. Strategies of the players using the game of prisoner's dilemma

	FTHM (B)			
		Price strategy	Specialization strategy	
EE (A)	Price strategy	A = 30, B = 10	A = 20, B = 5	
FE (A)	Specialization strategy	A= 10, B = 30	A = 5, B = 20	

Source: author's interpretation

Remark: numbers in the table represent the number of enrolled PhDs

From the analysis of the table 4 it is visible that the dominant strategy for both players is choosing the price strategy. Dominant strategy will bring to more unrolled PhDs at both faculties, though more at FE than on FTHM. More attendants will enrol doctoral studies of a lower price. In this case, FE will be in advantage over FTHM because the price of doctoral studies at FE is lower. For FTHM this will present a loss of the part of the profit of doctoral studies, unless their price is lowered. The aforementioned would bring to doctoral studies profit drop, since their market share hasn't changed (quotas are the same, with less number of enrolled PhDs). The same as with the strategy analysis matrix of the two faculties, for exact amounts of profit increase or decrease, deeper analysis should be taken.

# 2.2.4. Inclusion of the University of Rijeka in the analysis of doctoral studies using game theory

Inclusion of the University of Rijeka (UNIRI) in the analysis substantially changes the overall "flow" of the game. Now it becomes a game with three participants, the leader (UNIRI) and the followers (FE and FTHM). In games with more participants the problem of choosing strategy won't usually be solved in one move, and the games will be repeated many times. The leader will be the first to take the action, and with the assumption that it's a game with complete information, he will be able to predict his followers' actions.

UNIRI presents the increase of the number of PhDs and defended doctoral thesis as its strategic goal. That is possible to be achieved in many ways, for example by increasing the number and quality of mentors. However, since in its development strategy until the year 2020 UNIRI gives great attention to grants and scholarships for students of doctoral studies, precisely this will be in the focus of the following pages. In the last chapter, the analysis using the game of prisoner's dilemma, besides the rest, showed that the dominant strategy for both faculties will be the price strategy, which brought FE into better position because of lower costs of doctoral study. However, a question arises: what will happen if UNIRI introduces scholarships for students of doctoral studies?

This will probably bring to more requests for doctoral studies in general. Taking into account that FE and FTHM have similarly defined strategic goals, in the model of game with three players arise a motive for forming a coalition. With coalition, independent action will be abandoned (rivalry) (Stackelberg's model of oligopolist's independent action) because of introducing the criterion of rationality (coordination) and maximizing branch profit (Edgeworth's contract curve) in the analysis. Based on the assumption of the rationality of the coalition option, simple matrix of a game with two players can be formed, with two possible strategies. These strategies are cooperation and conflict, and they will be formed according to the model of Axelrod's tournament (table 5).

Table 5. Matrix of a simple game according to the model of Axelrod's tournament

	FTHM (B)			
		Conflict	Cooperation	
	Conflict	A = -40, B = -40	A = 0, B = -30	
	Cooperation	A = -30, B = 0	A = 10, B = 10	
FE (A)				

Source: author's interpretation

Remark: numbers in the table represent "penalty" and "prize" points, depending on the willingness to cooperate

Analysing the simple game, the dominant strategy is cooperation. Both players will get "prize" points by cooperating, i.e. they will benefit from cooperation in the same measure. Along with that, they can make extra benefit. Players, besides being competitors, have a leader above themselves, and they can jointly achieve the level of action that will bring them benefit on both sides, so called win-win situation. The clearer common benefits are, the easier will players adjust to the common perspective. Players have to be ready for coordination because on the contrary, cooperation will fail. Also, they have to be ready for the possibility of carrying out *tit for tat* strategy, and *folk theorem*, i.e. they have to support cooperation, and penalize conflicts.

The University of Rijeka, through its development strategy until the year 2020, is interested in increasing the number of students at its constituents, and FE and FTHM are among them. Players will benefit from cooperation because they can jointly create strategy to attract students at their doctoral studies, and without jeopardizing their interests. Conflicts will not pay off because they will lead to certain sanctions on the side of UNIRI, which will consequentially put the competitor into better position. Why cooperation is the best way to achieve optimal result will be explained by the following

Table 6. Possibilities of choosing strategies for players-followers

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	Cooperation with UNIRI					
		Good	Bad			
Possibility of exclusion	Possible	Insufficient cooperation, danger of <i>tit for tat</i> strategy	Conflict			
from cooperation	Impossible	Cooperation	Strong self-interest, possible conflicts and danger of <i>folk theorem</i> strategy			

Source: author's interpretation based on http://pravac.org/misao/167/tragedija-zajednickog-dobra-suradnja-i-kolektivni-izbor

From the table 6 it is possible to conclude once more why cooperation strategy is the best for both players-followers. When players cooperate well with their leader, the leader won't have a motive for excluding the player from the game (or cooperation). Good cooperation will bring to optimal results, as for the players-followers, as for the leader. UNIRI wants to stimulate its constituents for larger number of PhDs and defended doctorates, and if FE and FTHM cooperate, UNIRI will insure numerous benefits: scholarships for PhDs, financial support to faculties, cooperation in scientific and research processes, accommodation etc. Besides that, cooperation will encourage good atmosphere on the studies, which will surely stimulate larger number of persons to choose doctoral

studies. That will have effect on the results of the study, and will lead to numerous positive effects (domino, synergy effect and others) on the analysed strategic features.

The opposite situation is **conflict**. When both players would enter into conflict with their leader, the assumption of achieving optimal results would no longer be possible. It would affect leader less than the followers, taking into account that UNIRI in its contents, besides FE and FTHM, has twelve more constituents (nine faculties, two departments and the university library). That would mean that, if players would enter conflict and decide to take independent strategies, the leader would no longer have motive for compromises which would encourage doctoral studies of the two constituents. He would redirect his resources on his other constituents, i.e. on those who are ready to improve their doctoral studies by cooperating. This situation would in most cases present harder way towards optimal results for players-followers, no matter if the faculties cooperate mutually or not. Each faculty would then need to invest more of its resources into realization of doctoral studies, which would bring to reduction of financial resources needed for realization of other levels of study and faculty projects. This would finally reflect on worse positioning of that component on higher education market.

The third situation is **insufficient cooperation**, i.e. good cooperation with the leader, but there is a chance of exclusion from the strategy. This situation can happen if faculties cooperate well with UNIRI, but don't cooperate mutually. This situation is already presented by the analysis of simple game with two players, but (then) without a leader. If one faculty would enter into conflict with the other, that would bring to harmful consequences and finally to its exclusion from the UNIRI strategy. At first that consequences would concern only the faculty in conflict, which would, with exclusion, lack significant sources and grounds for growth and development, and "sentenced" to the situation described in the previous part of the text. If the other faculty would continue with UNIRI at the level before the conflict, it is possible that it will profit by getting bigger resources for its doctoral studies. However, this is not a *win-win situation*, because while one faculty wins, the other faculty and UNIRI lose.

Also, in this situation there is a danger of *tit for tat* strategy implementation. The assumption is that the faculty which continues to cooperate with UNIRI will now get somewhat higher amount of resources for its doctoral studies. Though it didn't come willingly in this situation, there is a chance that other faculties will complain about the distribution or, in the worse scenario, that other faculties will want extra resources for its studies. Both situations will additionally aggravate already bad cooperation inside the game, so it is more likely that overall cooperation will fall apart, than that UNIRI and the rest of the faculties will continue to cooperate without the other faculty on the same level as before the conflict (breakdown of the "cartel").

The fourth situation is **bad cooperation** between faculty and UNIRI, but one that won't result in exclusion from the cooperation. This situation is the worst, worse even than the situation where everyone is in conflict. Everyone cooperates mutually, but everyone is "looking" exclusively at oneself's interest. In this situation UNIRI helps faculties with financial resources, but because of insufficient interest of faculties, that money is not used in the way it should be. Even bad cooperation between faculties is possible because in this scenario everyone will primarily "look" at oneself's interests. Faculties will stay in the game because they are ready to cooperate with UNIRI because of different forms of help that would surely facilitate overall management, but they are not ready to contribute to the realization of the UNIRI strategy goals in return. Funds will be used in the most appropriate way for the faculty (for example for other levels of study or activities that are not related to strategy), and that will cause bad cooperation with UNIRI. Cooperation will

maintain because no one will enter the conflict. However, in this scenario exists a danger of the realization of the folk theorem strategy. Still, UNIRI will, based on the results and the analysis of doctoral studies, notice that results are not on the wanted level. Sanctions to the faculties will follow and everyone will eventually be damaged. UNIRI still won't stop cooperating with faculties because, though the results won't be on the wanted level, the sense of the university are the faculties themselves, and this is why it is necessary to cooperate with them. However, faculties will be punished because of bad cooperation with their leader and that will eventually negatively affect their doctoral studies and overall management.

When finally all described strategies are summed up, it is concluded that the best strategy is good cooperation between all participants in the game. This will bring to optimal results collectively, but also on the level of each player individually. Aforementioned would mean that with cooperation, the outlined UNIRI strategy will be accomplished, and that includes increase of the number of PhDs and defended doctoral dissertations, and eventually entering among three hundred top European universities.

#### CONCLUSION

Game theory is a strategy that can be used in every segment of life, from every day, over important business decisions, to science. Often it can explain certain problems and processes better than the usual standardized (for example computing) procedures which are often taken for granted. That is why game theory, because of its great analytical power, takes very important place in more sciences and disciplines.

Theoretical part of the paper gives a review of the features of game theory and its development. Precisely through the research of its development, the dimensions of the use of game theory in the last 60 years in numerous sciences, mostly in economics, mathematics, sociology, psychology, philosophy and law are visible. Through the example presented on a theoretical level, by representation of the strategy with two and three players, the use value of game theory in bringing all sorts of business decisions and choices of optimal strategies is evident. Finally, optimal strategy is the key to success.

In the research focus of the paper is the application of game theory in the analysis of doctoral studies of the Faculty of Economics and Faculty of Tourism and Hospitality Management. After the analysis of the two aforementioned faculties as a simple game with two players, the University of Rijeka enters the game as the leader of the game, and faculties become followers. From the analysis of the game with the University of Rijeka as the leader and two faculties, FE and FTHM, as followers, the most important result is cooperation. Good cooperation which includes involvement of all the participants in achieving common goals is the optimal strategy which will bring to wanted results. Wanted results, defined by the University of Rijeka Strategy until the year 2020, are increase of the number of PhD students and increase of the number of defended doctoral dissertations. The analysis is taken on the grounds of knowing basic terms in the field of game theories. In the analysis of the example, basic terms are presented: simple game with two players, game with leader player and two followers, Nash's equilibrium and dominant strategy. The analysis is not completely trustworthy because only some of many possibilities of forming optimal strategy are presented. The analysis also doesn't rely on real, but hypothetical amounts. But the aim of the paper was not forming of players' optimal strategy, but showing the importance of game theory in overall analysis and decision making in the domain of higher education, with special emphasis on doctoral studies.

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# CREATING INNOVATIVE CULTURE IN FUNCTION OF ENHANCING BUSINESS DEVELOPMENT

Natasha Ristovska<sup>8</sup> Suzana Baresa Gordana Serafimovic

#### Abstract

This paper analyses the influence of innovative business culture on company's development. The aim of the paper is to present how companies can redesign their business culture and organizational climate in order to increase and encourage innovative ideas among employees. The formulation and implementation of innovative business practice is a trump of the top management to outrival the key opponents.

Detailed examination of best practices in the most innovative organizations is provided. Furthermore, an elaboration of the advantages of liberating the innovative and creative spirit in the company is included. A focus on the employees' resistance on change is also given.

The research is conducted on a total of 200 examinees from the top twenty most successful companies in the Republic of Macedonia for 2014. The results highlight the key aspects and importance of creating innovative business culture and policy for company's better implementation of development strategy and therefore, gaining competitive advantage, larger market share and better financial results.

**Key words**: innovation, culture, development, business practice

#### INTRODUCTION

The organizational culture represents a set of values, assumptions, beliefs and norms that unite the members of the company towards achieving its goals. The effectiveness and the success of the company depend largely on the manner in which employees apply the organizational culture. There are three aspects of culture that reflect on the company (Schreoder and Mauriel 2000, 855):

- Direction, which indicates the extent to which culture supports the achievement of company objectives,
- Penetration, which indicates the extent to which culture is widespread among employees, and
- Force, which indicates the extent to which the company's employees embrace the values

The presence of entrepreneurial culture enables the company to be prepared for changes in the environment, and it involves (Thornberry 2003, 334):

- The strategic orientation to be motivated by the understanding of the possibilities,
- Acceptance of opportunities through the implementation of revolutionary changes in a short term,

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- Optimization of resources by introducing many stages with minimal exposure of the resources in each one,
- Control of resources through the use of part-time assistance and rental of necessary resources, and
- Good management structure on several levels, with emphasis on informal and twoway communication, as opposed to strictly hierarchical structure.

The application of organizational culture within a company requires appropriate behavior from employees inside the company and outside of it. The company that strives for continuous development must be able to constantly change and also to adapt its organizational culture to the changes. Companies that encourage independence and entrepreneurial culture seldom or never condemn or punish mistakes in order not to destroy the entrepreneurial spirit among employees. Companies need to create a working environment where mistakes are accepted within reasonable limits and intrapreneurship is enhances (Seshadri and Arabinda Tripathy 2006, 20).

#### 1. TYPES OF ORGANIZATIONAL CULTURE

Based on the interrelationships between the environment and the organizational culture, there are four types of cultures. These cultures are characterized with the correlation between the stability and flexibility of the company in the environment on the one hand and the focus of the company's strategy towards internal integration and external orientation on the other. The types of organizational culture arising from the combination of these elements are (Goodman, Zammuto and Gifford 2001, 60):

- Adjustable or flexible culture, conducted in an environment that requires quick response and decision-making with a high risk or rapid transmission of signals from the environment into a new behavior inside the company by actively making changes, encouraging and rewarding the creativity of employees and experimentation.
- A culture of inclusion focuses on greater participation of employees in meeting the opportunities and conditions in the environment. In this case, the values of cooperation, respect for the opinions and ideas of employees and consumer opinions, avoiding differences between statuses, and creating a pleasant working atmosphere, is highlighted.
- Consistent culture focuses on consistency in the stable environment. This culture supports methods that regularly reward employees for successful and timely completion of designated tasks.
- Culture of achieving the company's mission, focuses on results through competitiveness, aggressiveness, personal initiative, good will, hard work for achieving objectives and expected results. The staff is fully committed to the work, motivated and competing to succeed.

The long-term success of the company depends on the right combination between cultural values and business results, as to developing organizational flexibility.

# 2. INNOVATIVE BUSINESS PRACTICES AND A NEED OF CREATING INNOVATIVE CULTURE

Innovative culture involves encouraging new ideas and a support for their implementation. The practices of the most innovative companies show that they (Wolcott and Lippitz 2010, 233):

- See innovation as competence. Innovation is a skill. They are introduced systematically, embedded in culture, behavior and leadership, by incorporating innovative management methods, staffing with innovative experts and leaders of teams for innovation, systems of valuation and rewarding creativity and innovation of employees.
- See innovation as a competitive weapon. Innovative companies use innovation to separate and differentiate from competitors in the market. The implementation of innovative policies through workshops continuously generating ideas into business units, designing innovative strategic initiatives, innovation within the core competencies of the company, using innovative methods for growth and development and market dominance.
- See innovation as a process. Innovative companies treat innovation as a specific and unique activity. Innovation is a continuous process, a set of efforts at all levels of management, embedded in the vision, mission statement, philosophy of leadership and imperative in productivity and quality of products and services.
- See innovation as a systematic and opportunistic tool. The most innovative
  companies are flexible and have different styles of creating opportunities, from
  sponsoring internal innovators and intrapreneurs through openness to ideas from
  external sources, experimenting with new concepts, cooperation with like-minded
  companies in uncompetitive industries in order to provide sources of new ideas and
  creating new trends in business as industry leaders.

Great leaders create working conditions, innovative culture and climate in companies which emphasizes the ability of people to create extraordinary results. Creating a climate for innovation is central to the process of encouraging and supporting innovation and intrapreneurial spirit among employees at all levels (Pinchot and Pellman 2000, 117).

There are three key cultural elements that companies should adopt to encourage innovation: the objective articulated in the corporate vision that should inspire employees for innovative ventures; the challenge articulated by competitive advantage and position of market leader by creating innovative solutions; and encouraging creativity among employees and undertaking risks because without risk there is no success, and every failure is a new experience.

There are nineteen innovative success factors (Pinchot and Pellman 2000, 106), which together create conditions for low cost innovations and with their help the innovation climate in organizations can be improved. These factors are fundamental measures of organizational health and capacity for innovation.

The freedom of experimentation during the implementation of tasks by employees and freedom to develop innovative ideas are integral parts of so-called innovative culture. Intrapreneurship succeeds when companies give to their employees support and encouragement, and create an atmosphere that promotes innovation. Therefore, the attributes of an innovative culture are (Martins and Terblanche 2003, 70):

- Long-term strategic leadership, where innovations are included in long-term planning strategies of the top management,
- Promoting innovation and intrapreneurship,
- Flexibility and scalability,
- Cooperation and teamwork,
- Continuous learning, and
- Tolerance of failure.

#### 3. INNOVATION CHALENGES OF THE TOP MANAGEMENT

In a dynamic environment, companies that need to maintain or strengthen their competitive advantage and strategic position, have to seek new opportunities and possibilities.

Companies must be open to innovation and willing to notice the changes that will represent an advantage for them. They should conduct systematic monitoring and assessment of the performance and build continuous learning in order to improve their performances. Management should create and implement business practices and policies that will provide incentives and support innovative work.

Various factors are encouraging the organization to innovate. Each of these drivers requires continuous innovation and learning, or repeatability of the innovation process. Also, these factors are helping to create a sense of urgency about the need to continually determine new organizational objectives and to provide ways of achieving these goals or to adapt the existing objectives according to the changes. The drivers of innovation in companies are in a variety of forms (Burns 2008, 281):

- The development of technology the basis for innovation,
- The actions of competitors can provide guidelines for projects and initiatives that should be taken,
- New ideas from customers, partners and employees, and
- Changes in the external environment.

There are no innovations without leadership. The role of top management in innovation is complex and tied to their view of innovation, their expectations for innovation to occur, to the design of a strategy that supports innovation and the power of innovation in terms of globalization, to the creation of innovative policy that enforces innovation, to provide the conditions that enable innovation through trust, cooperation and acceptance of the risk, and working continuously to remove obstacles that intercept and inhibit innovations.

#### 4. INNOVATION AND CHANGE

Successful changes in companies include change in organizational culture or change in the mindset. Changing the culture involves a major change of norms, attitudes, values and the positioning in the organization as a whole. The most commonly used approach to change the behavior of staff is training. Many companies offer training programs for managers because they think that the behavior of managers will affect other employees and will lead to changes in the organizational culture.

The most common problem that managers face while implementing change is the employee resistance to change (Skarzynski and Gibson 2008, 36). Effective management of the implementation process requires awareness among managers of the reasons why

people resist changing. Therefore, managers are forced to use various techniques for gaining the trust and cooperation of the staff. The employees are generally opposed to changes that they believe will deprive something valuable, such as the workplace, power, prestige, salary and benefits. They do not trust the intentions behind the changes, or do not understand the purpose of change. Also, uncertainty or lack of information for the future events makes employees to fear the unknown, they are not aware of the effects of change to them and if they will be able to follow new procedures and use new technologies. Managers cannot ignore the resistance, but their primary task is to diagnose the reasons that cause resistance and to design appropriate strategies and tactics for easier acceptance of change programs by employees (Jos H. Pieterse, Caniëls and Homan 2012, 799).

There are five successful tactics to overcome resistance to change (Kotter and Schlesinger 1979, 109):

- The approach of participation includes people who reject the changes in the processes. Although this approach is time consuming, people will understand the reason for change and will focus on the changes.
- Negotiations are commonly used as a mean of achieving cooperation. They are applied in order to ensure acceptance and approval of desired changes by bargaining.
- Constraint involves use of official power from managers to persuade employees to change. In this way, providers of resistance are forced to choose either to accept the change or lose their jobs. This approach is often necessary in crisis situations where there is urgency of rapid response; otherwise it should not be used because employees feel victimized and are angry to the managers, and even sabotage the changes.
- Support from top management gives a great help in overcoming resistance to change, because it emphasizes the importance of change for the organization.

Innovation is linked to the way organizations realize their growth and development. The growth usually is measured by profits and turnover, but also associated with knowledge, human experience, effectiveness and quality. Innovative organizations do allocate neither the time nor resources to define the past; they are directed to the future. The innovation in existing business needs creating a strategy, structure and culture that will allow people to be entrepreneurs and innovators. Also, through the established policy and system, the organization should provide security and rewards for the entrepreneurial behavior (Drucker 2011, 133).

As companies grow, the resistance to change is growing, because someone's positions or interests are threatened. Organizations in order to be entrepreneurial and innovative should adopt and implement specific business policies (Drucker 2011, 37):

- Innovation must be attractive and beneficial for the company for managers to support them (policy of rejecting all that is obsolete, unproductive and what creates mistakes, failures and erroneous efforts in operations, accurately determining how much and what kind of innovation is needed in the enterprise, in which areas and in what time frame; creating new products, services, processes and technologies which will make the company's future different from the present)
- Explanation of the importance of creating innovation and fostering the need for innovation (organizations do not measure innovation according to their scientific and technological importance, but according to their contribution in terms of market and consumers).

In order for organizations to hold to their mission, they need to constantly innovate and change the existing products, processes and services with other more effective. Focusing on innovation as a continuous process discloses the effect of creating a learning organization - learning how to innovate. The organization which constantly learns, therefore adjusts its behavior to external circumstances. Innovation is related to the concepts of novelty and originality, creativity, change, growth and development.

With innovation which plays a growing role in business success, organizations strive to find ways to enable more effective innovation. As we move towards the information century, the proportion of the budget of any organization that is dedicated to the innovation is rapidly growing. Creating an innovation culture in organizations has become a hallmark of the modern way of management.

#### 5. RESEARCH AND RESULTS ANALYSIS

The research has been conducted in ten of the top two hundred most successful companies in the Republic of Macedonia in 2014 in different sectors. The questionnaire was filled from a representative number of 200 examinees employed in these companies. Based on respondents' answers, relevant results on the situation with the innovations in Macedonian companies are obtained. Therefore, an important information about the existence of an innovative organizational culture, the willingness for innovation and the need for changes in Macedonian companies is gained.

To the question: The proposal of new ideas by the employees is encouraged in your company, the following answers were received: Yes, I agree – 98 examinees, or 49%, I partially agree – 64 examinees or 32%, No – 38 examinees or 19% (shown in Figure 1).

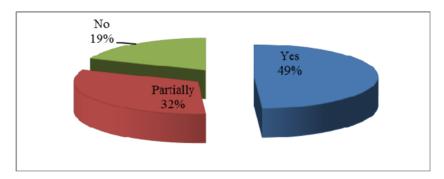


Figure 1. Encouraging new ideas by the employees

To the question: In my company, there is a policy for motivation employees to give innovative solutions, the following answers were received: Yes, I agree - 101 examinees, or 51%, I partially agree - 70 examinees or 35% and No-29 examinees or 14% (shown in Figure 2). The results indicate that Macedonian companies are trying to create motivation and inspiration among their employees incorporating it within the business policy in order to initiate innovation.

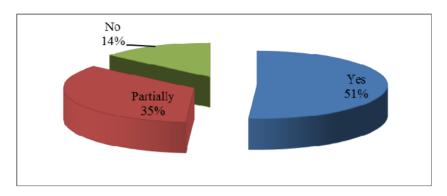


Figure 2. Policy for motivation of employees

To the question: *Employees who provide innovative ideas are rewarded in our company*, the following answers were received: *Yes, I agree* – 84 examinees, or 42%, *I partially agree* – 92 examinees or 46% and *No* – 24 examinees or 12% (shown in Figure 3).

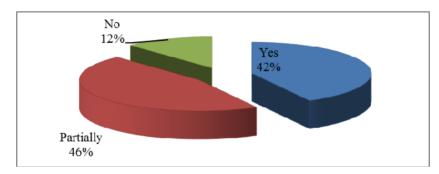


Figure 3. Rewarding innovative ideas

To the question: In our company, employees attend training for the development of creativity and innovation, the following answers were received: Yes, I agree – 84 examinees, or 42%, I partially agree – 86 examinees or 43% and No – 30 examinees or 15% (shown in Figure 4). These two subs equal questions show that Macedonian companies are designing strong innovative culture, providing rewarding systems for innovation ideas and training programs for development of employees' creativity.

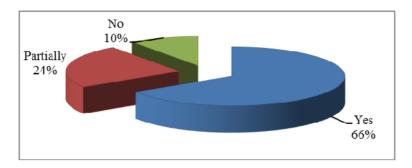


Figure 4. Training for the development of creativity and innovation

To the question: Change is a positive force that moves our company forward, the following answers were received: Yes, I agree - 95 examinees, or 48%, I partially agree - 87 examinees or 43% and No-18 examinees or 9% (shown in Figure 5). The results highlight that the employees in Macedonian companies conceive changes as a positive aspect of the business which wants to improve and be competitive on the market. This approves that companies create appropriate culture and climate bringing understanding and non-resistance to change.

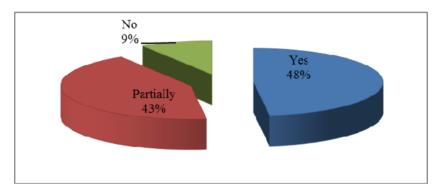


Figure 5. Positively treating change

To the question: New ideas and solutions from the employees are implemented in the products and services we offer, the following answers were received: Yes, I agree -116 examinees, or 58%, I partially agree -64 examinees or 32% and No-20 examinees or 10% (shown in Figure 6).

The results show that in more than a half of the observed companies there is acceptance of employees' ideas and their implementation is performed for improving the existing products and services or introducing new ones.

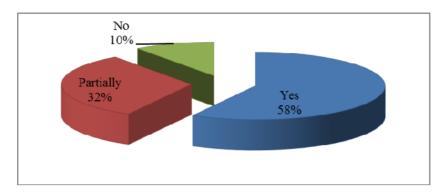


Figure 6. Implementing new ideas and solutions

To the question: The creativity of employees is a quality that our company promotes, following answers were received: Yes, I agree -109 examinees, or 55%, I partially agree -65 examinees or 32% and No - 26 examinees or 13% (shown in Figure 7).

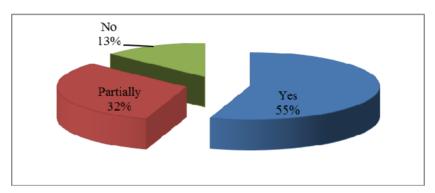


Figure 7. Promoting creativity of employees

To the question: Innovativeness of employees is an important element for the growth and development of our company, the following answers were received: Yes, I agree -131 examinees, or 66%, I partially agree -48 examinees or 24% and No-21 examinees or 10% (shown in Figure 8).

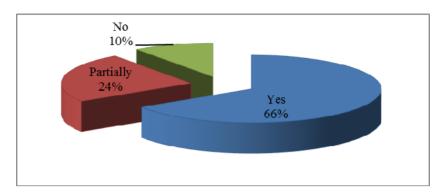


Figure 8. Innovativeness of employees an important element for the growth and development of the company

The results indicate that not only in the companies within their policies and culture but outside of them, through public relations and promotions, the creativity and innovation is pointed out as most important and significant factor for their competitiveness and further growth and development.

#### CONCLUSION

The research aims to promote positive examples of creating and implementing innovative business culture which succeeded at bringing the companies to the top of the most successful in the Republic of Macedonia.

The innovation process and innovation are part of a new technological era that offers opportunities for the competitiveness of businesses and top results. Focus on this survey is the importance of innovation and the creation of an innovative culture in organizations. The effects of innovative practices and policies are emphasized, and therefore, their impact on development, profitability and sustainability of today's modern companies.

According to the research results it appears that the Macedonian companies practice innovation policy in their work and to some extent they stimulate and motivate employees to provide innovative proposals and solutions, but there is room for further development of creativity and innovation. Proactiveness and creativity of employees is respected and promoted by their superiors and rewarding systems are established for employees which propose new ideas and innovative solutions, but there is a need for greater involvement by management in relation to the provision of technical and financial resources for successful implementation of these ideas and innovative solutions, and for providing continuous development programs and appropriate trainings for enhancing the creativity and innovation of employees. Employees believe that to a certain extent they have the freedom to think proactively and creatively in carrying out their tasks and have freedom to propose innovative ideas for improving processes, products and services. Employees are aware of the need for change and embrace the vision, mission and strategy of the organization as an overall attitude and participate in the creation of a corporate culture based on innovation.

Innovation, as thinking and practice, is an important element grounded in the organizational culture, indicated by the results of this research. Without innovation there is no competition, no new products, services and processes, or improvement to the existing ones. Each organization needs to encourage innovation and to develop innovative

culture that will complement corporate strategy to develop and maintain the company's competitiveness and profitability on the market.

The results of the study suggest the need and importance of making changes and encouraging innovations in Macedonian companies according to global market challenges and trends in the business. A key factor to enable and support the process of innovation in companies is setting the appropriate organizational strategy, structure and culture. Innovative culture is the basis for increasing the efficiency and effectiveness of the companies in the fierce competitive battle on the market through quality, uniqueness and knowledge.

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# FOREIGNERS' TRADES INFLUENCE ON EQUITY PRICES ON THE MACEDONIAN STOCK EXCHANGE

Julijana Angelovska9

#### Abstract

Emerging countries' economies are dependent on foreign capital inflows. The entrance of foreign capital on the stock market is temporarily useful, but contrary to the direct investments, foreign investors are seeking quick returns on their investments. For policy makers and researchers of particular interest is to understand the nature of these flows and their impact on the domestic capital market. The first significant foreign inflows entered the stock market at the end of 2004, and stock prices were increased. It was general belief among the investors that foreigners are driving the prices on the Macedonian Stock Market. When foreign investors enter the market, the MBI10 index raises contemporaneously, and vice-versa. This study examines the influence of foreign investors' trades on stock returns in Macedonia using base broadening and price pressure hypotheses. Strong evidence consistent with the base-broadening hypothesis shows that 1% of monthly net inflows as a percentage of last month market capitalization is connected with 7% rise in monthly returns on the Macedonian stock market. The findings do not support the price pressure hypothesis, so the rise in the prices is permanent.

**Key Words:** Monthly net inflows, return, price pressure, base broadening, emerging country.

#### INTRODUCTION

Emerging markets are generally small and illiquid. Thus, extreme price volatility is a matter of concern for investors and policy makers alike as guest in trading activities can exert significant pressure on prices. It comes as no surprise that regulators of these markets closely monitor the movement of foreign equity flows into their markets, and this movement has increased tremendously over the last two decades following a general trend in market liberalization (Pavabutr and Yan 2007). Despite the evidence that liberalization in these markets attracts more foreign portfolio investment and leads to both improvement in market liquidity and reduction in the cost of capital (Bekaert and Harvey 2000; Henry 2000), there is a lingering concern that the mobility of foreign equity flows may cause extreme volatility in these fragile markets. Macedonia, as small emerging country in the process of transition is dependent on international portfolio capital inflows. Opposite to direct investments, foreign inflows in capital market is associated with sudden increase in the stock prices when they enter the market and opposite sudden decrease in stock prices when they exit the market. Hence, policy makers and researchers have been interested in understanding the nature of those flows and their impact on domestic financial markets.

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Since 2005, a record of foreign investors' transactions have been kept and made public on a monthly basis on the Macedonian Stock Exchange (MSE), as in some other emerging stock markets. These data enable a rigorous analysis of foreign investors' trading patterns, the impact of their trades on stock returns, and the information contained in their trades.

The purpose of this research is to examine the effects of foreigners' inflow on stock prices. The objectives are:

To investigate if the rise in stock prices on the Macedonian Stock Exchange is result of broadening of the base of investors. Base broadening hypothesis is employed to test:

H0: 
$$\beta_1 = 0$$
 H1:  $\beta_1 > 0$ 

We expect to reject the null hypothesis if base-broadening hypothesis holds.

To investigate if the increase in the prices is temporary or permanent, price pressure hypothesis is used:

H0: 
$$\beta_1$$
,  $\beta_2 = 0$  H1:  $\beta_1$ ,  $\beta_2 < 0$ 

If the price pressure hypothesis holds, the coefficients of lagged unexpected flows would be negative and significant.

The remainder of the article is organized as follows. Section 1 discusses the literature on the effects of foreigners' inflow on the stock prices. Section 2 describes the development of the Macedonian Stock exchange. Section 3 describes dataset and Section 4 the methodology on base broadening and price pressure hypothesis. Section 5 presents the empirical findings, and the conclusion evaluates whether the results warrant any change in the hither to conventional conclusion.

#### 1. LITERATURE REVIEW

Defenders of capital flow liberalization argue that Foreign Portfolio Investment tends to increase the liquidity and the efficiency of local markets. They claim that in the long run, the expected return decreases as a result of market integration. Henry (2000), Bekaert at al. (2002), and Kim and Singal (2000) address this issue and test the abnormal returns after market liberalization. These studies argue that, with more foreign investors, start-up companies as well increases the liquidity of local markets, and makes the base of investor broader, increasing the risk sharing.

Economic theory generally suggests that speculative activity enhances the informational and allocation role of asset markets thereby making markets more efficient (Grossman 1995; Grossman and Stiglitz 1980). Foreign speculative activity in emerging markets can play a particularly important role.

One strand of this literature studies the joint dynamics of foreign investor flows in equity markets and equity returns. Foreigners' trades are viewed to have strong influence on equity prices, and their trading has been closely watched by local market participants. The researches associated with foreign trading in the emerging markets are interested with particular focus on the effect of foreign trading flows on returns. Tesar and Werner (1995a, b), Bohn and Tesar (1996), and Brennan and Cao (1997), Choe at al. (1999) found

positive, contemporaneous correlations between international portfolio inflows and stock returns in emerging markets. Based on the market segmentation theories, there are two main factors that can explain the increase in share prices when there is an increase in the foreign participation. By increasing the investor base, diversification and risk sharing increases lowering the risk premium of stocks (Merton 1987; Errunza at al. 1989) and second factor is that the liquidity risk may be lowered by the flow of new investors. Merton's (1987) market segmentation model shows that the equity prices may rise as a result of a wider investor base for a given stock. This model can be applied to the emerging market case to illustrate how the prices will be affected when the investor base is broadened by the inclusion of foreign investors. Clark and Berko (1996) use this model to assess the impact of foreign portfolio investment in Mexico and show graphically that the percentage of foreign investor holdings in Mexico had increased during the period analyzed. However, a more formal statistical test would be necessary to assure that the base is really broadening. Following this line of reasoning, Tabak (2003) tests for cointegration of Brazilian stock returns and FEPI on the São Paulo Stock Exchange (Boyespa). He found that the Boyespa index is co-integrated of order one with the FEPI. Then, he built an error correction model, being the FEPI series integrated of order one during the period analyzed. Brennan and Cao (1997) argued that the contemporaneous correlations may be attributed to international investors updating their forecasts more frequently than local investors in response to the public release of market information. Yu and Lai (1999) and Lin and Ma (2002) also found that trades by foreign investors influence the Taiwanese stock market. In a segmented market case with foreign investors, the return is the product of the world market beta and the world risk premium (Bekaert and Harvey 2002). Therefore, in a segmented market, it is expected to have lower returns. This is concurrent with the equity market segmentation theory of Stulz (1995) which suggests that, changes in the investor base of emerging market equities will increase risk sharing and liquidity, therefore expected returns fall and prices rise.

Other possible explanation for the contemporaneous relationship between foreign flows and local returns is the price pressure: it may be the case that trading volumes of foreign investors are very high for the size of emerging markets, what may cause price pressures due to low liquidity of such markets. Clark and Berko (1996) used Warther (1995) approach to evaluate price pressure by foreign investors in the Mexican stock market. They found that unexpected net foreign flows as the sum of 1% of the market capitalization is associated with an increase in prices by about 8%, and also did not reveal shifts in prices in favor of the hypothesis of pressure on prices in the Mexican market. Also Dahlquist and Robertsson (2004) studying the investment behavior and the influence of foreign investors on the Swedish capital market, with monthly data documented that net foreign flows equal to 1% of the market capitalization is associated with a 2.7% increase in prices and would pressure prices. Richards (2005), using daily data from six Asian developing countries revealed that net foreign purchases equal to 1% of the market capitalization is associated with a 38% cumulative increase in prices, while İkizlerli and Ülkü (2008) using monthly data estimated that net foreign purchases of equal 1% of the market capitalization on the Istanbul Stock Exchange is related to 14.89% increase in stock prices and also revealed no pressure on prices. Also Froot and Ramadorai (2001) found no evidence of price pressure on institutional equity flows.

The literature about the behavior and the effects of foreign investors on stock markets has two main points. One focuses on granger causality or concurrent movement between stock's returns and foreign flows. The other focuses on anomalies that may cause destabilizing effects such as positive feedback trading, herding, volatility jumps and price

pressure. Some articles build theoretical models based on information asymmetries between foreign and local investors. The local investors would have an information advantage that would impact prices. Price movements would then be a signal to foreigners, leading to positive feedback trading by this type of investors. One of the results is that there is a contemporaneous relationship between local market returns and foreign portfolio flows (Brennan and Cao, 1997). The empirical research of Bohn and Tesar (1996) and Brennan and Cao (1997) uses quarterly data of US investments on foreign equity markets (developed and emerging), finding a positive contemporaneous correlation of these flows and local returns on most of the countries analyzed.

#### 2. SOME STYLIZED FACTS ABOUT MACEDONIAN STOCK EXCHANGE

The modern history of the Macedonian capital market is associated with structural changes in the 1990s, crossing the country's transition to free market economy. The process of privatization has already resulted in the formation of more joint stock companies which have imposed the necessity of creating the market infrastructure for the transfer of newly created securities. Although many regional markets passing through the same transition period were established earlier, the constitution of the Macedonian Stock Exchange launched in September 1995. The capital market in Macedonia has undergone a robust development since the 2005 (Angelovska, 2014). Macedonian Stock Exchange within the short history period witnessed its first bull and bear market and the stocks have experienced either extreme capital gains (2005-2007) or extreme capital losses (2008-2009). It can be noted from Figure 1 that the MBI was in a 'bear market' in 2008 and 2009; with the market losing almost 80%. The peak was reached with index 10.057,77 at the end of August 2007. At the end of 2008 the index was 2.096,16 losing 80% of his value, and continue till March 2009 when the index fall to 1.598,50 and finished the year with 2.751,88. The investors in Macedonia and other transition countries that moved in a similar way paid very expensive the investments lecture about the behavior of the stock market.

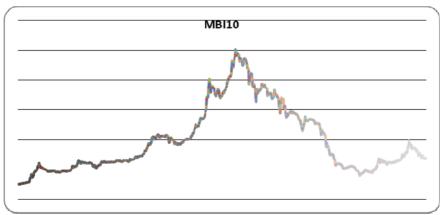


Figure 1 MBI performance during the period 2005-2009

Source: MSE

In the period that follows 2009, Macedonian index MBI 10 is characterized by stable downsizing line starting 2010 with maximum value of 2978.26 (4<sup>th</sup>, February), to minimum at 8<sup>th</sup> of November 2013 (1556,96). This period is associated with low liquidity and even if the foreigners wanted to exit the market it was difficult due to the low trading volume or lack of investors' interest to buy stocks. The movement of the MBI 10 index in the period 2005-2015 is shown in Figure 2, and give explanation why under investigation in this study is turbulent period 2005-2009.

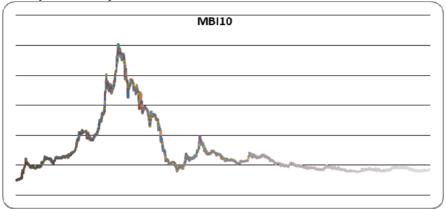


Figure 2 MBI performances during the period 2005-2015

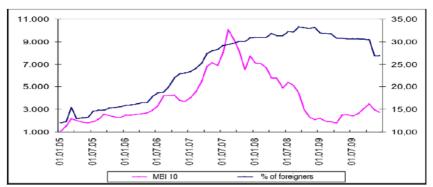
Source: MSE

### 3. DATA

Data used in this study are monthly based, during the period from January 2005 to December 2009. We employ this data obtained directly from Macedonian Stock Exchange and Macedonian Central Securities Depository, which includes monthly gross purchases and sales by foreign investors for all firms included in MBI 10 index, since January 2005.

For the market return, we use the MBI10 stock index which includes the same 10 companies. Market returns are computed by taking the first difference of the logged monthly closing values of the MBI10 index in local currency.

Figure 2 shows percentage of participation of foreign investors in the listed company's total equity and monthly movement of the index MBI10 in the period 2005-2009. The percentage of foreign participation in companies equity included in MBI 10 index during the observed period has mean value of 24.6% with standard deviation, 7,3%, minimum value of 12.04% and maximum value of 33,33%.



**Figure 3** Participation of foreign investors in the listed company's equity and monthly movement of the index MBI10 in the period 2005-2009.

Source: MSE and Central Securities Depository

The participation of foreign investors in the equity of the companies: Alkaloid, Makpetrol, Granit, Toplifikacija, Stopanska Banka Bitola and Komercijalna Banka Skopje are shown in Figure 4 together with monthly movement of the particular company's share prices. Similar movement of the participation of foreigners in the company's equity and rise of the stock price can be noticed.



Figure 4 Participation of foreign investors in the company's total assets and monthly movement of their share prices in the period 2005-2009

Source: MSE

Table 1 provides the summary data on foreigners' aggregated purchases and sales for all firms of MBI 10. In the first 3 years net purchases were positive and the maximum was reached in 2007. After 2007, they began to decrease and net inflows made by foreigners become negative.

**Table 1** Summary statistics in billion denars

	2005	2006	2007	2008	2009
Market capitalization- shares	50,66	86,48	288,77	106,29	122,08
MBI Return-yearly	129,2	61,54	109,07	-72,92	31,28
Sales - foreigners	0,64	1,28	7,38	5,61	3,53

Purchase -foreigners	2,76	5,64	18,8	3,86	2,91
Net-buying- foreigners	2,12	4,36	12,22	-1,52	-0,62
Volatility:Net-buying-					
foreign	0,14	0,2	0,89	0,22	0,05

Source: MSE and Central Securities Depository

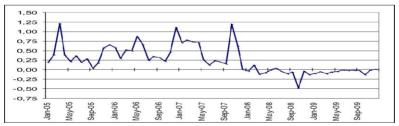
Figure 5 shows time trend of monthly buying and selling as a percentage of total trading volume, where obviously is shown that when foreigners are buyers stock prices rise, or during the boom 2005-2007, on the Macedonian Stock Exchange, and when they started to sell the market went down,2008-2009.



Figure 5 Time trend of monthly buying and selling by foreigners as a % of total market volume

Source: MSE and Central Securities Depository

The "net purchase" and "net inflow" are used interchangeably as a measure of purchases minus sales by foreigners on the MSE. Since purchases, sales, and net purchases are not stationary variables, we need to normalize as in all other studies such as Bekaert and Harvey (2002), Dahlquist and Robertson (2004), Griffin et al. (2004) and Richards (2005). To normalize the raw variable net purchases, it is done by dividing it by the contemporaneous market capitalization. Such normalization is also useful to figure out how important the net demand is compared to total supply of available shares. Net purchases of foreigners as a percentage of total market capitalization throughout our sample period are shown in Figure 6.



**Figure 6:** Monthly Net inflows of foreigners as a percentage of market capitalization. Source: MSE and Central Securities Depository

Monthly Net inflows of foreigners as a percentage of market capitalization in the period of January 2005 to December 2009 were mostly positive with mean of 0,25%, but the volatility was significant measured in standard deviation of 0,36 or maximum percentage was 1,2% and minimum -0,48% participation in market capitalization. In the

period of boom 2005-2007 mean was 0,46%, with maximum 1,2% and minimum 0,001%, and standard deviation of 0,31, and in the recession period 2008-2009, the mean was negative -0,07%.

#### 4. METHODOLOGY

In this study to test if net foreign inflows cause equity prices to rise, using monthly data from Macedonian Stock Exchange first we test for the existence of base-broadening hypothesis. To see if this increase in stock prices is temporary or permanent we test for the existence of price-pressure hypothesis.

### 4.1. Base Broadening

Merton's (1987) market segmentation model shows that the equity prices may rise as a result of a wider investor base for a given stock. This model can be applied to the emerging market case to illustrate how the prices will be affected when the investor base is broadened by the inclusion of foreign investors. Clark and Berko (1996) use this model to assess the impact of foreign portfolio investment in Mexico.

$$R_t = \beta_0 + \beta_1 \frac{N_t}{MCap_{t-1}}$$
 (1)

Rt return

Nt net foreign inflow

market capitalization, at time t-1

 $H_0: \beta_1 = 0 \ H_1: \beta_1 > 0$ 

We expect to reject the null hypothesis if base-broadening hypothesis holds

## 4.2. Price pressure

One possible explanation for the contemporaneous relationship between foreign flows and local returns is the price pressure: it may be the case that trading volumes of foreign investors are very high for the size of emerging markets, what may cause price pressures due to low liquidity of such markets. Clark and Berko (1996) used adapted Warther (1995) approach where unexpected inflows lagged for 3 months are added in the regression with returns as dependent variable.

$$R_{t} = \beta_{0} + \sum_{i=1}^{4} \beta_{i} U_{t+1-i} \left( \frac{N_{t}}{MCap_{t-1}} \right)$$
 (2)

Rt return

Nt net foreign inflow

market capitalization, at time t-1

 $U_{t+1}$  unexpected inflows

$$H_0: \beta_1, \beta_2 = 0 H_1: \beta_1, \beta_2 < 0$$

If the price pressure hypothesis holds, the coefficients of lagged unexpected flows would be negative and significant.

#### 5. RESULTS

To test the hypothesis for base broadening and price pressure there is need to do preliminary analysis on data series. A formal statistical test is necessary to find properties of the time series. So first test for stationarity and autocorrelation is done as a prerequisite for performing hypothesis testing on time series.

# 5.1. Preliminary Analysis: Stationarity and Autocorrelation

ADF (Augmented Dickey and Fuller) is used to test the stationarity of the foreigner's net inflows, net inflows as a percentage of market capitalization, monthly indices and monthly returns. The results in Table 2 strongly suggest that the net inflows as % of market capitalization is stationary, i.e., integrated of order zero I(0). The monthly returns are stationary, i.e., I(0).

Table 2 ADF test statistics

Table 2 ADF test statistics				
		Net inflows		
	Net inflows	as % of market capitalization	Monthly indices	Monthly returns
ADF test -	_		-	_
statistics	4,20779	-3,481245	1,460737	5,468365

MacKinnon critical values to reject the hypothesis for unit root: 1% level of significance -3,436749, 5% level of significance -2,864254, 10% level of significance -2,568267.

The second step is to test for autocorrelation whish can reveal a lot about the predictability of the variables. The net inflow is transformed as a percentage of last month market capitalization as suggested in Richards (2005). Tests are shown in Table 3 and can be noticed bigger autocorrelation in net inflows as percentage of last month market capitalization than in the returns, so positive autocorrelation can mean that increase in net foreign inflow will be followed by farther inflows in the next months. Q-statistics is calculated to provide more evidence of autocorrelation in the monthly series.

Table 3 Autocorrelation and O-statistics

T MDIC C I I MIC CO.	er erantrott anta Q	Butter	
ACF net	Q-	ACF	Q-
inflows	statistics	returns	statistics

1	0,607	22,828	0,307	5,8269
2	0,407	33,296	0,028	5,9761
3	0,380	42,583	-0,107	7,4526
4	0,301	51,713	0,105	8,9139
5	0.220	56,283	0,147	10.058

### 5.2. Results: Base broadening hypothesis

Hypothesis for base broadening says that with foreign investors' inflows the base of investors on the local market is increased and will cause the rise in prices. The results of regression in equitation (1) are shown in Table 4.

**Table 4** Regression results from Equation (1)

Tuble Heegi						
Dependent variable	Coefficient	t-statistics	Probability			
C	-0,44	-0,19	0,84			
% Net inflows in MC(-1)	6,99	2,63	0,01			

The statistically significant positive coefficient in base broadening hypothesis shows that the null can be rejected, and the conclusion is that there is base broadening. 1% of monthly net inflows as a percentage of last month market capitalization are connected with 7% rise in monthly returns on the Macedonian stock market.

## 5.3. Unexpected net foreign inflows as a percentage of market capitalization

Even if there is evidence in favor of base broadening hypothesis the coefficient β<sub>1</sub> from

Table 4 would likely understate the impact of foreign inflows on the Macedonian capital market. The efficient market hypothesis implies that relevant information available at the start of the period should rise ahead of the actual inflows. So the expectation that foreign demand ultimately would raise the prices up, even if they invest gradually, prices should rise ahead of the actual inflows. Moreover if the investors are unsure about the magnitude of new foreign demand for Macedonian stocks and the arrival of the information will causes investors to raise their estimate of total foreign inflows that should push the prices to higher level. Expectation on the stock market is of great importance and taking into consideration this, the regression should be made on expectational revisions about the

evolution of the investor base. As expectational revisions are not directly observable auto regression model is used. Using Schwarz and Akaike criteria that can help to evaluate best fit of the model, the best model was chosen or the model AR(3), shown in Table 5. We use the residuals for the series of the expected (adjusted) foreign inflows. Unexpected net inflows will be defined as observed inflows minus investors' expected net inflows.

**Table 5** Regression coefficients on net foreign inflows as a percentage of market capitalization (A3)

market capitalization	(120)	St.	t-	
	Coefficient	error	statistics	Probability
	0,33	0,27	1,24	0,22
AR(1)	0,61	0,11	5,67	0
AR(2)	-0,04	0,11	-0,39	0,69
AR(3)	0,19	0,07	2,84	0,01
$\mathbb{R}^2$	0.48		Akaike	1.58
Durbin-Watson	2,02		Schwarz	1.73

# 5.4. Results: Price pressure hypothesis

We found that foreign trading impacts contemporaneously the returns on the Macedonian stocks. But this effect can be only temporary and these price movements may not be permanent and may be solely due to lack of liquidity of local markets, being reversed on the following months. In this sense, foreign trading would be harmful to the local financial markets, since it generates more volatility. To test this, price pressure hypothesis regression from equation (2) was used and results are presented in Table 6.

**Table 6** Regression results from Equation (2)

Tuble of regression results from Equation (2)						
	t-					
Dependent variable	Coefficient	St. error	statistics	Probability		
С	1,6	1,88	0,85	0,4		
Unexpected						
inflows	0,29	3,73	0,08	0,94		
Unexpected						
inflows (-1)	1,47	3,73	0,4	0,69		
Unexpected						
inflows (-2)	8,05	3,73	2,16	0,04		
Unexpected						
inflows (-3)	3,54	3,75	0,94	0,35		

There is positive and significant coefficient calculated for the lagged unexpected inflows for two months. The explanation of the coefficient will be that unexpected inflows two months behind will produce 8.05 percentage increases in the monthly returns. Rejection of the null hypothesis gives evidence that there is no price pressure and can be concluded that there is permanent increase in the prices.

#### CONCLUSION

The analysis of the relationship between foreign inflows and stock prices confirmed the general belief among market participants that foreign flows at the Macedonian capital market have a significant impact on stock prices. There is evidence that the base of investors is broadening, and the results showed that 1% of monthly net inflows as a percentage of last month market capitalization is connected with 7% rise in monthly returns on the Macedonian stock market. The research coincide with the researches already done ( Clark and Berko 1996; Dahlquist and Robertson 2008; Richards 2005; İkizlerli and Ülkü 2008).

Price pressure hypothesis was employed to find out if this increase in stock prices is temporary or permanent. There is no price pressure; the rise in the prices is permanent. The results showed that unexpected inflows two months behind will produce 8.05 percentage increases in the monthly returns.

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# DYNAMIC CONNECTIONS BETWEEN SERBIAN AND MACEDONIAN STOCK MARKET

Eldin Dobardžić<sup>10</sup>

## Abstract:

This paper investigates the nature and extent of interactions between the Serbian and Macedonian stock markets. Using the most recent data for the appropriate stock market indices spanning the period 2010-20015, market interdependencies are gauged by running cross-correlation and Granger causality tests. The results show statistically significant correlations between these markets. The correlation value between them is positive. In addition, evidence of unidirectional causality is found among them.

**Keywords:** time series analysis, correlation, connections, causality

INTRODUCTION

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There are a number of different factors that have contributed to the increasing interdependence between the international stock markets since 1980. Since 1980 a lot of barriers have been removed because of institutional changes like the deregulation of the capital markets, the abolition of the withholding tax on interest payments (especially by the United States of America). Additionally, technological changes have caused development in communications and trading systems. Nowadays there are many overseas securities listed in various stock exchanges while investors have immediately information from every stock market in the world and are able to conduct transactions everywhere and from everywhere on the planet.

Central and Eastern European is a new stock market region among the other emerging markets. All the markets here started in the beginning of 1990-s. As the youngest market region, CEEM attract attention with their high returns and return benefits to foreign investors.

Serbia, which also has an emerging equity market, is slowly becoming a part of the global financial system after a period of economic isolation. One of the main steps on this road was the establishment of the Belgrade stock exchange as a representation of the Serbian institutional equity market. After changes of the model of privatisation from 2001, the Belgrade stock exchange began trade with papers. That was the beginning of new era in the business of Belgrade stock exchange. Serbia now has interactions with all regional equity markets (Samitas, Kenourgios, and Paltalidis, 2006). For the last few years, the development of the financial market in Serbia has opened a new era of the mobility of financial resources, whereby the flow of private capital has assumed an increasing role as a source of finance for this market. This paper indicates how strong this impact is using correlations between indices of regional and equity market indices of Germany and the US and that of the Serbian equity market.

The stock market has traditionally been viewed as an indicator or "predictor" of the economy (Comincioli and Wesleyan, 1996). The stock market as an indicator of economic activity, however, does not go without controversy. Sceptics point to the strong economic growth that followed the 1987 equity market crash as a reason to doubt the equity market's predictive ability. Given the controversy that surrounds the equity market as an indicator of future economic activity, it seems relevant to research this topic further. As pointed out by Bekaert and Harvey (2000), the correlation between emerging markets' opening up their capital markets to foreign investors and developed markets tends to increase over time. On the other side the low correlation among developed and emerging equity markets is an indicator of advantages from investing in different markets (Eun and Resnick, 1984; Michaud et al., 1996). Low correlation among countries equity markets may be due to factors like lack of free trade and inadequate information of foreign securities.

Samitas and Kenourgios (2011) investigate the stock market integration in a number of Balkan countries and compare it to the integration among several developed markets (US, UK, Germany) in 2000–2006. Using several cointegration tests, the results support the existence of long-term relationships among Balkan stock markets and developed markets. On the other hand, Vizek and Dadic (2006) examine the integration between German equity markets, selected CEE equity markets and the Croatian equity market. Interestingly, no evidence of a long-term relationship between the Croatian nd German stock markets is found. A similar conclusion is drawn for the Central European stock markets with respect to the German stock market.

The rest of the paper is organised as follows: In the next Section, the methodology is reviewed. The data are briefly presented in Section 3. Section 4 discusses findings, and the final Section concludes the paper.

# 1. Methodology

Originated by Karl Pearson about 1900, the coefficient of correlation describes the strength of the relationship between two sets of interval-scaled or ratio-scaled variables. It can assume any value from -1.00 to +1.00 inclusive. A correlation coefficient of -1.00 or +1.00 indicates perfect correlation. If there is absolutely no relationship between the two sets of variables, Pearson's r is zero. A coefficient of correlation r close to 0 shows that the relationship is quite weak. The same conclusion is drawn if r is close to 0 from with negative sign. Coefficients of r which are close to 1 with plus and minus sign have equal strength, both indicate very strong correlation between two variables. That mean, the strength of the correlation does not depend on the direction or sign. So, coefficient of correlation r represent a measure of the strength of the linear relationship between two variables

In this process first of all we must find the coefficient of correlation of every indices pair. Conceptual form of coefficient of correlation leads to the following formula:

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[n(\sum X^{2}) - (\sum X)^{2}[n(\sum Y^{2}) - (\sum Y)^{2}]}}$$
(1)

After we find coefficient of correlation r we need to do t test for the significance of correlation coefficient. This t test will show if there is correlation between two indices is significant or not. The formula for t test is:

$$t = r \frac{\sqrt{(n-2)}}{1 - \sqrt{r}} \tag{2}$$

This test includes testing of two hypothesis, the null and the alternate hypothesis. The first one means that the correlation in the testing population is zero. And the second one means that the correlation is different from zero.

**Ho**:The correlation in the population is 0 **H1**:The correlation in the population is different from 0

Granger (1969) proposed a time series data-based approach to determine causality. In the Granger sense, x is a cause of y if it is useful in forecasting y. In this framework, "useful" means that x is able to increase the accuracy of the prediction of y with respect to a forecast, considering only past values of y.

This paper access Granger causality in a direct way, by regressing each variable on lagged values of itself and the other, such as in the following:

$$Y_{t} = \beta_{0} + \sum_{j=1}^{J} \beta_{j} Y_{t-j} + \sum_{k=1}^{K} \gamma_{k} X_{t-k} + \mu_{t}$$
 (3)

We can simply use an F-test or the like to examine the null hypothesis. The choice of J and K lags is critical; insufficient lags yield auto-correlated errors (and incorrect test statistics), whereas too many lags reduce the power of the test. This approach also allows

for a determination of the causal direction of the relationships, as we can also estimate the "reverse" model:

$$X_{t} = \beta_{0} + \sum_{j=1}^{J} \beta_{j} X_{t-j} + \sum_{k=1}^{K} \gamma_{k} Y_{t-k} + \mu_{t}$$
(4)

# 2. Data analysis

To provide updated results, this study uses daily closing data of these two selected equity markets, namely, Serbia and Macedonia covering the period from August 2010 to June 2015. In this study, the conventional stock returns for these markets are calculated from the following indices:

- BELEX 15 index for Serbia,
- MBI 10 index for Macedonia.

Before proving the potential causality and their effects, paper will show correlations between BELEX 15 and MBI 10. The numbers of observations are 1456. The estimations with these observations include percentile changes in ROI (Return on investments-calculated like log different between 2 values of stock market index) values. These ROI values represent two variables used in estimations. Before we use the test for Granger causality, we will test correlations between ROI values of BELEX 15 as a represent of the Serbian equity market and ROI values of MBI10 as a represent of the Macedonian equity market. Table 1 shows summary data for the estimated markets. There are several methods for testing the flow of information and co-movement of prices in stock markets across the countries. In this study, emphasis is given to test the inter-market relationship among the equity market in Serbia with equity markets of regional countries and equity markets in the developed world through the following:

(i) Correlations and (ii) Granger causality.

Table 1. Data summary

Country	Index name	Year of establish	Number of companies	Domestic market capitalization (In EUR. Data are from August 2015)
1. Serbia	BELEX	1992	1 779	6 060 292 705
2. Macedonia	MBI	1995	86	1 588 709 821

Source: World Federation of Exchanges

## 3. Results

Table 2. Results of correlation testing (Eq. 1 and 2)

	Coefficient of	t test (with	the margin value
Index pair	correlation r	0.05	for t test (This value
		significance	depends of the

		level) of significance correlation coefficient	number of observations or df in Student's t distribution table, which are in our cases for all indices paires more then 450, so in Student's t distribution that appropriate to infinity for df values)
1. BELEX 15 and MBI 10	0.2785	4.3347	from-1.960 to +1.960

Source: Author calculations

Belex 15 and MBI 10 have positive significance level of correlation. This results show that Macedonian stock market and indirectly whole economy depends from Serbian stock market. The positive sign of the correlation coefficient means that, every growth in BELEX 15 produce growth in stock market index MBI 10. From these results we do not know the direction of influence so Granger causality test is the next logical step.

Table 3. Results of Granger causality testing

Null Hypothesis	Obs.	F-statistic	Probability	Decision
BELEX 15 does not				
Granger cause MBI 10		6.2515*	0.0106	Reject
MBI 10 does not				
Granger cause BELEX				Accept
15		0.7068	0.4935	_

Source: Author calculations

The results from the Granger causality tests show that the Serbian equity market affects Macedonian but not vice-versa. Therefore, we can conclude that the Macedonian equity market is relatively dependent on Serbian equity market, which is on one way expected.

## CONCLUSION

The empirical evidence presented in this paper suggests that there are significant relationships between these equity markets. This paper has tried to assess the possibility that one of the two variables could cause (in a Granger's sense) the other. The paper tested a possible correlation coefficient between BELEX 15 and MBI 10. The results show that the Serbian market showed significant positive correlation coefficients with the Macedonian equity market. Result of correlation testing is positive, so if Serbian equity market increase, this means that values of the Macedonian equity market index increase as

well. The results from the correlation testing show that the Serbian equity market and, indirectly, the whole economy have interaction with the Macedonian equity market, as expected.

Next, the paper explores causality between them using Granger causality method. Conclusion from given results are that BELEX 15 predicted MBI 10 but not vice-versa. Therefore, this study found evidence of unidirectional Granger causality between the equity returns in Serbia and equity returns in Macedonia which is also expected.

The findings of the paper have important implications for both investors and policymakers. The empirical results presented in this paper support the view that international investors have long-run opportunities for portfolio diversification by acquiring stocks from these two countries. However, higher integration also implies that there are fewer opportunities to diversify portfolios within the Euro area, thus providing incentives to focus more on diversifying across sectors or across regions. For policymakers, the process of European financial integration poses some challenges. Financial integration has increased competition and market efficiency, and at the same time, continuing financial integration has made individual European markets increasingly interdependent and subject to spill-overs resulting from endogenous and exogenous shocks.

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# TOURISM VALORIIZATION OF THE GEOMORFOLOGICAL RESOURCES IN THE TIKVES VALLEY

Ace Milenkovski<sup>1</sup> Kole Pavlov Gjorgi Pavlovski

#### Abstract

Tikves Valley occupies an important traffic and strategic position in the Republic of Macedonia. It is also rich with wide geomorphological diversity whose valorisation can give practical guidance in tourism development and in attracting domestic and foreign tourists especially given the favorable position at the Balkans. Through a preliminary selection within the Tikves area, 19 independent and complementary motifs i.e. releife resources are separated and analyzed and this could initiate a further tourism movements and tourist turn over through the development of: mountain, rural, health and other types of tourism.

**Key words:** Tikves Valley, releif forms, tourism resource, type of tourism...

## INTRODUCTION

The main subject of this article are the geomorphological features of Tikves Valley in terms of their tourist value. Geomorphological tourism resources refers to all surface and underground relief forms that emerged through interaction of the endogenous movements and exogenous modeling since the origin of the Earth till the present (Budinoski, 2009). It is known for example that the landscape with its relief diversity is characterized by: scientific, aesthetic, environmental and cultural value, which can be exploited for tourist purposes (Pralong, 2005). Promotion of the geomorfological wealth reinforces the importance of the cultural tourism (Bollati et al., 2013). The researche was focused on the geomorphological diversity of Tikves Valley in order, to be valorized in tourism terms. As a result, herein the more significant tectonic forms are covered, with special emphasis on the erosive forms whose richness and genetic diversity provide specifics to the Tikves relief. The main task in meeting the research objectives was the selection of tourist important forms of the rich relief diversity in the research area. Selection of geo-diversity in tourism purposes must be immune to subjective and based strictly on scientific criteria (Reynard, 2008). In that context only geomorphological facilities that met the basic indicators were taken into account, i.e the criteria for possession of tourism values. Such indicators are as follows: attractiveness, uniqueness, favorable geographic location and the opportunity for touristic presentation (Stanković, 2004). The secondary task referring to the full achievement of this paper's purposes was the geomorphological typology of the tourist resources, determination of

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their function, economic potential and the type of tourism that can be generated, across them. In order to objectively evaluate the geomorphological resources in Tikves, they were subjected to a kind of SWOT analysis, adjusted for the purpose of the tourismological needs.

## STUDY AREA

Tikves Valley extends in the central and southern part of R. Macedonia. The Valley have round shape and posses all the characteristics of the independent natural whole which with her specific geomorfological, climate, hydrological, vegetative, pedological, archeological and also cultural-heritage characteristic and not only that is different from the neighboring valleys and areas, but also it have all the benefits for development of the tourism as a contemporary economics branch in this part in our country. The most northern point of the valey with irregular circular shape, is situated on Ilandga(664) with 41° 43′ 38" N. The most southern point lies on the macedoniangreek border, on the mountain Kozjak on elevation of 1814 meters above sea level with co 41° 05' 30" N. The most western point is a nameless elevation (841) of 21° 47 'E. The most eastern point on east is Bel Kamen(1182) of 22° 19 'E. In its natural limits Tikves Valley occupies 2060,54 km<sup>2</sup> which represents 8 % of the territory of the R. Macedonia (Pavlov, 2011). In terms of geographical location and traffic, the Tikves Valley is a "bridge" for closer and faster conection of the eastern with the western, northern and the southern parts of the R. Macedonia. The favorable geographical position and traffic position is mainly due to the natural amenities of the valleys of the rivers Vardar and Raec, through which many important communications from regional and international importance are leading. For the reason that the transport and communication links as well as the importance of the Vardar valleys in the Balkans and internationally are in constant growth, the development of communication systems has a direct impact on the development of tourism and tourist offer and together with the valley they will get a new spatial and functional tourist offer within the Balkan, European and world with respect to the tourism development.

# METHODS AND DESIGN

It is well-known that the geomorfological diversity sheapes the tourism offer, but it's configuration determines the possibility for building a receptive base, trafic infrustructure, i.e. complemntary objects that may enable the tourism movement development as well as the tourism outcome. The tourism valorization of the releif forms is very suptle issue which can not be identified with the clear economic valorization because it also includes the shapes that are part of the national-geo heritage, and as such they need a suitable protection treatment (Stanković, 2004). Therefore, the touristic valoraization of the releif forms in Tikves was created and based on the following principles: rarity, usefulness and invested effort. *Rarity* as a principe in a sense of courozity, uniqueness, preservation and possibilty for attraction of the tourists. *Usefulness* in terms of whether the releif forms may content a certain touristic need (recreational, educational, cultural, pedagogical, etc.). The invested effort as a principe for valorization was treated in order to assess the tidness and the ability along with the infra and superstructure required for sightseeing with calculated protection of geo-forms. Unquestionably, the required multidisciplinary approach for

valorization considering the underdeveloped touristic methodology requires a kind of methodological interrelation with other sciences such as geomorphology, geography, ecology, spatial planning and others. For the reason that the scientific and research procedure was based on: fieldwork (observation and measurement), geomorphologic genetic classification, satellite tracking and 3D animation of the forms with Google Earth, as well as by mapping with Corel Draw and Surfer. In addition to the special methods general methods used in several studies were fully used, such as analysis (SWOT analysis), synthesis, comparation, method of induction and deduction, etc.

## RESULTS AND DISCUSSION

The main determinante in the tourism valorization of geomorphologic resources in Tikves is their proper right genetic classification. According to the genesis of the relief forms in Tikves Valley, where various geomorphological agents and modifiers took active participation, one may distinguish three main genetic types of relief as follows: macroreleif forms of **tectonic origin**, forms of the **volcanic releif** and erosive forms also as a **specific relief** as a characteristic feature in the morphology of the examined area (Payloy, Payloyski, 2014).

#### 1. Tectonic forms

Beside the relief forms that, at the territory of Tikves, are tectonically predisposed, in this paper we also cover the high and middle mountains as positive (anticlinal) relief structures as well as the valley bottom of Tikves, as negative (syncline) structure.

# 1.1 Mountains

Among the mountains on the territory of Tikves we may find: high, medium and low mountains. They are mostly located along the valley frame and they deffer from each other according to their altitude as well as to the slope of the mountain sides. As the highest mountains in Tikves stand out: Kozhuf, Kozjak, Kesendrisko-Radobilski mountains, Marjanska Mountain, Clepa and Serta. Kozuf Mountain (2164) is characterized by the highest tourist values with all possible attractive attributes. The Kozuf massif is about 40 km long and covers an area of 893 km<sup>2</sup> of which 1.6 km<sup>2</sup> are over 2000 meters (Stoimilov, 1976). The mountain range is an independent touristic motive and a potential tourist area which unites more sites and tourist places with a capacity to develop more types of tourism. Among them is the greatest potential for development of winter sports tourism especially at the northern slopes with inclinations of 15° - 20°. The pleasant subalpine climate is characteristic for the areas with an altitude of 800-1200 meters (Stojmilov, 1992), the abandence of the geomorphological resources and the organic nature are particularly importaant for development of recreation, picnic, excursion and hunting tourism. Of significance and potential for rural tourism development are the settlements located in the under-Gora area with preserved architecture from the first half of the twentieth century, as in: Konopiste, Bohula, Gorna Bosava and Krnjevo. The obstacles that restrain Kozuf from becoming a developed tourist area can be found in the humbled road infrastructure that burden the domestic and international tourism, as well as in the receptive base for development of stationary tourism, which presently can be found in germ-stage, such as: Mihailovo, Krnjevo and Dolna Bosava.

# 1.2. Tikves Plain (bottom)

The plain (bottom) of the Tikves Valley has an altitude of 100-300 meters and an area of about 600 km². From the morphological point of view, the space has lowered flat parts in the form of fields and in between the hills of gentle slopes of 5° - 10° are located. By its nature, this independent touristic resource in Tikves Valley is not very attractive in touristic terms, but plays an irreplaceable role in tracing the traffic infrastructure, construction of accommodation facilities, recruitment of urban population within the tourist movements and development of the transit tourism region. Also in this area 8925 hectares of vineyards are raised and 20 wineries built with a total capacity of 32 million liters, of which in eight of them wine tourism is developed (Pavlov et al., 2014).

## 2. Volcanic forms

When talking about the volcanic releif in the Tikves Valley actually we are talking about a paleovolcanic forms of frozen volcanic activity since the Neogene-Quarter. The forms are fossilized and modified by subsequent erosion processes. A specific form in this area is the volcanic plateau Vitachevo and the volcanic cones on Kozuf of andenzite composition. Especially attractive are the poured rocks in the form of cones and they are deployed in a narrow band on the range of the mountain-Kozuf Nidze. The most striking volcanic cones along the southern framework in Tikves are: Dudica, (2132), Ostrec (1545), Cyrstec (1540), Socol (1710), Cardak (1866), Momina Cuka (1851) Vlasov Grad (1407) and other. Most of these have bought almost correct tapered form and are clearly separated by deep valleys and valleys dissect (Pavlov, Pavlovski, 2014). These resources are complementary tourist motives, curiosities and are very attractive for picnic and excursion tourism, having educational and scientific purposes, but also, under-exploited due to the communication isolation. Apart from them, very ideal location beside E-75 highway capable to attract foreign tourists transiting through Tikves and R. Macedonia is the basaltic volcanic cone called Koresnicka Krasta (161) in the vicinity of the village Koresnica which covers an area of 1 km<sup>2</sup>. At only 5 km east of the E-75 highway under the slopes of Serta the basaltic cup and Kara Tash (336) at the confluence of the Brusnica River can be found. The untached and with a lot of touristic atributs, vulcan cupe Kara Tash derives from the young volcanism made in frashwater basin. The cone has an apsolute altitude of 336 meters, but remarkable rises above the surrounding area built by Paleogene flisch height of about 220 meters. It is a complementary motif, attractive and rare, classical example, for mass and pile basal secretion around the top that from lithological point of view is quite different from the surrounding sediments. A special seal in the enviorment is the characteristic vegetation arising from: oak prnar, flu, cypress, etc. Superficial (plateau) Vitacevo present a distinct geomorphological resource which with the space, altitude, geological composition and genesis occupies a special place in the morphology of Tikves Valley. It is located in the southwest part of the Valley and has an average altitude of 800 meters with the emergence of a subalpine climate. Genetically, Vitacevo present a volcanic superficial created in lacustrine Valley of the lake which fulfilled the Tikves Valley in the Pliocene. Superficially present a fossilized sediments form of Neogene sediments on which cemented volcanic material

from tuff, breccias and andenzite blocks. The plateau Vitacevo a distinct geomorphological resource and with its space, altitude, geologica composition and genesis occupies a special place in the morphology of the Tikves Valley. It is located in the southwest part of the valley and has an average altitude of 800 meters with the occurrence of subalpine climate. Genetically, Vitacevo is a volcanic space and it is created in lacustrine basin of the lake that had filled the Tikves valley in Pliocene. The sufcase presents a fossilized sedimentary form built of Neogene sediments on which volcanic material from tuff breccia and andenzite blocks is cemented.

## 3. Erosive forms

A special place in the relief of Tikves occupy the forms whose genesis is related to erosion (erosion-accumulation) processes caused by exogenous geomorphological agents. Tikves Valley is a real treasure trove of erosion (specific) relief forms that require a special approach in their genetic explanation, classification and tourist valorization.

# 3.1 Shapes created by decay and destruction of rocks

The emergence this genetic type forms is most apparent on locations where the lithological diversity is expressed in a small space, and the decay and destruction of the rocks is physical or chemical under the influence of selective erosion (Waters, 1966). Depending on the local constellation of exogenous agents and subsoil, forms in shape of pyramids, columns, needles, etc. are partly spread, some of which possess tourist values. In this regard, the tourist offer of the mentioned plateau Vitacevo increase three sites with impressive stone towers. The first is in the valley of Kamenica River upstream from the village Gornikovo. It is a group of limestone rocks since the Upper Cretaceous, which mechanically and chemically decompose and take cylindrical and pyramidial form. Especially flattered are the pyramidial forms that have serrated edges and peaks, which is typical for the chemical erosion of the limestone cliffs (Lazarević, 1975). The second site is located at the confluence of the Dabniska River called **Dupni Kamen**. The rocky core pillars of Flat Stone sharply rise above the valley of one of the rivers that gravitate towards Dabniska River at a height of 15 meters. In the downhill of the Dupni Kamen there are several compound fissture in form of cave openings.

The third site, in the same Valley is called Kazarinov Stone. Here are a few striking rocky phenomena encounter and they stand out in terms of the sourounding lowered topographic surface in form of godes and mushrooms. This refers to the outcrops of carbonate rocks, but for large lanndry wrap whose immediate environment is eroded. The aforementioned sites of Vitacevo are complementary geomorphological resources that poss exceptional curiosity, aesthetic, scientific and educational values that initiate picnic tourism in the municipality of Kavadarci.

#### 3.2. Landslide

The biggest landlide that posses an attractive attributes, not only in Tikves but nationwide, are located in the upper segment of the **Vatasa River valley**. The imposing landslide of the hill **Gradot** (672) is a cape coast of Vitacevo. The landslide were formed in 1956 when in the valley of **Bunarska River**, in the upper Valley of the Vatashka River, over 15.000.000 m3 landslide material was ruined and accumulated. This material, in form of a natural dam by reconstracting the valley has formed the

Mokliste Lake. It is only natural river lake in the R. Macedonia and beyond. The traffic availability makes the whole environment visited by sports fishermen and recreation people throughout the year. This resource is complementary and is growing the tourism capacities of the Mokliste Lake.

## 3.3 Denudation forms

Earthlings towers (poles) are a special curiosity among the denudation forms in Tikves, especially in the catchment area of the Lisacka River and Bosava, in the atars of the villages: Konopiste and Gorna Bosava. Their genesis is a result of the numerical representation of andenzite blocks in the Valley of Bosava whose underlying layers remain protected from the line and surface erosion while the surrounding area of volcanic tuff was eroded and removed (Pavlov, Pavlovski, 2014). Hence, at around ten locations, earthy (tuphogen) columns with rocky, andenzite blocks on the top can be found. Their height ranges from 0.5 to 10 m. Touristic, scientific and cultural values are important to the extent that this site possesses status of monument of the nature with a capacity of independent tourist motive. The site Konopiste is by traffic connected with the municipality Kavadarci and offers many opportunities for initiating more types of tourism.

Special geological morphological rarity in Tikves and wider between fluvio-denudation relief is **Bela Cuka** (220). It is in the Valley of Brusnicka River. The dome-like tor Bela Cuka rises beside the tourist site Springs Valley in the water among the setting of Pliocene yellow and yellowish-red clays and sands, quite incompatible as "oasis" of the gray-white Paleogene clays. The form is a product of selective erosion of upper Neogene parties swiftly evacuated unlike Paleogene underlying seams that resisted river erosion which performed lowering environmental topography. Aesthetic and curiosity values of this complementary resource in the immediate area complements the surface of the paleontological treasure trove of fossilized freshwater fauna in shallow littoral belt (Turritella turris, Congeria Limnocardium, Vivipara, Pecten Besseri, Limnocardium, Vivipara, Pecten Besseri, Limnocardium, Vivipara, Pecten Besseri) and other species. A serious drawback of this resource is its traffic isolation although it is located only 5 km away from the highway E-75, near the village Vojsanci.

# 3.4 Rivier forms

Among the touristically worthed forms of the fluvial relief in Tikves one may distinguish: few gorges, canyons, epigenetic incisions and river terraces. Among the ravines, the longest and the most imposing one, in Tikves Valley is the Polog ravine beside the Crna Reka. It starts in Mariovo and extends downstream near the vilage Polosko. In tectonic terms it is considered to be an integral part of Polosko- rzhano crest. The ravine is characterized by steep valley sides that are inserted into Triase and Cretaceous carbonate formations. The lower parts are partly rising to 300 feet above the riverbed. The lower floors of Polog ravine are made in shape of pond throught the proces of building of the artificial accumulation in Tikves Lake in 1970. All the hydrographic-morphological, biogeographical and cultural-historical ambient with presence of cave churches is part of the strict nature reserve Tikves which offers opportunities for development of further types of recreational and cultural tourism and is characterized with a capacity for independent travel resource. **Demir Kapija ravine** beside the river Vardar extends in length of 19 km from Demir Kapija to the village Udovo. The ravine has penetrating character that at its beggining is gravened in form of

jurassic limestone series and downstream in gabrodiabase array. The initial segment of the ravine is characterized by steep vertical sections of the canyon that narrow the Vardar valley widthwise the riverbed. The compartments rise vertically in over 250 meters below the tops of Kamen (413) by the left sight and Krastavec (899) on the right side of the river Vardar. Besides the strategic and traffic significance, the raven possesses strong aesthetic, caving (existence of caves) and ornithological potential (Balkan center of predatory birds, especially white-eagle) with the opportunity to develop transit, touring, picnic and cultural tourism, canoeing, climbing and so on. The current status of this resource is an independent tourist resourse is **monument of the nature**.

Between the canyons, some sequences of the Kamenica valley are especially attractive, and the valley appears from the upper reaches between Samardzija (846) on the right side and Mramor (926) on the left side and further extends near to the village Gornikovo. The canyon segment is inserted into the Cretaceous limestone series followint the first regression erosion when the vulcanogenic sediments were eroded. These sediments, in the early Pleistocene carbonates were deposited onto the carbonates. The canyon moves with steep and vertically placed valley sides meet downstreamly along as well, and the whole ambience is enriched with more cascades and waterfalls. This canyon presents complementary tourist resource on the Vitacevo plateau. The valley of the river Blasnica from its downstream, starting from the mine Alshaar near the village Majden inflow in Crna Reka (Tikves Lake) and in its entire it presents one of the more vivid canyons in Tikves Valley and beyond.

Canyon Valley is mainly graven in Triase and Cretaceous limestones and in marbleized limestones. The valley sides that normally are set to 250 meters above the watercourse narrow the width of the riverbed. Typically canyon is characteristic physiognomy and lower parts of the valleys of the tributaries of Blasnica. That kind of examples are found in tributaries right or at the bottom of the valley of the **Topli Dol**, which is built epigenetic and lower valley of the **Mrezicka River**. These resources offer excellent conditions for outings, recreational and sports activities (fishing, canoeing, climbing) in the complementary tourist motives zone Kozuf-Vitacevo. As lack of these resources one may find their poor traffic communication with the urban centers in Tikves.

Epigenetic incisions represent seemingly anomalous phenomena in the fluvial relief as a special geomorphological curiosity. In the Tikves Valley there are ten epigenetic ravines (incisions) out of which, following their attractiveness, aesthetic value and traffic accessibility we may enphasise: Drenovska beside the River Raec, Zgropolska beside the river Vardar and the epigenetic ravine beside the Iberliska River. The last is the most striking and textbook example for the epigenetic ravine in the Tikves Valley. One km before the flow in the river Vardar, through a dome built of jurassic limestones, the river built an epigenetic ravine with a canyon shape and steep sections in the valley sides whose width is reduced to the width of the riverbed, with a height of over 200 meters (Pavlov, Pavlovski, 2013). The emergence of the oriental plane tree (Platanus orientallis) in the river valley is one of the conditions for gaining the status: area with special plant and animal species and a capacity as a complementary tourist resource within the next Demirkapja Raven.

*Plains* of the river Vardar and its tributaries are the most representative samples of the type of fluvial forms that can be generally seen in the R. Macedonia. The River terraces have flattened parts shape, terraced in the Paleogene and Neogene sediments

along the valley sides. Their size and preservation gives them outstanding scientific importance, as a blatant example of the reconstruction of the evolution of fluvial relief in Tikves and beyond. Moreover, the climatic and pedological conditions of river terraces in Tikves, offer an ideal conditions for raising vineyards, wineries and facilities to develop the wine tourism. From seven terraces, most striking example is the fourth terrace in the valley of the river Vardar. It is located at a height of 25-40 meters on Paleogene marl. It is 180-230000 years old (Arsovski, 1991). Alluvial sediments are not preserved in the subsequent erosion processes. The left sight of the river is the best preserved. In Gradsko environment it is in absolute altitude of 150-170 meters. From the village Pepeliste through the village Vojshanci over 8 km length of the absolute height of 140-160 meters is set, which is gradually tilted towards the village Bistrentsi (Pavlovski, 1993). The river terraces possess potential as complementarn touristic motives.

## 3.5. Abrasive forms

The abrasive relief in Tikves Valley is represented by erosive and accumulative surfaces as remainings from the successive deflation of the lake, which during the pliocenic fulfilled the Tikves basin. The phased deflation of the lake Valley has left more preserved coastal terraces in form of horizontal flattening mountain slopes where sediments in the littoral zone has been accumulated. Tourism value is greatest at the higher abrasive surfaces, such as Kumanichevska in Vitacevo- at a height of 870-900 meters. Its spacious flattening, mountain (subalpine) climate, rich organic world, offer conditions for smooth construction of receptive facilities, car availability and development of mountain recreation, picnic, health and hunting tourism, then conditions for paragliding, parachute jumps, etc. Abrasive flattening represent a complementary resources within the zone Kozuf-Vitachevo.

# 3.6. Karst forms

The karst terrain in Tikves is formed in carbonate rocks of Mesozoic and Kenozoic age partly covered with Neogene sediments. Karst forms can be found at four sites: Kozhuf, Krastavec, Vitacevo and in the left valley side of the ravin Polog as well as the Pollog monastery. From the underground forms, so far many chasms and caves have been registered out of which, eight were listed as significant caves. Of the eight major caves, none is capable for tourist visits, but for the purposes of educational and spaleopogical visits, most affordable caves have been located nearthe traffic zones. Such are: Bela Voda, located at the entrance of the Demir Kapija ravin, then the cave Gorni Zmejovec on the mountain Krastavec (rich in cave jewelry) as well as the caves'openings in the area Dupni Kamen. They all have potential of complementary motifs within the nearby more significant geomorphological resources.

Of the eight major caves, none is capable for touristic visits, but for educational visits

From the 19 selected geomorphological resources as independent and complementary tourist motivs with potential to generate tourist movements and tourist trade in the area of Tikves valley additional, SWOT analysis is made below and it is adapted for tourism goals which is an attempt to test the additional tourist importance the relief patterns in the examined area (Table 2).

Table 2. SWOT analysis of the geomorphologic resources for the tourism needs of Tikves

Motive/	Strenghts	Weaknesses	Opportunities	Threats
resource				
1. Kozuf	Warm climate, favorable slope, clean air, rich organic world, landscape values	Traffic isolation, lack of accommodation and propaganda	Construction of ski slopes, resorts, winter development, health, rural, hunting tourism etc.	Pollution of the environment, destruction of wildlife
2. Valley bottom	Favorable geographical position, road network, the existence of archaeological sites	Lack of tourist attributes	Development of transit, wine tourism and cultural tourism, construction of wine houses, motels and other facilities	Degradation of soil, water, air, increased noise
3. Volcanic cones (Kozuf)	Attractive, rare, unforgettable forms ambient values	Traffic isolation, lack of trim paths and their actualization	Development of excursion and picnic tourism	Pollution of the environment, disturbance of the natural habitat
4. Koresnicka krasta	Attractive, rare, inimitable form, available to visit	Lack of tourism promotion and complementary facilities	Development of transit tourism, construction of motels, restaurants	Saturation of the environment
5. Kara Tash	Attractive, rare, unique shape, aesthetic and scientific values	Traffic isolation, poor tourism promotion	Development of excursion tourism, economic development of the eastern region of Tikves	Saturation of the environment
6. Vitacevo	Warm climate, favorable slope, clean air, rich organic world, access to visit, ambient harmful.	Lack of tourism promotion, complementary facilities, trim trails	Build resorts, development of winter, excursion tourism, health, rural, hunting tourism etc.	Degradation of the components of the environment
7. Stone towers	Attractive, curiousity, unforgettable forms with	Lack of tourism promotion and complementary facilities	Development of excursion tourism, construction of	Damage to the natural forms and setting

	T		T	1
	scientific values		restaurants, alternative tourism	
8. Urnis Grad	Attractive, rare, inimitable form, available for visits, landscape values	Lack of promotion and receptive base	Development of excursion tourism, construction of restaurants, alternative tourism	Pollution of the waters of Lake Mokliste
9.Earth pillars	Attractive, curiousity, unforgettable atmosphere and forms available to visit, warm climate	Lack of tourism promotion and complementary facilities	Development of excursion and rural tourism, building restaurants, alternative tourism	Damage to the original form
10. White Cuka	Attractive, rare, unique shape, aesthetic and scientific values	Traffic isolation, poor tourism promotion	Development of char, alternative tourism, economic development of the eastern part of Tikves	Saturation of the environment and damaging form
11. Polog gorge	Specific morphological and biogeographical hydrographic setting, appearance of cave churches	Traffic isolation,lack of accommodation	Development of weekend tourism, cultural tourism, water sports, fishing	Pollution of the waters of Lake Tikves
12.Demirkapis ka george	Favorable geographical position, road network, environmental and biogeographical values	Lack of facilities for foreign visitors in transit	Development of excursion and transit tourism, construction of catering facilities, strengthening of wine tourism, alternative tourism	Traffic saturation, air pollution, noise
13.Canyon of Blasnica	Specific morphological and biogeographical hydrographic setting, educational and aesthetic values	Spacious cutting short the urban centers	Development of excursion, rural and alternative tourism, construction of resorts	Degradation of several components of the environment

Table 3. SWOT analysis of geomorphologic resources for tourism needs Tikves

Motiv/resourc	VOT analysis of geo	Weaknesse	Opportunities	Threats
e		S	- FF	
14.Canyon Kamenica	Significant morphological, hydrographic and caving setting, educational, scientific and aesthetic values	Lack of tourism promotion and complement ary facilities	Development of rural weekend, alternative tourism	Saturation of the environment, collision with other branches (Livestock)
15.Epigenetic (Drenovska george).	Specific exemplary and morphological structure, favorable position, strategic position	Lack of restaurants, motels, etc.	Increasing transit and tourist tourism, hospitality etc.	Saturation of space, pollution of river Raec
16.Epigenetic (Iberliska Gorge)	Exemplary and unique morphological and biogeographical resource favorable position and traffic connections	Lack of tourism promotion, complement ary facilities, adapting to visit, trim trails	Increasing transit and tourist tourism, hospitality etc.	Disruption of the natural environment, threat to endemic world
17. River terraces	Morphological curiosity saved exemplary forms, educational and scientific values	Lack of tourist actualization and exploitation	Development of alternative types of tourism, wine tourism, raising restaurants	Tourist, agricultural saturation, changing the landscape
18. Abrasive terraces	Morphological curiosity, warm climate, slope and favorable climate, rich wildlife, landscape and scientific values	Lack of promotion, lack of communicat ion, cutting short the urban centers	Build resorts, mountain, picnic, health, rural tourism, etc.	Build resorts, mountain, picnic, health, rural tourism, etc.
19. Caves	Significant morphological and caving forms, educational, scientific and aesthetic values	Lack of adaptation for visits, promotion and road connectivity	Increasing tourist and transit tourism, raising complementary facilities	Saturation caves damage cave jewelry

## CONCLUSION

The Tikves Valley stretches in the central and southern parts of the Republic Macedonia. In its natural range it covers 2060,54 km2 which represents 8% of the territory of the Republic Macedonia. The favorable tourist - geographic position of the R. Macedonia and of the Balkans, is due to the important national and international roads and railways that are passing throughout Tikves. They can significantly increase the possibilities for exploiting the potential of the tourist offer of Tikves. The long-term field studies have shown that Tikves Valley is characterized with rich geomorphologic diversity that has significant potential for the tourism offer. These potentials nowadays are very modestly used in the Tikves Valley and should be more agressively valuated in touristic point of view. In the first phase of the research the authors conducted a selection of the large number of geomorphological resources of which as most significant were allocated a total number of 19 facilities. In the second stage, the selected objects were subjected to evaluation by common tourism methodology, and at the end, it was made a SWOT-analysis adjusted for tourist purposes. From the overall analysis it can be concluded that in Tikves Valley there can be allocated 6 macro releif forms and sites, which according to the dimensions and the location disposition have a capacity of independent geomorphological resources that may attract tourist visits. These are: Mount Kozhuf, the valley itself, the plateau Vitacevo, the site Konopiste, Demir Kapija ravine and canyon. Their joint tourism attributes are: the landscape, the recreational, the rarities, the climate, biogeographic, scientific-educational and other values. Weaker side of these resources is insufficient and poor receptive base thus the usage is at minimal level. The remaining 13 buildings and sites are classified as complementary resources that increase the offer of independent facilities. These are the Volcanic buys of Kozhuf, the Volcanic buy, Koreshnicka Krasta and Kara Tash, the stone towers of Vitacevo, the denudation form Bela Cuka, Canyon Blashnica, Canyon Kamenica, the epigenetic and Drenovska and Iberliska ravine, Vardar river terraces, the abrasive terraces under Kozhuf, the urnis Gradot and three significant caves. Their strength is in their aesthetic, rare, illustrious, and the unique scientific value, while their weakness is in the lack of traffic conection i.e. the weak connection which presents an obstacle for organized masive visit. In global terms, the relatively strong tourist potential of the geomorphologic resources in Tikves is overshadowed by series of inhibitory factors such as poor communication, insufficient accommodation and catering facilities, spatial distance from urban centers and lack of promotion of the tourist market. The potential of the geomorphologic resources is used so far in a modest way, in the areas such as: mountain, tourist, transit and wine tourism. Utilization of their strong potential for the purpose of developing of further types of stationary type tourism: winter sports, eco, health, excursion and alternative types of tourism, is commitment to be adressed in perspective.

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# DEVELOPMENT OF TOURISM DESTINATIONS AND APPLICATION THE PROSPECTIVE METHODOLOGIES TO SUPPORT THIS MANAGEMENT

Fernandes Gonçalo<sup>2</sup> Ramos Delfina

#### Abstract

The application of prospective methodologies in the management of tourism destinations is recent and is the result of a growing concern to assess sustainable projects in planning and tourism development. These studies can support decision-making and sustainable construction at destinations. In this context, the Delphi methodology intends to predict future changes or trends and emerges as an alternative to conventional methods of prospecting. Its application to tourism destinations has contributed to a different interpretation of the characteristics of the destination and processes to be developed, leading to forming a panel that promotes quantitative and qualitative assessments of balanced strategies or projects, allowing to base action logics and assume guidance. The study applied to the Central mountain range destination includes an inquiry about existing problems, recognition of disruptive interventions, policy addressing/interventions for the management and promotion of the tourism destination, reaching a consensus for decision-making and defining strategies for the territory appropriation through tourism and leisure activities.

**Keywords:** Tourism, Destination Management, Prospective Studies, Delphi Methodology and Mountain range.

# INTRODUCTION

The development of analysis and territorial prospective works is a key support to consider strategies with concrete implications in terms of logic and functionality that those areas are confronted with, so all research must be done using appropriate methodologies and critical indicators analysis, which allows a correct diagnosis to leverage proposals or strategies to be implemented. The research and production of accurate information is subject to processes and methodologies whose implementation needs meticulous care and an investigative experience that ensures the accuracy in data collection and analysis. These concerns become critical when trying to listen to stakeholders with distinct characteristics, forms of action and interests in a given area, in order to receive quality information and dispel disruptions in the process and the collection methods used (Gordon and Pease, 2006).

This work seeks to analyse and establish guidelines for the development of actions that ensure sustainability of results, through a deep understanding of the territorial

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reality under study, promoting itself as a critical tool for planning tourism destinations. Given the uncertainties we face, resulting from changes in the economic and social context and ways of perceiving destinations and their appropriation, it is crucial to develop an information-gathering process(Garrod and Fyall, 2005), able to sustain guidelines or action strategies in a participative manner.

The Delphi method was designed with the goal of predicting future changes or trends and emerged as an alternative to conventional methods of prospection. It aims to establish a prospective research, through an information gathering process by combining the knowledge and experience of experts in various fields in order to generate consensus of opinion on future facts or effects. This methodology was implemented while looking for an insight into the mountain areas in Portugal and in an attempt to systematize a broad range of information that characterizes the mountains of the Central Mountain Range, its problems and also to allow the identification of strategies to be promoted(Fernandes, 2010). A panel of experts from various scientific fields was established in order to obtain an approach about the specificities of these territories and its challenges, and establish a model of occupation and proper use of its characteristics, whilst ensuring the enhancement and sustainability of tourism.

# 1. PROSPECTIVE METHODOLOGIES AND PUBLIC MANAGEMENT OF TOURISM DESTINATIONS

Doubt and uncertainty play a critical role in the management and planning process, which in a sector such as tourism, generates a sense of uncertainty, given the different trends and ways of its use and choices by individuals and groups. Thus, the sceptical dimension of forecast requires the development of methodologies and an increased involvement of partners that enable finding ways and sets, able to promote that the forecast led to the prospect. The planning, as a dynamic process subject to constant review, should increasingly and widely integrate the participation of different stakeholders about their vision of the future, realizing its strategic behaviour. (Godet, 1997; Hatem et al., 1993). The foresight methodologies seek to identify possible sets and the dependent relationship between the way to achieve or promote these sets and the strategy of social stakeholders, as well as the variables, the relationships and dependencies or potential over the development of action strategies. A qualitative and prospective approach assumes that the analytical tools and methodologies employed are developed promoting collaboration and interaction between the different stakeholders involved, recognizing their differences, strategies and interests. Anonymity was required in the sense that no one knew who else was participating. Further, to eliminate the force of oratory and pedagogy, the reasons given for extreme opinions were synthesized by the researchers to give them all equal "weight" and then fed back to the group as a whole for further analysis. These aspects, anonymity and feedback, represent the two irreducible elements of the Delphi method (Gordon and Pease, 2006). It thus becomes so important to develop an organization and coordination between different stakeholders, and their effective involvement/engagement is crucial in order to "legitimize" the given opinions or guidelines. It is essential to take into consideration that the stakeholders' relationship networks have a dynamic and unstable character. If, at a given moment, they have a given configuration, they are formed and can change throughout the analysis of the stakeholders' strategies. If the demand for objectivity is a major concern - we must not forget that decision-making is firstly and foremost a human activity implied by the notion of value and that subjectivity is omnipresent and is its engine (Bana and Costa, 1993b: 1) - the issue of subjectivity is present in any decision-making process and, particularly, the prospective methodologies since there is always a large "dose" of subjectivity. On the one hand, the work team has a very high degree of intervention throughout the process, one should not ignore judgements and should be aware that they are not neutral as the process progresses, on the other hand, one should bear in mind the degree of subjectivity of the choices on the part of the stakeholders, their priorities.

# 2. THE DELPHI METHOD: CONCEPT AND OPERATION IN MANAGING TOURISM DESTINATIONS

The method was developed by Dalkey and Helmer (1963) of RAND Corporation in 1950 for a project sponsored by the U.S. Army. It was created as part of a post-war movement concerned with the prediction of possible effects of technological development in economic and social regeneration. The objective of the original study was to "obtain the most reliable consensus of opinion of a group of experts by a series of intensive questionnaires interspersed with controlled opinion feedback" (Linstone and Turrof, 1975).

The Delphi method may be characterized as a method for structuring a group communication process so that the process is effective in allowing a group of individuals, as a whole, to deal with a complex problem (Linstone and Turrof, 1975).

This method is defined as a structured, interactive group communication and judgmental forecasting process with the purpose of facilitating a systematic exchange of informed opinions among a panel of experts in order to develop a consensual understanding on a topic ((Linstone and Turrof, 1975; Donohoe and Needham, 2009). Especially in situations characterized by uncertainty, i.e., when objective, fact-based quantitative information is scarce or not reliable, the Delphi method has proven to be effective (Linstone and Turrof, 1975).

Thus, the Delphi methodology is an exploratory study that allows gathering the views of a panel of experts, which is called the Delphi panel. This process is carried out by conducting a series of questionnaires in, typically two or three rounds, on the subject under study (Ramos et al., 2012; Ramos et al., 2015). In this research method the results depend strongly on the quality of the questionnaire and the selection of experts (Förster and von der Gracht, 2014).

The dimensions of heterogeneity for the purposes of a Delphi survey are manifold. For instance, individuals can differ in their age, gender, cultural and educational background, knowledge base, profession, values, attitudes, or tenure (Godet, 1993). Furthermore, the Delphi methodology is characterized by the anonymity of the participants, the statistical representation of the distribution of results and the use of the feedback from the group to review the answers in a later round.

In this research method, the results depend strongly on the quality of the questionnaire and the selection of experts (Okoli and Pawlowski, 2004).

Although the method foresees several successive rounds of questionnaires, it can often be limited to two rounds without affecting the quality of the results, as it has already been demonstrated in many studies (Landeta, 1999; Vergara, 2005).

According to Geist (2010), the Delphi method can be used to determine important issues and be used as a precursor or a first approach to the development of a research.

The Delphi method intends to predict future changes or trends and emerged as an alternative to conventional methods of prospecting. The application of the methodology in the management of tourism destinations is relatively recent and is the result of a growing concern to assess projects or sustainable construction of destinations in the planning and tourism development process. The aims are (Kaynak, 1994; Monfort, 1999; Garrod and Fyall, 2005; Fernandes, 2010) to:

-Promote a prospective study, through a process of information gathering, combining the knowledge and experience of experts in various fields, promoting a holistic approach of the destination.

-Generate consensus of opinions about facts or future effects on tourism destinations because of the features/products held and demand trends.

-Establish a vision about the tourism destination and representation logics facing the identified contexts.

- -Systematize a wide range of information that characterises the destination.
- Identify the strategies to be promoted.

This methodology requires the identification of experts and their involvement in the study, so that they can generate quality information and participate interactively in several rounds, in order to exploit the information obtained, generate consensus or guidelines and collect strategies or options, either by validation of the produced data, or innovative information resulting from knowledge. experience benchmarkingdeveloped (Garrod and Fyall, 2005). In the study applied to the central mountain range destination, we tried to inquire about existing problems, about the recognition of disruptive interventions, policy addressing / interventions for the management and promotion of the tourism destination, reaching a consensus for decision-making and defining strategies for the territory appropriation through tourism and leisure activities.

The Delphi methodology is, in practical terms, the collection of expert opinions, anonymously, through questionnaires, and by rounds, it allows the analysis and exploitation of results of the information received, so that it can be sent back and modified, in order to achieve consensus. It seeks to achieve the convergence of answers /perceptions about the problems experienced through information targeted feedback that is repeated in successive rounds. The research relies, to a large extent, on personal expectations, taking advantage of the experience and knowledge of the selected experts group, with a multidisciplinary vision that allows to establish goals and interventions. The methodology is applicable when it is necessary to contrast and combine arguments and opinions to reach decisions, hardly taken unilaterally, thus obtaining qualified information from knowledge by the Panel of experts involved in the process. According to Kaynak (1994), Häder and Häder (1995), Cuhls (2005), Ramos et al. (2012), Ramos et al. (2015), the fundamental characteristics of this methodology are (figure 1):

-Group technique that replaces the interaction through a questionnaire that is sent to experts, who interpret and work by themselves, participating from a distance in the discussion and opinion making;

-Prior Selection of the experts, according to their knowledge, prestige and ability to express opinions about the tourism destination or its specifics;

-Feedback controlled by sending the results to the members of the Panel (experts), in order to achieve convergence, that is, starting from the transmitted and considered data, reconsidering or revising it;

- Quantitative treatment of information that allows generating representative answers and that show homogeneity or dispersion of opinions.

Figure 1 presents the steps of applying the Delphi methodology.

The survey by questionnaire

Constitution of the Panel of experts

Implementation of the survey

Analysis of responses

Petermination of consensus and specific guidelines

New survey by questionnaire

Quantitative and qualitative results

Figure 1-Steps of applying the Delphi methodology

Adapted from Fernandes, 2010

According to Warner (2015) the first major task in a Delphi study is to create an expert panel of individuals (Linstone and Turoff, 2002). The panel can be composed of any combination of stakeholders, subject experts, and facilitators (Linstone and Turoff, 2002).

There are several recommendations for the number of panelists that should be used, and it is also important to use an adequate number of panelists who are well-qualified to provide input on the topic.

One recommendation is to engage at least 13 expert panelists in order to achieve a reliable (reliability of 0.9) sample (Dalkey, 1969; Dalkey, 2002). A panel with 10–15 similar panelists has been recommended as the ideal number (Delbecq et al., 1975). While the number of panelists can vary greatly and is ultimately dependent on the research design, Delbecq et al. (1975) caution against using too many panelists, in that data analysis may be daunting.

The Delphi study relies on a panel of selected experts, due to their knowledge about the theme, prestige and ability to generate opinions. Thus, the group was composed by university professors; representatives of public institutions linked to agriculture, forestry, tourism and regional development and Presidents of municipalities from the central mountain range. In view of the criteria defined, 40 experts were invited, by

sending a description of the project, goal and purposes, with an acceptance sheet for the development of research by mail.

Its application to tourism destinations has contributed to a different interpretation of the characteristics of the destination and processes to be developed, leading to forming a panel that promotes quantitative and qualitative assessments of balanced strategies or projects, allowing to base action logics and assuming guidance Fernandes (2010). The Delphi study applied in this investigation is based on a panel of experts, selected in view of their knowledge about the topic, prestige and ability to form opinions. The collaboration consisted of issuing opinions in two stages or rounds of consultation. In many cases a personal contact was made, in order to stimulate participation.

# 3. MAIN RESULTS AND CONTRIBUTIONS

These techniques promote a greater innovation and creativity ability in research, because they promote ideas and action strategies for the group involved in the process of study(Gordon and Pease, 2006). With this procedure it is also possible to reach problem identification, information retrieval, detection of disruptive interventions, solving strategies and action plans, in a transversal approach, as a result of the various specialists involved on the management and development of the tourism destination. However, the rigour of research may be conditioned in the face of quick political, social and economic changes, as well as the knowledge that is being produced. In methodological terms it allows to: eliminate personal or group influences; ensure the representation of all opinions; group opinions and guidelines systematically; avoid face-to-face and formal meetings, which means economy and swiftness; filter and specify information; think about the questions in writing; reduce errors and uncertainties in relation to controlled retroaction and allow quantification. The methodology has proved to be of great interest, despite the difficulties at the level of involvement of the experts asked to participate in the research in information retrieval and in building a feedback system that allows us to evaluate trends, diagnose potential and support decisions. To the experts' panel, the management of the mountain range areas should be the responsibility of administrative authorities, including the preference for inter-municipal institutions. Six strategic goals for the promotion and qualification of tourism were identified: Valuation and protection of the environment, natural resources and their functions; Enlargement of the plurifunctionality of the mountain; Promotion of permeability of mountain territory; Planning and management of forest areas; Qualification of the agro-pastoral activities; Promotion of tourism activities highlighting heritage; Encouraging the participation of local communities in tourist planning strategies. It allowed setting six foundations for the structuring of a specific policy: Cultural, patrimonial, and environmental preservation, protecting the structure and operation of the ecosystems and of the landscape; Construction of a development model and specific development of tourism, favouring territorial cohesion; Identification and valuation of resources and local potentials; Involvement of the local stakeholders in preservation policies, in order to enhance and monetize these territories; Investment in vocational education and training in Tourism and Hospitality; Economic stimulation that promotes population growth and services (discrimination according to the local costs).

So, in terms of preservation it is necessary to specify the vocations, specificities and potential of various territories that make up the mountain, in an integrated and

participatory manner, allowing, on the one hand, the conservation and safeguarding of elements of greater value and identity and, on the other, develop management and planning activities in the light of specific local features hinged and their potential. At a promotional level, the mountain must build an image of quality and integrity, as a brand associated with its features, developing policies that allow easy access to these regions in material and immaterial terms and increase training in strategic areas. The shortcomings and weaknesses of these economic and social territory must be mitigated through activities that value the specificities and local wealth in a sustainable way, boosting the agro-forest-pastoral system, betting on its quality, certification and designation of origin, strengthening the activities of tourism, recreation and leisure, increasing the offer of hotels and equipment that extends the attraction of the region throughout the year and invest on the qualification of human resources.

Tables 1 presents thestrategies and actions for the Central Mountain Range destination management.

Table 1-Strategies and actions for the Central Mountain Range destination management

Actions/Interventions					
	Actions/interventions				
Preservation	-Definition of vocations, specifics and potential of each mountain area, involving politicians, economic agents and population; -Development of plans to safeguard and promote the endogenous potentialities; -Development of Tourism Charters and its articulation with the planning instruments; -Inventory of heritage and potential resources for tourism -Integration of international networks of preservation and geo conservation of high eco cultural potential territories				
Promotion	-Improvement of road infrastructure and tourist signposting; -Promotion of an image of quality and integrity; -Creating infrastructure and equipment for enhancing the quality of life and development of the region; -Promotion of the territory and its features in the area of tourism and leisure; -Certification and designation of origin of production; -Improving access to physical and immaterial infrastructures (networks of information and knowledge); -Promotion of gastronomy and livestock production; -Valuation of hazardous areas and natural resources; -Promotion of innovative accommodation layouts connected to mountain, nature and biodiversity.				
Encouragement	-Promotion of activities highlighting the specificities and local wealth in a sustainable manner; -Incentives for the establishment of population and economic activities; -Promotion of participation of various local agents -tourism cooperation; -Training of qualified human resources in tourism and hospitality; -Strengthening of recreational and leisure activities with different layouts and products; -Creation of partnerships supported by a digital platform; -Develop a network of cooperation in tourism – articulate stakeholders; -Valuation of the agro-forest-pastoral system in the mountain areas; -Encouragement of scientific research and the potential of this natural laboratory on the mountain.				
Participation	-Increase the participation of communities, economic agents, and institutional partners; -Development of projects adapted to the physical and socio-economic realities, in a participatory and inclusive manner; -Involve the educational institutions and the centres of R&D in the construction of strategies for tourism; -Promote the link between mountain spaces at a European level and with proactive, collaborative networks.				

There is an unanimous recognition of the mountains as eco-cultural references for the awareness of the ecological degradation and the promotion of environmental values. This attitude is based on natural recovery, in the existence of traditional systems of organization and territorial management, the preservation of strategic water reservoirs, forest and biodiversity, which enhance an ecological conscience and have a didactic function. The maintenance of the integrity and difference, faced with a global socio-economic model, is an asset for its development, to the extent that the growing trend of consumption standardization and the environmental and cultural deterioration, leads to the promotion of territories whose authenticities are preserved. In this regard, the valuation of the identity and specific characteristics of these territories involves their differentiation faced with areas with a high intensity of transformation and socio-economic appropriation, increasing its competitiveness and quality. There is, thus, the exponentiation of the specificities and singularities, which should constitute the identification reference at the level of territorial marketing as a way to promote the territory, its resources and productions.

Success is dependent on the degree of involvement of the group and of the depth of the opinions, due to generating a system of "qualitative" group information gathering (though it may have quantitative dimensions) that wishes to be a "fundraiser" of brains (picking the brains), this aspect has proved critical in the quality of the results to be obtained and in terms of information processing, which when not properly planned can lead to disturbing situations of information and the means involved (Landeta, 1999; Godet, 1997; Garrod and Fyall, 2005), such as:

- -It may result in the dilution of opinions of the real experts in the group;
- -It requires a great rigour in the preparation of the issues and its interpretation;
- -It makes the anonymity of experts difficult;
- -It conditions the effectiveness of the research process, if delays happen when sending the responses in the developed rounds;
  - -Possibility that the group is not rigorous or does not share the whole information;
  - -Estimates are not in line with reality.

Since there is no effective tourism planning with binding character in Portugal, transforming the interventions in destinations through land-use plans in force and the guidelines contained in strategic plans produced with different territorial scales and by different entities. It is important to consider it, in addition to academic studies, where they have been applied, transposing their contributions to public management and the effective recognition of their capital gains in supporting decision-making and the sustained construction of the destination.

# **CONCLUSION**

The increasing complexity of the operation of socioeconomic systems, the changes resulting from the behaviours and interests of the various stakeholders present and the dynamics that tourism has in its typologies, participants and formats of resources uses imply that the used methodologies are developed promoting collaboration and interaction between the different parties involved, recognizing their differences, strategies. The participation in a coordinated manner and interaction ability, proves to be of great importance against the doubts and questions that the destinations arise when making a decision or listing strategies and performance actions.

The Delphi methodology proves to be of great interest as a tool of prospective studies, despite the difficulties at the level of involvement of experts asked to participate in the investigation, which resulted in many cases, in a waiver concerning the integration in the research, a long period of data gathering, given the delay in sending the surveys. This technique promotes a greater innovation ability and research creativity, because it is based on the possibility to generate ideas and action strategies for the group involved in the study process without physical presence, which can be optimized in terms of time and costs through Information and Communication Technology (ICT). It allows access to relevant information to support decisions, knowing the experts' perspectives and promoting consensus sets. In a context of great dynamics and innovation, as is tourism, destinations must try to find support tools that sustain the decision and allow to assess projects, initiatives and strategies, through quality information collection, contributions or perceptions of specialists to enable supporting decisions and actions to be undertaken or equate the logic of action.

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# ANALYSIS OF THE TOURISM INDICATORS IN FUNCTION OF ENRICHMENT OF THE TOURIST OFFER THROUGH MANIFESTATIONS IN THE REPUBLIC OF MACEDONIA

Mijalce Gjorgievski <sup>3</sup> Dejan Nakovski Valentina Mucunska Palevska

#### Abstract:

The tourism in the Republic of Macedonia according to relevant statistical indicators still is or is longer on low (unsatisfactory) level, which is expressed both by the number of tourists visiting the country and by the number of realized overnights by tourists. Another feature of tourism in the Republic of Macedonia is its emphasized seasonal character, which the authors considered as a negative trait. To improve the current situation in the tourism industry in the Republic of Macedonia it is necessary to improve and enrich the tourist offer. According to the authors one of the best ways to improve the quality of the tourist offer is through actualization, promotion and strategic management of the events in function of tourism. The aim of the paper is to show how through correct strategy and event management can significantly improve the situation in tourism on the basis of all the above mentioned indicators, especially when it comes to the seasonal nature of tourism and to make certain dispersion of tourist movement beyond the traditional tourist destinations in the country.

**Keywords:** events, development, tourism product, dispersion of tourists

# INTRODUCTION

Tourist offer of the Republic of Macedonia is still too traditional, i.e. it mostly consists of summer mass tourism and winter tourism as a major tourist forms. As a result of such tourist offer it is normal to have weak or insufficient tourism development in the state, which through statistical indicators will be presented in the paper. The authors in the analysis of this unsatisfactory situation proceed from the assumption that the level on which tourism is placed in the country largely depends on tourism product which is offered on the modern tourist that in terms of the product is becoming increasingly fastidious. This leads to the thinking that enrichment and expansion of the tourism product is necessary but with greater participation of some of the specific tourism forms. Such alternative authors perceive in manifestations - events, which with their specifics should contribute to the enrichment of the tourist product, the dispersion of tourist offer through other cities in the country as opposed to the current concentration in few cities - tourist destinations, time dispersion of tourist movement or initiation of

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tourist movement throughout the year. The great impact on events is emphasized by the authors (V. Šušić and D. Đorđević, 2011) "The world tourism, a growing importance is given to the event as a tourist product, which is best manifested through the new trends in the tourist supply aimed at increasing the interest in learning about cultures, customs and traditions of different countries and areas". In order manifestations events in the Republic of Macedonia to become a major part of the tourism product, strategic management is necessary their and of course the appropriate PR - approach and strategy.

## METODOLOGY

The methodological approach in the preparation of this paper consists of two parts. In the first part an analysis of the current level of tourism comprehension in the Republic of Macedonia is made, which is expressed through tourism statistical indicators, while in the second part solutions that should enrich and supplement tourism product of the country taken as a whole as a tourist destination are offered.

In preparing the paper more scientific research methods are used in order to obtain relevant results, such methods are: a statistical method for statistical presentation of data, comparative method to compare data, methods of analysis and synthesis with whose application the collected data have been processed, graphical methods for presentation of the results and so on.

# REVIEW AND ANALYSIS OF THE TOURIST ARRIVALS AND OVERNIGHTS

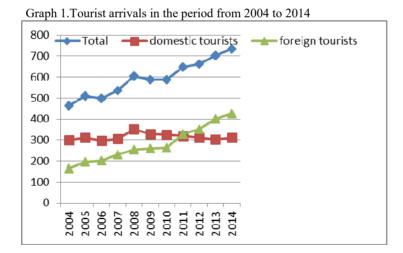
The main indicators that indicate the level of tourism development in the Republic of Macedonia are the number of tourist arrivals, the number of realized tourist overnights and realized tourist turnover i.e. tourist consumption.

Table 1. Tourist arrivals in the period from 2004 to 2014

		Tourist arrivals			
Year	Total	<b>Domestic tourists</b>	Foreign tourists		
2004	465.015	299.709	165.306		
2005	509.706	312.490	197.216		
2006	499.473	297.116	202.357		
2007	536.212	306.132	230.080		
2008	605.320	350.363	254.957		
2009	587.770	328.566	259.204		
2010	586.241	324.545	261.696		
2011	647.568	320.097	327.471		
2012	663.633	312.274	351.359		
2013	701.794	302.114	399.680		
2014	735 650	310 336	425 314		

Source: State statistical office of the Republic of Macedonia, 2009., State statistical office of the Republic of Macedonia, 2015.

From the data presented in Table 1, it is immediately evident that the general increase in the number of tourists who have visited the Republic of Macedonia for the ten-year period that has been processed. The total number of tourists who visit the country in over a year, is the largest in the last year 2014, while the lowest is in the first year that was analyzed i.e. in 2004, but the marked increase in the absolute number is 270 545 tourists i.e. expressed in a percentage it is a growth in the number of tourists for 58.2%. Sizable movement of tourist visits during the ten-year period, is with some oscillations in the period from 2004 to 2010, but then it is noticed a steady increase from 586,241 tourists in 2010, up to 735,650 tourists in 2014, it has increased by 149 409 tourists a year or in terms of percentage this represents an increase of 25.5%. What is particularly important in the analysis of the number of tourists who have visited the destination is the quantity of domestic and foreign tourists; here the data are quite optimistic, particularly in relation to the number of foreign tourists. The dynamics of the number of domestic tourists is quite less, so in 2014 compared to 2004 it has increased by only 10627 tourists expressed in absolute numbers or percentages that is an increase of only 3.5%, while during the examined period oscillations of 297,116 tourists are observed in 2006 and up to 350 363 domestic tourists in 2008, which is the best year in terms of the number of domestic tourists. But the situation is quite different when it comes to foreign tourists visiting the country, so there is an increase in the number and continuity of 165,306 foreign tourists in 2004 when their number increased to 425,314 tourists in 2014, in absolute numbers it is an increase of 260,008 tourists or in percentage it is an increase of 157.3%. The dynamics of a sizable movement of the total number of tourists, both domestic and foreign tourists in the period from 2004 to 2014, is graphically shown in the next graph.



Such a large percentage of the growth in the number of foreign tourists, as well as in the total number of tourists in the ten-year period at a glance is an indicator of great tourist development of the country. However, to get a better idea of tourism development other indicators of tourism development must be analyzed, because tourism growth (represented as the number of tourists) does not always have to mean that there are developments that follow up the growth.

The following table presents the indicators of realized tourist overnights per year during the period from 2004 to 2014, which can be seen as the absolute number and so the average length of stay of tourists, which is an important indicator for the analysis of the country's tourism development.

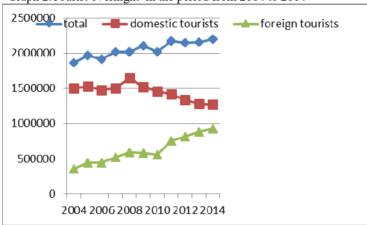
Table 2. Tourist overnight in the period from 2004 to 2014

Tuole 2	Table 2. Tourist overlinght in the period from 2004 to 2014				
		Tourist overnight	stays		
Year	Total	Domestic tourists	Foreign tourists		
2004	1 865	1 504 845	360 589		
	434				
2005	1 970	1 527 053	442 988		
	041				
2006	1 917	1 474 550	442 845		
	395				
2007	2 019	1 501 624	518 088		
	712				
2008	2 235	1 648 073	587 447		
	520				
2009	2 101	1 517 810	583 796		
	606				
2010	2 020	1 461 185	559 032		
	217				
2011	2 173	1 417 868	755 166		
	034				
2012	2 151	1 339 946	811 746		
	692				
2013	2 157	1 275 800	881 375		
	175				
2014	2 195	1 273 370	922 513		
	883				

Source: State statistical office of the Republic of Macedonia, 2009., State statistical office of the Republic of Macedonia, 2015.

The data in Table 2, reflected growth in the total number of realized overnight stays by tourists in the analyzed period. That growth expressed in absolute numbers is equal to 330,449 overnight stays in 2014 compared to 2004, which in percentage is 17.7%, if this data is compared to the growth in the number of tourists (Table 1) it may be noticed that the growth of realized nights does not follow the growth of realized tourist visits, the difference is 40.5%. Realized number of overnights by domestic tourists in the analyzed period it is recorded a decline and oscillations in the numbers throughout the period, i.e. in 2004 domestic tourists realized 1,504,845 overnight stays while in the last analyzed year there was a decline of about 231 475 nights, or in percentage it was 15.4%. But the situation with overnights spent by foreign tourists is considerably better, because there is the biggest growth for the analyzed period and is 155.8%, i.e. out of the realized number of 360 589 overnights in 2004, the number increased to 922,513 overnights realized in 2014. The evident growth realized by the foreign tourists is particularly significant in terms of the expected tourist trade (especially foreign

exchange earnings) which should monitor the growth of realized overnight stays. The dynamics of a sizable movement of overnights spent by the total number of tourists, domestic as well as foreign tourists in the period from 2004 to 2014, is graphically shown in the next graph.

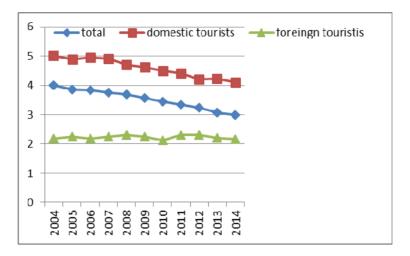


Graph 2. Tourist overnight in the period from 2004 to 2014

Next indicator of tourism development that can be obtained from the data analysis from Tables 1 and 2 is the average length of stay of tourists, as the total number of tourists and as well as individually on the domestic and foreign tourists. According to these indicators in relation to the total number of tourists, the average length of stay of tourists in 2004 in our country was 4.01 days, while in the last analyzed 2014, the number was 2.98 days, which shows a decrease in the average length of stay tourists to 1.03 days, or in percentage it is a drop of 25.6% which is not negligible. Domestic tourists in 2004 in destinations in the country stayed 5.02 days in average, while in 2014 their average stay was 4.1 days, which is a decrease in the average stay of 0.92 days, or in percentage decrease of 18.3%. The situation is similar among foreign tourists in 2004 staying in the country on average 2.18 days, while in the latest 2014 year; the average length of their stay was 2.16 days, an insignificant decrease.

The dynamics of a sizable movement in the average length of stay of the total number of tourists, domestic as well as foreign tourists in the period from 2004 to 2014, is graphically shown in the next graph.

Graph 3.Average length of stay of tourists in the period from 2004 to 2014



The last indicator that is important in order to understand the country's tourism development is the realized tourism turnover, that besides being an economic indicator of income from activities it also indicates whether there is a real tourist destination development. The indicators of realized tourism turnover in the last five years from 2010 to 2014 are presented in the following table.

Table 3. Realized tourist turnover in the period from 2010 to 2014

- and to an interest the interest in the position in the 2010 to 2011								
	Realized tourist turnover							
Year	Euros							
2010	119 746 060							
2011	127 302 001							
2012	133 001 037							
2013	137 118 387							
2014	124 208 919							

Source: State statistical office of the Republic of Macedonia, 2015.

The data in Table 3 shows that the realized tourist turnover during the analyzed period, certain oscillations, but it generally marks certain increase in 2014, when the turnover was 119,746,060 Euros, compared to 2010, when the turnover was 124 208 919 Euros, the increase in turnover amounted to 4,462,859 Euros, or in percentage this increase was 3.72%. But it is also important to look at the movement of tourist turnover in the last four years from 2011 to 2014 when a decrease is noted, which is especially emphasized in 2014 compared to 2013 and to 12,909,468 Euros, or in percentage it a decrease of 9.4%. The dynamics of realized tourist turnover for the analyzed period is shown in the next graph.

■ tourist turnover 140 137.1 mil. 135 130 125 127.3 mil. 124.2 mil. 120 119.7 mil. 115 2010 2011 2012 2013 2014

Graph 4. Realized tourist turnover in the period from 2010 to 2014

The analyzed data from Tables 1, 2 and 3, the real conditions are perceived in the tourism development of the country, which indicates the following: in the analyzed period there is a continual increase in the number of tourist overnights and tourist movements, which indicates growth, but when the data for length of stay is analyzed and especially the realized tourism turnover, a decline of the same is noted. This indicates that the country, despite of the growth in the number of tourists who visit, there is no satisfactory tourist development i.e. has a small average length of stay of tourists, which normally results in a reduction of the actual tourist turnover.

# REVIEW AND ANALYSIS OF SEASONALITY AND SPATIAL DISTRIBUTION OF TOURISTS

For the need of the research in this paper, seasonality of the tourist movement in the country and the visit of tourists by types of tourist will be analyzed. The seasonal nature of the tourist movement in months is presented in the following table.

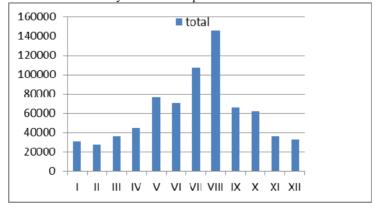
Table 4. Tourists arrivals by month in the period from 2010 to 2014

	Tourists arrivals by month												
Year		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2010	Domestic	13608	12 771	11 620	16 718	26819	24376	75 867	77 060	16779	18690	11377	18860
	Foreign	12 264	13 277	14 769	19 409	28401	27220	28 738	32 231	28144	23504	18229	15510
	Total	25 872	26 048	26 389	36 127	55220	51596	104605	109291	44923	42194	29606	34370
2011	Domestic	14029	11913	12537	13897	21779	21556	80499	78211	20605	17597	11731	15743
	Foreign	14067	15242	19434	23245	34315	33767	39271	40130	38015	31782	21079	17124
	Total	28096	27155	31971	37142	56094	55323	119770	118341	58620	49379	32810	32867
2012	Domestic	15845	9 192	12849	14114	23435	23343	74042	72859	19331	18390	14244	14630
	Foreign	17903	14351	19243	26586	37340	39873	42871	41695	41097	33122	20512	16766
	Total	33748	23543	32092	40700	60775	63216	116913	114554	60428	51512	34756	31396
2013	Domestic	15391	10209	11719	14596	22737	21519	64 330	78 484	16986	19517	13237	13389
	Foreign	16373	15390	22776	27784	44851	46303	47 290	49 123	46841	41783	20876	20290
	Total	31764	25599	34495	42380	67588	67822	111620	127607	63827	61300	34113	33679
2014	Domestic	14 496	11 257	14 137	16 401	25 726	19175	55 243	88 072	16820	22317	14229	12463
	Foreign	16 340	16 021	22 153	28 077	50 693	51498	51 988	57 373	49213	39762	22246	19950
	Total	30 836	27 278	36 290	44 478	76 419	70673	107231	145445	66033	62079	36475	32413

Source: State statistical office of the Republic of Macedonia, 2015.

The data in the table shows the evident seasonality of tourist movement throughout the five-year period from 2010 to 2014. Lowest sizable movement of tourists there in the winter part of the year, i.e. in the months I, II, XI and XII, while the tourist movement has the largest value in the summer part of the year, in the months V, VI, VII and VIII. For example, you can compare the arrival of tourists by months in 2014, where it is seen that the total number that visited the country in the VIII -th month is 145 445 tourists that is for 118 167 more than in the II-nd month when the country was visited by 27278 tourists, or the most visited month of the year has 81.2% more tourists compared to the month that has the smallest number of tourists. The seasonal character also is reflected by the fact that in the summer part of the year (VI, VII and VIII month) the country is visited by 44% of the total number of tourists throughout the year. The seasonal nature of the tourist movement in the country is shown in the next graph.

Graph 5. Tourists arrivals by month in the period from 2010 to 2014



The next indicator that is analyzed in the paper is the visit of tourists by the type of destination that they have visited. These data should show the spatial distribution of tourists and also it should present the most attractive destinations, that according to the authors will detect the forms of tourism that are the most common, and as well as to get a basic idea about the tourist offer in the destination. Data on tourist visits by type of tourist destination is given in the following table.

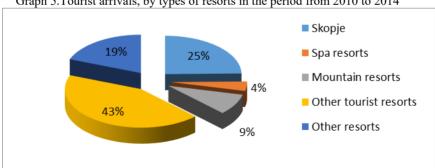
Table 5. Tourist arrivals, by types of resorts in the period from 2010 to 2014

	Tourist arrivals, by types of resorts								
types of	Skopje	Spa	Mountain	Other	Other				
resorts		resorts	resorts	tourist	resorts				
				resorts					
Year									
2010	126 327	28 574	71 457	263 278	96 605				
2011	141 386	27 441	71 309	279 695	127 737				
2012	152 412	27 430	68 809	280 375	134 607				
2013	168 623	28 405	68 745	300 540	135 481				
2014	181 835	29 532	64 707	318 972	140 604				

Source: State statistical office of the Republic of Macedonia, 2015.

The table shows that each year of the analyzed five-year period from 2010 to 2014, the largest tourist visits are conducted in other tourist destinations (according to the State Statistical Office: Ohrid, Struga and Dojran), while the smallest tourist visit is realized in Spa resorts, if only tourist destinations are considered, but it should be taken into consideration that in Other resorts, which are not tourist destinations and also cover most of the country also have a very small number of tourist visits. Traditional tourist destinations in the country (Ohrid, Struga and Dojran) in 2014 had 318,972 tourists, representing 43.35% of the total number of tourists who visited the country that year, while in all resorts and the City of Skopje (no Other resorts) there were 595,046 tourists, representing 80.88% of the total number of tourists that year, and the remaining 19.12% of tourist arrivals were realized in the Other resorts. The following graph provides a graphical display of tourist arrivals in the country according to the types of tourist destination.

Graph 5. Tourist arrivals, by types of resorts in the period from 2010 to 2014



This spatial imbalance in terms of tourist visiting the relatively small territory that occupies the Republic of Macedonia (25713km2), the authors considered one of the reasons for the insufficient level of tourism development, which is perceived analyzing the previous indicators. Also the authors have in mind that most visited traditional tourist destinations with 43.35% of the total number of tourists, who represent destinations with developed summer tourism, which suggests a certain uniformity of tourist offer concentrated in summer tourism.

# THE MANIFESTATIONS – AN OPPORTUNITY TO ENRICH THE TOURIST OFFER IN THE REPUBLIC OF MACEDONIA

It is necessary to change the unfavorable spatial distribution of tourist movement in the country i.e. it is necessary to make efforts for a greater dispersion of tourist movement to other areas in the country (statistics recorded as Other resorts), in order to extend the tourist season, to reduce the emphasized seasonal nature of tourism in the country but also at the same time to increase the number of tourist arrivals and the realized tourist turnover. According to the authors it is possible to achieve enrichment of the diversity of the tourist offer in the country, taken as a whole in tourist terms, especially actualizing the events (all kinds of events) that are held in other cities and towns in the country in the Group - Other resorts. It means that in the country's tourist offer special attention should be paid to the specific tourism form - Event tourism, which the authors considered as one of the tourist forms through which the goals previously presented can be realized. This thinking is supported by the definition of events tourism by Yulan Y. Yuan, which event tourism defines as "major one-time or recurring events of limited duration, developed primarily to enhance the awareness, appeal and profitability of a tourism destination in the short or long term, clearly, event tourism serves as an instrument in facilitating community-building, fostering urban renewal, and spurring tourism development to provide a better quality of life and environment" (Yulan Y. Yuan, 2013). The manifestations that are traditionally held in towns and cities across the country, should be part of the overall tourism product or should be incorporated as an integral part of the tourist offer and thus to present a pull-factor to attract tourists to the destination, whether it comes to tourists who specifically attend the event or for tourists who are already in the country and the event would be an additional attraction. anyway manifestations have positive influence on tourism development at local and regional level (J.M., Lopez-Bonilla, L., Lopez-BonillaandB. Sanz-Altamira., 2010), These festivals provide new opportunities to attract visitors to the places where they are held. Local and regional policies can take advantage of the festivals in order to increase the appeal of a tourist destination".

The Republoic of Macedonia as a small country, with a emphasized seasonal nature of the tourism movement and spatial concentration of tourists to several destinations, it should use the ethno-social characteristics of the population which is expressed through manifestations which are quite numerous and are organized in a number of settlements places, but also need to use the contemporary events in which are more promoted, organized and actualized in the country. Normally, all events are not all equally important to the development of tourism and each one of them doe not have the same attractiveness to attract greater number of tourists, so special attention should be paid to major events and manifestations that are characterized by large and attractive attributes and can represent and independent tourists motives, the importance of major events in

stresses by Getz, who says "All types of planned events have tourism potential, but larger events (in the domains of sport, festivals and other cultural celebrations and business) dominate in the literature and in event tourism development" (Getz, D. 2008). Therefore, the following table provides a basic overview of some of the major events in the country.

Table 6. Some of the more important events in the Republic of Macedonia

Event	Location	Month	Visitors
Strumica Carnival	Strumica	II-III	over 50.000
Carnival "Prochka"	Prilep	II-III	over 30.000
Carnival "Babmurci"	v. Ratevo	I	over 4.000
Beer Fest	Prilep	VII	over 350.000
Pivolend	Skopje	IX	over 150.000
Vinoskop	Skopje	IX	over 20.000
Vevchani Carnival	v. Vevchani	I	over 10.000
Galichnik Wedding	v. Galichnik	VII	over 5.000
(Galichka svadba)			
Ohrid Summer Festival	Ohrid	VII - VIII	over 20.000
Skopje Jazz Festival	Skopje	X	over 5.000

The data in the table presenting basic information on some of the most significant events in the country shows clearly that they attract a lot of visitors, in a very short period of time, because time character of the manifestations is short, usually they last one to two days. Another feature except large attendance is spatial dispersion, that many of the manifestations are held in places that are not traditional touristic. Next feature is the period when the manifestations are held, according to which they affect the extension of the tourist season or cushion the seasonal nature of the tourist movement in the rest of the year. Especially, the authors take into consideration the impact that manifestations have, particularly the larger and more massive visited ones (Beer Fest Prilep, Strumica Carnival- Strumica ...) on the establishment and recognition of these cities as manifestation - event or carnival cities, since these events are part of the tourist and cultural program of the same, this way they are branded i.e. the events brand the cities. (GeldersD., 2012) "City events can be seen as a tool of city branding. They are "planned events" or spatial-temporal phenomena, which are unique because of "interactions among the setting, people, and management systems-including design elements and the program". Despite the branding of cities and their greater tourist activation, manifestations and events have a major impact on the local community, its influence is evident in the economic, social, cultural, environmental and political terms (Arcodia, C. and Whitford, M. 2006) "Festivals are emerging worldwide as a growing and vibrant sector of the tourism and leisure industries and are seen to have significant economic, socio-cultural and political impacts on a destination or host community".

### CONCLUSION

According to the processed data and conducted analysis, it can be concluded that the understanding the condition of tourism in the Republic of Macedonia during the analyzed period is as follows:

- a significant increase of 58.2% on the tourist movement, expressed in the number of arrivals of tourists, even more important it is that the increase in the arrival of foreign tourists is 157.3%.
- also it is found an increase of 17.7% in the realized overnights by the tourists, which generated an increase in overnight stays by foreign tourists accounted for 155.8%.
- the average length of stay of tourists in the analyzed period decreased by 25.6%.
- realized tourist turnover during the examined period marks an insignificant growth
- seasonality of tourist movement is visibly expressed, so most of the tourists visiting the country during the summer months of the year
- examining the analysis of the data it can be recorded and the spatial character
  of tourist movement, where it is evident that the tourist movement is so
  frequent in Other resorts.

The processed data suggest that although there is growth or an increase in the number of tourist arrivals, there is no evident tourist development that is also indicated by the other data. The reason for this unfavorable situation the authors detect in the less attractive and traditional tourist offer of the country, which is focused on a massive summer and winter tourism. The authors believe that it is necessary to enrich the tourist offer of the country with new, attractive tourist products, which will lead to spatial dispersion of tourists in other parts of the country and initiating the tourist movement throughout the year, it would lead to a greater number of visitors, increased tourist spending, which ultimately should result in greater tourism development due to better tourist offer.

One way to achieve the desired improvement of the tourism product in the country, the authors see in the increasing affirmation of events (all events) and their significant involvement in the strategies for tourism development on national and local level, and thus the aforementioned desired effects will be achieved.

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# RENEWABLE ENERGY FOR SUSTAINABLE TOURISM: ASSESSMENT OF MACEDONIAN HOTELS

Biljana Petrevska<sup>4</sup> Vlatko Cingoski

#### Abstract

Hotels consume substantial quantity of energy, water and other non-durable products, thus provoking significant environmental impacts. On the other hand, they rely on clean nature and unpolluted environment as a core value for hotel industry. Tourists more often abandon tourism destinations in poor environmental condition and trace for hotels with eco label, eco certificate and certificate for energy efficiency. Consequently, hotel industry is becoming increasingly environmentally responsible by taking care of energy efficiency. The paper addresses the indicators for resources application in hotels, in the line of assessing the nature of energy. The research is consisted of an online survey conducted among managers and department supervisors of three, four and five star hotels in Macedonia. The results point that large number of hotels lack measures to reduce the conventional energy use and replace it with renewable sources of energy. Considering the fact that energy use is a substantial cost factor, the modest and restricted application of geothermal energy, biofuels and photocell lightening is extremely alarming for achieving sustainable tourism development. The study concludes that Macedonian hotels although being fully aware of importance of energy efficiency concept, it is not their managerial priority. Finally, the study recommends that instead of being driven by increased number of tourists regardless the environmental concern, Macedonian hotels should pay attentionand become ecofriendly and be focused on applying environmental oriented practices. At the same time, the research poses new challenges that urgently need to be brought to hotel management in the line of achieving sustainable tourism development.

Key words: Renewable energy; Hotel industry; Sustainable tourism; Macedonia.

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### INTRODUCTION

Tourism provides significant boost to many local and national economies, but simultaneously poses significant environmental threats in the areas that is being practiced. Hotels use substantial amount of energy and are one of the most energy intensive facilities with correspondingly high energy costs. They are ranked among top five in terms of energy consumption in the tertiary building sector (minor only to food services and sales, health care and certain types of offices) (Hotel Energy Solutions, 2011).

So, there is an inevitable relationship between hotel industry development and environmental and energy efficiency impacts. The main intention of the management is to focus its activities in the line of reducing operating costs by introducing new sources of energy that preserve the environment by creating an eco-friendly establishment. Due to the fact that clean and well preserved environment is one of the main preconditions for high quality service generally in the hospitality-oriented facility, one may conclude the dependent nature of the hotel development. Most likely, the energy demand will continue growing in the future, so energy planning and use of renewable sources as energy supply alternatives may be a solution for sustainable development.

The study focuses primarily on the use of energy resources in hotels. Having in mind that this is a relatively unexplored topic in Macedonia, the main research aim is to assess the current level of the application of environmentally compatible and sustainable energy alternatives in hotel establishments. It is further pointed out that the development and operation of sustainable hotels requires properly planned and designed environmental protection practices. In order to preserve the attractiveness of tourist destinations, a wholesomely sustainable approach needs to be introduced, particularly with regards to the energy use.

In order to meet the research aim, the paper covers several sections. After the introductory part, Section 2 provides a brief overview on literature addressing interrelationship between energy use and hotels. Section 3 encompasses the methodology and research framework. Section 4 presents the main analysis, discussion and findings, while the future challenges and recommendations are noted in the last section. Generally, the contribution of this paper lies in the fact that it enriches poorly developed academician work in Macedonia addressing this issue.

### LITERATURE REVIEW

There is a large body of literature studying energy use and hotel's environmental performance (Kirk, 1995; Khemiri & Hassairi, 2005; Lombard et al, 1999; Ndoye & Sarr, 2003; Önüt & Soner, 2006; Zmeureanu et al, 1994). Moreover, number of studies argue the necessity of always having in mind the environment, thus introducing environmental protection programs in hotel activities in terms of reducing energy consumption, recycling, composting food scraps etc. (Bowe, 2005; Bruns, 2000; Chen et al, 2005; Dodd et al, 2001; Karagiorgas et al, 2006). All this led to changes in tourists attitudes towards eco-friendly business establishments (Environmentally Friendly Hotels, 2008; D'Souza and Taghian, 2005) and even modifications in

purchase, production and operation processes and procedures leading to increase for ecological conscious (D'Souza and Taghian, 2005; Wolfe and Shanklin, 2001).

Previous studies have also been focused on green economy and acceptance of renewable sources of energy (Ek, 2005; Jobert et al, 2007; Mallett, 2007; Roe et al, 2001; Zoellner et al, 2008). Furthermore, many academics note that hotels have noticed the benefits from improving environmental performance generally by reducing the operational costs (Forbes, 2001; Kirk, 1998; Manaktola & Jauhari, 2007) and sustaining competitive advantage and increased demand for eco-friendly hotels (Bohdanowicz, 2005a, b; Le et al., 2006; Vazques et al, 2001). Even more, in some studies it was found that tourists prefer much more to consume green products and are willing to pay for eco-friendly services (Roberts, 1996; Vandermerwe and Oliff, 1990; Han & Kim, 2010).

Additionally, various regulations serve as primary instruments of action for hotels in the line of fulfilling obligatory regulations for health and safety, environmental taxes, building standards etc. This leads to necessity of developing industry benchmarking (Kozak, 2004; Pyo, 2001; Wöber, 2001).

### RESEARCH FRAME

The research is consisted of an online questionnaire designed for hotel managers and department supervisors of three, four and five star hotels. The survey was conducted during May-June 2015. A follow-up e-reminder was sent to each non-respondent approximately each week.

The main aim of the survey was to explore the current situation in hotel accommodation sector in Macedonia when addressing the attitudes, willingness and practices concerning applying sustainable environmental practices. The frame for the sampling was provided by the Sector of Tourism and Hospitality within the Ministry of Economy of the Government of the Republic of Macedonia. This frame consisted the necessary information for the sampling units (hotels). Further on, the units were divided in three strata by the classification of each hotel (Table 1). This kind of stratification provides homogeneity within each stratum.

Table 1. Hotels' frame

Hotels class (stratum)	Number of hotels
Three star hotels	67
Four star hotels	44
Five star hotels	16
Total	127

A stratified sample was drawn from the classified sampling frame being consisted of 127 managers and department supervisors of three, four and five star hotels. Although the research was ambitious and foreseen to survey all identified managers/department supervisors, yet, only 45 responded representing 35.4% response rate. This included 16 out of 67 three star hotels, 19 out of four star hotelsand 10 out of 16 five star hotels. The distribution of responses is presented in Figure 1. The response rate of 35.4% is relatively high for an online survey, when usually due to lack of personal contact and less binding, spreads between 16-25% (Bohdanowicz, 2005b; Jeong et al, 2003; Medina-Munoz & Garciá-Falcón, 2000).

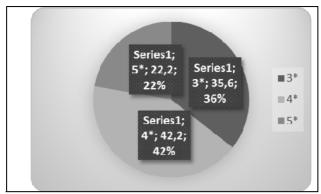


Figure 1. Distribution of responses by hotel type

The questionnaire was structured in three parts:

- o I part: General data (consisted of four open-ended questions referring hotel category, working history etc.);
- o II part: Environmental policy (consisted of eight yes/no questions related to application of environmental policies, practices and programs); and
- o III part: Resources (consisted of eleven questions addressing the issue on applying different types of resources in hotels work. The responses were categorized by using a 5-point Likert scale (1=very low, 2=low, 3=medium, 4=strong, 5=very strong. The following scheme was applied when interpreting the mean range of results in the line of quantifying the item impact: 1.00-1.80 (very low); 1.81-2.60 (low); 2.61-3.40 (medium); 3.41-4.20 (strong); and 4.21-5.00 (very strong).

### ANALYSIS AND DISCUSSION

Generally, the study found that surveyed hotels have different attitudes towards investigated issues. Based on questions from the first part (general data), it was found that hotels also differ in terms of working history. So, the surveyed hotels vary from relatively young hotels existing up to 5 years on tourism market, to well positioned hotels with over 15 years of working experience. It was even more difficult to determine the precise number of employees in the surveyed hotels, since some of them have up to 50 employees, but some have even more than 100 employees.

The questions from the second part of the questionnaire were in the line of scanning the current level of application of environmental policies and practices. The intention was to identify whether higher ranked hotels apply the same or different environmental practices.

Table 2. Summarized findings on general environmental issues (%)

Item	3* Hotels		4* Hotels		5* Hotels	
Item	Yes	No	Yes	No	Yes	No
Certificate for energy efficiency	37.5	62.5	52.6	47.4	80.0	20.0
Plan for environmental protection	53.3	46.7	73.7	26.3	80.0	20.0
Reports on environmental protection	26.7	73.3	31.6	68.4	40.0	60.0
Eco label	20.0	80.0	47.4	52.6	50.0	50.0
Eco certificate	20.0	80.0	26.3	73.7	60.0	40.0
Employee responsible for environmental protection	31.3	68.8	47.4	52.6	70.0	30.0
Award for environmental protection	/	100.0	/	100.0	11.0	89.0
Availability of info for guests	68.8	31.3	68.4	31.6	60.0	40.0

Table 2 presents the summarized findings on general environmental issues, which are visually presented on Figure 2. Based upon that, interesting notes may be drawn. Namely, it is noticeable that the five star hotels have by far the most positive environmental concerns. They hold a Certificate for energy efficiency along with the four star hotels, which is not the case with the lower ranked hotels in Macedonia. The same conclusion stands for the item addressing preparation of written plans for environmental protection, whereas surprisingly half of the three star hotels claim to prepare it. Yet, none hotel type prepare reports on environmental protection. This is not in favor of supporting the European environmental impact assessment regulation. This legislation started to develop in the 1970s and since then, many documents, action plans and standards have been established by the European Union (EU). Besides industry, energy, transportation and agricultural sections, tourism is also introduced as a segment which must conform to the Fifth Environmental Action Program. Due to the fact that Macedonia is a candidate country for EU membership, much attention must be put hotels to meet the internationally set standards.

The vast majority of three and four star hotels do not have Eco label (80.0% of the three star hotels, and 52.6% of the four star hotels), do not hold Eco certificate (80.0% of the three star hotels and 73.7% of the four star hotels), and do not have personnel responsible for environmental protection (68.8% of the three star hotels and 52.6% of the four star hotels). The findings are completely different from a point of view of a five star hotels.

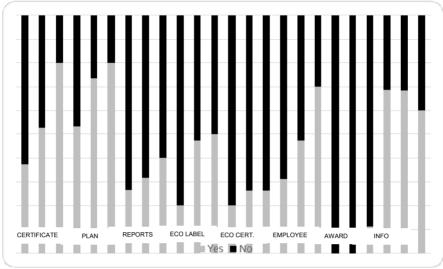


Figure 2. Comparing managerial perception on general environmental issues

Namely, based on findings given in Table 2, it may be seen that half surveyed managers and department supervisors from the five star hotels stated to have Eco label (50.0%) and Eco certificate (60.0%). Although in favor (70% claimed to have it), there is a certain risk in the interpretation and understanding the question related to the term 'personnel for environmental protection' which might be understood as a 'personnel in charge for cleaning the environment', which in most cases is a job of the housekeeping staff.

Despite the fact that majority of the surveyed hotels do possess certain written document related to environmental concern, yet, it may reflect only the appearance of social and corporate responsibility of the hoteliers. The fact that none of the surveyed three and four star hotels have ever received an award related to the environmental protection, although they have been working for over 15 years, strongly supports the general finding concerning environmental policy in Macedonia that still needs to be done. However, the positive impulse is detected in providing info to guests related to environment protection, which points to rather social responsibility of hotels and lack of energy efficiency practices.

The third part of the questionnaire referred to the resources. This section enables to evaluate managerial perception on energy use and resource conservation. Having in mind that the use of energy is a cost factor, it was expected that hotels do take serious measures in reducing conventional energy sources, particularly in the line of replacement with renewable sources. However, the findings are alarming since they point to extremely limited use of alternative sources of energy and new innovative approaches in saving energy consumption.

Table 3. Summarized findings on indicators for perception of resource usage (mean values)

Item	3* Hotels	4* Hotels	5* Hotels	Total
Solar	3.00	3.50	2.90	3.13
Geothermal	1.21	2.06	1.33	1.54
Biofuel	1.64	1.53	1.22	1.46
Photocells	1.64	2.00	1.22	1.62
Use of treated water	1.07	1.21	1.40	1.23
Saving lights	3.73	3.83	2.90	3.49
Smart rooms	1.80	3.63	1.60	2.34
Dimming system	1.87	3.38	2.90	2.71
Key-card control	3.50	4.19	4.10	3.93
Changing towels on guests' demand	4.25	4.63	4.90	4.59
Central control cooling/heating	4.25	4.74	4.50	4.50

Table 3 presents the summarized findings of managerial perception towards certain indicators of resource usage. The conclusions are the same, but more visible in Figure 3, when the data are presented in terms of impact in every day work of Macedonian hotels.

The mean values for the extremely important renewable sources of energy, like geothermal energy, biofuel, photocell lighting and the use of treated water are by far the lowest. Consequently, they have the lowest power when quantifying the item's impact. In this case, the mean for the items referring geothermal energy, biofuel, photocell lighting, as well as the use of treated water, are far below the critical values indicating that these determinants are meaningless for the hotels' energy efficiency concept.

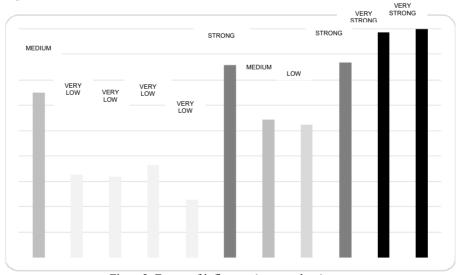


Figure 3. Factor of influence (mean values)

The dimming system, which in general increases the lifespan of incandescent and LED light sources, is smart, silent, reliable and efficient system for saving energy in hotels. Yet, this item is perceived as only a low impact determinant used extremely limited by Macedonian three, four and five star hotels.

Having in mind the high costs for establishing solar energy and the "smart rooms" operations, not surprisingly is the managers' perception as medium usage. However, hotels pay large attention to the use of energy saving systems that control every appliance in rooms and key-card control system that provides no power unless the room-key is inserted. This, along with the energy saving light bulbs, is found as a resource with strong impacts.

Similarly, the central cooling/heating system along with the guest demands for linen and towel changes are assessed as very strong factors of influence on hotels business. The guests' awareness of energy efficiency is constantly rising by having the choice to use the same towels and linens for the duration of the stay, rather than to incur the environmental costs of laundering them each day. This conservative measure is practiced by each hotel regardless the categorization and simultaneously increases the guest satisfaction and loyalty by showing their care for energy efficiency and climate change.

#### CONCLUSION

The paper is focused on presenting some insights into the use of energy in three, four and five star hotels in Macedonia. It aims at providing assessment of managerial perception of energy resources and discussed more environmentally compatible and sustainable alternatives. The summarized results confirmed the findings as in Cunningham (2005), Erdogan and Baris (2007), Mbaiwa (2003) as well as Trung and Kumar (2005) that although being aware of the importance of the energy consumption and environmental protection, yet its stewardship is not a top priority. Namely, the problem is substantial gap that exists between the managerial awareness for the benefits of the renewable energy, and the daily practice of the hotels.

The results point that referring some issues on energy consumption resources, hotel's classification in terms of star-ranking played a significant role in explaining certain results. Namely, the five star hotels were the most willing to use energy efficient appliances to reduce energy consumption. However, the large number of hotels in Macedonia lack measures to reduce the conventional energy use and replace it with renewable sources of energy. Therefore, the paper emphasizes the need for an increased use of renewable energy resources and strategies in meeting the complex requirements for sustainable development. Considering the fact that the energy is a substantial cost factor, the modest and restricted application of geothermal energy, biofuels and photocell lightening is extremely alarming for achieving supportable tourism development. Although being fully aware of the importance of the energy efficiency concept, the study found that it is not a managerial priority of Macedonian hotels. Instead of being driven by increased number of tourists regardless the environmental concern, Macedonian hotels should pay attention and become ecofriendly accommodation facilities. In such case, the hotels would benefit from the environmental pro-activeness which is important for the performance and development of sustainable tourism since using renewable energy sources is one of the core elements for achieving sustainability.

The study recommends that hotels should create specific strategies that will have a significant impact on reducing energy consumption. Some aspect of these strategies may include increasing the level of awareness among hoteliers through a direct and well-designed environmental protection campaigns. Furthermore, it may be recommended that managers and department supervisors should focus on shifting their professional ethics, developing and exerting a wide range of the energy efficient practices in the first line by introducing some renewable sources of energy. That will result in the reduction of the energy consumption. Consequently the hotels may benefit from the energy conservation measures not only by saving money, but also in ensuring comfort to the guests and staff. It can be concluded that only properly planned, designed and operated hotels offer environmental advantages and attractive opportunities for sustainable businesses.

During the research, several limitations occurred which might be addressed in some future work. Namely, although the presented data are reliable, it is difficult to identify to what extent the information is representative speaking of the overall hotel industry in Macedonia. The study may be enhanced by extending the sample in the line of increasing the response rate, as well as to spread the target location within other countries, particularly in the region. However, it must be taken into consideration that the goal of the study was to identify the indicators for resources application in hotels, in the line of assessing the nature of energy in terms of supporting tourism sustainability.

### ACKNOWLEDGEMENT

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# THE CREATING PROCESS AND INNOVATION: AN APPROACH TO PORTUGEESE TOURISM

Sousa Bruno<sup>5</sup> Ramos Delfina

### Abstract

The creation process and entrepreneurship are considered a central force of economic development, generating economic growth and serving as a vehicle for innovation and change. Innovation can be seen as a specific tool of entrepreneurs, exploiting change as an opportunity for a different business or service. This reflection seeks to gather and present the main aspects related to entrepreneurship and dissect the innovation process through a framework.

Similarly, in recent decades, tourism has received greater attention from researchers in various sciences, varying by the different emphasis considered: economic, social, cultural and environmental. Tourism is one of the economic sectors in which a great degree of involvement is needed by the entrepreneurial sector: diversification of tourism products and services is needed to cope with increased demand for new types of tourism needs. Portuguese tourism is considered as a case study. This study provides a better understanding regarding the essence of entrepreneurship: theoretical and practical implications in a tourism perspective.

**Keywords:** Creating process, differentiation, entrepreneurship, marketing management, tourism.

### INTRODUCTION

The concept entrepreneurship has been studied from a multitude of disciplinary perspectives. Historically the conceptualisation emerging within classical economic theory was concerned with entrepreneurial activityas a key factor and dynamic element in economic performance (Schumpeter, 1934; Ateljevic and Doorne, 2010). Entrepreneurship is increasingly popular in academic works (Heilman and Chen, 2003). According to Gartner (1985), the entrepreneurship literature review suggests that differences among entrepreneurs and among their ventures are as great as the variation between entrepreneurs and nonentrepreneurs and between new firms and established firms. According to Ateljevic and Doorne (2010), the process of integrating a diversity

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of research approaches and perspectives presents a number of difficulties, the interpretation of which introduces subjectivities into the analytical process. However, given the extent of our ethnographic involvement in each of the case study areas, we observed that entrepreneurs have been instrumental in affecting the dynamics of both industry and community.

According to Ma and Tan (2006, p.705), "there has been an increasingly popular of cross-fertilization among strategic management research entrepreneurship research, two fields deeply concerned with wealth creation and heavily influenced by Schumpeter's seminal work on innovation and creative destruction". The creation process contributes to business success and increased competitive advantage (Sousa and Lopes, 2012), which is a theme that has clearly captured the attention of researchers in the field of management. The dynamic nature of this process, coupled with the constant need to invest in a highly distinctive and differentiating offering new studies have provided in order to score market position and achieve consumer satisfaction, including the level of emerging realities confirmed by new trends and desires (Costa, 2001; Buhalis and Costa, 2006). The recent growth of the adventure tourism industry, free independent travel and special interest tourism (Cloke and Perkins, 1998) allreflect significant growth in the number of smallfirms involved in tourism activities. From another perspective, the number of small business births reflect increasing entrepreneurial activity and awareness (Ateljevic and Doorne, 2010).

Innovation is the adoption of a change that results in something new to the organization and relevance to the environment, and the creative idea and its development is the seed germinated by innovative, effective for the market economy (Dosi, 1988). In this sense, innovation has attracted the attention of several scholars and entrepreneurs together with entrepreneurship. This makes it possible to open new doors and open new markets, enabling greater efficiency in business, economic growth and new ways of targeting an increasingly competitive market (Kastenholz, Davis and Paul 1999). Porter (1990) notes that innovation is used in literature to describe the process of using new knowledge, technologies and processes to generate new products as well as improvements in their use.

### INNOVATION AS A SOURCE OF COMPETITIVE ADVANTAGE

Innovation can be seen as a specific tool of entrepreneurs, the means with which exploit change as an opportunity for a different business or service, being able to be understood and, as such, to be practiced, leading to a common distinction between invention and innovation (Drucker, 1993). Almost all the innovations reflect existing knowledge, combined with new uses, suffering the concept of innovation as a shift towards emphasis on the interaction between institutions, focus on interactive for the creation, dissemination and sharing of knowledge and relevance of the role of government processes as an important actor in an innovative environment.

It is important to clarify the difference between two concepts that, for different times, tend to be confused: *Process Innovation* and the *Innovation Process*. Innovation Process is essentially related to the set of steps that tend to incorporate both the market and technology. Companies have the ability to go seizing, building your knowledge base and thus make the continuous improvement of process management (Tidd, Bessant and Pavitt, 2003). Monitor the internal and external environment and analyze

the relevant signals will be the starting point. After this, we have the decision about how to respond. Finally, we will implement the project with the development of technology and the domestic and foreign market.

The *Process Innovation*, by the way, combines the adoption of a process view of the organization's business with the application of innovation to key processes. This is the big difference, compared with the *Innovation Process*, but it allows us to understand its complexity. Process Innovation encompasses the prediction of new work strategies, the actual process activity and the implementation of change in their complex human, technological and organizational dimensions (Davenport, 1993).

Thus, and an example, a Portuguese innovation in Shanghai 2010 (figure 1) Tourist Transportable Tower (TTT) proved a bet Portuguese company DST at the World Expo. taking as a multifunctional design of sustainable architecture, with 9 meters tall, 3 wide and 3 deep, assuming an autonomous space minimalist design oriented to nature tourism. The TTT is an industrialized project and a multifunctional sustainable architecture. It is, simultaneously, an urban modularity and evolutionary procedure, of environmental integration and touristic mobility, in an innovative mixture that represents a new concept in habitability. It combines natural lighting and energetic potential through active and passive solar systems. The present technology establishes an innovative timber-glass composite constructive system in which the combination of these materials simultaneously assumes energetic, structural, functional and aesthetic character. The system materializes through a multipurpose modular panel, able to be applied horizontally – as slab – or vertically – as sustaining wall. It integrates passive solar systems and bioclimatic functions, which results in energetic efficiency, thus constituting a clear innovation in terms of prefabricated structural elements (DST, 2013).

Figure 1 – Tourist Transportable Tower

Source: http://www.tttower.com

The iTravey platform, for instance, allows to submit dream vacations. Like "where you would like to stay, how would you like to travel and what would you like to do when you get there. Sit back and wait for the offers that will roll in directly from travel agencies, hotels and tour operators made especially for you!" For tourism operators iTravey offers easy access to their real target allowing them to fight for clients that otherwise would go to their competitors.

Therefore, seeking a systematization, the Organization for Economic Cooperation and Development (OECD, 2007) provides for four types of sensitive measuring innovation: product innovation, process innovation, marketing innovation and

organizational innovation. We conclude, therefore, that innovation and research evidence implies an interrelationship between the new product and market performance (Luchs, 1990) strong. It is necessary to look at innovation as an imperative, reflecting the contributions and several studies presented here in this section.

# THE DYNAMIC NATURE OF TRIGGERING AND ENTREPRENEURIAL PROCESS

Entrepreneurial activity is seen as a process: includes a set of steps, is subject to management, continuous and applicable in many contexts (Stevenson and Jarillo 1990). This process becomes a source of competitive advantage on a global scale. This entrepreneurial process is, as a rule, inextricably linked to certain factors that allow initial "take the leap" (circumstances, *triggering events*). Shindehutte et al. (2000) present a conceptual model (figure 2) that summarizes the dynamic nature of the triggering process in an attempt to summarize the various contributions on this topic.

The entrepreneurial process is conceptualized as a response to the awakening of the event. However, the nature of the trigger, relevance and impact depends on the dynamic interaction between the characteristics of managers / employees (e.g., personal life), firm characteristics (eg, size, culture) and external developments of the environment (e.g., competitiveness). The different types of entrepreneurial activities are probably the result of different types of triggers.

Organizational Characteristics

Environment/ External Factors

Individual Factors

Entrepreneurial activity

Outcome/ Performance

Figure 2 – The dynamic nature of *Triggering Process* 

Source: Shindehutte et al. (2000)

Shindehutte et al. (2000) present a summary which reflect the main differences between conventional marketing and entrepreneurial marketing. The entrepreneurial process results in corporate contexts, rather than individual traits of an increasingly conscious need to provide the organization with innovative behavior and can, according to Sharma and Chrisman (1999), take many forms. The prospect of Schollhammer (1982) is the most cited and identifies five types of corporate entrepreneurship: administrative, opportunistic, acquisitive; incubative; imitative. Traditionally, innovation management and entrepreneurship tends to be excluded from the domain of conventional marketing department (Shindehutte et al., 2000).

### THE CRATION PROCESS IN TOURISM CONTEXT

As a psychological phenomenon, a tourist trip is preceded by a specific need that generates a reason to travel and sets a goal for the trip, which follows the search for information (Gursoy and McCleary, 2004; Pearce and String, 1984). Like other emerging sectors in a modern economy, tourism is a dynamic and ever-changing industry. This time, entrepreneurship is assumed as a critical factor in its development, both globally and regionally (Russell and Faulkner, 2004).

As such, comes an increasing need to understand the consumer behavior of tourist destinations itself. It is a sector of activity marked by strong growth in recent years and gradually assumed a bet as to develop for several countries. (Sousa & Simões, 2010, 2012). According to Lordkipanidze et al. (2005), the growth of the tourism sector and increasing demand with regard to new types of tourism, makes it even more visible and required its connection with the emerging trends in entrepreneurship. Since tourism is composed of many of small firms, they are constantly called upon to respond quickly to new trends and market demands (assuming as a source of innovation). The role of each actor in the distribution channel, within the operational management of tourism, will be critical to appreciate the range and nature of the emerging changes. The use of technology has profound implications to satisfy tourist demand as it enables the interconnection between consumers, intermediaries and producers, providing at the same time, tools for strategic marketing development (Buhalis, 2003; Kim, Chung and Lee, 2011; Lee and Hiemstra, 2004). According to Ramos et al. (2008), the eTourism presents the strategic implications for future customers: customers will have more knowledge / information about products / services and destinations that allows consumers to have a much greater involvement in planning their trips and to build their own itineraries. This allows the consumer to purchase at lower prices, with transaction security and quality of both services, promoting trust and, consequently, customer satisfaction and brand loyalty (Kim et al., 2011).

According to Lopes, Abrantes and Kastenholz (2012), actually, social networks are changing the way tourists plan their trips (e.g. facebook). These websites allow users to interact and share their opinions with others about tourisitic attractions, hotels and restaurants (e.g. Trivago, Tripadvisor). Probably the largest community of travel / tourism presented online is Tripadvisor. It was founded in 2000 and aims to assist those who pretend to travel, allowing tourists to share their own experiences and advices with others. Over the past two decades, there has been increasing focus on the development of Information and Communication Technologies (ICTs) and the impact that they have had on the tourism industry and on travellers' behaviour. However, research on what drives consumers to purchase travel online has typically been fragmented. Academic researchers, tourism practitioners and marketers can take advantage of this study to better understand the adoption of online travel shopping and the work that has been carried out in the area (Amaro and Duarte, 2012). On the other hand, the new digital technologies currently represent one of multiple expressions in relation to access to information and communication. The online tourism presents itself as a contemporary reality, marked by a paradigm shift in the more classic styles of operation of tourism. For example, interactive tourist stores or outdoor interactive promoter (TOMI)) have the function of promoting the attractions of Porto and Northern Portugal (figure 3), through a set of technological and interactive valences.

Figure 3 –Porto e Northern Portugal Interactive Stores

Figure 3 –Porto e Northern Portugal Interactive Stores

Another example to highlight: the innovative project that was the basis of creating an interactive tourist guide to the city of Porto, Portugal (Travel Plot – Figure 4). The idea is a map but, more than that, it is essentially a game in which, through the various locations, the tourist part of the hunt for a treasure locations with different lanes. According Travelplot, "only with the help of the tourists and locals can "Peter" be successful. With the support of the new media, participants will find the possible locations where the treasure is hidden, through an app, map or website, while real live

events and social networks will allow the interaction between all".

Source: http://www.portoenorte.pt/

Figure 4 – Travel Plot Porto

CAN YOU FIND
THE TREASURE?

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Source: http://www.travelplot.com/en/team

The iTravey platform (Figure 5) allows to submit dream vacations. Like "where you would like to stay, how would you like to travel and what would you like to do when you get there. Sit back and wait for the offers that will roll in directly from travel agencies, hotels and tour operators made especially for you!" For tourism operators

iTravey offers easy access to their real target allowing them to fight for clients that otherwise would go to their competitors.

According to Ferreira, Alves and Quico (2012) Travelplot Porto is set in Porto, a UNESCO world heritage site. It aims to be a different, fun and engaging aide to visiting Porto, enabling tourists to experience the beauty of the city through the process of locating a hidden treasure. This quest will take them to explore the history, the monuments and the historic characters of Porto. They will also experience the events, sights, wine and gastronomical delights of Porto through the project partners. Travelplot Porto was freely designed according to Garrett's five planes - the strategy plane, the scope plane, the structure plane, the skeleton plane and the surface plane - even though these planes were originally applied to building a website and not a location based transmedia storytelling project (Garrett, 2011; Ferreira et al., 2012).

Figure 5 – iTravey platform

Welcome to iTravey!

YOUR GET COME TO IT AVEL TO

Source: www.itravey.com

Therefore, seeking a systematization, the Organization for Economic Cooperation and Development provides for four types of sensitive measuring innovation: product innovation, process innovation, marketing innovation and organizational innovation. We conclude, therefore, that innovation and research evidence implies an interrelationship between the new product and market performance (Luchs, 1990) strong. It is necessary to look at innovation as an imperative, reflecting the contributions and several studies presented here in this section. Also in the context of tourism, the process of creation and innovation have been increasingly used to describe business behavior, the destinations, the tourism sector as well as all their planning (Dredge, 2009). However, tourism is going through significant changes, facing new challenges that require new perspectives and implementing ideas (Stamboulis andSkayannis, 2003).

## CONCLUSION AND NEXT STEPS

Tourism is a phenomenon that moves millions of people around the world, taking as a major driver of the global economy. Every year, much due to the frequent changes in the tourism environment, fosters competition between and within tourist destinations. It is multifaceted and geographically complex activity, where different services are ordered and delivered in different stages, from origin to destination. Moreover, tourism is a sector of great importance to the economy, responsible for creating a large number of jobs. For instance, female entrepreneurship in the tourism sector has been rather neglected as a field of study and women's employment opportunities and the

segregation of occupations are the major focus of research on women's situation in the tourism context.

In an increasingly global world, which tends to predominate competitiveness and change, the difference is, so often, the ability to create discontinuities in the external environment. The present study (work in progress), focuses on searching for new products, new markets, new organizational forms and new sources of customer value. In this field it inevitably highlights the eTourism and applicability of cyberspace as some of the examples mentioned in this paper, as vehicles of innovation, and that may prove suitable choices of context for the operationalization of the proposed study. According to Lopes*et al.* (2012), actually, social networks are changing the way tourists plan their trips (e.g. facebook). These websites allow users to interact and share their opinions with others about touristic attractions, hotels and restaurants. Over the past two decades, there has been increasing focus on the development of Information and Communication Technologies (ICTs) and the impact that they have had on the tourism industry and on travellers' behaviour (Amaro and Duarte, 2012).

On the other hand, the predominant characteristics of entrepreneurship in this area have been the "influx of non-locals, actively seeking closer relationships within a natural environment together with opportunities to be involved in and initiate inclusive community relationships which emphasise social worth as distinct from material wealth. These 'outsiders' are often individuals who previously visited the area as 'independent travellers', yet in making this move seek an opportunity to engage in extended lifestyle experiences, which reflect the traditional motivationsofthe 'backpacker'" (Ateljevic and Doorne 2010: 386).

The creation process associated with for hotel reservation systems, mechanisms and information sharing as a form of competitive advantage over other tourist destinations (social networks), the marketing of tourism products and services as well as other related activities that can leverage the increased business synergies.

It should be noted generators entrepreneurship factors that may trigger an entrepreneurial activity (particularly in tourist contexts) and whose origin may be associated with internal, external factors and characteristics of the organization. However, the combination of those factors with the intrinsic nature will form the basis of an innovative event, along with the organizational characteristics. Finally, and this study is primarily theoretical and a reflection (work in progress), is expected to arise in the future some work of a practical nature that bring greater robustness to support and perspectives presented here. Furthermore, the suggestions for next steps and future work provide researchers with challenging directions for investigation.

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# PROMOTION AS A BRANDING TOOL FOR MACEDONIA AS A TOURIST DESTINATION

Zoran Strezovski<sup>6</sup> Angela Milenkovska Ljupco Milenkovski

### Abstract

In times when competition between countries in the world is stronger, in order to attract as many tourists as possible, and strengthening their brand as a tourist destination, Republic of Macedonia started to build and strengthen its tourism brand. Due to the enormous competition, traditional destinations maintain and improve their brand through new innovative tourist attractions. On the contrary, the new tourist destinations strongly attack potential tourists with intention of gaining a better position on the tourist market. The famous branding guru for tourist destination, Simon Anholt, addresses that countries need to raise themselves the question: What do we need to do today in order to reach the desired level of recognition of the tourist destination for foreign tourists in 10 years? The subject of this paper is Macedonia as a tourist destination seen through the prism of promotional activities that Agency for promotion and support tourism in Republic of Macedonia realized in period 2009 – 2012.

This paper presents an action research conducted on a sample of 65 tourist stockholders (travel agencies and hotels) in Macedonia in 2012.

In this study it will be analyzed what other countries have undertaken regarding the aspect of promotion of their tourist product, concerning promotion of their tourist destination and what Macedonia has undertaken and should undertake regarding that aspect.

**Keywords**: promotion, tourist destination, branding, activities, strategic position

# INTRODUCTION

The branding of a certain country as a tourist destination is a long and continual process that depends of many factors. The destination's brand represents its essential characteristics therefore it is the DNA that defines the destination, which runs through every action of the marketing communication and attitude of any national tourist organization and tour-operators of the destination. This is a dynamic interaction

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between the destination's conditions and how potential visitors perception and feel it based on their experience there and the presentation of the destination. (Anholt 2009)

Branding Macedonia as a tourist destination is not a simple and rapid process. According to the famous world expert in branding tourist destinations, Simon Anholt, branding is a long and continuous process without stopping, thus action must be taken even when being on top.

Many presidents and prime ministers of the countries asked him: "Let's take action immediately, that we would be well-known and most desired tourist attraction by tomorrow." His answer always was that it is the wrong question to be asked and the real question to be asked is: "What measures and activities should be undertaken now but also continuously in order to be desired tourist attraction after 10-15 years?" (Anholt 2009).

Other countries such as Turkey, begun to implement strategy for development and promotion of tourism in the early 1990s until nowadays. So, 20 years later, Turkey becomes the 8<sup>th</sup> country in the world according to the number of visits of the foreign tourists.

Croatia promptly after gaining independence from Yugoslavia, even during the war that raged on its territory, begun marketing communication with the purpose of establishing of its tourism brand.

Certainly, one of the marketing communication tools is the promotion as a special element of the 4P in marketing mix.

### STUDY AREA - MACEDONIA AS A TOURIST DESTINATION

Tourism in Republic of Macedonia had never been treated as a priority economic activity, not as a priority for the state and the government never places the tourism in its focus of interest. Republic of Macedonia as a tourist destination has been a less unknown, or not perceived at all by foreign tourists. And the perception that was aroused was based mostly from the old times in the Federal Republic of Yugoslavia. Promotion was led by the Department of Tourism in the Ministry of Economy, which according to finances and capacity carried out certain activities primarily through participating in international Tourism fares. (Ministry of Economy, Tourism department 2008)

Without any strategy to promote tourism, some "ad hock" campaigns have occurred in several global media without applying and combining other marketing tools. The CNN campaign in 2005 is the suitable example.

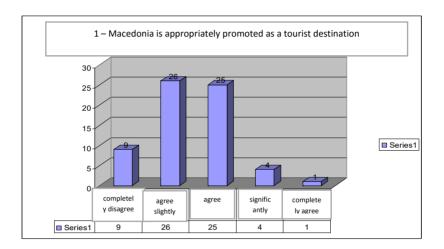
The main concern of the domestic tourism workers was the fact that Macedonia cannot be found on the map of recognizable tourist destinations in Europe.

The research presented in this paper is conducted on Republic of Macedonia as a tourist destination and promotional activities realized to strengths the brand of Macedonia abroad. Result of those activities is increasing the number of foreign tourist in the country.

It includes survey by random choice on 65 tourist stockholders (travel agencies and hotels) in Macedonia in 2013. The survey was made in May 2013. Data for this study were collected through a self-administrated questionnaire distributed to 65 major tourist stock holders in Macedonia. Respondents were approached face-to-face. Period from January till April is very important about promotion Macedonia as a tourist destination

on target markets. In that period Agency for promotion and support of Tourism realized promotional activities.

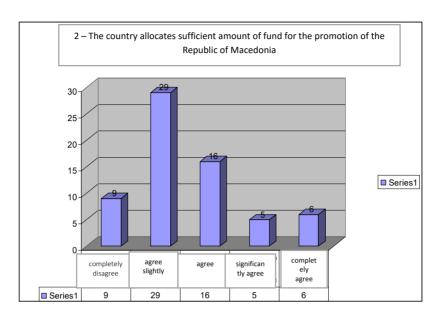
The questionnaire consisted of 15 questions: 3 questions concerning the trip characteristics (first-time or repeat visit, number of visits, length of stay, source of information); 3 socio-demographic (nationality, gender, age); and 8 questions concerning the ways of promotion the country abroad. The questions have scale of answers: completely disagree, agree slightly, agree, significantly agree and completely agree.



**Results from the variable 1:** Macedonia is appropriately promoted as a tourist destination

- 9 respondents completely disagree
- 26 respondents agree slightly
- 25 respondents agree
- 4 respondents significantly agree
- 1 respondent completely agrees

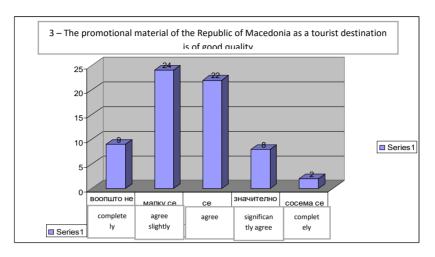
According to the acquired results it can be concluded that vast majority of respondents (40%) agree slightly with the stance that Macedonia is appropriately promoted as a tourist destination.



**Results from the variable 2:** The country allocates sufficient amount of fund for the promotion of the Republic of Macedonia

- 9 respondents completely disagree
- 29 respondents agree slightly
- 16 respondents agree
- 5 respondents significantly agree
- 6 respondents completely agree

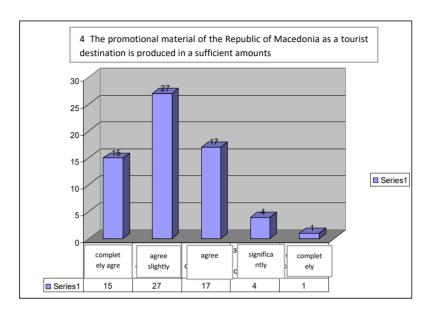
According to the acquired results it can be concluded that vast majority of respondents (44.6%) agree slightly with the stance that the country allocates sufficient amount of fund for the promotion of the Republic of Macedonia



**Results from the variable 3:** The promotional material of the Republic of Macedonia as a tourist destination is of good quality

- 9 respondents completely disagree
- 24 respondents agree slightly
- 22 respondents agree
- 8 respondents significantly agree
- 2 respondents completely agree

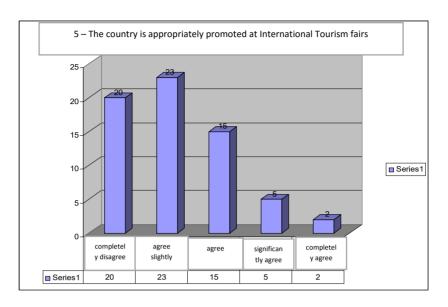
According to the acquired results it can be concluded that vast majority of respondents (36.9%) agree slightly with the stance that the promotional material of the Republic of Macedonia as a tourist destination is of good quality



**Results from the variable 4:** The promotional material of the Republic of Macedonia as a tourist destination is produced in a sufficient amounts

- 15 respondents completely disagree
- 27 respondents agree slightly
- 17 respondents agree
- 4 respondents significantly agree
- 1 respondent completely agrees

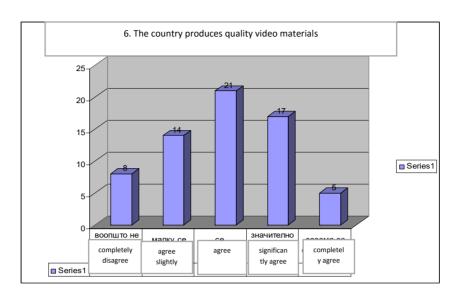
According to the acquired results it can be concluded that vast majority of respondents (42.2%) agree slightly with the stance that the promotional material of the Republic of Macedonia as a tourist destination is produced in a sufficient amounts



**Results from the variable 5:** The country is appropriately promoted at International tourism fairs

- 20 respondents completely disagree
- 23 respondents agree slightly
- 15 respondents agree
- 5 respondents significantly agree
- 2 respondents completely agree

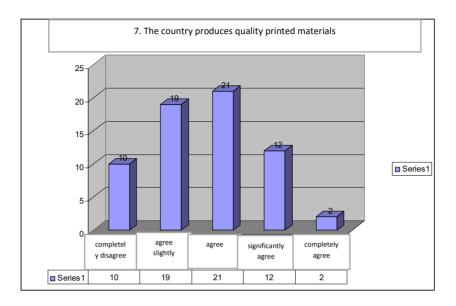
According to the acquired results it can be concluded that vast majority of respondents (35.4%) agree slightly with the stance that the country is appropriately promoted at fairs



**Results from the variable 6:** The country produces quality video materials

- 8 respondents completely disagree
- 14 respondents agree slightly
- 21 respondents agree
- 17 respondents significantly agree
- 5 respondents completely agree

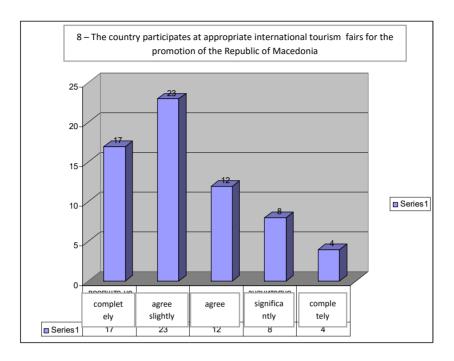
According to the acquired results it can be concluded that vast majority of respondents (32.3%) agree with the stance that the country produces quality video materials



**Results from the variable 7:** The country produces quality printed materials

- 10 respondents completely disagree
- 19 respondents agree slightly
- 21 respondents agree
- 12 respondents significantly agree
- 2 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (32.8%) agree with the stance that the country produces quality printed materials



**Results from the variable 8:** The country participates at appropriate international tourism fairs for the promotion of the Republic of Macedonia

- 17 respondents completely disagree
- 23 respondents agree slightly
- 12 respondents agree
- 8 respondents significantly agree
- 4 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (35.9%) agree slightly with the stance that the country participates at appropriate fairs for the promotion of the Republic of Macedonia

Since 2008, the Government of R. of Macedonia, turns to a stronger tourism industry taking some coordinated activities in terms of promotion and establish Macedonia as a tourist destination abroad.

Thus began a series of activities in terms of promotion with the creation of tourism videos under the name "Macedonia Timeless", more videos for wine, culture, mountain tourism, lake tourism, gastronomy, consequently forming a coordinated and continuous campaign on more global media (CNN, Fox, National Geographic), established a national agency for promotion and support of tourism and its main task was promotion the country abroad. (Annual report of the Government of R Macedonia 2009)

Agency for promotion and support of tourism in Republic of Macedonia has taken certain promotional activities of Macedonian tourist product such as (Agency for promotion and support of Tourism, Annual report, 2012

- Promotion on International Tourism fairs on target markets. Macedonian Tourist offer was presented by stand which is branded on the color of Macedonian flag and motives of Macedonian historical and culture monuments, printed promotional materials on different languages and presenters on the booth. On the stand is organized different activities such as Happy Hour, Video presentations, interactive communication with international tour operators, promote Macedonian traditional food and music etc.)
- Macedonian Agency for promotion has organized outdoor (billboard) campaign in the capital cities of the target countries on the region and targeted markets with a duration of one month, it organizes FAM tour for journalist of printed and electronic media from different target market.
- Study tour for foreign tour operators from targeted countries and B2B activities with Macedonian hoteliers and travel agencies.
- Promotion through advertisements in specialize tourism magazines for segmented audience,
- Create and printing promotional materials on different forms of tourism, Organize a day of Macedonian tourism in capital cities of certain targeted countries, etc.
- Promotion in global electronic media organized by the Agency for Foreign Investment (spots on CNN, BBC, Fox, National Geographic), and a campaign aimed at domestic tourists under the slogan "Explore Macedonia"

### CONCLUSION

From the analysis indubitable we can draw certain conclusions.

- the promotion activities are essentially more or less the same in countries that treat seriously tourism concerning their aim is to be a recognizable tourist destination,
- The Agency for the promotion and support of tourism should be more institutionally strengthened and continually increasing its budget,
- Republic of Macedonia through the Agency for the promotion and support of tourism should continue coordinated promotional campaign with intensified pace and focus on targeted segmented markets,
- adequately combining the instruments of the marketing mix and promotional mix in marketing communications abroad,
- permanently to attack and opening new markets especially n Europe (Austria, Poland, Romania, Hungary, Czech Republic, France, Nordic countries), and strengthening the brand's on existing markets in the region,
  - enhancing promotional activities and enrich with new activities,
- continuously analyzing the reports on the effects of a promotional campaign conducted in a particular country in order to successfully combine the instruments of marketing,

- The presentation in international fairs to actively engage local governments and chambers of tourism (consistent with a template of other states).

Republic of Macedonia will be truly established as a tourist destination in the next 10 to 15 years. But, the most important perception is the one that tourists have for a particular destination or their gained experience on the destination. That means when tourists visit Macedonia they should be satisfied in order to recommend the destination to their friends.

Macedonia with the measures taken in recent times is on a good way to become recognized and desirable destination for the European tourism market in a period of 5 till 10 years.

However, it requires coordinate joint action of all subjects and stakeholders in tourism starting from the state level up to the local level, the faculties of tourism and tourist workers in a tourism chambers.

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# SUSTAINABLE TOURISM DEVELOPMENT CONCEPT FOR THE NATURAL PARK OF CANYON MATKA

Sasko Gramatnikovski<sup>7</sup> Andreja Mackic Goran Apostolovski

#### Abstract

This paper underlines the concept of sustainable tourism development for Canyon Matka. It has wonderful nature and anthropogenic characteristics, which are not sufficiently explored in the aspect of tourism. An analyses of the canyon itself as a natural habitat protected under the law for environmental protection is given. The Canyon Matka has a huge potential that concerns the sustainable development of tourism. There is a need of higher intensity of tourism development in Republic of Macedonia, as an economical branch while respecting the protection of environment, as well as creating living condition and work for the local population at the tourist destination, whilst at the same time being able to meet the interest and recreation of the tourist. That being said, tourism activity will not be damaging the canyon resources, and they will remain intact for the future generations. The sustainable development of tourism by narrative will lessen the dispute which developed between the tourism activities and the visitors on one side, and the natural habitat and the local population.

**Keywords:** sustainable development, tourism, Canyon Matka, natural monuments, protection.

### INTRODUCTION

Canyon Matka is located on the lower river flow of river Treska, about 15 kilometers south-west from the city Skopje, at the outskirts of Saraj Municipality. The Treska gorge from Zdunje till Matka is 29.5 kilometers long. It is settled between the mountain massive of Karadzica (The Height Suva mountain-Rudina-Narta) from the east and Suva Gora Height with the mountain Massive Osoj, from the west. The last 15 kilometers, before the Matka Monastery, the river Treska is flowing through a gorge with canyon like characteristics until it ends up till year 1938. At that time, a concrete river damn project was made by an architect, Miladin Pekinar, who turned already a very narrow passage, at the time, in to a canyon with the river damn (Lilcic 1995).

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Figure 1. Canyon Matka at the part where the artificial lake is settled

The traffic connection plays a very important role in tourism development. That is the only mean that domestic and foreign tourists have as option to come and visit, and experience and explore the beauty of nature that this region has to offer. The vicinity of the capital city (Skopje) provides a better transport connection and transport network that connects. The road network is the basics of the total traffic system in Macedonia (Stojmilov 2010).

Matka Canyon as a part of the capital city Skopje, is rather close to one of the most important traffic and communications corridors, Pan European Corridor 10, which connects the developed Northern European countries with lesser developed countries of South Europe. The Pan European Corridor 8 holds even a bigger importance of connecting the west with the east, and the corridor passes by Municipality of Saraj, and to this connection Matka Canyon is around 5 kilometers away, which gives this tourist location a connection to one of the most frequented traffic roads in Republic of Macedonia. The region itself holds a very favorable central position and a good traffic/transport connection, which provides an excellent opportunity for further touristic development.



Figure 2. A satellite image of the location of Matka canyon in view of the location of the capital Skopje

In this regard, Skopje region is by far the best tourist relay from where most of the Matka Canyon visitors come from, and there should be a better road infrastructure trough which visitors would reach the canyon. Having a good road infrastructure will enable, amongst other things, transport connection from other active and passive recreation centers, such as Matka Canyon and its immediate surroundings.

# MATKA CANYON AS A PROTECED NATURAL HABITAT (History)

Protected natural habitats base their existence on the effect of allowing it's valuable attributes to be experienced by the people that visit, and one of the most effective ways utilizing this places are trough tourism (Curcic 2003). In Republic of Macedonia, according to the international union of nature protected areas, the following categorizations exist: strictly protected natural resort, national park, monument of nature, a region of special natural characteristics, special herbal and animal spices area (Dimitrijevic 2008).

Matka Canyon has been declared as a protected area, for the first time, by the proposal of the city assembly of Skopje in 1994 (The official gazette of Skopje no. 3/94). The declaration was made in accordance with the Skopje city statute, and the Law for protection of natural rarities (City gazette of R.M no 41/73).) There are 5, 442 ha, all of which is given to be managed by the city of Skopje. The main reason was the areas richness in flora and fauna. A second act of categorization of this area as a natural monument has taken in to effect in 2010, in accordance the Law for protection of natural rarities dating from 2004. In 2010 under the UNSECO heritage program a study was developed for revalorization of the natural resources of the protected area/monument of nature, in which recommendations were given for the direction which need to be taken for future development of economic exploitation of the Matka canyon. The canyon is also included in CORONE bio typing of Macedonia and the EMERALD network of R. Macedonia, which gives even a bigger importance for the future development of the natural characteristics of this area (UNDP 2010).

The canyon is a living habitat for a great number of endemic spices which are protected by international conventions, to all of which Macedonia is a signatory. The caves which are located in the Matka canyon offer a great number of locations for reproduction and hibernation of the bats. Republic of Macedonia is also a signatory for the Agreement for protection of bats in Europe (London 1991). There are 133 of bird spices that are registered in the Matka Canyon. The canyon ornithological importance is in the fact that it fulfils the criteria for being named as an important area for bird habitats in Europe. The nature values and importance are rooted in to the fact that the canyon is rich with diversity of species. Certain herbal and animal species which a registered in the protected area have a very significant importance, given the fact that the same ones are protected under the international nature procreation acts, including many conventions, agreements, directive of the EU in regards to nature protection and IUCN (the Red List of endangered species).

Some of Canyon Matka has also been declared as part of the national heritage, as well as a monument of nature.



Figure 3. Church St. Andreja at Lake Matka

**Table 1.** List of anthropogenic properties which are declared as cultural monuments

Monastery St. Andreja, Matka	Decision no. 27/49 dated 22.02.1968 no.
	Central registry 731
Monastery St. Nikola, Nikola Shishevski,	Decision no. 27/59 dated 28.02.1968 no.
Shishevo	Central registry 835
Church St. Nikola, Shishevo	Decision no. 27/60 dated 28.02.1968 no.
	Central registry 149
Monastery church St. Bogorodica, Matka	Decision no. 27/61 dated 28.02.1968 no.
	Central registry 123

#### MATERIAL BAISIS FOR TOURISM DEVELOPMENT

Matka Canyon due to the vicinity with the capital city Skopje, is one of the most visited touristic locations in the surroundings of Skopje. According to the information gathered from the NGO, Peoni, some 150 to 200 people visit every section of the canyon. That number on the weekend and holly days, is up to 1500 people. On the basis of this number, it is safely to conclude that 150.000 people visit Matka, per year.

There is a good touristic and recreational infrastructure that can be used by the visitors, at Matka Canyon. Here we can include pedestrian trails, bike trails, instructions for mountain climbing, alpinism, river boats for a tours of the lake, as well as the infrastructure which is built in the caves Vrelo and Krshtalna.

At the site there are projects in the realization phase; building of a hanging bridge across Lake Matka; building a natural-history museum; building of an iron trail (for amateur hiking) etc.

# Hiking trail monastery St. Andreja-Vrelo cave

The hiking trail St.Andreja –Vrelo cave is 4100 m long, at a 450 latitude of 450 m, and is all along the coast of the artificial lake Matka. It trails all along till the damns St.Petka (Matka 2) and Kojzak, and its 20 km long. This trail has a recreational character and is one of the most frequented amenities by the visitors that come to Matka. In the near future there is a planned addition of benches for rest and a fence down the trail, taking in to account its recreational character. Just constructing this would be in extremely difficult and unsafe conditions.



Figure 4: Photo of a hiking trail Monsestery St. Andreja-Vrelo cave

# Hiking trail cave Vrelo-Cave Ubavka

The Vrelo-Krshtalna-Ubava trail is 700 m long at a 150 m altitude. The beginning of this trail, meaning the part between the trail and the coast, where it's only approachable by a boat, until the cave Vrelo is adapted for tourist visits and there is already formed trails with a fence, and there is an aggregate with electric charging and light in the cave, In the other part, the trail is practically unapproachable for visitors.

# Hiking trail monastery St.Andrea-St.Nedela

The trail by the name St.Andrea-St.Nedela is 1316 meters long, at altitude of 460 m. This trail is a mountain hiking trail and basically is not for recreational purposes. The whole length of the trail is at very steep angle and if one is attempting hiking here, one must necessary has to undergo additional training for this type of climbing. The trail by its configuration is stretched trough different type of terrain like forest to peaks and climbing rocks.

#### Touristic and recreational infrastructure in the Vrelo cave

Vrelo cave is set to be as a touristic attraction. Set in its most picturesque part, at the "big and small lake" is hardly reachable for visitors. Because of this fact, a new natural trail has to be developed as well as widening the platform for visitors, for up to 50 person capacity. In order to fit the local ambience, the trails have to be formed with onsite materials-stones which are found in the cave. Vrelo cave, which at the moment is the only exploitable cave in a speleological park for touristic purposes, besides some structural projects, illumination is planned, with a special accent of certain geomorphological decorative (cave ornaments) structures which can be found in the cave. The planed illumination should make it even more attractive for visitors and it give a better view of the two lakes in the cave, some of the most beautiful and large cave galleries, and the numerous stalagmites and stalactites.

# **Speleodiving**

Speleodiving at Matka can be developed as an activity in the underwater cave Podvrelo, where the spring Koritishte is located. A team of Belgian speleodivers have succeeded in reaching a horizontal depth of 427 meters and vertical depth of 427 meters. This cave is very little explored and is believed that it can reach over 300 m of depth.

# Trail for kayaking on wild waters

This trail is found a hundred meters away from the HEC Matka, on the river Treska before she passes by the village of Dolna Matka. It's characterized by is slalom trail in medium difficulty (B category), with a length of 320 meters, from start to finish, with width of 8-12 meters. The velocity of water flow is 18 m<sup>3</sup>/s.

These characteristics of the trail allows that international and European kayaking competitions to be held here. The first international kayaking competition was held here in 1975 and the European kayaking competition in 2004, as well. Every year, in March-April an international kayaking competition on wild waters (C category) takes place on this trail.



Figure 5: A kayaking trail on wild waters river Treska

#### Biking trails

In order to reach Matka with a bike one has to go through the mountain trails of Vodno, or the asphalt road through Saraj. The trail on Vodno is more for those prefer mountain biking. While the ones who prefer road biking are more likely to take the Saraj road. The Vodno trail is rated as an extreme biking trail and is recommended to experienced mountain bikers only. It is netted with many little side trials which give way to beautiful landscape such as the view of the mountain home and the canyon around it. Due to its demanding and extreme trails, this one, is not recommend for beginners or unexperienced bikers. The road that goes through Saraj, is an asphalt one, and it takes the bikers through several settlements: Saraj, Glumovo, Dolna Matka. Even though it's not very wide, it does not require a lot of stamina and effort and it can be used by all categories of bikers. There is one more existing trail in the vicinity of Matka which goes through the forest reserve and the hunting grounds of Jasen.

# A guide and recommendations for sport climbing and alpinism

Alpinism and mountain climbing trails are located on both sides of the canyon. Matka is the heart of alpinism of Macedonia. The rock of Matka by composition is chalkstone which is characterized by medium density. Alpinist and sport climbing trails are found mainly on 5 points: "Centrala", "Otmarova karpa", "Karpa kaj domot", "Matkino trlo" and "Iglitte na Matka".

The best period for mount climbing at Matka is from March till June, and from September till November. 40 is the number of trials available for use, ranging from level of difficulty III do VII and A2 according to UIAA, and are 150-200 meters long. All the alpinist trails are well secured. Sport climbing trails are around 30, with difficulty level ranging from VI+ up to IX according to UIAA. They are all very well secured with split pitons. The length of the trial varies from 15 till 40 meters.

#### RESEARCH ANALISYS

# POSSIBILITIES FOR SUSTAINABLE TOURISTIC DEVELOPMENT ACCORDING TO UNWTO INDICATORS

The development of tourism has a positive influence on nature and cultural assets and it will be of great positive effect to the local community, while not causing and kind of degradation. The concept of sustainable touristic development has a goal to protect all living habitats, trough affirmation and social integrity. On one side nurturing the cultural specifics of the local community and on the other side satisfying the needs of the tourist from which the community will profit from. The sustainable development of tourism should have an ecological, socio-cultural and economic justification. It should guarantee development of the vital ecological processes, which should be compatible with the cultural and traditional values of the human society, whilst being economically effective. The main characteristic of the sustainable development is protecting the nature. That means that no negative consequences may occur, while having a maximum tourist exploitation of the location. Great care should be placed in an effort to protect the ecological capacity of the destination, so there is no degradation of the environment. The gratification of the tourist should be at the highest level, and at the same time should be a high level of the protection of nature and location.

The data in this scientific study were acquired with analysis and synthesis of the ongoing documentation related to the theme. The qualified projection of the sustainable development may vary due to change of the indicators. The indicators provide monitoring of the changes in time. The indicators for impact of the tourism over the natural habitat are very hard to identify, due to the fact that the effects of tours activity are complex and vary to certain location and region. The World Tourist organization (UNWTO) has accepted 11 categories of indicators which may give us relevant grades for the sustainable development of tourism<sup>6</sup>. Part of this we may use to give a qualification whether Matka Canton and its surrounding have the capacity for sustainable development in that regard.

Table 2. Analysis of the UNWTO indicators for sustainable development of the Canyon Matka

Callyon Marka	
Indicator 1: Elements of natural habitat (specified territory under t protective regiment)	As for indicator 1, we may say that Matka Canyon's categorized as a "Monument of nature". In accordance with the criteria of International Union for Conversation of Nature (IUCN) and the categorization of the protected area according to the Law for nature protection (67/2004), this is a third category of protected area-Monument of Nature with valuable geological, geomorphological, hydrological, floristic and fauna elements. The goal is to secure protection of the existing majority of geomorphological assets in the Matka Canyon, as well as for preservation of the flora and fauna, mostly for preserving the level of basic genetic fond for further reproduction which is prescribed by the following regime of protection:  - Control of movement and detention in the area of the "Monument of nature" with previous announcement with the authorized service on the ground;  - It's prohibited to litter the location and its surroundings;  - Prohibition of any action that may damage and ruin, or removal of calcites forms from the caves (stalagmites, stalactites, etc.)  - It's prohibited to make noise, vibrations and explosions in the vicinity of the monument of nature;  - It's prohibited to visit and enter the caves which are not for tourist purposes;  These are a some of the orders in the decision of proclamation order in which Matka Canyon was declared a "Monument of Nature", categorized by the project "Management and business pan (management plan) 2011 to 2020.
Indicator 2; The land used for tourist purposes (the national land that is categorized as such)	The indicator 2 which applies to the amount of land of the "Monument of nature" is in regard to the zones in which there are movement of tourist s and zones in which all touristic exploitation is prohibited. According to the Law for nature protection (Official gazette of R.M, 67/2004) the following zones are available:  1. Zone of strict protection with the biggest level of protection with
	be the one of the biggest interest, and it's characterized with authentic unchanged eco system with small change of identity as a result of traditional means of management.  2. Zone of active management will be the zone of high interest in protection, in which certain managerial activities will go under way in order to preserve, revitalized and rehabilitation of habitats, ecosystems and other elements. It will be allowed to have certain economical activities which will have no destructive impact on the primary goals of protection of the zone of active management, like eco-tourism and traditional extensive agriculture.  3. Zone for sustainable exploitation will represent a large part of the protected area which does not have assets to be protected, which have infrastructure objects, cultural heritage objects, forest spices which are not as characteristic as in the protected area, as well as settlements with agricultural land.  4. A tampon zone will be placed outside the area which is declared

	as a Monument of nature and it will have a protective role for the zones listed above.
Indicator 3. Level of ecological pressure (number of endangered species, flora and fauna)	Indicator 3 is related to the threats against the eco system in Matka Canyon. On the territory of Matka canyon there are 58 registered endemic species invertebrate. 13 of them are endemic on the level of the Balkans. 26 are endemic on the state level, and 19 are only on local level. All of them are endangered species, with the risk of extinction. There are 113 registered species of birds, out of which 16 of them are placed under the category ENDANGARED with only one pair remaining alive and in the wild. Some bird spices are completely extinct from the national park. 4 mammal spices are as well on the endangered species list.
Indicator 4: Intensity of the development of tourism ( average daily visit and average daily expenditures)	The analysis of indicator 4 shows that this location on daily basis is visited in average by 100 to 120 people. On the weekend this number rises up to 1000-1300. On the basis of this calculation we can estimate that some 120.000 to 150.000 people are visiting Matka. The biggest number of people is using the hiking trails for recreational purposes. A lesser portion uses the biking trails, alpinism, kayaking, visiting the churches, bird watching etc. 5 euros is the average expenditure of each visitor at each visit.
Indicator 5: The influence/effect on receptive areas (quality of water)	Indicator 5 is directly connected to the quality of water in Matka Canyon. With the regulation of waters act (Official Gazzette of R.M. 18/99) there are 5 classes of waters. With testing of the quality of waters we can state that only the waters running in the upper part of the Treska river are qualified as first class clear water. The quality of the water in the other parts is compromised by the influx of domestic waste water coming from the settlements in the area.
Indicator 6: Analysis of the local community (education level, their awareness in regards of the monument of nature, quality of food grown by them) Indicator 7: Energy use efficiency (one used for	Indicator 6 is aimed towards the local population and the possibilities of exploiting its resources. 51.7% have only elementary school education, 33.4 have high school degrees and only 7.4 have no education what so ever and that is one of the most negative indicators. They almost never sell the home grown food to the visitors. As for the awareness about their surroundings, most of the population us aware that Matka Canyon is a monument of nature.  We can't find some relevant and public data in regards to indicator 7, because there is no method of analysis which might show how
Indicator 8: Institutional organization (existing strategies and plans for sustainable development).	much electricity is being used for tourism purposes at Matka Canyon.  Indicator 8 is related to the strategies and plans for sustainable development in tourism that exist in R. Macedonia. There are a few such documents. The national strategy for sustainable development in Republic of Macedonia, dated year 2000; National estimate for sustainable development in R. Macedonia; Research concept for securing analytical and prognosis in function of developing a National strategy for sustainable development in R. Macedonia, 2003, etc.
Indicator 9: Measuring the efficiency of the managerial activities ( changes in the lists of endangered areas, as	Indicator 9 is complimentary to indicators 3 and 5 because it refers to an ongoing monitoring of all changes that are related to the quality of waters and follow-ups on the factual situation of the endangered species of flora and fauna in Matka Canyon.

well as endangered	
spices)	
Indicator 10: Plans and projects for future development (existence of plans and other documents which determine the sustainable development of tourism on a national, regional and local level)	Indictor 10 is in reference to normative regulation of sustainable development in R. Macedonia. In the pre-amble of the Constitution of R. Macedonia (Official gazette no.52/91; no.31/98; no.91/01; no.84/03) the three pillars of sustainable development are prescribed. Those are: the economic development, social justification and nature protection. There are as well, a large number of legal frames which regulate this field. It's worth to mention the following: The Law for environmental protection; The Law for regulating waste management; and the Law for regulating the air quality, etc.
Indicator 11: International cooperation (number of protected assets on the UNSECO list, ratified and signed international conventions in the area of nature protection)	According to indicator 11, we can say that R. Macedonia as member of the Organization of the United Nations (UNESCO) for education, science and culture, has the obligation to take care of the cultural heritage which is on its territory. R. Macedonia has also signed a great number if international agreements for protection the environment/nature:  - A protocol for a strategyc evaluation of the enviroment. This protocol is based on the Expo Convection . R.M Signed it in Kiev, Ukraine, may.  - A biodiversity convention (Rio). The convention is ratified with the ratification Law (Official gazette of R.M 54/97). The convention came to full power in 1998.  - The international convention for bird protection 1950. The convention is ratified with the ratification Law (Official gazette of R.M 6/73);  - The international convention for protection of herbs and plants 1951. The convention is ratified with the ratification Law (Official gazette of R.M 1/85);  - The convention for international trade of endangered species of wild animals and herbs/plants. (Washington). The convention is ratified with the ratification Law (Official gazette of R.M 82/99) R. Macedonia became a member/signatory of the convention 02.10.2000.

With the analysis of the indicator for sustainable development in tourism given by the World Tourism Organization, we can say that Matka Canyon and it's surroundings have good precondition for sustainable tourism development. Given the fact that Matka canyon has been declared as "Monument of nature", there are all the special regulations for tourist and visitor behavior, regulated with the Environment Protection Law (indicator 1). According to the same law there are possibilities for zoning the area (indicator 2). In reference of the number of tourist and visitors there are efforts to be made in rising the number of them during week days, and lowering the same number that we have for weekend visits and holly days (indicator 4). The local population is by far not intervening with the process in the protected area and its surrounding (indicator 6). In the area of the canyon there are numerous endemic species of flora and fauna which are protected by law (indicator 3), and the situation is being monitored (indicator 9). The water quality in the protected area is on a satisfactory level (indicator 5) and any change in water quality well being monitored as well (indicator 9). Our country has a good legal regulative in treating this issue (indicators 8, 10, 11) as well as a great

number of international agreements in the area of environment protection, to which we are signatories. All of the above give us a solid frame for a sustainable development of tourism in Matka Canyon and it's surroundings. The analysis only gives a good base on which should be added an extensive analysis about the characteristics of the protected area.

#### CONCLUSION

The locations which are connected with sustainable development in tourism represent areas with preserved nature and are rich on flora and fauna. Urbanization in this area is at a very low level. Matka Canyon has great characteristics for implementing sustainable touristic development. This is a "monument of nature" and as such is regulated with according laws. The protected area has an authentic and unchanged eco system. Small reconstruction, restauration and rehabilitation can be made in the habitats. Economic exploitation trough is allowed, with high regard in not impacting the primary goals of the protected area with management trough ecotourism. The constructions and the physical modification are only allowed in order to give access to the visitors and whenever possible made by the materials from the site which give a minimal impact to the ecosystem and the area. On the territory of the national park there are no urban settlements, but there are villages in the vicinity of the park that could be used as bases for human and material resources for tourism development.

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# SPATIAL DISPERSION OF TOURIST ATTENDANCE IN THE NATIONAL PARK MAVROVO

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#### Abstract

The National Park Mavrovo is located in the western part of the Republic of Macedonia and it belongs to the Mavrovo-Debar tourist region. The national park Mavrovo has rich and diverse natural resources which are an important and valuable part of the area. In addition to the territory there are numerous attractive tourist landscapes and ambiental values which together with the cultural and historical heritage enrich the tourist offer of the park. The tourist values of the National Park have been enriched and completed with the numerous accommodations and related tourism infrastructure that has been huilt in order to meet the traveler's needs. On the basis of the tourism resources which are characterized by very attractive attributes, the tourism in the National Park Mavrovo has a long standing tradition and it represents a very important basis for the economic activity for the region, it also has a significant contribution for the tourist activity in the Republic of Macedonia. According to the Spatial Plan of the Republic of Macedonia the National Park Mayrovo has a national and international tourist significance. Therefore the authors consider it necessary to design a tourist development for the area which will improve the competitiveness of the demanding tourisam market and to keep the importance of the region for the tourists. For this purpose, the authors made the projections by applying the SWOT analysis systemwhich was made on the basis of the current situation in terms of tourism development and the basis of the concepts of sustainable tourism development. This approach should enable sustainable tourism management for the area of the National Park Mavrovoand it will allow increased general economic development where tourism will be the main instigator.

Key words: National Park Mavrovo, tourism, development

#### INTRODUCTION

The area occupied by the National Park Mavrovo due to its exceptional natural beauty as well as the characteristic flora and fauna which is in an aboundends was declared as a National Park in 1949. Since then the territory is a tourist area with great potential and is the main drive of tourism in the Mavrovo-Debar area. Tourism activity in the

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National Park Mavrovo is present both in the winter and the summer months of the year, therefore there is a need for development of the tourism in the future by overcoming the seasonal nature of the tourist activity by providing alternative forms of tourism which are confirmed by Dimitrievic in 2011 according to whom "the park is an ideal opportunity for development for winter sports tourism, summer stationary tourism, health tourism, weekend tourism, excursion tourism, residential tourism, weekend tourism as well as fishing and hunting tourism "by respecting the concepts for long term sustainable tourism development, which according to Maxin and others (2013) the mountainous and protected area should be "based on the multifunctional and the traditional mountainous aktivities and the gradual integration of the local population for the development of tourism"<sup>2</sup>. The National Park Mavrovo is located in the northwestern part of the Republic of Macedonia with borders of northern latitude of  $41^{\circ}33^{\circ}01^{\circ}$  to  $41^{\circ}52^{\circ}39^{\circ}$  and eastern longitude of  $20^{\circ}31^{\circ}02^{\circ}$  to  $20^{\circ}48^{\circ}59^{\circ}$ . This park is the biggest of the three National Parks in the Republic of Macedonia, it has a territory of 723, 99km2 and that is 2, 8% of the territory of the Republic of Macedonia. The relief of the whole park is dominated by mountainous terrain with altitudes rangeing from 525 meters up to 2.764 meters. The National Park is characterized by a good tourist-geographical and transport position within close proximity of corridor8 and the international road E-65 and only 120 km from the two international airports Alexander the Great – Skopje and Saint Paul - Ohrid.



Map 1. Geographical location of the National Park Mavrovo

Because of the remarkable natural tourism potential and the favorable tourist and geographical position, tourism activity in the National ParkMavrovo has been registered as early as the thirties of the last century. The beginnings of tourism in the

area are tied to the winter-sports activities and the village of Galicnik, while today on the territory of the Mavrovo-Debar tourist area there are 5 tourist zones with a total number of 16 tourist sites. According to Milenkovski and Gorgievski (2014) "the Mavrovo-Debar tourist region is one of the most developed in the country, the most notable in this regard is the Mavrovo travel Zone....." This further confirms the importance of tourism in the National Park Mavrovo.

Tourist region	Tourist zone	Tourist sites
8		Mavrovi anovi
		Mavrovo
		Bunec
		Leunovo
	Mavrovo zone	Nikiforovo
		Strazha
		Trnica
		Galichnik
		Shilo Verte
	Radika-Debar zone	Jovan Bigorski
Mavrovo – Debar	Rudiku Bedui Zone	Lazaropole
region	City tourism center	Debar
		Kosovrasti Banja
	T	Banjishte
	Kosovrasti – Debar lake Banjishte	Debar Lake
	Gari – Golem rid	Stogovo – Golem Rid

Table 1. Zones of the Mavrovo-Debar tourist region

# THEORY AND METHODOLOGY

The basic theoretical assumption in the paper is that with the proper spatial planning of tourism in the territory of the National Park Mavrovo will be achieved with spatial and temporal dispersion of tourist movementand the activation of a greater number of tourism forms will increase the tourist volume which will influence the increased development of other economic sectors as well as improve the living standards of the local population. The data used in the paper is secondary data available from the official State Bureau of Statistics, Ministry of environment and physical planning of the Republic of Macedonia, Register of the Ministry of Culture of the Republic of Macedonia and the Cultural Heritage Protection Office, Action plans for tourism development in the area of the municipality and other similar data. When preparing the paper and the processing of data several different methods of scientific research studies in the field of tourism were used: analysis method by which the collected data is

analyzed, comparative method for comparing data, statistical method for presenting statistical data and inventory of tourism resources which are subject to valorisation and SWOT analysis with which an estimation of the current state and prospects are estimated and the benefits for future tourism development is established.

## RESULTS AND DISCUSSION:

### ACCOMMODATION:

The basic indicators of the degree of development of tourism in the National Park Mavrovo is accommodation and the tourism volume which is expressed by the number of tourists who visit the area.

In terms of accommodation facilities in the area, there are 19 accommodation facilities that have different categories and they have 1258 beds in 478 roomsavailable.

ordinal number	Type of object	Number of	Number of rooms	Numb er of	
1	Hotel - (5 stars)	objects 1	62	160	
2	Hotel - (4 stars )	6	205	533	
3	Hotel - (3 stars)	4	103	270	
4	Motel	4	23	66	
5	Resorts	4	85	229	
6	Total:	19	478	1258	

Table 2. Accommodation

The data presented shows a total of 1258 beds, the hotelshave 963 bedsavailable, which represents 76.55% of the total number of beds, followed by the number of beds in the resorts which have 229 beds and are represented by 18.2% of the total number of beds and the motels have 66 beds, representing 5.25% of the total number of beds. The data suggests that most of the accommodation facilities in the area of the National Park Mavrovo are of satisfactory quality.

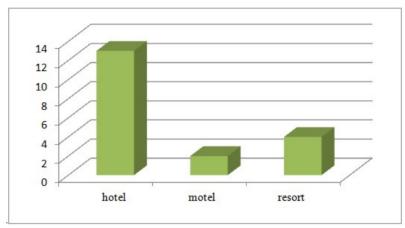


Chart 1. Categories of accommodation

But to show whether the area has enough accommodation facilities at the national level it is necessary to compare data with the rest of the country. The National Park accounts for 478rooms and the total number of rooms in the countryis 26 887, which is only 1.77%, while in terms of the number of beds,the National Park participates with 1258 beds while the total number of beds in the country is up to 70,297, which is only 1.78%. The next graph is depicting the comparison of the number accommodations in the area with the accommodation facilities in the Republic of Macedonia.

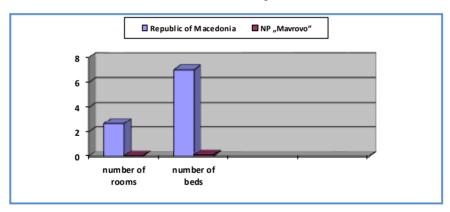


Chart 2. Accommodation capacity in the Republic of Macedonia

According to this analysis it is evident that the analyzed area represents a significant tourist area in the country especially in the Mavrovo – Debar tourist region and it has insufficient number of accommodation facilities, making it necessary to improve the poor conditions.

## **TOURIST VOLUME:**

The number of tourists and the realized lodgings is the second indicator of the level of tourism development in the National Park Mavrovo. For us to be able to analyze tourist attendance and the realized lodgings data was used from the State Statistics Office of Macedonia.

According to the data which are shown in the next table, the territory of the national park in 2013 was visited by 21.988 tourists of which 12.384 are domestic tourists, while the remaining 9,604 were foreign tourists.

	National park Mavrovo		Republic of Macedonia			
	Total number of tourists	Domestic tourists	Foreign tourists	Total number of tourists	Domestic tourists	Foreign tourists
2013	21.988	12.384	9.604	701.794	302.114	399 .680

Table 3. Travel attendance National Park Mavrovo - Republic of Macedonia

According to the data for the realized visits the contribution and dominance of the domestic tourists is noticeable and they participate with 56.32% of the total number of tourists in the region, while the number of foreign tourists is 43.68%. The number of foreign tourists is smaller but at the same time there isn't a big discrepancy between domestic and foreign tourists. A bigger discrepancy can be noticed in the number of tourists that visit the National Park in terms of the number of tourists in Macedonia, so in the year under review the number of tourists who visited the park account for only 3.13% of the total number of tourists who visited Macedonia in 2013. While the number of foreign tourists who visited the park account for 2.4% of the total number of foreign tourists who visited Macedonia in 2013. The Disproportionate share of the number of tourists in the park in terms of number of tourists in Macedonia is presented in the following graph.

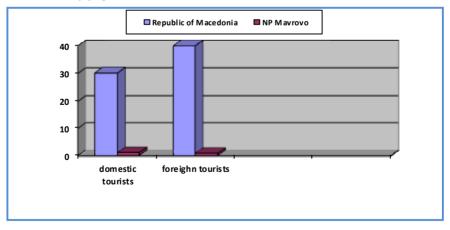


Chart 3. Tourist attendance in the Republic of Macedonia

According to the data presented in the table below, in the area of the National Park in 2013 a total of 41,261 lodgingswere realized, of which 22 406 lodgings were domestic tourists, while the remaining 18 855 lodgingswere foreign tourists.

	National Park Mavorvo		Republic of	oublic of Macedonia		
	Lodgings	Domestic tourists	Foreign tourists	Lodgings	Domestic tourists	Foreign tourists
2013	41.261	22.406	18.855	2.157.175	1.275.800	881.375

Table 4. Realized lodgings in the National Park "Mavrovo" Republic of Macedonia

The data in the table shows a growing number of realized lodgings of domestic tourists, who achieved 54.29%, while foreign tourists realized 45.71% of the total number of lodgings in the park. Major differences exists in the participation of realized lodgings on the territory of the Republic of Macedonia, as the realized lodgings in the park represent only 3.23% of the total realized lodgings in the country. While lodgings realized by foreign tourists in the park account for only 2.13% of the total number of lodgingsrealized by foreign tourists in the country. By analyzing the data of sightseeing and lodging we realized we can see the average length of stay of the tourists in the National Park, which is 1.87 days, which is less than the average stay of tourists in the country which is 3.07 days. Foreign tourists average 1.96 days in the area of the National Park which again is less compared to the average stay of foreign tourists in the Republic of Macedoniawhich with an average of 2.2 days. Analysis of the data from tourism volume (tourist visits, realized lodgings, average length of stay of tourists) suggest that in the area of the National Park Mavrovo it is necessary for tourism planning and design that will contribute to increased tourism development and greater participation of tourism volume in the total volume of tourists in the country.

#### SWOT ANALYSIS:

To assess the current tourist development, based on the identified potential factors for the development of tourism, SWOT analysis was used, which assesses the state, the perceived weaknesses, strengths, opportunities and threats to tourism development in this area.

#### Advantages:

- Developed infrastructure which connects populated areas with places with a denser population and transport centers,
- the existence of accommodations
- the existence of initiative to develop tourism in the National Park Mavrovo
- the long tradition of the ski center Zare Larevski
- The existence of rich and significant cultural heritage (religious *objects*, traditional architecture, cultural manifestations, original customs, old crafts, traditional local cuisine, traditional handcrafts and much more.)
- The existence of rich and diverse natural heritage (flora and fauna, hydrographic elements, geomorphological elements and so on.)
- Moderate and favorable climatic conditions

#### Weaknesses:

- Lack of promotional and marketing activities
- Lack of organized tourist offers
- Low communal culture and hygiene
- Low level of maintenance of the ski trails in the winter
- Lack of promotion of alternative forms of tourism
- Lack of organization of the private accommodations
- Damaged infrastructure
- Lack of sidewalks by the local roads
- Low living standards of the local population
- Lack of tourist offers for non-skiers in the winter
- Lack of signs and markings that lead to tourist sites

### Possibilities:

- Solid resources for development of various types of tourism which will diversify the tourism offer
- Good conditions for development of extreme sports in the summer and the winter
- Good geomorphological conditions for development of new ski resorts by the way of public-private partnership
- The ability to use renewable energy

#### Threats:

- Depopulation of settlements bythe way of emigration of the young people
- Deforestation in an uncontrolled way
- Uncontrolled fishing
- The extinction of old traditional crafts
- The ruin and collapse of the old traditional architecture
- The lack of regulation of urban planning documentation in accordance to the parameters and the use of traditional principles, the use of materials and compositions of the construction new buildings and the integration in the ambient settings of the rural and natural areas.

## **CONCLUSION**

National parks represent areas that have exceptional natural values and in accordance with their name they have national importance. As a rule all national parks in the world are significant they represent spaces and depending on their function they cause interest for the international visitors. Therefore, national parks represent a category with tourist motives which with its complexity have all the attractive attributes of nature as well as the man made attributes, and according to those values they meet the swapped attribute of value. All these attributes represent the category of values that are the subject of tourism studies and therefore, national parks represent the most complex natural tourist motives

However the previously analyzed indicators of the level of tourism development is evident that the tourist movement in the National Park Mavrovo has a very small share in the overall tourist activity in the country despite the fact that the park is the bearer of Tourism in the Mavrovo-Debar tourist area. Tourism should be the core business in the

area, and it has to be the instigator of the other economic activities and the bearer of the overall development of the area of the National Park.

Taking into account the SWOT analysis it can be concluded that in the area of the National Park Mavrovo there are real opportunities for increased tourism and activating the space, primarily using its advantages. Tourism planning and design should be directed to:

- Enriching the tourist offer in the area through the activation and processing of more selective tourism forms;
- Greater involvement of the local community in the planning process;
- Professional management with the tourism sector locally;
- Improvement of the existing infrastructure;
- Construction of new tourism infrastructure;
- Increasing the quantity and quality of accommodation and other

The authors opinion is that in the area of the National Park Mavrovo there are conditions for projected increased tourism development in the coming period, which will be manifested by increasing tourist movement, which in turn would have a greater share in the total tourism sector in the country.

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# STRATEGIC AND MARKETING ASPECTS OF TOURISM OFFER DEVELOPMENT OF THE REPUBLIC OF CROATIA

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#### Abstract

In the last ten years moderate positive movements were registered in Croatian tourism, however, it still hasn't reached its peak. Its primary goal must be formation of a unique and recognizable tourist product based on natural and cultural-historical resources, which will reflect its true identity, and profile it as a destination of excellence. Marketing activities are a key factor in achieving competitiveness. They enable an insight in the state on the tourist market in terms of change of preferences of contemporary tourists, and give guidelines where to go in terms of improving our tourist offer. The purpose of the paper is to present the importance of formation of strategic-marketing guidelines in achieving competitiveness of the tourist destination, while the goal of the paper is to present the state of Croatian tourism by using quantitative and qualitative indicators, and to propose strategic-marketing guidelines of future development of Croatian tourism.

**Keywords**: tourist offer, strategic-marketing guidelines, tourist product, Republic of Croatia

# INTRODUCTION

In the last couple of decades of previous and in the beginning of this century some significant changes occurred in characteristics of tourist demand, under the influence of growth of additional financial funds, life standard, growth of free time intended for leisure and recreation with constant growth of ecological awareness and tendency towards return to nature and traditional values. Stated changes have significantly influenced on tourist preferences, as well as their consideration of tourism and tourist offer as an inseparable unit. Contemporary tourists tend towards stay in ecologically preserved, unpopulated and weakly populated tourist destinations, whose services and products are created in an innovative way, often with individualized approach, while respecting postulates of sustainable development (Alkier, Milojica, Drpić, 2015). According to Vitasović (2014), global tourist trends impose new understanding of tourism and appearance of "new" tourists. People who are including in tourist flows are

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more and more experienced. They express higher number of needs not only within the destination but during the travel itself to the destination. Attractive elements of the destination need to be complemented with additional activities, and the excellence of tourist destination measured by expectations and experiences, respectively, achieved experience. Precisely this diversification of needs and motives due to which people choose visit and stay in a tourist destination lead to qualitative shift away from standard tourist offer. Therefore, the accent is on quality of the tourist product, thereby achieving qualitative differential factor in competitive positioning of the tourist destination (Vitasović, 2014). Mentioned movements have also resulted in positive changes in the destination marketing, more precisely, its development and implementation, with a goal of easier penetration to the potential tourists. By becoming a European Union Member, Croatia got a big challenge: to rethink new ways of improving it's (somewhat) outdated tourist offer in relation to the competitive world tourist destinations, with inevitable preserving of its own originality and identity. The purpose of the paper is to point to the possibilities of good implementation of marketing activities in improvement of tourist offer of the Republic of Croatia, while the goal of the paper is to provide a review of the state of tourist offer of the Republic of Croatia with the use of qualitative and quantitative indicators, and give strategicmarketing guidelines of further development.

# AN INSIGHT IN THE STATE OF THE TOURIST OFFER OF THE REPUBLIC OF CROATIA

The Republic of Croatia is a small European country, situated at the crossroads of Central Europe, the Balkans and the Mediterranean. It covers 56.594 square kilometers or 21.851 square miles. Croatia coastline stretches for 5.835 kilometers (3.598 miles), and consists of 1.777 kilometers (1.104 miles) of mainland and 4.058 kilometers (2.493 miles) of islands. The country's population is 4.29 million. 89.6% of them are Croats, declared Roman Catholics. Croatia has diverse, mostly continental and Mediterranean climate, and its Adriatic Sea coast boasts more than a thousand islands (Barišić & Marić, 2012.). Long time ago Europe recognized the importance of tourism development and focused significant activities in that direction, which is witnessed by significant growth of tourist turnover, respectively, in 2014, 582 million of tourist arrivals was achieved (+3%), while tourist income amounted 509 billion of American Dollars, respectively, 383 billion of Euro (UNWTO Tourism Highlights 2015). This indicates that tourism significantly contributes to the economic growth of European countries, and it can be justifiably assumed that it will continue to grow. This needs to represent an important stimulation for Croatia as a newer EU member in terms of further development of its own tourist offer. With a goal of determining true state, and proposition of strategic and marketing guidelines of future development of a Croatian tourist product, it is necessary to present its quantitative and qualitative indicators. Following the authors will present achieved tourist arrivals and overnights in the period 2005-2014

Table 1: Tourist arrivals in the Republic of Croatia in the period 2005-2014

	Achieved arrivals				
	Total	Domestic	Foreign		
2005	9.222.410	1.479.618	7.742.792		
2006	9.655.410	1.667.442	7.987.968		
2007	10.351.442	1.792.756	8.558.686		
2008	10.453.601	1.789.020	8.664.581		
2009	10.270.490	1.576.694	8.693.796		
2010	10.604.116	1.493.374	9.110.742		
2011	11.455.677	1.529.003	9.926.674		
2012	11.835.160	1.465.934	10.369.226		
2013	12.433.727	1.485.361	10.948.366		
2014	13.128.416	1.505.455	11.622.961		
Index 2014/2005	142,35	101,75	150,11		

The data in the previous table indicate that in the period 2005-2014 the Republic of Croatia achieved 42,35% growth in total tourist arrivals, 50,11% of foreign tourist arrivals, while domestic tourist arrivals growth amounted only 1,75%.

Table 2: Tourist overnights in the Republic of Croatia in the period 2005-2014

	Achieved arrivals				
	Total	Domestic	Foreign		
2005	50.282.182	5.370.924	44.911.258		
2006	51.791.844	5.907.117	45.884.727		
2007	54.627.053	6.346.637	48.280.416		
2008	55.668.893	6.401.207	49.267.686		
2009	54.988.432	5.758.924	49.229.508		
2010	56.416.379	5.424.058	50.992.321		
2011	60.354.275	5.602.970	54.751.305		
2012	62.743.463	5.221.326	57.522.137		
2013	64.818.115	5.138.485	59.679.630		
2014	66.483.948	5.160.376	61.323.572		
Index 2014/2005	132,22	96,08	136,54		

In the same period, tourist overnights grew 32,22%, foreign overnights 36,54%, while domestic overnights decreased 3,92%.

Research function of marketing activities precisely gives an answer to the question about relevant advantages and disadvantages of a tourist product of a destination, and based on acquired information's about attitudes, preferences, and tourist consumption, through system of marketing planning it is possible to point destinations on achieving higher level of matching with desires and requirements of the tourist demand. This influences on further formation of a destination's tourist product which needs to be recognizable and needs to acquire convenient image. Thanks to marketing activities, every potential tourist needs to be able to get a clear and recognizable image of a certain destination, and be able to differentiate it from the other. All tourist destinations provide numerous and very similar services (accommodation, entertainment, and similar), but only some of them can reach the required inventiveness, originality and differentially in relation to the competition. Precisely these elements represent future tourist identity, and it is necessary to tend and harmonize them in order to achieve set goals. It is necessary to achieve and respect such identity in all marketing, especially promotion efforts (Alkier Radnić, 2003).

Institute for Tourism in Zagreb, Republic of Croatia, is one of the institutions which recognized the importance of research in function of development of a competitive tourist offer, which is witnessed by numerous previously undertaken researches in this area. They conduct the research TOMAS (2015) in which they are determining the attitudes of tourists and their satisfaction with the Croatian tourist offer. Bearing this in mind, and with a goal to determine new insights in the state of Croatian tourism, the authors will present certain parts of this research.

According to the age group, the highest share of tourists belonged to the group 26-35 years (27,2%), following is the group 36-45 (26,4%), group 56 and more (17,9%), 46-55 (17,2%), while the smallest share of tourists was until 25 years (11,4%). When monitoring the level of education, the highest number of tourists is highly educated (36,4%), then tourists with high-school education (32,8%), tourists with college degree (29,9%), while the smallest share take tourists with elementary school (0,7%) and those who marked the rest (0,2%). An insight in the data about tourist's monthly income shows that 37,1% had income 2,001 -3,000 Euro, 29,1% tourists had an income of 1,001-2,000 Euro, 25,5% had incomes higher than 3,000 Euro, while 8,3% of tourists had income up to 1000 Euro, which shows that the visitors possess high purchasing power. According to the frequency of arrivals, 39% of foreign tourists visited Croatia 6 times or more, 30% stayed in it 3-5 times, 17,5% tourists visited Croatia for the first time, while 13,5% tourists stayed in Croatia for the second time. Monitoring the source of information used by the tourists when deciding about visiting Croatia, it has been noticed that 35.1% of them based its true decision on the experience of previous stay in the destination, internet was used 29,5%, following, 27,4% tourists listened the recommendations by friends and family, which proves the efficiency of Mouth to mouth marketing, 15,2% tourists tracked brochures, adds and posters, while a smaller share (9,8%) used the recommendation of tourist agencies and clubs as a resource. Articles in the newspapers or in the magazines (4,7%), radio, television, film or video (3,8%), and tourist fairs and exhibitions (3,4%) were used significantly less. If we consider the use of internet as a source for gathering information, it is visible that 51,3% of the tourists has used websites of the accommodation facilities, then follow

social media such as Facebook, Instagram, Twitter, TripAdvisor (38,6%), 36,7% websites of the Croatian Tourist Boards, while 33,6% tourists used online tourist agencies (Booking.com, Expedia, Holidaycheck.de, etc). During the stay in Croatia in 2014, 48,5% tourists stayed in the destination in the company of their families, 33,4% tourists were with their partners, 13,6% traveled in the company of friends and acquaintances, while 4,5% of tourists traveled alone. 42% of tourists stayed in Croatia in duration 4-7 days, 28,4% stayed 8-10 days, 15,2% stayed 11-14 days, while 10,1% stayed 15-21 days, 2,3% stayed 1-3 nights, 1,4% stayed 29+ days, while only 0,7% stayed 22-28 days (Authors' interpretation according to TOMAS Summer 2014)

Table 3: Motives of arrivals to Croatia

Motives of arrival	%
Passive vacation, relax	75,1
Entertainment	43,0
New experiences and adventures	29,9
Enjoying food and drinks, gastronomy	26,3
Getting acquainted with natural beauties	20,2
The practice of sport and recreation	6,8
Getting acquainted with cultural sights and events	6,6
Visiting relatives and friends	6,1
Health reasons	4,1
Snorkling	3,2
Wellness	1,4
Shopping	1,1
Bussiness obligations	0,9
Religious reasons	0,2
Other motives	0,5

The data in the previous table represent motives of tourist arrivals in Croatia in 2014. It is visible that high 75,1% of tourists show interest for passive vacation and relaxation, 43% in entertainment, 29,9% in experiencing something new and adventurous. Gastronomy and enology were interested to 26,3% of tourists, while 20,2% wished to explore nature and its beauties. Motives of arrival to the destination which were graded low were sports recreation (6,8%), experiencing cultural sights and events, health reasons (4,1%), wellness (1,4%), shopping (1,1%), business obligations (0,9%), etc.

Table 4: Activities during stay in Croatia

Activities during the stay in the destination	%
Bathing and swimming	98,9
Going to pastry shops, caffes, etc.	94,5
Going to the restaurants	91,3
Walks in the nature (hiking)	78,3
Shopping	68,6
Sightseeing	65,0
Visits to local parties	56,6
Dancing or disco	43,8
Field trips to national parks	38,0
Snorkling	37,0
Health-recreational and wellness programs	36,1
Visits to museums and exhibitions	34,9
Water sports	33,9
Cycling	33,2
Visits to the concerts	30,7
Visits to wine roads (wineries)	27,7
Visits to the theatre and manifestations	23,1
Fishing	21,4
Tennis	21,1
Visiting olive oil roads (oil rafineries)	20,6
Bird watching	15,3
Adventure sports	14,3
Mountaineering	12,6
Golf	8,0
Horse-back riding	6,8

The tourist still show high interest for bathing and swimming (98,9%), visits to the pastry shops, coffee shops, etc.(94,5%), visits to the restaurants (91,3%), staying in nature and hiking (78,3%), shopping (68,6%), sightseeing (65%), visits to the local parties (56,6%), disco (43,8%), one-day trips to the national parks (38,0%), snorkling (37%), health-recreational and wellness programs (36,1%). 34,9% tourists wanted to visit museums and exhibitions, to practice water sports (33,9%), cycling (33,2%),

concerts (30,7%), wine roads (27,7%), visits to the theatre and manifestations (23,1%), fishing (21,4%), visits to the olive oil roads (20,6%), etc.

Table 5: Level of satisfaction with the elements of the offer

Offer elements	Level of satisfaction
Beauty of nature and landscape	
Kindness of personnel in accomodation facility	
Suitability for spending a family vacation	
Personal safety	
Picturesque and arrangement of the place	
Hospitality of local inhabitants	
Quality of services in the accomodation facilities	
"Value for money" of accomodation	
Comfort of accomodation	
Food quality in the accomodation facility	
"Value for money" of gastronomic offer	
Food quality in restaurants out of accomodation facility	
Beach cleanliness	
Suitability for short vacation	
Richness of gastronomic offer in the place	
Ecological preservation	
Quality of informations in the destination	
Offer of organized one-day trips in the vicinity	
Traffic availability of the place	
Possibility for shopping	
Equippement and tidiness of beaches	
Presentation of cultural heritage	
Richness of sports facilities	
Quality of marking sights	
Richness of entertainment facilities	
Diversity of cultural manifestations	
Quality of local transport	
Adaptability of destination to people with special needs	

Very low	Low	Middle	High	Very high

Legend:

During their stay in Croatia tourists expressed very high satisfaction with the elements of nature and scenery, kindness of personnel in the accommodation facilities, adequacy for spending a family vacation, and personal safety. Beauty of the landscape and arranging the place were given a high grade, as well as kindness of the local population, quality of services in the accommodation facilities, achieving value for

money of the accommodation, its comfort, food quality in the accommodation capacities, value for money of the gastronomic offer, food quality outside the accommodation capacity, ecological preservation, etc.

Average grade was given to the quality of getting information in the destination, offer of organized field-trips in the vicinity, shopping, traffic availability of the place, equipment and tidiness of beaches, presentation of cultural heritage, and the offer of sports facilities. Low grade was given to the quality of marking sights, richness of entertainment facilities, richness of cultural manifestations, quality of local transport, while the lowest grade was given to the adaptability of the destination to the people with special needs.

Table 6: Negative influence on experience of staying in the destination

Interference during stay in the destination	%
Traffic jam in the destination	8,7
Crowd in in the bathing space (too many swimmers)	8,4
Inappropriate garbage disposal	7,3
The noise that disturbs the comfort of your accommodation (rest, sleep)	6,2
Impossibility of garbage separation	5,2
Unpleasant odor (from containers and trash cans)	4,9
Rush in the public area (streets, board walks, children's playgrounds, etc.)	4,2
Noise and peace disturbance in the bathing space	3,6
Something else	2,1
Nothing disturbed me during the stay in the destination	71,5

The data in the table indicate that the biggest part (71,5%) of tourists did not experience disturbances during their stay in Croatia, 8,7% pointed traffic jams as a problem, 8,4% on crowded beaches, 7,3% were bothered by inadequate garbage disposal, 6,2% were bothered by the noise, etc.

Table 7: Tourist consumption in Croatia

Services	In Euro	in %
Accomodation	36,22	54,6
Food in restaurants and bars	12,18	18,4
Trade	9,49	14,3
Culture	0,93	1,4
Sports and recreation	1,83	2,8

Entertainment	3,06	4,6
One-day trips	1,57	2,4
Rest	1,09	1,6
Total	66,36	100,0

The data about the tourist consumption indicate that in 2014 tourist's daily expenditure was approximately 66,36 Euro, of which 36,22 Euro were spent of accommodation services, 12,18 Euro on food services outside the accommodation capacity, and 9,49 Euro on shopping.

Previously presented results indicate that tourists possess high purchasing power, and that the majority of them stayed in Croatia multiple times. Their choice about spending their vacation in Croatia was mostly based on their own and other people's experiences acquired during previous visits to the destination, and by using the internet, which is of great importance for undertaking future marketing activities in Croatian tourism offer development. Other forms of promotion achieved less effect, and need to be improved and adapted to the contemporary technic and technological standards.

When discussing the motives of stay in Croatia, great importance was given to the natural beauties and particularities, gastronomy and enological offer, hospitality of hosts, etc. In terms of activities during the stay, there is still a great interest for sun and sea, gastronomic and enological offer, connecting with the nature, exploring the sights, and attending local parties. Unfortunately, lower interest was registered for organization of field-trips to the national parks, health tourism services, visits to the museums and exhibitions, etc. These elements are of great importance for development of a competitive tourist offer, so their quality and diversity need to be improved which will undoubtedly contribute to the growth of tourist turnover, especially tourist consumption. Based on the previously presented experiences, and with a goal of proper designing of further developmental direction, following the authors will present SWOT analysis of Croatian tourism.

Table 8: SWOT Matrix of Tourism of the Republic of Croatia

CENTRAL CENTRAL	WIE A MATERIAL CONTROL OF CONTROL	
STRENGTHS	WEAKNESSES	
- Richness of ecologicaly preserved	<ul> <li>Lack of strategic-markting guidelines</li> </ul>	
natural resources and beauties	with a goal of repositioning of Croatian	
<ul> <li>Mild Mediterranean climate</li> </ul>	tourist product	
<ul> <li>Indentation of the coastline</li> </ul>	<ul> <li>Seasonality of tourism</li> </ul>	
<ul> <li>Numerous little islands</li> </ul>	<ul> <li>Weak informing of tourists during</li> </ul>	
<ul> <li>Hospitality of the domicile population</li> </ul>	their stay in the destination	
Traffic availabiliy	<ul> <li>Weaker level of satisfaction with the</li> </ul>	
<ul> <li>Rich cultural-historical heritage</li> </ul>	additional elements of tourist offer	
<ul> <li>Long tourist tradition</li> </ul>	(shopping, field-trips, entertainment	
<ul> <li>Membership in the European Union</li> </ul>	facilities, cultural events, etc.) disables	
- Selective forms of tourism (bathing,	achieving total quality of the tourist offer,	
health, nautical, business, cultural)	and achieving value and experience for	
- Personal safety and perception of	money	
image of Croatia as a safe destination		

<ul> <li>Education of personnel as managers of</li> </ul>	
the future of Croatian tourism	
<ul> <li>Conducting of scientific-professional</li> </ul>	
projects witg a goal of contribution of	
development of Croatian tourism	
OPPORTUNITIES	THREATS
- Growth of international demand	- Terrorism
for tourist services and travelling	- Uncontrolled development of a tourist
- Positive effects of tourism on	product which can result in losing its
Croatia's socio-economic development	uniqueness and atractiveness
- Entering new tourist markets	- Negative impact on natural and
- Increasing the level of quality of	cultural historical resources
accommodation capacities and additional	- Insufficient awareness about the
elements (shopping, manifestations, etc.)	importance of sustainable development
of tourist offer with a goal of increasing	for tourism
tourist turnover	- Insufficient level of knowledge
- Increasing recognizability of Croatia	
as a destination on world level	
- Development of tourist offer based on	
postulates of sustainable development	
- Potentials of development of selective forms of tourism (Cycling tourism.	
forms of tourism (Cycling tourism, Gastronomic and Wine tourism, mountain	
tourism, golf tourism, ecotourism, Rural	
tourism, Adventure tourism)	
- Creating and implementation of	
strategic and marketing guidelines of	
tourism development with a goal of	
achieving competitiveness	
- Foreign direct investments	

Above mentioned SWOT matrix indicates advantages and possibilities which Croatia needs to exploit, and weaknesses and threats that needs to remove completely or reduce to a minimum in order to reposition current tourist offer of Croatia on the international tourist market. Bearing this in mind, following the authors will propose strategic-marketing guidelines of development of tourism of the Republic of Croatia.

- Profiling of a recognizable image and branding the tourist offer based on

originality and Croatian tradition

# PROPOSITION OF STRATEGIC-MARKETING GUIDELINES OF FURTHER DEVELOPMENT OF TOURIST OFFER OF THE REPUBLIC OF CROATIA

The analysis of previously mentioned trends indicates that it is necessary to form visions and objectives, as well as marketing strategies which will achieve highest success on the tourist market. Croatia, as a tourist destination, needs to monitor mentioned changes of preferences of the tourist demand as a challenge, respectively, it

needs to use all the necessary resources in order to improve quality and diversity of its own tourist offer with preservation of its identity, which can be achieved by rethinking and creating strategic and marketing developmental guidelines. Bearing this in mind, the authors propose the following guidelines of development of Croatian tourism:

- Development of tourist product needs to be based on ecologically preserved natural resources and cultural-historical heritage;
- It is necessary to approach multidisciplinary in developing a competitive and diverse tourist offer:
- It is possible and necessary to base improvement of tourist offer on selective forms of tourism which are dominant within the Croatian tourist product (bathing, health, nautical, business, cultural...), and devote attention to the development of selective forms of tourism which have a big perspective of development in the future (health tourism, cycling tourism, ecotourism, Gastronomy and Enological tourism, Rural tourism, Golf tourism, Adventurous and Sports tourism...);
- Increasing the level of quality of offer of accommodation capacities and additional elements of tourist offer with a goal of increasing the number of tourist arrivals, overnights, and consumption;
- Formation of a marketing plan which represents a formal presentation of a marketing strategy of Croatian tourism for the future period, which needs to be clearly determined. It is necessary to determine time sequence and duration of marketing activities, and needs to be structured in order to enable continuous control of individual phases, in order to reduce potential flaws and mistakes to the minimum, and continuously improve marketing plan;
- Investments in high education of human resources in tourism and restaurant business, as managers of the future of Croatian tourism;
- Close cooperation of scientific institutions and practice in conducting scientific-professional projects in order to contribute to the development of Croatian tourism;
  - Increasing FDIs in tourism development;
- Reduction of seasonal character of business by creating new facilities and services pre-seasonally and post-seasonally;
- Improvement of communication with tourists in a form of providing precise and on-time information during their stay in the destination, by using various promotion channels and contemporary information technologies;
- Improvement of current and introduction of new and innovative elements of offer with a goal of enabling achieving value and experience for money;
- Public-private partnership with a goal of strengthening quality of the tourist offer in the destination, with clear responsibilities of public and private partner;
- Introduction of innovations in restaurant business in all levels, following contemporary tourist trends (use of renewable energy sources, green hotels, offer for third age tourists, etc.);
- Continuous research of market trends and determining the level of satisfaction of tourists with the elements of tourist offer, and continuous adjustment of marketing activities;
  - Formation of
- Safety in the tourist destination, as a useful tool for creation of a new "marketing" story;
  - Introduction of the system of the offer 3E (Energy, Ecology, Economy).

### CONCLUSION

Republic of Croatia possesses numerous natural, cultural-historical and other resources, meaning, it has a solid basis for development of a more competitive tourist offer, recognizable on the world level. However, its peak in terms of development still hasn't been reached. Previously presented results show that certain elements of Croatian tourist offer need to be improved, through planning of tourist offer development on all levels, creating and implementing strategic guidelines of development, and undertaking marketing activities with the application of the newest advanced technologies and tools with a goal of reaching the highest number of tourists, and profiling Croatia in their mind as a destination of high quality. Tourist product needs to be improved in a way to offer and promote new and unique facilities of high quality, which will enable tourist's maximum pleasure, which will contribute to the affirmation of Croatia on the tourist market.

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# MACEDONIAN TOURIST PRODUCT - CURRENT STATUS AND PERSPECTIVES

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### Abstract:

The main aim of this paper is about Macedonian Tourist offer. Many countries has develop their own tourist product in direction to attract more tourist in destination. They work intensively to rebuild attractive factors, to improve communications and increase quality accommodation facilities.

The quality tourist product has strong influence of the destination attracting a lot of foreign tourist. All instruments of marketing mix (product, price, place and promotion)should be use in aim to increase tourist for destination. Nowadays, competition between destination is very huge. Each country try to improve their own tourist product. The tourist in the future expect more quality and reach tourist offer in destination. Intensive competition between destination put the value of the product and price to direction of more quality for the same price.

In 2008, Macedonian government put tourism product as a main focus in its policy. The government make a essential document Strategy for development of Tourism in Macedonia from 2009 – 2013. The results of that document give some actions how to be improve Macedonian tourist product. Upon the preparation of the strategy for the development of tourism, the tourist economy with its experience was not actively involved. Because of that, Strategy was not implemented completely.

This paper presents an action research conducted on a sample of 65 tourist stockholders (travel agencies and hotels) in Macedonia in 2013.

This study analyze Macedonian tourist offer. What is done and what should be done in the future in name what other countries have undertaken regarding the aspect of promotion of their tourist product, concerning promotion of their tourist destination and what Macedonia has undertaken and should undertake regarding that aspect.

**Keywords**: tourist product, foreign tourists, Macedonian tourist offer, current status, perspectives,

#### INTRODUCTION

Tourism industry is habitually defined as a hypercompetitive sector, characterized by high radical and abrupt technological changes, shows an increasing variety and

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variability as much as an overwhelming in demand and globalization. (Della Corte V.,2012)

Tourism product is a group of components or elements brought together in a 'bundle' to satisfy the consumer's need. A tourism product is anything that can be offered for attraction, acquisition or consumption. It includes physical objects, services, personalities, places, organizations and ideas.(Gautam, S.2014)

All tourist value should be in join correlation to create tourist service which will satisfied tourist needs. (Blazeska, 2014).

Tourist product can be determined on two distinct levels: the total tourist product comprises a combination of all elements ,which tourist consumes during his/her trip and the specific products are components of the total tourist product and can be sold as individual offerings such as accommodation ,transport,attractions and other facilities for tourists. (Koutoulas,2004)

Macedonia's tourism product is a rich combination of cultural and natural heritage, which is characterized by wide spacious landscape of lakes and mountain view, many of which have distance and relative peace that can rarely be found in the world of the 21st century.(National Strategy for development of Tourism in R.Macedonia,2009-2013)

### MACEDONIAN TOURIST OFFER

Macedonia is a small landlocked country, covering an area of 25 713 km2, and is bounded to the west by Albania, Kosovo and Serbia to the north, Bulgaria to the east and Greece to the south. In mid-2010 Macedonia had 2,072,086 inhabitants.Macedonia has a central and strategic transit position, linking the eastern Mediterranean Europe.

The diversity of tourist resources of Macedonia, also located in its natural heritage, enriched by diverse landscapes and climates. The country has more than 50 lakes of varying size, three national parks. Tourist resources of Macedonia are present in its spiritual traditions and human heritage. Rich gastronomic and wine tradition of Macedonia, its traditional music, cultural festivals and celebrations, all supported by different historical and cultural influences, forming multicultural identity of Macedonia and are themselves authentic tourist resource. In terms of the diversity and richness of its cultural heritage and natural resources, Macedonia today has a wide range of potentials various forms of tourism different to offer cultural, lakeside, mountain, lake, rural, urban, spaand wine tourism.

Macedonia's tourism product is a rich combination of cultural and natural heritage, which is characterized by wide spacious landscape of lakes and mountain view, many of which have distance and relative peace that can rarely be found in the world of the 21st century.(National Strategy for development of Tourism in R.Macedonia,2009-2013)

The research presented in this paper is conducted on Republic of Macedonia as a tourist destination and promotional activities realized to strengths the brand of Macedonia abroad. Result of those activities is increasing the number of foreign tourist in the country.

It includes survey by random choice on 65 tourist stockholders (travel agencies and hotels) in Macedonia in 2013. The survey was made in May 2013. Data for this study were collected through a self-administrated questionnaire distributed to 65 major tourist stock holders in Macedonia. Respondents were approached face-to-face.

The questionnaire consisted of 15 questions: 3 questions concerning the trip characteristics (firm, place where is situated, main activities); 4 socio-demographic (area of action, employers, licence or categorization, period of existing on the market) and 8 questions concerning the Macedonian tourist offer.. The questions have scale of answers: completely disagree, agree slightly, agree, significantly agreeand completely agree.

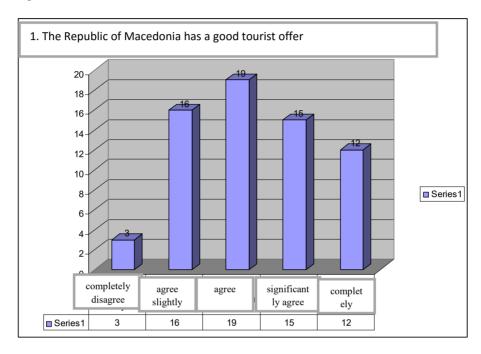


Figure 1. The Republic of Macedonia has a good tourist offer

- 3 respondents completely disagree
- 16 respondents agree slightly
- 19 respondents agree
- 15 respondents significantly agree
- 12 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (29.2%) agree with the stance that the Republic of Macedonia has a good tourist offer

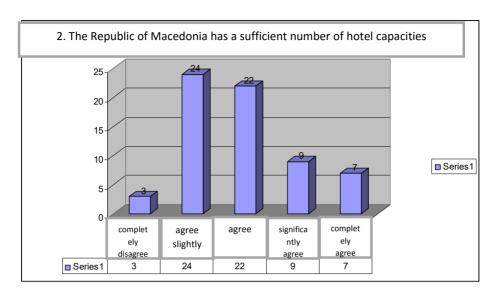


Figure 2. The Republic of Macedonia has a sufficient number of hotel capacities

- 3 respondents completely disagree
- 24 respondents agree slightly
- 22 respondents agree
- 9 respondents significantly agree
- 7 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (36.9%) agree slightly with the stance that the Republic of Macedonia has a sufficient number of hotel capacities

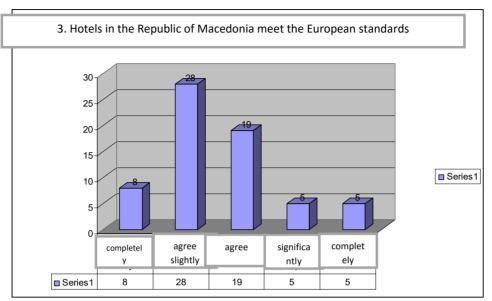


Figure 3. Hotels in the Republic of Macedonia meet the European standards

- 8 respondents completely disagree
- 28 respondents agree slightly
- 19 respondents agree
- 5 respondents significantly agree
- 5 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (43.1%) agree slightly with the stance that hotels in the Republic of Macedonia meet the European standards

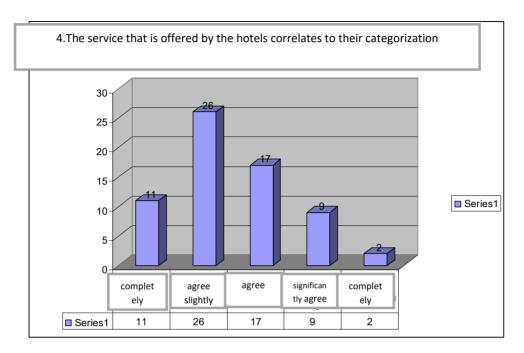


Figure 4. The service that is offered by the hotels correlates to their categorization

- 11 respondents completely disagree
- 26 respondents agree slightly
- 17 respondents agree
- 9 respondents significantly agree
- 2 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (40%) agree slightly with the stance that the service that is offered by the hotels correlates to their categorization

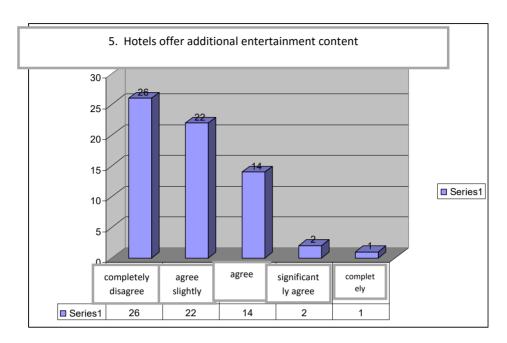


Figure 5. Hotels offer additional entertainment content

- 26 respondents completely disagree
- 22 respondents agree slightly
- 14 respondents agree
- 2 respondents significantly agree
- 1 respondent completely agrees

According to the acquired results it can be concluded that vast majority of respondents (40%) completely disagree with the stance that hotels offer additional entertainment content

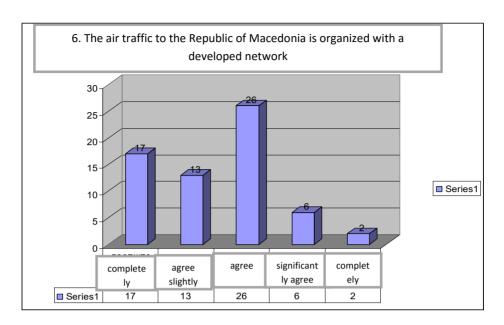


Figure 6: The air traffic to the Republic of Macedonia is organized with a developed network

- 17 respondents completely disagree
- 13 respondents agree slightly
- 26 respondents agree
- 6 respondents significantly agree
- 2 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (40.6%) agree with the stance that the air traffic to the Republic of Macedonia is organized with a developed network

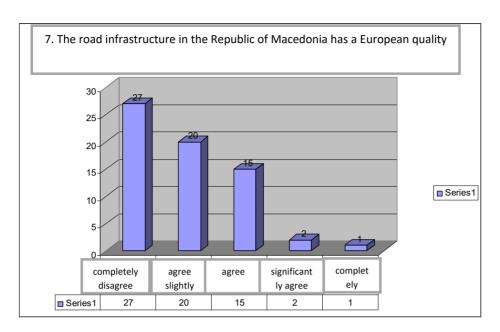


Figure 7. The road infrastructure in the Republic of Macedonia has a European quality

- 27 respondents completely disagree
- 20 respondents agree slightly
- 15 respondents agree
- 2 respondents significantly agree
- 1 respondent completely agrees

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According to the acquired results it can be concluded that vast majority of respondents (41.5%) completely disagree with the stance the road infrastructure in the Republic of Macedonia has a European quality

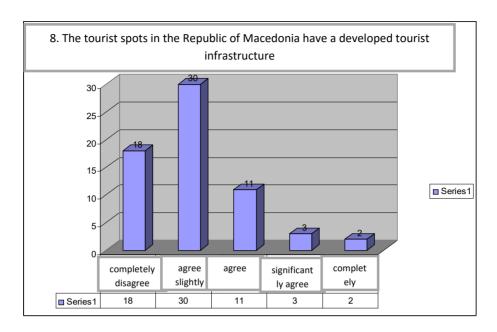


Figure 8. The tourist spots in the Republic of Macedonia have a developed tourist infrastructure

- 18 respondents completely disagree
- 30 respondents agree slightly
- 11 respondents agree
- 3 respondents significantly agree
- 2 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (46.9%) agree slightly with the stance that the tourist spots in the Republic of Macedonia have a developed tourist infrastructure.

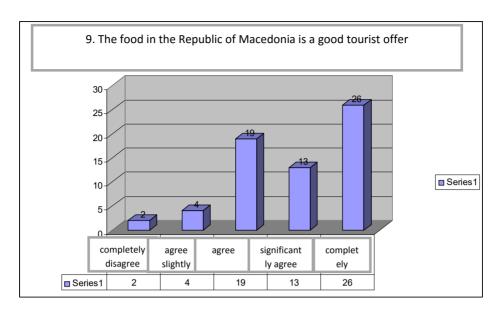


Figure. 9. The food in the Republic of Macedonia is a good tourist offer

- 2 respondents completely disagree
- 4 respondents agree slightly
- 19 respondents agree
- 13 respondents significantly agree
- 26 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (40.6%) completely agree with the stance that the food in the Republic of Macedonia is a good tourist offer

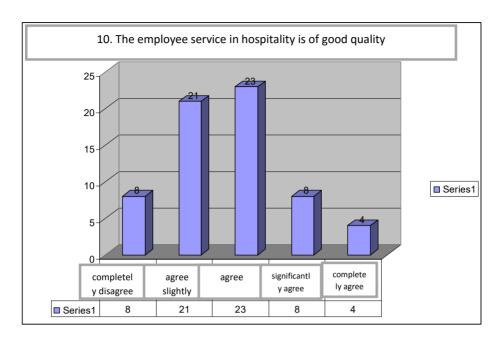


Figure 10. The employee service in hospitality is of good quality

- 8 respondents completely disagree
- 21 respondents agree slightly
- 23 respondents agree
- 8 respondents significantly agree
- 4 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (35.9%) agree with the stance that the employee service in hospitality is of good quality

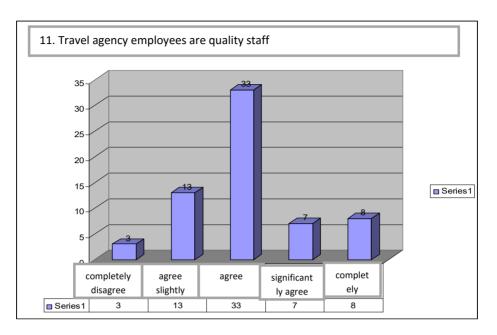


Figure 11. Travel agency employees are quality staff

- 3 respondents completely disagree
- 13 respondents agree slightly
- 33 respondents agree
- 7 respondents significantly agree
- 8 respondents completely agree

According to the acquired results it can be concluded that vast majority of respondents (51.6%) agree with the stance that travel agency employees are quality staff.

### **CONCLUSION**

The Republic of Macedonia has a good tourist offer.

The presented results indicate the following conclusions:

- Republic of Macedonia has not a sufficient number of hotel capacities. After the transition in Macedonia many hotel facilities were ruined, most of them closed. In the next period is necessary to open large and quality hotel facilities.
- Hotels in the Republic of Macedonia not meet the European standards. Hotels must follow European standards by getting the franchise famous brands of hotels. This will fulfill the requirements of tourists for quality accommodation.
- The service that is offered by the hotels is notcorrelates to their categorization. Improving service hotel accommodations at every level is necessary. Knowledge of foreign languages staff, vocational education, kindness and dedication in carrying out tasks necessary for providing quality service.
  - Hotels is not offer additional entertainment content.

- The air traffic to the Republic of Macedonia is organized with a developed network. Macedonia have two airports, one in Ohrid and other is in Skopje. The government in 2008 gives airports on concession to TAV airports from Turkey. TAV airports rebuild airport in Skopje and modernize tea airport in Ohrid. Also government started with subvention in air traffic establishing more and chipper destination by lowcost carrier Wiz air.
- The road infrastructure in the Republic of Macedonia has not a European quality. Rebuilding new highways connecting Ohrid and Skopje will make a lot of tourist to come in Ohrid as a tourist destination.
  - The food in the Republic of Macedonia is a good tourist offer
  - The employee service in hospitality is a good quality.
  - Travel agency employees are quality staff.

Republic of Macedonia should continue to improve Macedonian tourist product. It should rebuild new attractions, new highways and new quality hotel capacity.

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### EVENTS AS AN OPTIMAL MECHANISM FOR PROMOTING TOURIST POTENTIAL IN DEVELOPING COUNTRIES

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### Abstract

Events and its forms are more imposing as the relevant segment of the overall tourism activity. Forms of events represent the basis for comprehensive action in segment of an overall promotion of the potential for development of tourism in a particular state. which on the other side represent basis for building a serious strategic model development necessary for concise and studious reduce errors in the implementation of the overall cycle. On the other hand events represent a special type of educational cycle for locals to timely and fully realize, accept and apply modern mechanisms operating in the entire area of tourism.

This is essential in building tourist capacities and overall logistics for smooth implementation of planned strategy. Events also present a special kind of sociological maturation of countries in development, where by bringing the world's top events of various forms, promote emotional component that is also in the mix ratio person, national feeling, association, and proximity to the world of global flows. All of these aspects of the events are essential for them to develop extremely fast pace and transformation to represent multi functional mechanism for building and implementing a comprehensive and long-term strategy for development of tourism in a particular state in development. The research in this thesis accurately determines the benefits and realities of contention for the unbreakable bond of events and tourism.

**Key words:** event, promotion, tourism, tourist destination, developing countries

### INTRODUCTION

The modern way of building state strategies for managing economic crisis or for development of underdeveloped countries places tourism at the leading position which in the past 5 years has been the leader in economic branches, i.e. an absorbent of economic problems or a generator for the underdeveloped economies. On a global scale, tourism marks a fast growing increase, especially taking into consideration the money spent on travelling by the citizens of developed countries such as: England, Germany, China, Japan, etc. The official data of UNWTO on the conditions in tourism present a basis for the scientifically analytical group of people that deal with global perspectives of economic development. The data clearly determine the basic principles of the modern strategic method of building a successful and stable economy. Simultaneously, they also represent an excellent basis for an intervention in the

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logistics tourism sector which is comprised of a large number of already known beneficiaries without who the end product will surely not be able to achieve the desired results. At the same time, if we analytically look at the benefits of the world economic crisis for the developed and underdeveloped countries, the transformation of consciousness of every person on this planet towards rationalizing in all the segments of life in correlation with the new fast flow of information and the non existence of barriers for sharing experiences, then what is imposing is the fact that marketing in tourism, and not only in tourism, is undergoing a serious transformation in terms of its essential structure. Unlike before when a good video and a big media coverage used to sell the product, i.e. in tourism it used to sell the specific destination, today the world of social networks highlights the basic marketing within the domain of tourism to be the guest's satisfaction or the shared experience on the social networks as a basic factor which is essential for building the general picture of making a decision to go to a specific destination. In the meantime, the marketing sector quickly imposed itself in this segment and by building a web of complete systems through a multitude of social profiles has tried to impose and create a public opinion which initially, in the first two years, gave some results up to a certain point, but the GoPro revolution, i.e. the easily transportable camera together with the excellent opportunities for shooting available on the smart phones immediately became a primary tool for sharing experiences.

# THE ROLE OF EVENTS IN THE PROMOTION OF TOURIST DESTINATIONS

Taking all of these factors and strong arguments into consideration, only the tourist who appreciates the quality for the money he/she has spent is the one who benefits. All of this has changed the flow of modern life where specialized sites for booking hotels, rent-a-car agencies and cheap air transport have made life utterly global. The biggest problem that arises from all of this is how to bring the tourists to a specific destination from where they can share their experiences about the quality of their stay. The sightseeing, the quality food, the opportunities for extraordinary and already confirmed type of entertainment, followed by the quality of accommodation and service are only an asset for a specific destination that is in the process of creation and that is economically in direct correlation with the promotion strategy. If we bear in mind that all of this has to be realized in conditions of a recently ended economic crisis the consequences of which are more than expected in this period, the building of promotion strategies and the marketing of a specific destination present a very complex choice to make.

The events are a part of the methods that serve to promote a specific destination and influence the positive mark in quality of that specific destination. Due to all this, this research will emphasize the need of events as an effective mechanism for promotion of the tourist potential of underdeveloped countries by a contrastive analysis of the realized events in correlation with the realized media commercials and evident parameters for development of a specific tourist destination.

### ANALYSIS OF THE PRODUCTIVITY OF THE EVENTS IN PROMOTING THE TOURIST POTENTIAL OF UNDERDEVELOPED COUNTRIES

The positioning of tourism in the economic strategy of a country is of primary importance, but at the same time choosing the right methodology which meets the abilities, preferences and projections of the same so that it is possible to reach the desired results within a short period of time is more than delicate. This problem is more essential for the underdeveloped counties which, either due to the process of transformation of the state structure or due to the internal problems, cannot position the countries priorities in building a proper approach towards the state strategy in this segment. All this emphasizes the problem of a proper approach in the promotion of a specific destination as a basic approach which uniquely and adequately surpasses the event type of promotion of a specific destination from the underdeveloped countries. In order to properly position the problem, all the types of cultural and sports events in the Republic of Macedonia, a country which profiles itself into an independent subject state for 23 years and reflexes the transformation processes from one into another type of state structure (from socialism into parliamentary democracy) and followed by all the deeds, as well as positive and negative states that it has gone through in this period, have been taken into consideration in this research as a basis in order to make a comparative analysis with the immediate surrounding, i.e. its neighbours. Within the period of 23 years, 115 traditional sports events, 9 top sport competitions, as well as European and world championships and 161 traditional cultural and entertainment events have been registered, i.e. and average of 12 events per year.

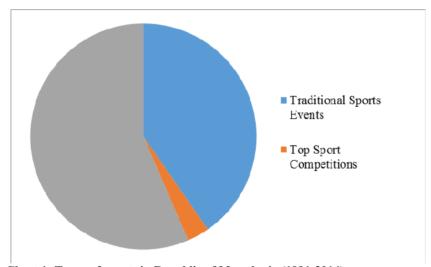


Chart 1: Types of events in Republic of Macedonia (1991-2014)

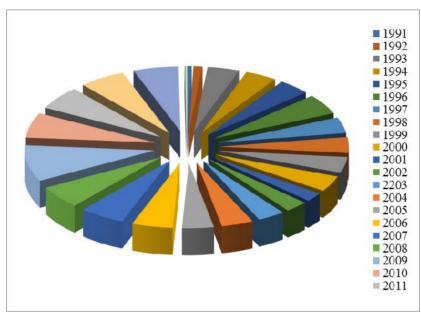


Chart 2: Number of events per year

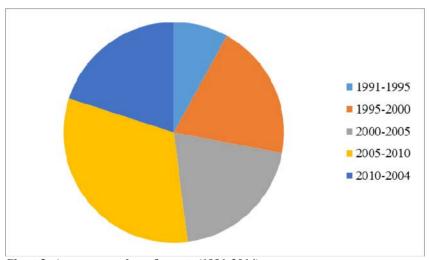
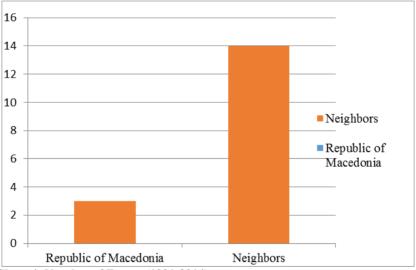


Chart 3: Average number of events (1991-2014)

If we do a more in-depth analysis we can easily notice that it is not only the number, but also the quality, the content and the specter of participants. An even more in-depth analysis immediately reveals that the major problems in terms of the events are the ones of organization, accommodation, the costs of the economic part of the logistics and the expensive starting position for obtaining maxi events on a European and global level. These are the shapes of the problems of the underdeveloped countries. If we take

into consideration that the events which directly and proportionally influence tourism, as well as the opportunities for presenting a country and its potentials and which have a global structure such as the sports championships or visiting of globally acclaimed artists, it is more than clear that the positioning of the interest of these countries is for them to be able to attract one or two such type of events with a focus on and a tendency for their number to increase each year. The traditional sports and traditional cultural events are inevitably to remain as an additional proposal within the specter of what a country has to offer. From an analytical point of view, it is good to survey the European handball championship which was held in Serbia and for which there is an official statistical marker that the Macedonian citizens have spent 2.4 million Euros. This data shows that in the small countries there is a demand for events, but at the same time also shows the potential of domestic tourists who are prepared to spend a specific amount of money from their humble budgets to be present at a top quality event. This is also confirmed by the fact that unlike Macedonia, where in 2009 there have only been 3 visits by high profile musical artists, this number for both Serbia and Croatia equals 14 for which there has also been marked a serious outflow of citizens' money who spend it in the neighboring countries in search of a top quality event.



**Chart 4: Number of Events (1991-2014)** 

All of this puts the main problem with this type of countries down to lack of educated, well prepared and professional management which is capable of utilizing all of these great potentials for the basic purpose of the events and that is promotion of a specific tourist destination and potential of the country in whole. At the same time, this also imposes the fact that the foreign structures which are a basis in the managerial part of these global events do not have a worthy partner in the countries with whom they can communicate, i.e. subjects with serious influence on the social structure of such a country so that they can prepare and realize such type of events. Unlike Macedonia, it is more than evident that in the neighboring countries following the practice of organizing such events in order to promote the tourist offer, but also to promote the

opportunities of the country as a whole, the number of global events is rising and when observed analytically we can notice the highlighted fact of a balanced organization of top quality events from all domains whether sports, music or culture. Due to all this, what arises is the need of a continuous transformation of the manner of thinking in terms of making use of these events as a basic method for promotion. Firstly, it is important to raise the traditional events to as much a higher level as possible so that in the case of the event being promoted to a top quality event, it offers the tourists an extraordinary emotion which will make them revisit the event. Following the latest understandings of commercials and promotion focused on the experience of a person who shares it with others, the level of quality inevitably has to be at the highest level. Hence the main idea that through top quality events we actually promote regional and local traditions and through this the entire potential of the country. Completing the strategic approach to the selection, preparation and realization of top quality events, followed by the education of a capable, educated and professional management of sports events presents a precondition for every small, as well as a bigger country to succeed in using the benefits that these events possess as a promotional method. In that case the locations in the country would be ideally chosen and they will represent special values which is actually the basis for a rise in the interest for a specific destination.

#### CONCLUSION

The small countries and the developing countries are facing a problem of promotion of the potential of the country, as well as the tourist potential. A large number of them make promotional videos and allocate a lot of money for promotion in foreign TV channels, magazines and participation in fairs, at the same time not having a fast return in the desired direction. Unlike the developing countries, the rich countries present themselves with more aggressive campaigns, i.e. they aim to attract top quality sports, cultural and entertainment events through which they see the benefits in the desired segment much faster. On the other hand, the factor of fear from big global events among the developing countries is also to be analyzed, but in any case the basis of this research also proved that the funds invested in events are the fastest returned money in comparison to any other mechanism for promotion of tourist opportunities and the potential of a country as a whole. That is why we can say that the definition of this research is the following: every developing country firstly needs to modernize the traditional events, produce educated, capable and professional individuals that will deal with the preparation and realization of the events and strategically focus the funds that it allocates for promotion to a more aggressive annual increase in the number of top quality global events. Only in this way is it more than evident that we will succeed in the initial goal of a high quality and on time promotion of tourist opportunities, as well as the entire potential of the country.

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### THE INFORMATIVE CONTENT OF A DESTINATION WEBSITE

### Guillermo Perez-Bustamante Ilander<sup>12</sup>

### Abstract

The world wide web has facilitated the provision of information about tourism destinations. However, on the design of web pages it is important to focus in those aspects that may create the largest value for the potential travelers. Along with accessibility and speed, informative content and how it is delivered to the destination's target market becomes crucial to attract potential travelers' interest and attention and, hopefully their physical visit. In this paper, an analysis of which should be the main categories and informative contents of destination web sites is analyzed.

**Key words:** Web site functionality, Tourism Destination, Information, Tourism competitiveness.

### INTRODUCTION

The increased ease of transportation, economic globalization, easy access to information, the international expansion of hotel multinationals and hotel chains and the appraisal of middle income social class are factors that justify the increase of international tourism and the development of new and competitive touristic destinations. Today, remote locations are more attractive, and start to compete with nearby, historically popular destinations. In addition, there is a new breed of confident, empowered, time-rich, trip hungry savvy travelers (Deloitte, 2010) that enlarge the international touristic market. Economic globalization has made competition in the tourism industry to become fierce. The preeminence of the traditional USA/Europe destinations is being shifted to new emerging markets such as Asia, Latin America or the Middle East (World Economic Forum, 2010). This fierce competition makes destinations each day more replaceable, becoming thus critical for destinations to fight for space in the tourists' minds and to build the right image. As such, a destination's image conditions behaviors attitudes and predispositions to visit a place.

Globalization has implied that every country or region has to compete with every other for its share of the world's global market trade of products and services, exports, FDI, highly qualified immigration, tourists..... This implies that destinations have to be competitive and, like any other consumer product or service, destinations must persuade tourists that they have some combination of benefits which no one else can offer (The Economist, 1998).

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Competitiveness in the tourism sector is conditioned by the fact that it is a service industry, which is built upon expectations. As a result, customer satisfaction results from the experience of consumption; it is subjective in its satisfaction dimension and more objective in its perception one. As a typical information-based service, it is difficult for the consumer to value the touristic product before experiencing it and, due to being a service, it is a perishable good which cannot be stored, nor returned should the client be disappointed with the choice made. This aspect highlights the intangibility of touristic products which turns out to be a basic factor during the different moments of the travel experience. The decision to choose a destination for travel is more relevant for international travellers than for domestic ones, since the informative gap regarding the destination, its culture and socio-economic environment is more distant and the costs the tourist has to incur to reach the destination might be larger.

When travelers are making their choice for a destination, they only have an abstract model of the touristic product available. This model is based on information acquired through multiple channels, such as television, brochures, word-of-mouth, e wording (word of mouse), social spaces or the Web. Destination websites allow for larger exposure but should also provide a clear and sound brand image of the destination; address the effective target market, produce accurate information and coordinate the messages through the social webs. This way, destination websites will effectively reduce the transaction costs encountered by travelers when selecting their destination. This reduction in transaction costs will create value for customers and produce the survival of webs.

Website managers should know and concentrate on those aspects that deliver and enhance best the image of the destination according to its offer. By doing so, they can match more precisely their target market's potential touristic expectations to the real experience they will enjoy in the destination. Even though there is a growing literature on which are the best valued factors by web users to achieve functionality -provision of information or site content- and usability - easy of use design- (Nysveen, et al 2003, Zang and Von Dran, 2001), there is a "wide disparity in the number of guidelines reported in the literature with 15, 100 and even 600 suggestions" (Park and Gretzel, 2007). Park and Gretzel's (2007) research describes thoroughly the existing literature on success features for web sites and they add to functionality and usability e-Quality, e-satisfaction, e-lovalty and evaluation of the webs. The main factors they found were: information quality, easiness of use, security, visual appearance, personalization, responsiveness, interactivity, trust and fulfillment. However, few studies focus on destinations as their objective (Kim and Fesenmaier, 2008; ;Susser and Ariga, 2006, Tierney, 2000) and despite functionality and usability are acknowledged to be key to assess a website performance, very few studies focus on the specific contents or functionality of the sites. The exceptions are on commercial websites (Huizingh, 2000; Miranda y Bañegul, 2004) Hotels (Murphy, et al. 1996, Yeung and Law, 2006; Chung and Law, 2003), Macao's tourism sites (Choi et al. 2007), or Convention Centers (Hyunjung and Njite, 2009) or destinations (Doolin et al. 1997, Da Cruz and de Camargo, 2008).

This paper aims to contribute to the analysis of the creation of a destination's image using the website. It presents a thorough and comprehensive revision of the challenges faced by destination managers in the process to build the right image and to deliver it properly through the www analyzing first the literature on the sources of competitiveness of destinations, and then on what information is considered to be

relevant to be presented in a web site. However, these challenges are intertwined and so it is acknowledged that deserve future monitoring and empirical investigation. In this sense, it is hoped that this theoretical revision will spark further and deeper research. The focus of this paper on functionality should not be understood as a negligence on the importance of usability for a website's effectiveness or profitability. However, usability is considered to be a technical aspect rather than a managerial one. First, it must be known what content should be delivered and then, how it should be done more effectively.

The paper is structured in 5 sections that allow a better understanding of the content needed to deliver in destination websites. After this introduction, the territorial concept of a destination is presented along with its public-good dimension and competitive effects. The third section focuses on the destination's image: its foundations and how the target market can be segmented. The fourth section is centered on the importance of providing information about the destination, because tourists seek to reduce their transaction costs and define their touristic expectations. Both the role played by destination's websites as contributors of realistic expectations and the typology of information expected by a web user are highlighted to end up with a proposal of contents for a tourism web.

### THE COLLECTIVE CONCEPT OF A DESTINATION AND ITS IMAGE

Touristic competitiveness is related to a destinations' capability to attract customers and fulfill their expectations. Tourism destinations are "places towards which people travel and where they choose to stay for a while in order to experience certain features or characteristics -a perceived attraction of some sort" (Leiper, 1995). A destination refers to an area, country, region or city that offers a business and/or leisure attraction. In a destination, the image is a key competitive driver when the actors in the destination network can build upon the location effect a comparative advantage (Porter, 1990) that competitors cannot exploit adequately.

The image of the destination is a key variable in the touristic economic competitiveness of a region because it is the main attractor for travellers. However, it is a complex resource since "destinations offer an amalgam of tourism products and services, which are consumed under the common brand name of the destination" (Buhalis, 2000). Building this brand image is not an easy task. First, there are many actors involved in the provision of the touristic experience. Then, the ways to categorize a destination are multiple, with the very same destination name making reference to different regions or countries (i.e. the Alpine region may be related to France, Switzerland, Austria or Italy and to ski, winter, business, science or health), or expectations and, finally, even within the same political country, there might be many different images or destinations.

According to the UNWTO 51% of worldwide international travellers in 2011 reported their reason for travel was recreation, holiday or leisure; 27% reported to be travelling to visit friends and/or relatives or for religious pilgrimage and health reasons; 15% travelled for business or professional purposes and 7% were not specified (UNWTO, 2012). This data highlights that just half of the international travellers can be pulled towards a destination exploiting its attractions through an adequate image. We endorse that "the ubiquity of the destination concept effectively means that the tourism product for each prospective traveler is very subjective and depends heavily on

his/her image and expectations of the place" (Buhalis, 2000) and his/her final experience.

The literature analyses two main aspects of the destination image building process: first, its characteristics and then the holistic perspective of would-be tourists. It is done at three different moments of time which involve tourists' experiences: in the 1st phase, the decision process before the trip to the destination (a priori image); in the 2nd phase, the evaluation process between the experience at the destination versus the expectations met (image in loco); in the 3rd phase, variables regarding the tourists' experiences and the future behavior, e.g. the process of revisiting and recommending the destination to friends and family (a posteriori image) (Matos et al. 2012; 106).

Following a Marshallian perspective, destinations are a sort of industrial touristic districts: a well-defined geographical area, with a shared culture and a large population of SMEs backed by some large firms exploiting a touristic key driver. Among these actors are: tourism enterprises, supporting industries and organizations, destination managers, the public sector and local residents (Crouch, 2011). In fact, destinations exploit local public goods: -specific local resources- while private or public entities provide the necessary complementary goods and services required to assist travelers in their vacation. Managing properly a destination requires thus some sort of forms of cooperation between the public and the touristic private sector, with the purpose of exploiting in a sustainable way the public good image of a region. The participation of local actors, both private and public, with regard to the promotion of an accurate image, to the management of the destination and towards the development of a strategic vision, can generate local dynamics (Brás et al, 2009) to build up a sustainable community linked destination-based service industry cluster that competes successfully in a global digitally informative-based market. Firms do compete in tourism business networks that try to out rival other destination networks, because the industry is characterized by a supply fragmentation and all in one experience demand paradox (D'Angella and Go, 2009; 429).

# THE CHARACTERISTICS OF A SOLID TOURISTIC IMAGE FOR THE TARGET MARKET

Tourists are interested in a horizontal product composed by multiple activities offered by many players and there must be a strong presence of public or public/private partnerships to enhance their decision making process. The image of a destination can thus be part of the collective vertical differentiation strategy —which, being built on quality, allow for premium prices- and of an advertising strategy that creates or maintains the reputation of the area. This strategy may be persuasive -trying to influence consumers' tastes to value the key attributes of the destination- or informative —providing data -either balanced showing positive and negative aspects of the destination or unbalanced showing only the positive ones.

Having a solid tourism image that reflects the real characteristics of a tourism destination is a factor that contributes positively to the destination's competitiveness (Campubrí et al. 2008). As Reynolds (1985, p. 70) states: "Often, of course, the word 'image' is used as equivalent to reputation: what people believe about a person or an institution, versus character, what the person or institution actually is." The latter could also be referred to as identity. With regard to experiential products like travel and tourism, consumers are involved in an ongoing search for information. By collecting all

of this information, the consumer creates an image or mental prototype that represents the travel experience. As tourism services are intangible, images become more important than reality (Gallarza et al. 2002, p. 57); and the tourism destination images projected in information space will greatly influence the destination images as perceived by consumers (Govers et al, 2007; 15). The set of expectations and perceptions that prospective travellers have about a region is the driving factor behind their destination choice (Buhalis, 2000; Gretzel, 2004). Analogically with country images, a few simple clichés may be the background of an opinion. Once the image is built, it remains deeply rooted in people's minds because images are transformed into reassuring and simple guidelines to overcome the complexities of modern life (Anholt, 2008). However, images take time to change, so there may be gaps in which the reality at a destination no longer accords with a pre-existing -negative or positive- image that may reduce or enhance the attraction effect of a destination (Crouch, 2011). If the perception is built on a true and accurate image of the destination, based on truth, this discordance should be less harmful.

Therefore, the right image for destinations must be developed through an adequate provision of ex-ante information. It will also determine the ability of a destination to satisfy visitors, as far as they may have developed realistic expectations. In fact, as in any other service provided, "consumer satisfaction with the tourist product depends on the assessment of the perceived overall experience of the destination versus the anticipated expectations and perceptions" (Buhalis, 2000). The image of a destination is both tangible and intangible. The tangible aspect is related to the destination's characteristics, while the intangible one is related to holistic impressions. Echtner and Ritchie (2003) posit the existence of a continuum that plays a key role in shaping the image from the common functional attributes (directly observable/measurable) to the unique functional attributes (icons and special events that form part of the destination), and from common psychological attributes (abstract attributes) to unique psychological attributes (feelings associated with places) cited in Matos et al. 2012; 110). Since an image is an interiorisation of a perception and not everybody has the same perception, the subjectivity of the touristic destination image is structural in character (like every image), though it is stressed due to greater subjectivity of the tourism service encounter (Gallarza et al, 2002). All in all, a destination's image is a subjective and dynamic, perception of a geographical area which has three components; cognitive or a priori (objective easily-interpreted information), affective (value based on motivations) and behavioral or a posteriori (actions to re-visit or recommend a destination). Matos et al, 2012).

The *flood of information* used to build the cognitive component of a destination's image has many sources, including promotion, advertising and brochures, the opinions of others (family/friends, travel agents), media reporting (newspapers, magazines, television news reporting and documentaries) and popular culture (motion pictures, literature) (Govers et al, 2007; 15). This information may arise from organic sources – non-tourist non-commercial sources (media, education and word of mouth)- and from induced sources (conscious efforts to build the image by the tourism industry) (Gunn, 1988). The affective component is dependent on actually visiting the destination with the image being affected and modified based upon first hand information and experience" (Echtner and Ritchie 2003, p. 38). The behavioral component is related to word of mouth, either in person or viral using the www. Social media in internet are playing an important role in the traveler's pre-departure research. The experience of

previous travelers can be read in detail because today many people are eager to post on the web their comments, suggestions and experiences in a behavior that fosters knowledge sharing and benefits of network effects. This has led to a decline of traditional brand authority with the views of fellow consumers now often regarded as more reliable than company or destination marketing messages (Nielsen company researches indicate that individuals tend to trust personal recommendations far more than any other form of advertising (90%). They also trust the reviews of strangers posted on line (70%) branded websites (70%) and editorial newspaper content (69%). Aside from user-generated content, all other forms of online advertising ranked appreciably lower in trust compared with traditional media (Cole, 2011; 17)) (Deloitte, 2010; Cole 2011).

Tourism customers are demanding consistent delivery of a brand promise and an experiential dimension that has to be informed accurately. Two aspects are key: build the image for the target market and provide information about it. From a touristic perspective, one of the main roles of destination managers (tourism offices) is "to develop appropriate offerings and brand destinations for the right target markets" (Buhalis, 2000), to communicate with this target market and to satisfy customers' needs (Crouch, 2011). Building a touristic destination image faces many difficulties. One is the tourism product's characteristics, such as its complexity (Smith 1994) and multidimensionality (Gartner, 1989). Another is that destination marketing involves the consumer physically moving to the behavior scenario (Seaton 1994; Sessa 1989). There is also great subjectivity in providing a tourism service: images are mixed with impressions about residents, retailers, other tourists, and/or employees. But most of all, the intangibility of tourism service hinders image assessment as it depends on invisible elements of pre-visit selection and a pre-taste of the destination. Consequently, in tourism research, "...images are more important than tangible resources", all because "perceptions, rather than reality are what motivate consumers to act or not act" (Guthrie and Gale 1991:555) (cited in Gallarza et al, 2002; 57).

Managing the external perception of a destination, implies building a true, fair, powerful, attractive and safe reputation that shows the real spirit of the destination. This strategy should be rooted in truth and positive perceptions -which should drive consumers' interests. However, tourists' brand perceptions can be built on customers' ignorance or prejudice or on reality and experience. In the first case, the communication effort should be made on destroying prejudices, misinformation and negative stereotypes. In the second one, communication efforts should focus in the provision of real facts. In any case, countries have to enhance the intensity and frequency of their dialogue with the rest of the world to be accurately known. In fact, the more well known a country brand is, the more will people differentiate their positive and negative aspects (Anholt, 2008). Today the www is an essential communication channel because it hosts more than 2 billion netizens who search for information, use e mail functions and communicate through social networks (World Economic Forum, 2011). Gretzel (2004) claims that destination websites should be marketing instruments as well as information providers ("I would like to see destination websites that help me decide where to go on my next vacation, make me feel I really, really have to visit that place, help me dream about a vacation, provide me with a good idea of what the destination is about, help me anticipate what I will experience when I am there. I want websites that capture my attention as much as travel magazines do, that are fun, that create attachment to a place" (Gretzel, 204;

37])) and Anholt (2008) proposes to give them a more strategic competitiveness-enhancer role. In their research on 1.100 internet respondents about the sources of information to build a destination image, Govers et al. (2007) found out that vicarious experiences, such as motion pictures, literature, and television, especially the National Geographic Channel, were mentioned by respondents. Autonomous agents such as newspapers, televised news, and television in general, which represents the most important source of information, are also acknowledged by respondent. It can be therefore concluded that the media in general have a primary influence in destination image formation. However, the role of the Internet was less important than was expected considering the population sampled. (Govers et al, 2007; 20) being fifth and mentioned by 8,4% of the respondents.

Due to the fact that each destination can only match certain types of demand with their local public goods, market research has to be performed to discover who the travellers to the area are, and which motivations they have. Building the brand destination image and performing the market segmentation research are not easy tasks, because there are endless variations between the two main classifications of travel activities: business and leisure trips. Additionally, there is not a unique pattern of modern traveler, because travelers "combine pleasure with business in order to achieve time and cost advantages" (Buhalis, 2000). This is confirmed by the fact that one of the items taken into consideration for the Tourism and Travel World Economic Forum competitiveness index is "12.03 extension of business trips recommended". Furthermore, visitors use destinations for several purposes and, even the same travelers, may change their expectations at different moments of time.

In addition to the reason for travel, there are other factors that characterize a destination. First, it is the full experience. Tourists consume individual products and services while visiting a destination. Their quality plays an essential role in the destination's competitiveness but the ability to assemble and deliver a complete experience to the visitor is what counts most (Crouch, 2011). As in any other competitive intense and mature industry, tourism destinations should differentiate their products from other competing destinations in order to improve their image, customer loyalty and economic benefits. Accordingly, destinations can be classified on a continuum between status and commodity areas. Status areas create irreplaceable experiences and thus attract travellers willing to pay more for their trip. It is in these top-end destination brands where consumers are drawn by the characteristics attributed to the destination and feel an emotional connection to it that supersedes the characteristics of the servicing firms. On the other hand, commodity areas are easily substitutable and thus, attract price sensitive travellers (Buhalis, 2000 and Huizingh, 2000). It is a mass market and price becomes the main choice factor when consumers are selecting the destination. If differentiation cannot be achieved exploiting local public resources, then the destination's image should be focused on intangible and emotional aspects. In fact, despite destinations have been traditionally regarded as welldefined geographical areas, it is increasingly being recognized that a destination can also be based on an intangible perceptual or emotional concept that promotes a Quality status destination or a low cost commodity area. This is so, because destinations are interpreted subjectively by consumers, depending on their travel itinerary, their cultural background, the purpose of their visit, their educational level, their demographic factors and personal or other people's experiences.

Second, a good knowledge and approximation to the socio-demographical characteristics of the potential consumer is essential. Market segmentation by generational characteristics may be a good approach in the tourism industry because there is a relationship between age, expectations and characteristics of the tourism experience.

There is also relationship between the classification of target travelers and the destination typology, so a given destination attracts a given target market due to its local public resources or to the offer of complementary services in the destination. Tourism is an intangible confidence good, and previous comprehensive assessment of its quality levels is very difficult, if not impossible (Wertnher and Ricci, 2004). This implies that, in addition to a correct definition of the destination and market segmentation, clear information of what can be expected has to be provided.

## TOURISM: AN EXPECTATION PRODUCT IN INFORMATION MARKETS AND THE ROLE PLAYED BY THE WEB TO INFORM ABOUT IT

Increasing the number of tourist arrivals is the main objective of destinations' marketing efforts. However, tourism is an industry based on unusual products. "Tourism products exist only as information at the point of sale and cannot be sampled before the purchase decision is made" (Doolin et al. 1997). As a result of its intangible and informative content, "the potential visitors' decision to "purchase" the destination, that is, to visit it, is based on the information made available" (Rita, 2000) and on the true or imaginary expectations it may generate (Gretzel, 2004).

"From a managerial perspective, the World Wide Web is a powerful tool for assisting Destination Management Organizations to perform their three major functions: (1) information provision; (2) marketing and promotion activities; and (3) market research" Rita (Rita, 2000). For its 2 billion users, the web has allowed for an improvement of available information, reducing search costs, and eradicating market imperfections based on consumer uncertainty. However, this has also led to information saturation (World Economic Forum, 2011). Trip planners searching for information seek to reduce the perceived risk embedded in travel product and service purchase (Vogt and Fessenmaier, 1998). The content of tourism destination Websites and its interactivity with the potential tourist is particularly relevant because "they directly influence the perceived image of the destination and create a virtual experience for the consumer" (Doolin, et al., 1997). This experience is enhanced when other tourists' experiences are provided in the web site (Nysveen et al, 2003). Webzitens have also become really value-conscious, with internet providing unlimited scope for price comparison and greater transparency of the touristic experience on a global scale (Deloitte, 2010). Interactivity between the destination website and the tourist is also essential because "the more information seekers perceive to be involved with a tourism destination Website, the more likely they are to form a favorable first impression toward the Web page and toward the destination" (Kim and Fessenmaier, 2008). DMO should also exploit the transparency, immediacy and communication possibilities of social media on the net to provide information about the destination.

A well designed web site with broad access to information and complementary touristic services may be perceived as convenient for the customers because they get access to all they need at one and only one Web site, thus reducing their search costs (initial search, primacy to choose among different websites and desire to navigate)

(Kim and Fessenmaier, 2008). "In electronic information networks like the Internet, value creation is grounded on either increased effectiveness in the supply chain or new customer values in the products and services delivered" (Methlie, 2000). "Value-added services give access to various forms of information about the tourism products offered on a website and may be related to content (e.g., information and facilitation of decision support), to infrastructure (e.g., access to the site, searchable data bases....), and to context (e.g., multimedia product presentation)" (Methlie, 2000). As a result, service aggregation in a website is a value-added service to be offered on tourism destination websites. Service integration implies the access to a bundle of information and services complementary to the core product (Nysveen et al, 2003). Web information should therefore focus on those activities that form part of the destination's attractiveness, on the provision of a clear image of the destination, in its own definition as a different experiential status or commodity area on its target market and on the interactive audiovisual mechanisms to attract potential tourists.

For destination Marketing, promotion is essential and the provision of information becomes key, whereas the commercialization of products is less relevant; though destination sites may also offer access to on line reservation systems of private companies. The most important differences among destination websites lie in the provision stage, because the presence of the web site in a higher layer implies a larger commitment towards provision of information and interactivity with the viewer. DMOs should determine which information is relevant, because touristic products are formed up by a bundle of products and services provided by many independent firms that increase its complexity and may create infoxication.

In order to define what information should be provided in the website, it is good to know what attributes of a destination affect most its competitiveness which should also be real attractors for tourists. Nevertheless, it should be highlighted that the competitiveness of a destination is a very relative issue. Destinations are not better nor worse, but just different in their capability to lever the adequate -endowed or deployed -resources to attract the right target market. Second, the lists of competitive factors have to be depurated because some attributes of a destination's competitiveness are related to the deployment of general economic development touristic policy or infrastructure and thus they are not really attraction variables for tourists checking a website for touristic information.

The analysis of destination competitiveness has stimulated academic research with the objective to diagnose specific destinations, to develop general theory and models of competitiveness or to focus on specific attributes that enhance the competitiveness of a destination (Crouch, 2011). In general terms, the destination's competitiveness is based upon a destination's resource endowment (comparative advantage) and resource deployment (competitive advantage) (Ritchie and Crouch, 2003). Crouch (2011) proposes 36 attributes of a destination's competitiveness that create its potential ability to compete in the long term. Most of them might be difficult to quantify, and can be classified in five main groups (Crouch, 2011):

- a) Factors that are the fundamental reason for prospective visitors to choose one destination over another (either natural or built)
- b) Factors that support the tourism industry, mainly infrastructure and other facilitating resources.
  - c) Factors that define the strategy or touristic planning within the territory.
  - d) Factors that implement the policy and planning framework.

e) Socio-demographic-economic factors that moderate or magnify a destination's competitiveness.

These five Meta-Factors contribute jointly to the development of a destination, which is considered as a destinations' attraction drawing power to its target market. The first factors: core resources and attractors are the most visible ones for any potential visitor and offer the fundamental reasons for prospective visitors to choose the destination; whereas the rest are related to the profitability of industrial districts and their socio-economic environment.

Following a more quantitative perspective, the World Economic Forum publishes the Travel and Tourism Competitiveness Index. It is formed up by three un-weighted sub-indexes: (regulatory framework, Travel and Tourism business environment and infrastructure and Travel and Tourism human, cultural and natural resources) which are also subdivided into 14 different pillars and 81 variables). In total, 46 variables are obtained from official data sources. As a drawback, we can claim its un-weighted nature and the fact that only 34 variables can be considered specifically related to tourism variables. Additionally, it does not address directly the impact of country image.

Several authors have categorized the resource endowment or deployment for the competitiveness of a destination. Buhalis (2000), following a product marketing perspective, proposes that the information of the product core of a destination comprises at least six components, also known as the six As framework (Buhalis, 2000): Attractions (natural, man-made, artificial, purpose built, heritage, special events); Accessibility (entire transportation system comprising of routes, terminals and vehicles); Amenities (accommodation and restaurant and catering facilities, retailing, and car renting and other tourist services); Available packages (pre-arranged packages by intermediaries and principals); Activities (all activities available at the destination and what consumers will do during their visit); Ancillary services (services used by tourists such as banks, telecommunications, post, newsagents, hospitals, etc.).

Ritchie and Crouch's model of destination competitiveness reports 12 attributes (Ritchie and Crouch, 2003): Special Events (community festivals through to large scale international 'mega-events'); Physiography and Climate: (landscape and scenery, flora and fauna, and appealing or unique and intriguing natural phenomena); Culture and History: (human heritage, quality-of-life, contemporary lifestyle experiences); Touristic experiences; Entertainment: (theatre, concerts, comedy operas, and circuses); Superstructure: (restaurants, accommodation, recreation facilities, thematic parks, museums, art galleries, exhibition and convention centers, resorts, airports); Cultural and economic links with other markets ("Visiting Friends and Relatives", religion, sports, language and culture); Infrastructure: (roads, highways and transportation, sanitation communication, legal, financial, health and eduction systems, government services and public facilities, reliable and potable water supply utilities...); Accessibility: (entry visas and permits; route connections, airport hubs, other forms of transport); Hospitality (friendliness towards tourists); Vision and branding to create a tourism identity; Safety and Security of tourists.

Dwyer et al. (2004) differentiated between **endowed resources**, both 'natural' (mountains, coasts, lakes, and general scenic features) and 'heritage' (handicrafts, language, cuisine, customs) resources; **created resources** (tourism infrastructure, special events, shopping); and **supporting resources** (general infrastructure,

accessibility, service quality). Finally, Heath (2002) differentiates between key attractors; fundamental nonnegotiables (personal safety and health); enablers (infrastructure); value-adders (location); facilitators (accommodation, and airline capacity) and experience enhancers (hospitality and authentic experiences).

Miranda and Bañegil (2004) propose four broad aspects for the analysis of a quality web site: accessibility, speed, navigability and site content. Web access is related to two factors: web site promotion and popularity. Promotion, which is achieved through search engine positioning, and link popularity will direct to the site more traffic and will make major search engines rank the pages higher (The Market position Web Service www.marketposition.com/linkpopularity.htm. may be used to check the link popularity of each site). Access speed and response time are very significant feature of a website because time is a critical factor in the net (Miranda and Bañegil, 2004) (The size (in bytes) of the home page, including the size of all the image files, can be used a proxy indirect measure of speed). Consumers on the web tend to be impatient and the competing site is just a click away. Ease of navigation enables users to acquire the information the tourists are seeking with less effort. Towards that end, the existence of a permanent site menu allowing a rapid access to the different sections from every page, of a keyword search function, a frequently asked questions section and the possibility to change the web site to another important language become essential. The most relevant category for the purposes of this paper is; functionality or the information content of the site and its personalization or interactivity, which is achieved providing such information as useful facts, photos and videos of the destination, how to get to the destination, what internal transportation means are available in the destination, providing a route planner, places to stay and things to do at the destination as well as booking facilities for housing and eating out and links to e-word of mouth (Evans and King, 1999) and self experience e-videos.

We propose that the category of CONTENT QUALITY can be subdivided into definition of the destination; informative content and communicative content or interactivity for which we present their main contents.

### **Definition of the Destination:**

- a) Clear logo.
- b) Slogan for the destination.
- c) Emphasis on the type of destination: Urban, Beach/Sea; Alpine/Mountain; Natural/Adventure; Rural; Wellness; Religious; Third World; Exotic and Exclusive; Gastronomic, Meetings, Incentives, Conferences and Expositions (MICE), Sports, Fiesta/night life, Shopping or thematic park).
- d) Market segmentation eight different target markets: Families with children, young, couples (romantic) or elderly, disabled people, LGTB, executives, business meetings or groups.
- e) The moment of time in which the destination should be visited: summer, winter, spring, autumn, Christmas, Easter or specific dates such as Carnaval.

### **Information provided about the Destination:**

 a) Geopolitics: information is mentioned about: History, Politics/Economics, Geography, Biology, Demography, Culture/arts, Folklore, Religion, Climate, Gastronomy.

- b) Attractions of the destination: natural landscape and scenery, heritage or cultural, modern man-made, and archeological attractions.
- c) Activities, entertainment or what can be done in the destination: fiestas, sports, artistic, education and language learning, tradeshows and mention to specific events and the existence of a calendar.
- d) For the Amenities: mentions to travel agencies, accommodation, restaurant and catering facilities, receptive and tourist services.
- e) Accessibility the transportation system comprising information about map routes, distances, timetables, companies and car rental.
- f) Ancillary services and information useful for tourists: such as health, risk and safety, arrival or customs, banks, and currency or exchange rates, commercial timetables and telecommunications electricity and post.

# **Communicative information or interactivity:**

- a) Contact information: web enquire form, e-mail, fax, telephone and address.
- b) Presence in social networks such as facebook, twitter, twenty, u tube....
- c) Interactive technological related value added gadgets such as e-postcards, web cams, photo gallery, videos, mp3 mobile access or navigation downloads, pdf downloads, computer screens, google maps, video uploadings.
- d) On line bookings for hotels, travel, tours and events.
- e) Personalization through e-mail updates and distribution lists.
- f) Contests or prices.

#### CONCLUSION

In this paper we have analyzed which are the main information contents of official boards of tourism web sites in order to inform and attract potential visitors. The paper has contributed to the initial understanding of tourism websites information content and towards its contribution to build the brand image of the country.

The paper advances in the understanding of the management of websites and their powerful role in attracting customers towards specific destinations. Lack of information of websites implies difficulties to attract would be visitors. Hence knowing what the users expect may help to build a more competitive based website strategy. The paper is theoretical in nature and advances should be made to apply it empirically to understand the actual state of destination websites.

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# ATTITUDE OF TOURISM STAKEHOLDERS TOWARDS CORPORATE SOCIAL RESPONSIBILITY IN EASTERN EUROPE

Irena Tolevska Sofronija Miladinoski

#### Abstract:

Contrary to western part of the world in former socialist countries of Eastern Europe CSR has small history, nevertheless the interest and demand for CSR is growing in these countries as well. This paper will research the reason companies engage CSR in their corporate strategy in Poland, Serbia, Ukraine and Macedonia. Carroll's pyramid will be used as guidance for defining and analyzing the process of CSR engagement in tourism industry. The analyzed Eastern European countries need a business environment where companies are valued for their contribution for environmental and social issues, not just for profit maximization. It was examined that the attitude of private sector on in Polish, Serbian, Ukrainian and Macedonian tourism industry about the concept of corporate social responsibility is positive. Although the responses from the survey were divided, most of respondents agreed that enterprises are part of the host community and should be good corporate citizens, and perform actions which will strive for long term success protecting the environment and society. However, majority of respondents agreed that government authorities should promote and financially support CSR.

**Key Words:** Corporate Social Responsibility, Tourism, Eastern Europe

## INTRODUCTION

Corporate Social Responsibility (CSR) has long history and various definitions describing the concept. Contrary to western part of the world in former socialist countries of Eastern Europe CSR has small history, nevertheless the interest and demand for CSR is growing in these countries as well.

This paper will research the reason companies engage CSR in their corporate strategy in Poland, Serbia, Ukraine and Macedonia. Carroll's pyramid will be used as guidance for defining and analyzing the process of CSR engagement. The main objective is to determine the attitude of tourism companies in Eastern Europe. The analyzed Eastern European countries need a business environment where companies are valued for their contribution for environmental and social issues, not just for profit maximization. "The European Commission strongly believes that CSR matters to each and every European citizen, since it represents an aspect of the European social model. CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation" (European Commission, 2006).



Figure 1. Pyramid of corporate social responsibility

Source: Carroll, The pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders, 1991, p. 42

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1960s are the years when CSR started being implemented worldwide with numerous discussions regarding relationships and involvement of CSR concept in corporate strategy. Among various definitions for CSR, the most accepted is the one for European Commission (2001), stating that corporate social responsibility is about voluntary activities undertaken by the organization which are going beyond the legal requirements in order to succeed in social and environmental actions through their daily business activities. One of the main activities is meeting the needs of their stakeholders which are affected by organizations' actions (Smith, 2003). Different comportments can be noted where company is engaged with its stakeholders. Organizations have many responsibilities towards it stakeholders, however most of them can structured as a pyramid divided in four parts such as economic legal, ethical and philanthropic (Carroll, 1991).

According to Henderson (2007), tourism industry and CSR are very closely related due the direct relationship with its society and environment. Healthy economy, cultural and natural heritage are curtail factors in tourism industry. Therefore, companies should understand and accept CSR philosophy, by investing in the local community and environment would help them create and sustain good relations, which in long terms will reflect on company's success. "The long-term success of tourism companies depends on the ability to address the needs of those affected by the operations of a tourism company" (Golja & Krstinić-Nižić, 2010). Tourism has direct impact on the people, environment, culture and society, which is bringing many economic and social benefits if managed properly, if it is not managed properly tourism can have negative effects on the local environment and host community. Because of that tourism companies are obliged to adopt CSR in their corporate strategy.

## **METHODS:**

The main goal of this paper is to analyze the attitude of corporate social responsibility within the private sector in tourist industry in Eastern European countries. By identifying and analyzing the attitudes and opinions of tourism industry representatives from organizations such as travel agencies, tour operators and hotel companies, regarding corporate social responsibility in Poland, Serbia, Ukraine and Macedonia the purpose of this study will be achieved. Primary and secondary sources were used during this study. Firstly, various documents, journals, magazines, books and internet websites were used in the area of tourism and corporate social responsibility. Secondly, a questionnaire survey was sent to travel agencies, tour operators and hotel companies, aiming to collect data on the tourist companies' attitude towards in CSR in targeted countries. During this study quantitative analysis was used due the fact that in the last years this method has been encouraged in tourism studies of tourism (Dwyer, Gill & Seetaram, 2012), and with this method the reality is emphasized upon which people agree (Newman & Benz, 1998). "Quantitative research falls under the category of empirical studies, according to some, or statistical studies, according to others" (Newman & Benz, 1998, pp. 10). This type of research, "in this case simply means research based on evidence from the real world" (Balnaves & Caput, 2001, pp. 29).

Survey was sent to targeted companies, which is considered as the tool that is most applied in studies of tourism industry where statistics is mostly used as quantity of respondents agreeing with certain stance (Dwyer, Gill & Seetaram, 2012). Scale questions are used in order respondents to rate how strongly they are agreeing with the given statement (Saunders, Lewis & Thronhill, 2003), known as "Likert scale", which is measuring the attitude of respondents and how strongly they agree or disagree with the given statements. The answers most used are 'strongly agree', 'agree', 'disagree' and 'strongly disagree' and in the middle of the two sides there is a midpoint which is labeled as 'neither agree nor disagree', assumed to represent a respondent's position that is exactly in equal distance from 'disagree' and 'agree' (Baka & Figgou, 2012, p. 247). Twenty agree or disagree questions are used from previous United Nations Industrial Development Organization (UNIDO) research which carried out a survey for SMEs in Central, South and Eastern Europe for collecting information and understanding the current state of Corporate Social Responsibility.

The survey send to targeted companies was composed of four parts. The first part is determining the profile of the respondents. The second part analyzes the awareness of corporate social responsibility. The goal of the third part is to examine the attitudes tourism companies in Eastern Europe. The last part of the questionnaire is examining the engagement of tourism executives in corporate social responsibility.

#### RESULTS

From the total target of 370 companies involved in the Eastern European targeted countries in tourism industry, 82 companies responded to the given survey. The percentage of hotels participating in the survey is 24% of the total target pool, travel agencies/tour operators make up to 32%, percentage of the public sector is 22%, NGO 8.6% and restaurants make up 7.4%. "A key objective of survey research is to obtain

data which is representative of the population" (Finn and Elliot-White, 2000, pp. 87). Therefore, in this study the number of companies representing the tourism industry is representative.

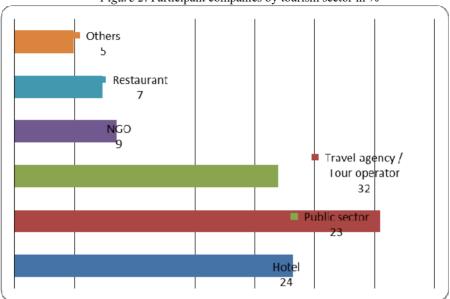


Figure 2: Participant companies by tourism sector in %

The awareness of corporate social responsibility among Polish, Serbian, Ukrainian and Macedonian tourism companies showed that 82% of the participants already have heard about CSR concept, 50% of companies understand the concept and 32% have heard of it but do not understand it fully, while 18% of the targeted companies have never heard of CSR.

Most of the companies were familiarized to the concept of corporate social responsibility by the Internet (43%) and the media (40%), while the UN Global compact (7%), the Chamber of Commerce (11%) and NGOs (8.6%) are on the lower end of the scale. An accent needs to be putted on this fact as the majority of companies became aware with the concept of corporate social responsibility through media and the Internet.

Furthermore, the questionnaire examines the attitude of Polish, Serbian, Ukrainian and Macedonian tourism companies towards corporate social responsibility. The results showed that opinion among companies is divided. 33% disagree with the statement that CSR is an intensive and expensive concept, while 35% agree with this statement. The large number of respondents who answered 'neither agree nor disagree' came as a surprise. The percentage of companies who chose that answer in most questions is over 18%, which is considered acceptable.

The attitude toward CSR implementation with regards to organization size varies; 42% of companies agree that multinational companies should be obliged to implement CSR rather the SMEs and 33% disagree with this statement. Nevertheless, companies share the opinion that promotion and support for CSR should come from governmental

authorities, as 74% agree. The majority of respondents (51%) think that SMEs can commit to CSR only if the resources are provided by the government or other institutions, confirming the notion that CSR implementation is expensive for tourism companies and support for its execution is need from other institutions able to provide the required resources. That a responsible company goes beyond what is required by law to make a positive impact on society and environment is a shared opinion among examiners with 68% agreeing. Results show that companies are aware that one of their responsibilities is to protect the environment and their actions have a direct impact on it, since 79% of companies agree that protection of the environment is one of the activities of CSR.

A more diverse opinion is present regarding the countries in which CSR should be implemented; an equal measure of respondents (33%) agree and disagree that CSR is more suitable for companies which operate in developed rather than developing countries. In addition, 45% of companies disagree that CSR is more relevant for the manufacturing industries rather than for the service sector.

Polish, Serbian, Ukrainian and Macedonian companies believe that public relations and marketing considerations are the prime motivation behind CSR implementation; 57% of companies agree that reputation is the prime motivator for the integration of CSR in daily business activities, possibly resulting in an increase of profits, as 59% of companies believe. Representatives have a strong opinion on the organization's positioning in the market with its CSR activities, as 65% agree that companies that are socially responsible have a better competitive advantage over companies that are not.

Although they believe that CSR can increase profits and improve competitive advantage, 42% of company representatives agree that managers are educated to manage and achieve maximum profitability, not work on issues concerning the environment and society. Furthermore, tourism companies overwhelmingly support the idea of CSR, as 75% understand that they are a part of society and should behave accordingly for long term success. 39% think that companies which practice CSR improve the consumers' attitude toward them. Weber (2008) states that companies which believe in the concept of CSR enhance consumer attitudes towards said company, thus improving their image, while the same consumers fund the CSR activities implemented in the company. This can also become a practice in these countries, but only to the point where customers would see the added value of the 'extra money' they are paying, while at same time reflecting on the contribution the company is making towards the wellbeing of society.

With these answers in mind one can argue that not only does the tourism industry in Eastern Europe have a positive feeling towards CSR, it also seems to have a relatively strong awareness of the advantages that CSR can bring to a company engaging in such activates.

Responsibility towards the local community and the environment is the top driver for responsible business: 80% of respondents answered that taking care of the environment is the main motivator behind implementing CSR in their organization, while responsibility towards customers, employees and shareholders is in second place as a motivator for CSR with 75% agreeing, and 72% stated that companies should act ethically. The profit motive was lowest on the scale with only 52% of companies agreeing that being profitable is the top driver for responsible business.

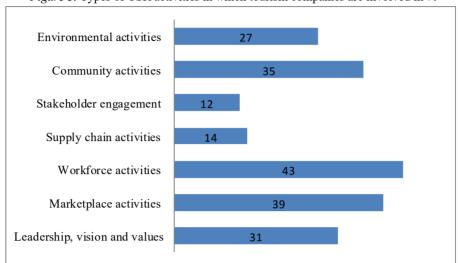


Figure 3. Types of CSR activities in which tourism companies are involved in %

Some 55% of respondents state that their company is involved in CSR activities, with work force activities the most frequent (43%) – apparently Eastern European companies invest in the knowledge and professional development of their employees. Marketplace activities (39%) and community activities (35%) are next on the list of activities that companies implement as tools of corporate social responsibility, while stakeholder engagement (12%) and supply chain activities (14%) are bottom of the scale.

## DISCUSSION

Astonished with the economic benefit that tourism can bring, lot of countries started focusing on tourism development as a tool for economic growth "without adequate appreciation of the associated costs" (Mathieson & Wall, 1982, p. 208). Although tourism can bring numerous benefits in certain destination at the same time tourism "destroyed and polluted pristine environments, threatened local cultures, and frequently devalued just those characteristics of a place that had made it a desirable tourist objective" (Shaw &Williams, 1994, p. 280). McKercher (1993, p.14) stats, "an industrial activity that exerts a series of impacts that are similar to most other industrial activities, consuming often scarce resources, produces waste by-products and requires specific infrastructure and superstructure needs to support it". Tourism industry is strongly unified together with the host community, so that it is highly depended on the host community for its existence although at same time time exerting impacts on their existence. Integration among tourism industry and host community can happenonly if there is a comprehensive understanding of the costs and benefits of tourism development.

Due the close relationship between tourism industry and sustainability, the integration of natural and cultural environment is of high importance for the quality of tourists' destination. For that reason cooperation of all stakeholders in the tourism industry is requirement for contribution towards the achievement long term sustainability. "Businesses should integrate sustainability concerns into their decision making and management practices and tools" (European Commission 2007, p. 5).

Event it isn't questionable that companies will adopt CSR in their daily activities if they understand that CSR is of huge benefit for their bottom line, as for now CSR practices are motivated by business reasons (Malovics, Csigene & Kraus, 2008). Even the results from the distributed survey showed that in tourism industry, companies' main motivation for socially responsible behavior are public relations and marketing considerations, which will contribute in increased profits, while at same time improving customer attitudes toward company.

According to European Commission (2002) the purpose of every company is to create value by offering services and products that are needed for people and in same time creating profit and wealth for the society. Obviously the new values for social and marketing behavior are gradually changing the corporate horizons. The understanding and awareness for corporate sustainability is growing among enterprises, such as companies realize that they cannot prosper only taking care of company profit, but should focus and practice socially responsible behavior. Environmental and social responsibilities as well as consumer interest is already accepted behavior among companies that are managing their actions in a way that increases economic growth and competitiveness.

#### CONCLUSION

The purpose of this study is to analyze the position and attitude of private sector in Polish, Serbian, Ukrainian and Macedonian tourism industry regarding the concept of corporate social responsibility. It was examined that the attitude of private sector on in Polish, Serbian, Ukrainian and Macedonian tourism industry about the concept of corporate social responsibility is positive. Although the responses from the survey were divided, most of respondents agreed that enterprises are part of the host community and should be good corporate citizens, and perform actions which will strive for long term success protecting the environment and society. Also there were those who are stating that the concept of CSR is expensive and is defocusing the company form the primary goal which is profit maximization. Showing that there is not clear stand among companies for the CSR concept. However, majority of respondents agreed that government authorities should promote and financially support CSR.

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companies for the CSR concept. However, majority of respondents agreed that government authorities should promote and financially support CSR.

Companies that have already included CSR in their corporate strategy have positive attitude towards corporate social responsibility compared to companies that haven't implemented corporate social responsibility in their corporate operations. It can be noted that most of the companies that aren't involved in CSR activities are small companies. While those companies that practice the concept of corporate social responsibility are implementing workforce activities, marketplace activities and community activities.

This paper shows that targeted Eastern European countries in tourism industry have unclear stand and for CSR, as the results are presenting hesitant attitude. This study projected fleeting analyses in order to determine the attitudes of Polish, Serbian, Ukrainian and Macedonian tourism companies towards corporate social responsibility. Nevertheless, further research has to be done on this topic, examining corporate practices with corporate social responsibility.

The encouragement of tourism companies to integrate CSR in their corporate strategy will be achieved with raising the awareness of society and with governmental support. On the other hand these companies need to recognize those forms of CSR which can be of huge benefit for the company and will be easily synchronized with their business interests. Furthermore, citizens have important role in influencing companies to undertake voluntary activities since organizations turn out to be good corporate citizens where that behavior is appreciated by the local community. The behavior of citizens and costumers is important factor for CSR growth in one community. While local citizens are not aware and doesn't know the meaning of the concept of CSR and whereas they think CSR is reasonability only for charitable organizations they won't understand the possibilities and obligations of corporation to sustainable development and they won't be able to pressure the companies in the fields of green and social inventions, product quality, resource efficiency, and ecological production as well.

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# EVENTS IN FUNCTION OF INCREASING RECOGNIZABILITY AND COMEPTITIVENESS OF A TOURIST DESTINATION

(Case study: Rijeka and Strumica Carnival)

Deian Nakovski<sup>13</sup> Julijana Petrovska Vedran Milojica

#### Abstract ·

Events represent an important part of a contemporary tourist offer, whose organization can bring numerous advantages for the tourist destination, in terms of socio-economic development, diversification of the tourist product on the tourist market and many others. Its successful development enable for destination to create a new and diverse tourist product based on its own tradition and active involvement of destination's cultural-historical heritage on the tourist market, but with a particular accent for tourist not to cause negative influences on the heritage itself. Previously mentioned is of extreme importance for increasing recognizability and competitiveness, as well as branding the tourist offer and the destination. Rijeka and Strumica Carnival represent an important part of the tourist product of their cities and countries, so attention must be paid to their future organization and development of their offer. The purpose of the paper is to present the contribution of the events in achieving higher recognizability and competitiveness of the tourist destination on the tourist market, while the goal of the paper is to present the characteristics of Rijeka and Strumica Carnival, and how they contribute in achieving competitive advantages of their cities and countries on the international tourist market.

Keywords: carnival, events, Rijeka and Strumica, competitiveness of the tourist destination, recognizability of the tourist destination

## INTRODUCTION

Until recently, little attention was paid to the impacts which events have on the society and environment. However, as the society begins to increasingly understand those impacts, event management is faced with a challenge to become more accountable when it comes to their decisions, as well as to generate results which are sustainable. (Trošt, Milohnić, 2011). Festivals commonly means a periodically recurrent, social occasion in which, through a multiplicity of forms and series of coordinated events, participate directly or indirectly and to various degrees, all members of a whole community, united by ethnic, linguistic, religious, historical bonds, and sharing a world view (Falassi, 1984). Tourist events are an important element of modern tourist offer, and an important factor in achieving competitive advantages on the turbulent tourist

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market which is proven by numerous scientific and professional researches. If their development is properly managed (while adhering to sustainable development principles), profiling, strategic (marketing) presentation and promotion of their offer on the tourist market, they will enable branding of the tourist destination (Drpić, Milojica, Petrovska, 2014). Manifestations are an integral part of tourism, but also an existing part of human civilization, and culture from its historical creation. Today it could be justifiably concluded that manifestations are a global phenomenon which is gaining its importance through industry of events (Jovanović, 2015). Events are an important motivator of tourism, and figure prominently in the development and marketing plans of most destinations. The roles and impacts of planned events within tourism have been well documented, and are of increasing importance for destination competitiveness. Yet it was only a few decades ago that 'event tourism' became established in both the tourism industry and in the research community, so that subsequent growth of this sector can only be described as spectacular (Getz, 2007).

Organization of this type of event not only represents a significant opportunity for its participants to get more acquainted with the history, culture, language, tradition and customs of a tourist destination and its inhabitants, but also encourages them to experience something completely new and never experienced. This not only contributes to the enrichment of lives of tourists, but also enables significant development of cultural and event tourism offer.

Worldwide, cultural manifestations and special events form one of the sectors that record the fastest growth and development within the tourism industry. Many tourism organizations have made the organization of festivals and special events a part of their destination marketing and development strategies, recognizing that many events have the potential to attract visitors to the destination, generate media attention, build a trademark of a destination and enhance the economy. Steps that precede these success factors are, amongst other, to explore the needs, motives, and benefits of potential visitors with the purpose of designing events that meet the needs of visitors as well as the requirements of the organizers and sponsors (Milohnić, 2012).

In the paper the authors will present the importance of events in tourism industry, and their role in successful development of a competitive tourist offer on the international tourist market. The goal of the paper is to present how two events such as Rijeka and Strumica Carnival can contribute in achieving competitiveness of their cities on the international tourist market. The purpose of the paper is, after presenting the actual state of event tourism in the city of Rijeka and Strumica with a particular accent to their carnivals, to offer developmental guidelines which will contribute to the competitiveness of Rijeka and Strumica as tourist destinations.

# 1. PRESENTATION OF RIJEKA AND STRUMICA CARNIVAL AS AN ELEMENT OF CONTEMPORARY TOURIST OFFER

Manifestation tourism or event tourism includes tourist travels which are primarily motivated by visiting a manifestation of cultural, artistic, sports, entertainment and similar character and contents. Earlier in the literature, a comprehensive term that was used was special event. It implied various types of events, including the greatest one, such as the Olympic Games, but also smaller ones, mostly local manifestations.

Recently, the phrase festivals and events are used more and more, which primarily points out the significance of the event of festival character. The fact is that, in general,

this form of tourism is developing faster and faster, and achieves positive effects for the destination-host, particularly in the extension of the tourist season (Rabotić, 2012). As previously mentioned, organization of events and manifestations is recording growth on regular basis, which makes it one of the most developed industries which also has a strong contribution to the development of tourism and hospitality industry. They are specific and usually historically and culturally connected to the destination in which they are organized. Specificity of history, culture and tradition of the destination enables formation of a unique and competitive tourist product, and through that it enables the possibility for a destination to profile its unique and recognizable image, and brand the event on the tourist market. Tourists of all age groups are showing greater interest in visiting destinations which possess rich tourist offer, cultural heritage, well developed offer of organization of events and manifestations of various types and other segments, etc. Organization of events and manifestations (such as carnivals) presents a significant factor of improving the tourist destination's offer. Interest for attending carnivals is increasing, which is presented by greater and greater visit to well-known carnivals on world level (i.e. carnival in Rio de Janeiro, and the carnival in Venice) which also represent a specific Brazilian and Italian brand on the tourist market. Particularity and specificity of carnivals enables for tourists to experience something new, inexperienced until now, runaway from everyday life and the possibility for them to become whatever they want for a short period of time. Taking into consideration previously mentioned, following the authors will present the characteristics of Rijeka Carnival and Strumica Carnival as important elements of event tourism offer of the tourist offer of Rijeka and Strumica, and their countries.

#### 1.1. RIJEKA CARNIVAL

Developments in international tourism have intensified competitiveness between tourism destinations. Nowadays, in the increasingly competitive world tourism market, maintaining competitiveness is a major challenge for many destinations (Goffi, 2013). Cities are constantly developing as tourism destinations, and are in a constant state of change to provide its visitors the experiences and products they expect and these products and experiences are also constantly changing in order to adapt to an increasing demand. All this triggers a constant investment in infrastructure, promotion and conservation ultimately benefiting tourists and local residents (Author's adaptation according to UNWTO, 2012).

The city of Rijeka has an important role in contribution of achieving competitiveness of its county and the whole state on the international tourist market. It's potential lies in further development of event tourism offer. Its further successful development will enable for Rijeka to rightfully include its name on the list of recognizable European and world tourist destinations. However, in relation to the European and world level, its peak still hasn't been reached. Considering that changes on the tourist market occur on daily basis, it will be necessary to undertake further tourist market research in order to find out what contemporary tourists want, as well as ways how competitive destinations achieve their advantages, apply their best practices, and at the same time preserve its national identity. Its further development and identity preservation will enable a creation of a more recognizable image and branding the tourism offer. In order to get an insight in the state of the tourism offer, the authors will

present the indicators of achieved tourism turnover in the city of Rijeka in the period 2004-2014.

Table 1. Tourist arrivals and overnights in the city of Rijeka 2004-2014

	Tourist Arrivals			Tourist Overnights		
Year	Foreign	Domestic	Total	Foreign	Domestic	Total
2004	34.226	19.665	53.891	72.441	33.355	105.796
2005	30.889	19.763	50.652	65.750	33.466	99.216
2006	40.582	22.177	62.759	78.838	38.988	117.826
2007	48.522	21.132	69.654	91.802	37.828	129.630
2008	44.955	21.334	66.289	79.990	37.287	117.277
2009	47.600	18.238	65.838	91.262	32.765	124.027
2010	51.082	17.336	68.418	95.381	31.962	127.343
2011	53.781	17.016	70.797	101.935	33.845	135.780
2012	52.997	16.695	69.692	102.016	33.564	135.580
2013	58.646	17.653	76.299	112.656	33.521	146.177
2014	69.541	21.176	90.717	132.238	41.311	173.549

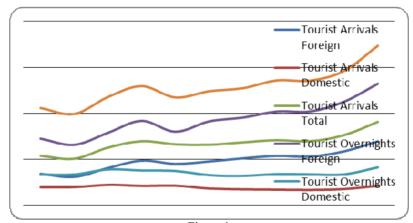


Figure 1

Statistical data presented previously present the achieved tourist arrivals and overnights in the period 2004-2014. When monitoring achieved arrivals, some significant oscillations were noted until the year 2013 when the arrivals started increasing. 90.717 tourist arrivals were achieved in year 2014, which in relation to the previous year amounts growth of 18,90%. In domestic and foreign tourist overnights in the same period, there were some serious oscillations as well. It is the author's opinion that the world economic crisis was connected with these achieved oscillations, but that it will not have serious effects on further growth of tourist turnover.

Rijeka is a city with a rich, unique and specific tradition and cultural-historical heritage which represents a strong platform for development of certain selective tourism forms. One of them, with a big potential for achieving higher level of competitiveness and recognizability on the tourist market is event tourism, particularly if it is taken into consideration that many events occur during the whole year. Some of them that need to be pointed out are Fiumanka (a sailing regatta), Fiumare (Kvarner festival of the sea and maritime tradition), Ri Rock Festival, Summer on Gradina (cultural and entertainment programs performed by numerous Croatian artists), Rijeka Summer Nights (artistic programs organized and performed on various places in the city), Homo si teć (a street race in which thousands of citizens of Rijeka usually participate), celebration of the St. Vitus Day, the patron's saint of the city of Rijeka (organization of concerts, exhibitions, etc.), Pilgrimage on Assumption of Mary Holiday, Jazz Time, Rijeka Carnival, and many others. All these events present Rijeka's tradition, which has a significant contribution to the successful development of a whole year tourist offer and reduction of seasonality.

When events, local culture, tradition and customs are celebrated, entertainment and recreation complement each other and cultural and social advancement is ensured. Events are a very important motivator of tourism and they are very present in destination development plans and tourism development strategies (Trošt and Milohnić's adaptation according to 2010 Hede, Jago & Deery, 2002).

Rijeka Carnival is one of the most important events in the city of Rijeka. It is organized every year, and presents an important part of history and tradition of its city and the state.

Rijeka created the fifth season, named the Carnival. This colorful event starts on 17th of January on the holiday of St. Anthony. The beginning of this event starts by raising the carnival flag which always occurs in the different part of the city. Following, masked vehicles drive according to their schedule. They pass along a wellmarked route and follow a planned itinerary in detail. There are numerous events characteristic for this carnival. During the Rijeka Carnival Queen Pageant, many women of various age groups in masks walk the masked runway. Each candidate has its backup carnival group, and the group has its fans. As a result, the Master of the Carnival gets his Queen with whom he will spread good voice about the carnival and the city of Rijeka all around the world. Children's Carnival Parade lasts approximately one week. During that period children of various age, accompanied by their parents or their kindergarten teachers participate in this parade. The Day of Large International Carnival Parade or Rijeka D Day is a masked parade based on tradition, while living in the present, and clearly thinking about future carnival costume. Numerous domestic and foreign participants participate in this parade. It is not unusual that they arrange their vacation dates in order to be able to participate in this event. One of the important events organized during this carnival is the famous Humanitarian Ball, attended by numerous famous people from all around the world. Also, "Paris-Bakar" Masked Auto-Rally on two or four wheels is organized, where drivers and crew take part, and the winner is proclaimed by masked judges (Author's adaptation according to Dmitrović and Mrkić Modrić, 2013). Halubaj Bell ringers represent an important element of cultural heritage, and are one of the symbols of Rijeka Carnival. They were created in the western part of Kastavština, and their role was to keep bad winter spirits away, and invocation of spring weather. Bell ringer's bodies are covered with sheep skins, their masks are various animal heads with horns, and they wear a big bell around their back.

They also wear white pants and sailor t-shirts. Since 2007 carnival procession from the Kastav area was placed on the list of protected non-material cultural assets of the Republic of Croatia. In 2009 they were placed on the prestigious UNESCO Representative list of non-material list of cultural heritage of the humanity (Author's adaptation according to <a href="http://www.kulturni-turizam.com/hrv/sadrzaj/maskareprimorjerijekaiokolica/2741/opsirnije/">http://www.kulturni-turizam.com/hrv/sadrzaj/maskareprimorjerijekaiokolica/2741/opsirnije/</a>)

All previously mentioned particularities are based on true history and tradition of the city of Rijeka, and wake the true emotion experienced while participating in this event, which significantly contributes to further event tourism development. Tourists are experiencing something new and special, they feel truly accepted, welcome, and "at home among family and friends", and will certainly want to share their satisfaction and emotions with their family members and friends by inviting them to join them on their next journey, and to participate in this unique event. In order to contribute to the further development of Rijeka carnival, it is also necessary to monitor the level of interest in participation. Bearing this in mind, the Tourist Board of Rijeka started monitoring the level of domestic and international participants. Following tables will present the statistical indicators of domestic (children) and international participants in Rijeka Carnival in the period 2010-2015.

Table 2. Number of children participants in Rijeka Carnival in the period 2010-2015

Year	Children's Carnival Procession			
	Participants Carnival group			
2010.	5.000	76		
2011.	6.000	76		
2012.	5.200	69		
2013.	4.500	65		
2014.	5.000	72		
2015.	4.900	61		

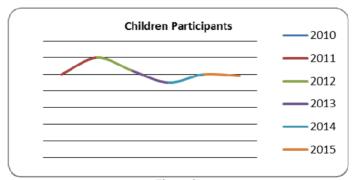


Figure 2.

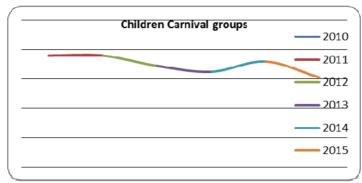


Figure.3

The data in the previous table and figures indicate oscillations in the number of children participants and carnival groups.

Table 3. Number of international participants in Rijeka Carnival in the period 2010-2015

Year	International participants					
	Participants	Carnival groups	Allegorical wagon			
2010	8.000	94	73			
2011	9.000	107	73			
2012	8.500	97	73			
2013	8.300	100	70			
2014	10.100	117	81			
2015	10.000	112	80			

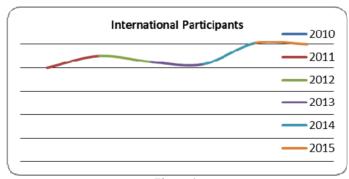


Figure 4.

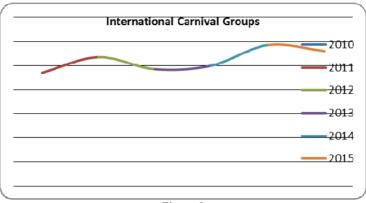


Figure 5

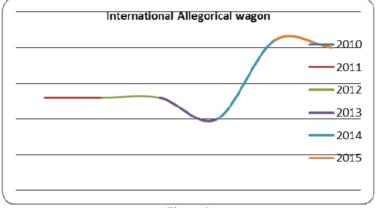


Figure 6

Previous table and figures presents the participation of international participants in Rijeka Carnival in the period 2010-2015. Presented data indicate that in the period 2010-2013 there were some oscillations in the number of participants. In 2014 the number grew to 10.100, and in 2015 it slightly decreased. Oscillations were also noticed in the number of carnival groups. The highest number of carnival groups was achieved in 2014 (117 groups), and in 2015 it also slightly decreased to 112. When monitoring the allegorical wagon, the highest amount was achieved in 2014 (81 wagon), while in 2015 it decreased for only one wagon.

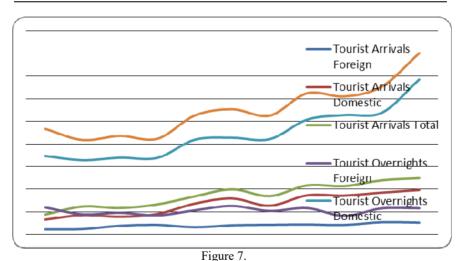
#### 1.2. STRUMICA CARNIVAL

The city of Strumica has an important role in achieving competitive advantages of its region and country on the international tourist market. It is situated in the center of South-East region of the Republic of Macedonia; it is the biggest city in the region, and also an important economic and tourist center on regional and state level. In Strumica, and its surroundings there are numerous potentials for development of selective tourism

forms such as cultural, religious, mountain, hunting, fishing tourism, etc. Their successful development can bring significant socio-economic, and many other advantages for the city, its region, and the entire country. Successful development will result in reduction of seasonality, and will enable whole year tourist offer. In order to present the state of tourism of the city of Strumica, following the achieved tourist arrivals and overnights in the period 2004-2014 will be presented.

Table 4. Tourist arrivals and overnights in the city of Strumica 2004-2014.

Year	Tourist Arrivals			Tourist Overnights		
	Foreign	Domestic	Total	Foreign	Domestic	Total
2004	1.113	3.296	4.409	6.005	17.368	23.373
2005	1.189	4.286	6.185	4.456	16.429	20.885
2006	1.933	3.924	5.857	4.802	17.005	21.807
2007	2.120	4.523	6.643	4.214	16.947	21.161
2008	1.606	6.825	8.431	5.355	20.950	26.305
2009	2.036	7.962	9.998	6.316	21.387	27.703
2010	2.128	6.357	8.485	5.209	21.069	26.278
2011	2.203	8.652	10.855	5.846	25.391	31.237
2012	2.101	8.596	10.697	4.108	26.408	30.516
2013	2.724	9.264	11.988	5.797	26.930	32.727
2014	2.630	9.847	12.477	5.813	34.293	40.106



The data in the previous table and figure indicate that in the period 2004-2014 the number of total tourist arrivals and overnights has increased. When discussing foreign

overnights, a decrease was registered. In whole, the total increase in tourist turnover is not characteristic just for Strumica, but for the whole South-Eastern region. During the year, in Strumica numerous events of local character occur, and significantly contribute to the preservation of tradition and development of cultural tourism offer. However, bearing in mind their local character, it is evident that development of event tourism as a selective tourism form can't be based on them. However, Strumica possesses a tradition of organizing a very special event named Strumica Carnival, which became well recognized on the international tourist market.

The importance of its organization was emphasized in the local action plan of development, meaning, all segments of its tourist offer must be given a significant attention, considering that the carnival represents a recognizable brand of a city, region and country (Authors' interpretation according to Local Action Plan for Environment, Strumica, 2006).

It is organized once a year and its beginning cannot be determined precisely. It was mentioned back in the year 1670 by a famous Ottoman travel writer Evlija Celegija in his travelogues. Through the historical development of the carnival its numerous transformations were noted. Its origins are connected with Pagan ceremonies, while its later development is connected with the beginning of Easter fast (Veligden), and is dedicated to all girls who are engaged. According to the tradition, after the masked procession, the masked parade arrives in front of the house of the masked girls, where it is necessary to recognize the fiancée among them. For a long period of time the carnival was organized and held self-initially by the town's people, while in 1991 it acquired its organization shape, and was formed as a modern and contemporary event. Thanks to its carnival, in 1994 Strumica became a member of the international society of European carnival cities (FECC) which resulted in establishing contacts and achieving cooperation's with numerous carnival groups abroad. Thus, Strumica Carnival has achieved international character, resulting in increase of interest for the carnival, which is witnessed by the growth of the number of carnival groups, but also in increase of domestic and foreign visitors who visited Strumica with a goal of participating in this Carnival.

This resulted in the last phase of transformation of carnival in a tourist event. The carnival was held on Tuesday, right after the end of the religious holiday Procka, respectively, the day of forgiveness which is always on Sunday. However, the carnival organization board decided to move the date of the carnival two days earlier, from Friday till Sunday; the main procession is occurring on Saturday and Sunday. The reason for longer duration of the carnival was to create the condition for achieving higher tourist turnover (arrivals, possible overnights, and through all that consumption). When discussing the attendance of Strumica Carnival, it is necessary to point out that only for Carnival weekend, the city visits over than 50.000 visitors (authors' interpretation according to www.strumickikarneval.com), which is several times more in relation to the achieved tourist arrivals during the whole year. However, a big majority of the visitors are one-day visitors. Despite that, they effect significantly on the level of tourist consumption. They visit the destination with a goal of resting, relaxing, experiencing new things, and are willing to participate in this wonderful and unique event.

In order to enable further development and improvement of organization, it is mandatory to track interest for participation in the carnival, which was recognized by

the organization committee who started making a record of participants. The following table presents total number of carnival participants and groups in the period 2010-2015.

Table 5. Total number of participants in Strumica Carnival in the period 2010-2015

Year	Total number of participants				
	Participant	Carnival			
	S	groups			
2010	1.900	36			
2011	2.200	39			
2012	2.530	48			
2013	2.450	43			
2014	2.500	46			
2015	2.700	52			

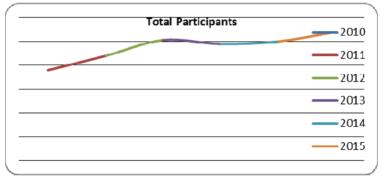
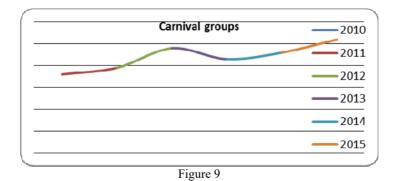


Figure 8.



The data in the previous table and figures indicate a moderate positive trend of growth of total number of participants and groups, meaning, they have recognized the uniqueness and specificity of this event, and are returning regularly to Strumica to participate in the carnival. However, monitoring the total number of participants is

insufficient. It is necessary to monitor the number of foreign and domestic participants and tourists, their preferences and desires, and adjust the tourist offer according to their preferences, but while preserving the tradition and uniqueness of the carnival.

# 2.PROPOSITION OF DEVELOPMENTAL GUIDELINES FOR FUTURE DEVELOPMENT OF EVENTS WITH A PARTICULAR ACCENT ON RIJEKA AND STRUMICA CARNIVAL

Rijeka and Strumica Carnival are an important part of a whole tourist product of their cities, regions and countries, which was presented previously in the paper. However, they still haven't reached its true potential. In order to achieve further success and development of a more competitive tourist product and offer, the authors propose the following developmental guidelines:

- Raising the level of awareness about the importance of event tourism on the national, regional and state level;
- Achieving partnership cooperation of all participants in (event) tourism in order to enable acquiring on-time information, which will contribute to the development of destination, and providing high quality services:
- Monitoring trends and implementation of best practice of competing (event) tourist destinations (Venice, Rio de Janeiro, etc), and apply them while preserving its own culture and identity, and resource basis;
- To implement advanced knowledge and skills in development and offering a competitive (event) tourist offer;
- Offer gastronomic-enology products, and other elements of tourist offer characteristic for the city-host of the event which will encourage tourists on additional tourist consumption, and stimulate prolonging of stay in the destination;
- Investments in education of local community and tourist employees (according to world standards) about the importance of events for improvement of tourist offer of the city and the region, about the advantages of the same, and stimulation of the local community to participate in the development of tourist offer;
- To form strategic guidelines on regional and national level, and apply them in practice;
- More detailed tracking of statistical indicators of tourists who visited the destination with a purpose to participate in the carnival
- Conduct marketing activities in order to reach the potential tourists, enter their conscience, and encourage them to visit, stay, and stimulate them on higher tourist consumption;
- To form a more recognizable image and brand of Rijeka and Strumica as carnival cities, and through that to achieve competitiveness on the European and world tourist market.

#### CONSLUSION

Contemporary tourist offer of Europe and world bases its developmental potential on particularities provided by numerous resources specific for a certain destination, among which cultural-historical heritage stands out especially, and the events based on the heritage as its indispensable part. The same represents a significant perspective of event tourism development, as a part of a whole tourist product. Share of the event tourism offer is growing daily, and it can be assumed with great certainty that its share in the European and world tourism will continue to grow. Further development of this selective tourism form brings numerous advantages for Croatia and Macedonia, of which it is necessary to point put preservation and strengthening of its own cultural identity and expression, pointing out their multiculturalism. Rijeka and Strumica Carnival are the events of exceptional importance for tourist offer development of their cities and countries; its particularity has been noticed by the foreign tourist demand, and it is expected that this interest will continue to grow. By improving overall destination's offer according to the developmental guidelines presented in the paper, Rijeka and Strumica will continue to achieve multiple use by continuing to organize these events based on heritage and tradition, which will result in increase of foreign tourist's motivation to undertake future tourist travels, which will result in increasing the total tourist turnover, and competitive positioning on the international tourist market.

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# THE IMPORTANCE OF THE MILLENNIUM CROSS CABLE CAR IN FUNCTION OF ENRICHING THE TOURIST OFFER OF SKOPJE

Julijana Petrovska<sup>14</sup> Marina Stojmirova Jovo Ratkovic

#### Abstract

As one of the most impressive and most important receptive factors on which depends the creation of the tourism product and its establishment on the tourist market are the tourist attractions contained in the tourist offer of every region and country, regardless which tourism potentials it possesses. Tourist attractions are one of the basic elements for attracting greater number of tourists whose travel is caused by various reasons. The city of Skopje as center of its region is focused on improving the tourist offer through additional contents such as tourist attractions. One of the elements that significantly contribute to the tourist offer of Skopje is the Millennium cross, in Vodno Mountain, which is reachable by cable car. Statistical data indicates that its construction significantly improved the attractiveness of the tourist offer of Skopje, its region and the entire country, which has also improved the satisfaction of tourists and their desires to visit again. In the development strategy of Skopje region, cable car has an important role in increasing the tourist turnover, resulting Skopje to become as the most visited tourist destination.

**Keywords:** Tourist attraction, Millennium cross cable car, tourist destination

# INTRODUCTION

The competition on the tourist market is getting more harsh, which imposes the need for continuous co-operation of academic and economic community with the objective to get to know the latest wishes and aspirations of increasingly demanding tourists, and improvement of the tourism offer in accordance with their preferences. Maximum efforts must be invested in achieving recognisability and competitive advantages on the international tourist market (Cerović, Drpić, Milojica, 2013). One of the key elements of a successful tourist offer development and achieving recognizability is upholding sustainable development principles.

Ensurance of sustainable development has become a basic goal of contemporary society, because there are doubts that previous, in many aspects unplanned, development has led to disbalance between the use of resources and development potentials. This is especially visible in spatially limited areas (Authors' adaptation

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according to Alkier Radnić, Drpić, Milojica, 2013). The basic preconditions for development of sustainable tourism are primarily numerous preserved areas, intact nature, pleasant climate, richness of flora and fauna, but also rich tourist tradition and connection of the local population with nature (Authors' adaptation according to Alkier Radnić, Milojica, Drpić, 2012).

Transport represents an important element of a contemporary tourist offer. It needs to be developed and applied while upholding sustainable development principles. One of the positive examples is the use of cable cars in mountain areas. Their use has a positive effect on preservation of the natural resources.

Cable-cars are technological innovations applied in mountain tourism originating from the machine construction industry that is specialized on passenger transport (Mayer 2009).

Since the 1930s, cable-cars have been one of the main driving forces behind alpine tourism, because they foster mountain tourism, and induce huge direct and indirect monetary benefits in peripheral areas (Authors' adaptation according to Mayer 2009 according to Bieger 1999). Bearing this in mind was the reason of choosing this topic of the paper. The purpose of the paper is to present the importance of use of cable cars in enriching tourist offer, while the goal of the paper is to present the state of tourism in Skopje, as well as the role of Millennium Cable Cross cable car in function of enriching the tourist offer of the city of Skopje, its region and the whole country.

# REVIEW OF THE TOURISM ARRIVALS AND OVERNIGHTS OF THE REPUBLIC OF MACEDONIA AND THE CITY OF SKOPJE

Republic of Macedonia is a country with numerous natural and cultural-historical particularities which enable for it to become one of the leading destinations in Europe.

According to the European standards for tourism planning as an important segment in the overall economic development of the state, Republic of Macedonia is divided to 8 regions and one of the most important is the Skopje region (Authors' interpretation according to http://www.brr.gov.mk/) which disposes with tourist potentials for various forms of tourism. Its future development will bring numerous advantages, particularly in regional development, increasing the number of work places, growth of foreign exchange earnings, improving life standard, increasing the level of recognizability on the contemporary tourist market. Tourism represents one of the fastest growing branches in the state and the region, and its future development needs to be based on improvement of the current state of the tourist offer by introducing additional elements of tourist offer. One of important and unique elements is the Millennium Cross cable car which, according to all statistical data, significantly influenced on growing level of attractiveness of Skopje's tourist offer.

In order to present the true arrivals and overnights of Skopje and the Republic of Macedonia, following, the authors will present the achieved tourist arrivals and overnights in the Republic of Macedonia, and the city of Skopje. According to the Statistical Bureau of the Republic of Macedonia, there was an increase in the number of total tourist arrivals, respectively, in 2014. 735.650 tourist arrivals were registered, of which 310.336 were domestic, and 425.314 were foreign. In terms of achieved tourist overnights, in 2014 in the Republic of Macedonia 2.195,883 overnights were registered, respectively, 1.273,370 tourists were domestic and 922.513 were foreign

(Authors' interpretation according to Central Statistical Bureau of Macedonia, 2010-2014).

Chart 1: Number of tourist arrivals and overnights in the Republic of Macedonia in the period 1959-2014



Source: http://www.stat.gov.mk/Publikacii/8.4.15.01.pdf

The following table presents the achieved tourist arrivals in the city of Skopje in the period 2010-2014.

Table 1. Tourist arrivals of Skopje in the period between 2010 and 2014

Year	Total	domestic	Foreign
2010	126.327	15.962	110.365
2011	141.386	15.979	125.407
2012	152.412	18.195	134.217
2013	168.623	19.596	149.027
2014	181.835	20.280	161.555
Index	143,94	127,05	146,38
2014/2010			

Source: http://www.stat.gov.mk/Publikacii/8.4.15.01.pdf

The data from the previous table indicate that in the period 2010-2014 the city of Skopje achieved growth of 43.94% of total tourist arrivals, respectively, 27,05% of domestic tourists, and 46,38% of foreign tourists.

In the period between 2008 and 2012 the most attractive location for the tourists was the southeast region i.e. the city Ohrid with 251.462 tourists and the city Skopje

was in the second place with 164.077 tourists (Authors' interpretation according to Central Statistical Bureau of the Republic of Macedonia, 2014).

The following chart presents foreign tourist arrivals by type of resorts in the year 2014.

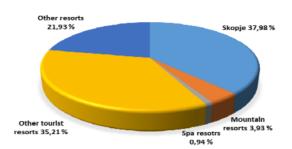


Chart 2: Number of foreign tourists by type of resorts in Skopje in 2014

The data in the previous chart indicates that the highest share of foreign tourist arrivals was achieved in Skopje (37.98%).

One of the contents which significantly contributed in increasing the tourist turnover of Skopje is the construction of the Millennium cross cable car in the forest landscaping of the mountain Vodno. Its importance was recognized and mentioned in the strategy of development of Skopje's tourism, in function of attracting higher number of tourists. It contributes to the increasing the total tourist turnover placing the city of Skopje as the most visited tourist destination. It also contributes to the tourism and overall economic development of the state which is of great importance for future tourism

Although the city of Skopje possesses numerous sights, since 2002 one of the most visited sights was the Millennium cross, one of the symbols of the city. Its height is 67 meters, and the arms are 46 meters wide, and it is situated on the top of the mountain Vodno, at a place called Krstovar, from where it is possible to see a wonderful view of Skopje. Thanks to the use of the cable car, it was visited by a great number of tourists. However, in order to increase its availability significant efforts were made, respectively, in year 2011 the first phase of the project was conducted which resulted in the official startup of the cable car on 3<sup>rd</sup> of June 2011. The Millennium cross cable car is located at altitude of 570 meters, height difference of 480 meters and longitude of 1600 m. It has 28 cabins with capacity of 8 persons as well as two VIP cabins for 4 persons. With capacity for 1160 passengers per hour 15 and speed of 6 m/s the cable car fulfills all the safety and security criteria valid in Republic of Macedonia and the states of EU. Attractive wooden cottages around both cable car stops certainly contribute to the attractiveness of the destination, as well as the possibility for tourists to buy souvenirs (Authors' adaptation according to http://zicnica.jsp.com.mk/opsti\_podatoci.html).

Since the cable car Millennium Cross was set in motion, the tourist turnover has constantly been achieving positive trend of growth. In 2014 the number of sold tickets increased 7,6% in comparison to the previous year, while in the year 2013 there was an increase in sold tickets of 11,2% in relation to 2012 (Authors' interpretation according to http://jsp.com.mk/Upload/dokumenti.aspx?kat=2). The increase of turnover was also achieved due to the donations income, income from business object given for rent, etc. The following table presents the number of sold cable card tickets in the period 2011 and 2014.

Table: Sold cable car tickets at the Mountain of Vodno in the period 2011-2014

Tickets	2011	2012	2013	2014	Total
Tickets for children	50.954	27.122	18.602	16.263	112.941
Tickets for adults	80.640	106.858	117.028	121.756	426.282
Group ticket for adults	1.750	2.510	3.234	3.081	10.575
Group ticket for children	1.536	2.034	1.636	2.003	7.209
Monthly subscription		9		•••	9
Other basis		2.510	13.413	22 414	38.337
Total	134.880	138.523	154.001	165.517	595.343

Source: http://zicnica.jsp.com.mk/index.html

The data in the previous table indicate that the most sold tickets were for adults, followed by tickets for children.

Table 4. Total income of the tickets sold in the period 2011 - 2014

Income	2011	2012	2013	2014	Total
Tickets for children	2.547.700	1.356.100	930.100	813.150	5.647.050
Tickets for adults	8.064.000	10.685.800	11.702.800	12.175.600	42.628.200
Group ticket for adults	109.350	225.900	291.060	277.290	903.600
Group ticket for children	110.495	91.530	73.620	90.135	365.780
Monthly subscription		9.000		1.114.968	1.123.968
Other basis	10.831.545	12.368.330	13.662.280	14.471.140	5.133,295
Total	21.663.090	24.736.660	26.659.860	28.942.283	102.001.893

Source: http://zicnica.jsp.com.mk/index.html

From the previous table it is visible that the highest income was achieved by selling tickets for adults, followed by tickets for children.

Previously presented indicators show that there is an increasing interest of tourists in using the cable car, which indicates that the use of cable is becoming an important attraction for tourists.

In order to improve current tourist offer, it is necessary to conduct adequate research activities in order to determine the best examples in world practice, and apply them in our business. In order to do so, following the authors will briefly present some of the world examples in using cable cars in function of tourism.

Ngong Ping 360 cable car can be mentioned as an example of a good practice. By riding this cable car tourists can experience a spectacular 5,7 km tour, traveling from the center of the city Tung Chung to Ngong Ping at the Lantau island. The can enjoy the panoramic view of the international airport in Hong Kong, the South Chinese Sea, and statue of Tijan Tan Buddha as well as the North Park Lantau (Authors' adaptation according to Scott, Damon, 2014).

When it comes to safety, cable car system of Sugar loaf in Rio de Janeiro can be mentioned as an example of practice. It is considered as one of the safest systems in the world. It is one of the world's most famous attractions in the world. Since the opening it was visited by over 37 000 000 visitors. Annually is visited by more than 1 000 000 visitors (Authors' adaptation according to www.rio.com/tours-attractions/sugarloaf).

Previous examples indicate that the importance of application of cable cars in function of improving the tourist offer on world level, which represents significant potential for Macedonian tourism. Bearing this in mind, the authors conducted an empirical research which will be described in the following chapter.

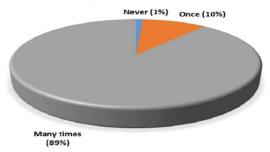
#### METHODOLOGY

In this paper an empirical research was conducted using a structured questionnaire survey. The questions were formed as multiple choice answers. Two hundred respondents participated in the survey. The age range was 18-70. The goal of the research was to determine how much did the construction of the cable car influence the increasing the attendance of tourists in Skopje, then to acquire a better insight in the interest of tourists using the cable car, to define justified reasons of further development and conducting of this project. In the following chapter the authors will present the results of the survey.

## RESULTS OF THE EMPIRICAL RESEARCH

To the question: *How many times have you used the cable car till now*, the following answers were received: 178 respondents or 89% answered many times, 20 respondents or 10% responded once, and 2 respondents or 1% answered never.

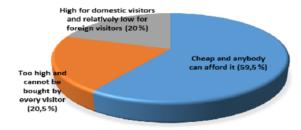
Chart 3: Frequency of use of the cable car



From the chart it is possible to conclude that most of the respondents frequently use the cable car which means that the visits are very frequent, and that the tourists are curious to explore and experience something new, and spend free time away from everyday problems and obligations.

On the question *Do you consider that the price of the ticket is acceptable for every visitor* the following answers were given: 119 respondents of 59,5 % answered that it is cheap and anybody can afford it, 41 respondent or 20,5 % of answered that it is too high and cannot be bought by every visitor, and 40 respondents or 20% that the price is high for domestic visitors and relatively low for foreign visitors.

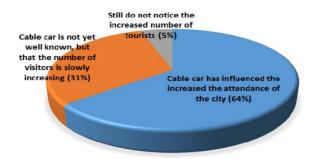
Chart 4: Opinion about the acceptability of the cable car price



From figure 2 it is evident that the majority of respondents (59,5%) consider the price of the ticket acceptable, and affordable by every visitor.

On the question Do you think that with the construction of the cable car at Vodno is increased the number of domestic and foreign tourists in Skopje the following answers were given: 128 respondents of 64% answered that the cable car has influenced the increased the attendance of the city, 62 respondents or 31% consider that the cable car is not yet well known, but that the number of visitors is slowly increasing, and 10 respondents or 5% answered that they still do not notice the increased number of tourists.

Chart 5: Opinion about the increasing the number of the domestic and foreign tourists in Skopje with the construction of the cable car



Previous figure indicates that the majority of the respondents answered that the construction of the cable car has increased the number of visits to the city of Skopje and the Millennium cross. 31% answered that the cable car is not yet well known but it is obvious that the number of tourist slowly increases, 5% responded that they didn't notice an increase of the number of tourists in Skopje with the construction of the cable car.

On the question Are you as a visitor satisfied with the organization and the possibilities offered by the cable car, the following answers were given: 106 respondents or 53% answered that it is well organized and offers great view of the city, 84 respondents or 42% answered that certain changes still need to be conducted in order to offer a higher quality offer, and 5 respondents or 5% answered that they are not satisfied with the offer.

Chart 6: Opinion about the satisfaction with the organization and the possibilities offered by the cable car

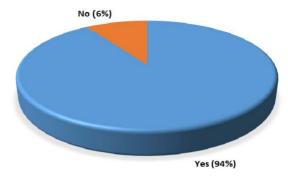


Previous chart indicates that 53% of the respondents think that the organization of use of cable car is well-organized and offers great view of the city of Skopje, while 42% of the respondents think there are still some things missing in order for the cable car to offer a complete and better service, and 5% of the respondents think that there

are many disadvantages that need to be completed in order for the cable car to be wellorganized.

On the question *Do you consider the cable car as a tourist attraction*, the following answers were given: 188 respondents or 94% responded positively, while 12 respondents or 6% responded negatively.

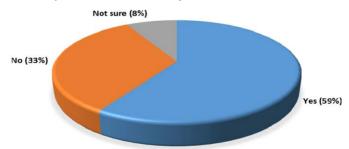
Chart 7: Opinion about the consideration the cable car as a tourist attraction



According to the answers presented in the previous chart it is evident that 94% of tourists consider that the cable presents a form of a attraction for tourists, which is positive for further tourist offer development.

On the question *Do you think that Macedonia needs more cable cars of this type* the following answers were given: 118 respondents or 59% answered positive, 66 or 33% responded negatively, while 16 or 8% were undecided.

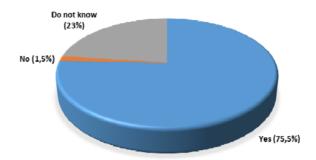
Chart 8: Opinion about the necessity of more cable cars in Macedonia



Previous results indicate the necessity of increasing the number of cable cars which would significantly contribute to the development of tourist offer development.

On the question *Would you visit Skopje and the Millennium cross cable car when you come back and visit Macedonia again* the foreign tourists responded as follows: 151 respondent or 75,5% answered positively, 3 respondents or 1,5% answered negatively, while 46 respondents or 23% were undecided.

Chart 9: Answers about the visiting Skopje and the Millennium cross cable car on next visit Macedonia



According to the previous graph, foreign tourists showed significant interest for visiting Skopje and using the Millennium Cross again.

Taking into consideration previously presented statistical indicators, as well as the results of the empirical research, it can be justifiably said that the authors of this paper proved that the Millennium Cross Cable Car has an important role in further development of a competitive tourist product of the city of Skopje, its region and the Republic of Macedonia. However, in order to achieve further development of the tourist offer, it is necessary to develop and conduct further developmental strategies of tourism development, as well as marketing activities with a particular accent on strategic marketing and promotion activities. Also,

# CONCLUSION

Republic of Macedonia still hasn't reached its true potential in tourism development, despite possession of numerous tourist resources. Its future socio-economic development will be achieved by introducing new and innovative elements of tourist offer which will improve development of tourism on regional and state level, as well as enable for a destination to become more recognizable on the tourist market. One of the specificities of Skopje's tourist offer is the Millennium Cross, an important symbol of Skopje, and the cable car used to reach the top of the mountain. The analysis of statistical indicators, as well as the results of the empirical research have proven the significance and contribution of the Millennium Cross and its cable car to the overall tourist offer. Future activities need to include development of strategies and conducting marketing activities in order to achieve competitive advantages on the tourist market.

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# THE SATISFACTION OF THE HOTEL GUEST AS A REFLECTION OF THE ORGANIZATIONAL CULTURE

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## Abstract

It is more than certain that nowhere in the world exist companies whose owners or managing teams do not aim to equip themselves with employees with high qualifications such as: expertise, skill, wisdom, inventiveness, loyalty, commitment, responsibility etc. On the other hand the modern tourist and the hotel guest are not subjected to whoever's animation when it comes to choosing a tourist destination or quality level of hotel service. He is ready to explore, to choose, to learn, to experience full and quality relaxation, expects value and complete professional commitment to his interests. He has built relationship to the value and insists to quality. Achieving the projected high level of quality implies procedural actions of the key factors during making decisions in accordance with the business vision of the company, i.e. on the basis of the established collaboration, team action, satisfaction of the employees and the needs, expectations and the desires of the service users. The most important is the quality to be achieved in continuity i.e. the safety of the guest to be based to the longterm valuation of the service quality. It refers to professional approach of the employees and their personal relationship in the process of the service as special kind of criteria for safe quality and style of work. At the end that value that the hotel staff demonstrates in their behavior with the guests is actually a reflection of the established system communication of the management with the employees. The good managing always results with culture of the service and the guests recognize that and respond with confidence.

Key words: action, culture, service, quality, guest, satisfaction, employees

## INTRODUCTION

It seems that is permanent the dilemma about determining the fact whether the choice of certain candidates for employment in the company is due to the perception and evaluation by the management that the chosen candidate are best according to the requirements of the working position for which they apply or they just have the best predispositions for their further qualification for that position. In any case it is most important to act according to the well-known maxim: **right people in the right moment at the right place.** The purpose of the development in the career of the

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employees is to be in function with the conformance of the knowledge, skills and needs of the employees with the further needs of the organization. This approach corresponds with the concept of managing the human resources that among other things leads to humanization of the labor and unitarism of the interests of both sides. Understanding each party (the organization and the employees) for the conditionality of their individual interests in the success of the operating and the development of the company basically determines the directions of their operating: on one side, the management besides the series of elements which provide conditions for achievement of the defined goals, develops a concept of stimulating measures for the employees; and the employees through the development of the organization achieve their ambitions to advancement in the professional career. In that sense we will resonate that from aspect of the employees as ultimate goal of the company is achieving the desired quality of the hotel services as basic assumption for the guest satisfaction. The basic assumption of the act for creation and performance of the service is the meeting i.e. the live communication between the guest and the employees. Due to that inevitable fact the quality level of the service is conditioned also with the level of culture of the employees.

#### 1. THE GUEST IS IN THE FOCUS OF ATTENTION

The applying of the system commitment in the business process, by the management, for achieving constant quality of the service indicates the company strategic approach to quality. Such approach gives possibility to be easily recognized the direction of the interests of all the participants in the process, the interests of the company presented in the management, the interests of the employees and the users of the services, hotel guests. The roundabout way to achieving the basic goals of the company – the profit, puts the guest i.e. his satisfaction of the services, in focus of attention of the management, and the undeniable reality indicates that the guest satisfaction can be provided only by satisfied employee. It appears that this economic-social trilogy is the fastest promotion for understanding the corporate managing and leads to dehumanization of the labor. According to that, the approach where the guest in focus of attention assumes an approach where the management puts the employees in focus of attention as his associates.

According to that maxim, the strategy of the service is based on the principle that the guest should gain a sense of respect and care as he is the only one which means satisfaction above the usual level, which results in more frequent visits, increased long-term trust and more work for the company. On the other hand the creation of the culture of the service is a process that takes place in conditions determined by the general specifics of the hotel trade as activity that leads to the need for every employee of the company to participate in this process.

In fact the most important impulses of this approach of operating must penetrate up to the level of owners or the management. When the company acts on the basis of strategic determination in which the guest is in the center of attention then can be perceived that this determination is depending on the management approach to its staff and their involvement in the process.

The culture of the corporate management is a culture of managing the company in which the decision-making processes are done on the basis of collaboration,

transparency and clearness where the employees are sticking to the established norms and rules whereupon is respected the context of common goals and interests.

The fact that the management installs system for motivation of the associates directed towards the guest and providing outstanding service is based primarily on giving importance to every associate, his working position and the importance of his behavior for the company.

The public emphasizing of the employee contribution creates satisfaction due to the fact that he/she feels important to the success of the company.

In that sense, each praise expressed by the guest should also be told to the employee that has credit for the guest satisfaction. The acknowledgements by the managers should be made at the right time, but also on the right way with underlining of the benefits achieved with the concrete contribution of the employee.

The good and in time way of giving praise brings new incitement and enthusiasm for new qualitative accomplishments in the working process (Čerović 2013).

But in that context the imperative is every employee to know:

- What are his main tasks?
- Which goals should he achieve?
- What is he responsible for?
- How to collaborate with the colleagues and superiors?
- What are the criteria for evaluation of his behavior?
- What arises from certain appraisal of the behavior?
- What promotion can he expect in the team?

If today the term notion is defined as adjustment of the service with the specific requirement and needs of the guests, then the involvement of the employees is very important; on one hand they receive motivating and challenging area for working, and on the other hand the company receives authentic information know-how, arising from the practical experience. This mutual conditionality corresponds to the hotel and tourist organizations that manage their processes systematically and in the central position in the system of values are the employees with their working potentials and creative abilities so at the market they achieve significant and long-term competitive advantage.

## 2. KEY FACTORS OF THE SERVICE QUALITY

Nobody has a second chance for first impression, is often spoken phrase at right places by people devoted to achieving values.

In that context can be concluded that when it comes to service it is crucially important for the guest, the service to be accomplished in a matter fully consistent with the rules and regulations the first and every other time.

But in the hotel trade, the guest finds out what he gets (as quality) after he gets that. Whether the service was performed by the wishes of the client we learn from the submitted note or praise for its quality (Galićić, Ivanović, Lupić 2005).

Qualities of service are all those actions that will result with thrill by the guests, such as:

• Service culture – the company must live and shine with explicit culture of the service towards the environment and market and also internally in the company, and the leading management must lead as an example for accomplishment of the culture in the service.

- Kindness (Good service) all hotel employees must possess quality for compliance and kindness, especially those who have direct contact with the guests, the kindness must be significantly supported with understanding by the personnel
- Expertise the personnel should have expertise and good behavior with the guests; this is evaluated and considered as competence
- Complaints they are opportunity for improvement and they must be understood and applied kindly. The feedback of the guests is a vital factor in the company efforts to improve the service level. The complaint of the guest is a gift for the hotelier (Galićić., Ivanović 2008).

# 3. WHAT DOES THE COMPANY GET OF THE SUPERB SERVICE CULTURE?

The service culture is visible from the outside when it is completely fulfilled. It means that even some small positive changes can make visible effect – the service culture.

Although the money are the basic economic motive of the companies they cannot be the unique goal of some business philosophy, but the required and in-time change of the employee behavior as well as the increase of their efficiency and skill for providing outstanding service, contribute to increase of the achieved profit.

The detailed strategic benefits of achieving the superb service culture would be:

- Increased profit, increased number of loyal customers, increased consumption per guest individually
  - Focus on the quality of the task performance
- Increase of number of guests that recommend the hotel of which they are satisfied
  - The practicing of teamwork reduces the fluctuation of the employees
  - Improved communication between the employees
  - Providing superb service every day and in each segment of the work
- Delegation of authority to the team members who participate in the vision of the organization oriented to the culture of providing above average service

From there a great attention is paid to the promotion of the internal mutual communications and stimulation for collaboration; and motivating the teams to achieve superb service.

It is known that only the satisfied employee can make the guest satisfied.

## 4. CULTURAL ASPECT OF THE HOTEL MANAGEMENT

The companies and the management in the sphere of the hotel operations must understand that different groups of guests have different attitudes regarding same questions and aspects. The confirmation of that knowledge requires continuous update of the information about what certain target groups prefer in certain market segments, which in the successful hotels is made through system of so called history cards. In order to be satisfied the specific requirements and desires of the guests, the hotelier must combine different research approaches.

The exchange of experiences and meeting the local and business cultures of the countries with most tourists gives the company basis for better international business collaboration and more successful business result.

In the Ohrid and Struga region each third guest is Dutch or Serbian, but if every third guest is from Russia/Ukraine or from Israel/Turkey the managers would behave differently. The approach of the managers and the type of the offer and the service would depend on the dominant structure of the guests. So the adjustment of the list of dishes will be priority for the managers, and the chosen offer will depend on the dominant presence of certain country, the habits and the culture of its citizens – the tourists. Others will adjust the hotel processes by system: encouragement of the employees to learn more about the culture and the historic facts for the country, as well as to learn the language of the most numerous tourists, from basic to literature level, their national kitchen, certain customs while consuming food, as well as recreational and entertainment programs adjusted to the mentality and the culture of the population of that country.

The companies and the managers compare or differ by their character, knowledge, culture and priorities which have influence to their decision-making style. Due to that many cultural differences can be seen at strategic or operational level of acting.

In the Republic of Macedonia's biggest tourist destination Ohrid in July 2015 were surveyed the guests and the managers of the biggest and modern hotel complex resorts Bellevue and Metropol. Of the total number of respondents 150 were guests from Netherlands - 39% and the others were guests from 8 European countries and other continents.

The managers in this hotel complex said that one of the most important factors for the success of the organization at the international tourism market is the knowledge and the skills of the employees. Great number of the respondents 65% links the satisfaction of the stay to the quality service and the behavior of the employees, and 24% to the natural beauties.

These data are reason for increased optimism on both sides, the users of the service on one and the hoteliers with the employees as providers of the service on the other.

The result of the research implies that the hoteliers i.e. the managers in the hotel industry should notice the meaning of the care for the human resources as key factors for building confidence and as important and necessary elements of acting in actual time.

The results of the questionnaire indicate that the hotel management team in time of extremely turbulent changes in the near and wider environment should aim their attention, time and financial investments towards the employees, for acquiring new knowledge and development of their skills, but also to promotion of the management functions, the customer service, continuous development and innovations of the product.

## CONCLUSION

To be heard the voice of the guests must become a habit among the managers and employees and they must find a way to motivate the guests to talk and comment the service. This is important because the unsaid complaint of greater number of customers doesn't mean that they are completely satisfied.

Only the clearly and directly expressed opinion of the guests in form of comments, praises or complaints can authentically define the problem in order to be made appropriate decision for further acting for improvement of the service quality. In that mission the management should actively involve the employees and together with them in the spirit of the organizational culture to build the common future. The moving force of this managing culture is recognized in the relations with the coworkers where always and over again are being adjusted the individual and the team collaboration. In the business philosophy of every country and company, especially in the tourism sector, central place takes the human factor.

The institutionalized and system communication is space where is created the so called creative equality between the personal interests of the individual and the goals of the hotel-tourism company. The good manager must know how to run the company in the space and time of his cultural environment, to accept and respect the trends and criteria of the processes of regionalization and globalization. The aspiration to adjust the cultural differences between people becomes necessity as general need of the global economy on one side, but also as a basis for creation of competitive advantage of certain country destination or company. It becomes possible by learning, understanding and accepting the diversities as the only right approach for adjustment of the organizational culture to the requirements of the modern guests and the challenges of the corporate environment.

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# IMPORTANT COMPORTANT COMPONENTS THAT AFFECT THE IMAGE OF THE COMPANY FOR ACHIEVING COMPETITIVE ADVANTAGE

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## Abstract

The building and the strengthening of the image of the company becomes one of the basic strategies of the companies because for the consumers greater values have those companies that are better positioned on the market. From here arises the key question – how to build a good image for one company? Which are the key components for building a good image?

In this paper are analyzed the important components that affect to the image of the company. For that purpose is done research with which is confirmed that the image of the company is created by the products of the services, the location, clients, atmosphere, after-sales services and promotional activities.

**Keywords:** image, company, quality, clients, atmosphere in the companies

## INTRODUCTION

The business environment in which companies operate today is very complex. It constantly puts pressure to the operating of the companies requiring from them better quality of products and services, better customer service, lower price sales, environment protection, fast and in time deliveries (Singh, Saini, and Majumdar 2015). Also the globalization puts pressure on the companies because it intensifies the competition. In these conditions in order to be successful to the market and to attract consumers it is necessary to approach to building key determinants that will lead to creation of good image and competitive advantage of the company (Barney 1991). Whether it is about the process of purchasing product in the supermarket or the process of deciding for certain type of banking, insurance or other type of service the customer appears in that process as a complex personality influenced by numerous factors. One of the key factors with exceptional influence to the customers when making a decision is the image. The image builds the customers confidence and opens wide spectrum of possibilities for easier and more effective approach to the market.

Often happens to be confused the terms image and brand of the product. But as it is known the image is a psychological construction while the brand of the product is legal-trading construction. That means that the image is defined as an identity that presents sum of the existing ways in which the company identifies itself among the consumers, the audience, the shareholders etc. The image is building and is changeable

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because it contains the perception of the audience for the company. Unlike the image, the identity is the real picture of the company. The image is the experienced quality for certain company versus the existing real quality of the company. The identity is measurable and the image is immeasurable variable. To build a good image it must be paid attention to the quality services, then the location, the clients, the atmosphere, after-sales services and promotional activities (Connelly, Crook, Combs, Ketchen, and Aguinis 2015). All these components will make the company recognizable for the targeted group. Usually the image is not only a picture or presentation of certain product, but in its creation participate also the consumers. Their feelings (related to certain product image) are result of past experiences, different beliefs, judgments and opinions. So the image includes the design of certain product or service, then the quality, the technical side, functionality etc.

So the image can be defined as "a set of beliefs, ideas and impressions of the person regarding a certain object or institution". It is a segment of the market communication and its factors are: originality, real economic propaganda, brand recognition, appropriate manifestation of the brand to the market, the role of the sales staff, service quality etc. (Gambetti, and Graffigna 2015). In these conditions in order for the company to succeed on the market and to achieve competitive advantage it is required to have a targeted group of consumers. Their behavior should be analyzed constantly to see what type of services they prefer in certain period of life, when and how they use those services and at the end how to create a loyal customer that will bring long-term satisfactory profitability. Every company should thoroughly study the reactions of the consumers of the targeted group and based on that to conduct appropriate marketing, appropriate promotion and to set appropriate sales staff and inventory and shape of the infrastructure. It is required with more detailed studies to see the consumer behavior in order to be taken activities for creation of more acceptable services that will suit our target group. Appointing trained managing staff will keep the consumers on long-term but the same staff can also attract new consumers in order to increase the profit of the company.

## 1. METHODOLOGY

In this scientific paper is underlined the importance of certain components in the building of the company's image. We should know that the creation of the image of the companies is not something that is made in short time, but it takes a lot of time and money. The image of the company is a perceptual reality on which the consumers rely when they make the choice. That's why we need to pay attention to its creation.

Subject of this research is:

- the role and the importance of creating image of the companies as important determinant for success,
- recognition of the elements that affect to the image of the store
- elaboration of all pre-conditions for successful appearance of the company on the market and achieving competitive advantage

This paper provides tips for successful creation of positive perception for certain company. Although the determinants for creation of image of one company can change from one to another market segment, still in this paper are emphasized the most important components which determine whether the company is going to be successful or not.

## 2. COMPANY IMAGE

The image of the companies is determined on basis of the entire perception that the consumers have for that company. In fact the image contains functional and emotional attributes. When determining the image of the companies it is required to take into consideration their products, the service provided to the customers, the regular customers, location, if there is parking space nearby, what is the atmosphere, what are the after-sales services and of course what type of promotional activities are applied (Gambetti, and Graffigna 2015). It is very important to take into consideration the image of the environment where is placed the company. The management is interested to create the best possible image (Conejo, and Wooliscroft 2015). This means that the companies need to affect to the perceptions of the consumers as much as possible, in order to successfully attract them in the following period. If the image of one company is not good compared to the competition, it is reasonable to be spent great amount of money in order to change that opinion of the target group.

## 3. COMPONENTS FOR CREATION OF IMAGE

As concrete suggestions for creation of image for the companies in Republic of Macedonia are the following:

- First should be paid attention to the choice of the location of the companies. The location should be good and of course visible for the consumers. The entrance should be large and recognizable i.e. easy to see
- The space and the functionality should also be satisfied
- The furniture and the interior décor must be at superb level. To be modern and design by superb designers
- The color that will prevail should be chosen according to the company activity. In order to show authority, power, boldness, seriousness, stability and strength it would be nice to be used black color
- It is required to have strong light in order to be emphasized that the company operates in informal environment, where there is frequent communication, good mood and it is exciting
- The music should be modern and that will provide consumers satisfaction
- The scent is a tactic which is very good for attracting consumers. It would be nice if the companies smell like lemon, orange, peppermint, mango, ginger or tangerine because it gives a sense of energy
- The companies should have a wide assortment in order to satisfy the tastes of larger number of consumers
- In the companies should be hired quality sales staff that knows well the consumers and will influence on them during the buying process.

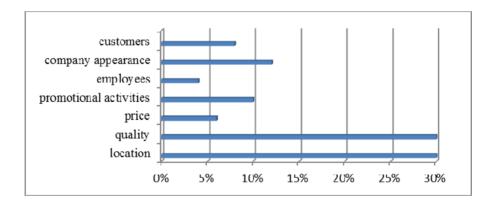
## 4. RESEARCH

This research was conducted on a random selection of respondents in companies in the entire country (Republic of Macedonia) but most of them are located in Skopje. The research was about the factors that affect the image of each company. For that purpose was made questionnaire with open and closed questions. The beginning of the questionnaire consists of basic and demographic data, while the rest of the questions refer to the influence of the factors to the image of the companies. This questionnaire was given to 500 respondents in order to be obtained relevant data from which can be drawn the right conclusions.

Regarding the question what are the main reasons why the consumers decide to buy or use the products and services of one company, were obtained the following results:

**Table 1.** Reasons why the consumers decide to buy or use the products and services of one company

	locati on	quali ty	pri ce	promotio nal activities	employ ees	compa ny appearanc e	custom ers
f	30%	30%	6%	10%	4%	12%	8%



**Figure 1.** Reasons why the consumers decide to buy or use the products and services of one company

Based on the results obtained from the respondents it can be noticed that the most common reasons why the consumers decide to buy products or use services of some company are the quality and the location of the company. The quality and the location affects to the decision for buying with 30%. According to the respondents other reasons that affect to the consumers are the company appearance with 12%, the price with 6%, promotional activities with 10%, the employees with 4% and the customers that shop there with 10%.

To the question how important is the service by the staff in the companies was obtained the following data:

Table 2 - The role of the staff in the companies

is not important	is important	is very important
16%	32%	52%

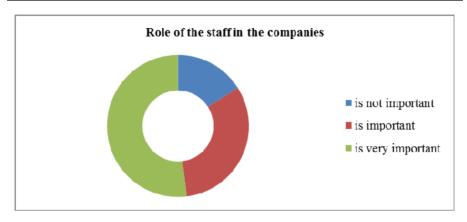


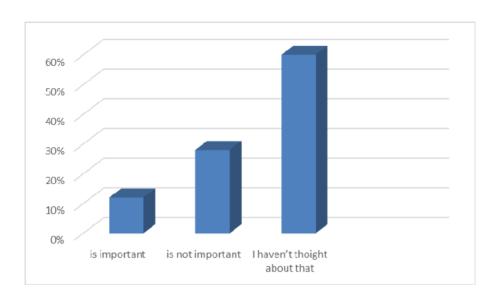
Figure 2. Role of the staff in the companies

In this chart we can see that the role of the staff is not important to 16% of the respondents, is important to 32% of them and to 52% of the respondents is very important. From this can be concluded that the service provided by the personnel in the companies is very important for the satisfaction of the consumers. Due to this fact it is required to be paid attention to it.

To the question if the color of the company interior has influence when buying certain products was obtained the following data:

**Table 3**. The importance of the color of the interior when buying products and creating a - company image

is important	is not important	I haven't thoight about	
		that	
12%	28%	60%	



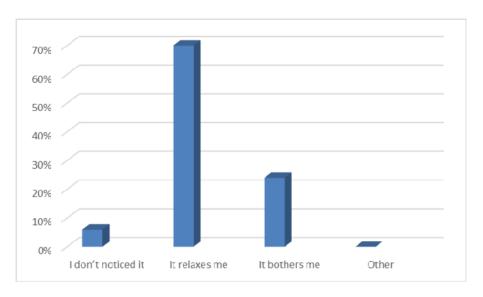
**Figure 3.** The importance of the color of the interior when buying products and creating a company image

From the chart can be noticed that the color of the store is important when purchasing for 12% of the respondents, for 28% of them is not important and 60% of the respondents answered that they didn't thought of that how the color affects to their behavior. From this can be concluded that although from the answers it seems that the color doesn't affect much to the purchasing decision, still it should be taken into consideration that it still unconsciously affect to their mood and psychological moment.

To the question whether the music in the companies stimulates the consumers to purchase was obtained the following data:

**Table 4**. The influence of the music in the companies to the consumers in the process of deciding whether to purchase or not

I don't noticed it	It relaxes me	It bothers me	Other
6%	70%	24%	0%

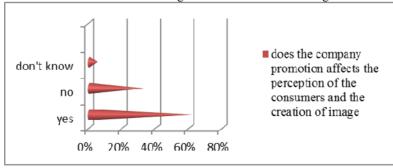


**Figure 4.** Influence of the music in the companies to the consumers in the process of deciding whether to purchase or not

According to the analysis can be concluded that the music was not noticed by 6% of the respondents, while 70% of them said that the music relaxes them and 24% said that the music bothers them. With this we can conclude that the music relaxes the consumers and that keeps them longer in the company. This is good because there is bigger chance for the consumers to decide to buy something.

In the questionnaire were presented questions regarding the influence of the lighting and the scent in the process of buying and the creation of image of the companies. After the processing of this question, it was determined that both factors have great influence on the perception of the consumers about the image of the companies and the m to buy some of the products.

To the question whether the promotion of the companies affects the perception of the consumers and the creation of image was obtained the following data:



**Figure 5.** Influence of the promotion to the perception of the consumers and the creation of image

From the chart can be noticed that 62% of the respondents consider that the promotion has major influence to stimulate them to buy and to the perception for creation of company image, 33% of them consider that the promotional activities don't influence their buying and 5% of the respondents don't know what to say.

To the question which medium is the best for promotion were obtained the following results:

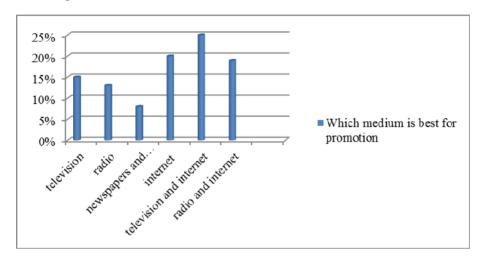


Figure 6. Which medium is best for promotion

According to the chart can be noticed that 15% of the respondents consider that the television is best for promotion, 13% believe that the radio is best for promotion, 8% consider that the newspapers and the magazines are best for promotion, 20% consider that the promotion will be most successful through internet, and most of them 25% choose the combined promotion (television and internet), and 19% choose the combined promotion (radio and intenet).

## 5. RESULTS OF THE RESEARCH

According to the results of the questionnaire can be drawn the following conclusions:

- There is interest for buying products from companies that have established positive image
- When buying a product the customers make the decision because of the quality of the products, but it is also very important the location and the appearance of the company. Also very important factors that influence the preference of the consumers for certain company are the promotional activities as well as the customers of the company. Regarding the price it is not one of the important factors because the products are branded and cannot be expected low prices

- When buying it is very important the service of the staff
- For good image of the company should be paid attention to the lighting, the music, the colors and the scent
- At the end based on the questionnaire we can conclude that it would be nice
  to be taken promotional activities and as most effective medium is
  considered the combination between the traditional and the modern media.

## CONCLUSION

Macedonian customers want to buy in companies that are well-known brands. The business environment in which operate the companies today is very complex. And in these conditions in order for one company to succeed to the market and attract the consumers it is required to approach to building positive image of the companies. We must emphasize that great part of the companies know that it is necessary and already start to pay attention to the significant components for the building of the image such as the location, the space and functionality of the company, the atmosphere in the company, the service of the staff, the quality and the assortment of the products as well as the promotional activities. If one company meets all these criteria and factors then surely in short-time will have countless loyal consumers and with that will achieve its goal. And during time it will become a brand. And that's what all companies aspire to achieve.

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#### CHALLENGES FOR THE NEW ERA MARKETING MANAGEMENT

Gordana Petrusevska<sup>2</sup>

#### Abstract

Marketing Management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Rapidly emerging forces of globalization have compelled firms to market beyond the borders of their home country making international marketing highly significant and an integral part of a firm's marketing strategy. Marketing managers are those who diagnose the company's strengths and weaknesses and prescribe strategic actions for maintaining or improving performance. They also need to specify the core marketing objectives, typically defined in terms of market segments, market shares, customer satisfaction or brand awareness measures, profitability and financial contribution, plus various product and market development. Management of the companyneed to work harder to make sure that consumers choose their products. The opportunity is in the fact that when consumers have choices, they have to make decisions. And in order to make those decisions, they need information.

Keywords: Marketing management, Strategy, Consumers, Behavior, communication.

## INTRODUCTION

## 1.MARKETING MANAGEMENT - IN GENERAL

Marketing Management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Rapidly emerging forces of globalization have compelled firms to market beyond the borders of their home country making International marketing highly significant and an integral part of a firm's marketing strategy.(D. Ford, 1997)

Marketing management through own strategy should strive for a differential advantage or competitive edge in its markets. Marketing management must specify its core marketing objectives, typically defined in terms of market segments, market shares, customer satisfaction or brand awareness measures, profitability and financial contribution, plus various product and market development. Without specification of objectives it is difficult to assess the performance of the marketing strategy or to ensure its fit within the overall corporate strategy.

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The real test of each approach, or any integrated approach, is how well it helps management diagnose the company's strengths and weaknesses and prescribe strategic actions for maintaining or improving performance.

Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. This is because the role of a marketing manager can vary significantly based on a business' size, corporate culture, and industry context.

To create an effective, cost-efficient Marketing Management Strategy (MMS), firms must possess a detailed, objective understanding of their own business and the market in which they operate.In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planninglike:

- Structure
- Marketing Strategy
- Implementation planning
- Project, process and vendor management
- Organizational management and leadership and
- Reporting, measurement, feedback and control systems

#### 1.1. Structure

Traditionally, marketing analysis are structured into three areas: Customer analysis, Company analysis, and Competitor analysis (so-called "3Cs" analysis). More recently, it has become fashionable in some marketing circles to divide these further into certain five "Cs": Customer analysis, Company analysis, Collaborator analysis, Competitor analysis, and analysis of the industry Context.( Clancy, Kevin J; Peter C, 2000)

Department analysis is to develop a schematic diagram for market segmentation, which means, breaking down the market into various constituent groups of customers, which are called customer segments or market segmentations.

Marketing managers have to work to develop detailed profiles of each segment, focusing on any number of variables that may differ among the segments: demographic, psychographic, geographic, behavioral, needs-benefit, and other factors may all be examined. Marketers also attempt to track these segments' perceptions of the various products in the market using tools such as perceptual mapping. (Marketing Management, 12th ed.. Pearson Prentice Hall. 2006. ISBN 0-13-145757-8)

In company analysis, marketers should focus on understanding the company's cost structure and cost position relative to competitors, as well as working to identify a firm's core competencies and other competitively distinct company resources. (F. E. Webster, 1995).

Marketing managers need also to work with the accounting department to analyze the profits the firm is generating from various product lines and customer accounts. The company may also conduct periodic brand audits to assess the strength of its brands and sources of brand equity.

The firm's collaborators may also be profiled, which may include various suppliers, distributors and other channel partners, joint venture partners, and others. An analysis of complementary products may also be performed if such products exist. Marketing management employs various tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five

forces, analysis of strategic groups of competitors, value chain analysis and others. Depending on the industry, the regulatory context may also be important to examine in detail.

In competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds if it is necessary to invest in research to collect the data required to perform accurate marketing analysis. As such, they often conduct market research (alternately marketing research) to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research, such as focus groups
- Quantitative marketing research, such as statistical surveys
- Experimental techniques such as test markets
- Observational techniques such as ethnographic (on-site) observation

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

## 1.2 Marketing strategy

Marketing strategy indicates the specific markets towards which activities are to be targeted and the types of competitive advantages that are to be developed and exploited. A marketing strategy aims to target customer segments of most benefit to an organization in a manner that provides a differential advantage over competitors and matches the organization's corporate goals.

If the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make their own key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.

To achieve the desired objectives, marketers typically identify one or more target customer segments which they intend to pursue. Customer segments are often selected as targets because they score highly on two dimensions:

- The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors; and
- The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitability.

A commonly cited definition of marketing is simply "meeting needs profitably."

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segment(s) than it

will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers who are not in its target segment. (Porter, 1998)

In conjunction with targeting decisions, marketing managers will identify the desired positioning they want the company, product, or brand to occupy in the target customer's mind. This positioning is often an encapsulation of a key benefit the company's product or service offers that is differentiated and superior to the benefits offered by competitive products.

The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers.

## 1.3 Implementation planning

After the firm's strategic objectives have been identified, the target market selected, and the desired positioning for the company, product or brand has been determined, marketing managers focus on how to best implement the chosen strategy. Traditionally, this has involved implementation planning across the "4Ps" of marketing: Product management, Pricing, Place, and People. Now a new P has been added making it a total of 5P's. The 5th P is Politics which affects marketing in a significant way.

Taken together, the company's implementation choices across the 4(5)Ps are often described as the marketing mix, meaning the mix of elements the business will employ to "go to market" and execute the marketing strategy. The overall goal for the marketing mix is to consistently deliver a compelling value proposition that reinforces the firm's chosen positioning, builds customer loyalty and brand equity among target customers, and achieves the firm's marketing and financial objectives.

In any case, marketing management will develop a marketing plan to specify how the company will execute the chosen strategy and achieve the business' objectives.

A marketing plan is an outline of the methods and resources required to achieve an organization's goals within a specific target market. It takes into account all the functional areas of a business unit that must be coordinated. A marketing plan includes the framework and entire set of activities to be preformed. It is the written document or blueprint for implementing and controlling an organization's marketing activities.

Using the marketing plan, marketers will define own further steps for developing a marketing strategy that will help a company to:

- Build Customer Satisfaction, Value, and Retention
- Analyze Marketing Opportunities
- Scan the Marketing Environment
- Analyze Consumer Markets and Buyer Behavior
- Analyze Business Markets and Business Buying Behavior
- Deal with the Competition
- Identify Market Segments and Select Target Markets
- Develop Market Strategies
- Develop New Market Offerings
- Shape the Market Offering
- Set the Product and Branding Strategy

- Develop Price Strategies and Programs
- Manage and Deliver Marketing Programs
- Manage Retailing, Wholesaling, and Market Logistics
- Manage Integrated Marketing Communications
- Manage Advertising, Sales Promotion, Public Relations, and Direct Marketing
- Manage the Sales Force

## 1.4. Project, process and vendor management

Once the key implementation initiatives have been identified, marketing managers work to oversee the execution of the marketing plan. Marketing executives may therefore manage any number of specific projects, such as sales force management initiatives, product development efforts, channel marketing programs and the execution of public relations and advertising campaigns. Marketers use a variety of project management techniques to ensure projects achieve their objectives while keeping to established schedules and budgets.

More broadly, marketing managers work to design and improve the effectiveness of core marketing processes, such as new product development, brand management, marketing communications, and pricing.

Marketers may employ the tools of business process reengineering to ensure these processes are properly designed, and use a variety of process management techniques to keep them operating smoothly.

Effective execution may require management of both internal resources and a variety of external vendors and service providers, such as the firm's advertising agency. Marketers may therefore coordinate with the company's Purchasing department on the procurement of these services.

## 1.5 Organizational management and leadership

Marketing management may spend a fair amount of time building or maintaining a marketing orientation for the business. Achieving a market orientation, also known as "customer focus" or the "marketing concept", requires building consensus at the senior management level and then driving customer focus down into the organization.

Cultural barriers may exist in a given business unit or functional area that the marketing manager must address in order to achieve this goal. Additionally, marketing executives often act as a "brand champion" and work to enforce corporate identity standards across the enterprise.

In larger organizations, especially those with multiple business units, top marketing managers may need to coordinate across several marketing departments and also resources from finance, research and development, engineering, operations, manufacturing, or other functional areas to implement the marketing plan. In order to effectively manage these resources, marketing executives may need to spend much of their time focused on political issues and inte-departmental negotiations.

The effectiveness of a marketing manager may therefore depend on his or her ability to make the internal "sale" of various marketing programs equally as much as the external customer's reaction to such programs.

## 1.6 Reporting, measurement, feedback and control systems

Marketing management employs a variety of metrics to measure progress against objectives. It is the responsibility of marketing managers – in the marketing department or elsewhere – to ensure that the execution of marketing programs achieves the desired objectives and does so in a cost-efficient manner.

Marketing management therefore often makes use of various organizational control systems, such as sales forecasts, sales force and reseller incentive programs, sales force management systems, and customer relationship management tools (CRM).

Recently, some software vendors have begun using the term "marketing operations management" or "marketing resource management" to describe systems that facilitate an integrated approach for controlling marketing resources. In some cases, these efforts may be linked to various supply chain management systems, such as enterprise resource planning (ERP), material requirements planning (MRP), efficient consumer response (ECR), and inventory management systems.

Measuring the return on investment (ROI) of and marketing effectiveness various marketing initiatives is a significant problem for marketing management. Various market research, accounting and financial tools are used to help estimate the ROI of marketing investments.

Brand valuation, for example, attempts to identify the percentage of a company's market value that is generated by the company's brands, and thereby estimate the financial value of specific investments in brand equity.

Another technique, integrated marketing communications (IMC), is a CRM database-driven approach that attempts to estimate the value of marketing mix executions based on the changes in customer behavior these executions generate.

To achieve the broad goal of expending desirable exchanges, an organization's marketing managers are responsible for developing and managing marketing strategies. Specifically, a marketing strategy encompasses selecting and analyzing a target market, which is a group of people whom the organization wants to reach, and creating and maintaining an appropriate marketing mix, which is the tactical, toolkit,, of product, place/distribution, price and promotion, that will satisfy those customers in the target market. Marketing management articulates a plan for the best use of the organization's resources and tactics to meet its objectives.

When marketing managers attempt to develop and manage marketing activities, they must deal with three broad sets of variables: 1. those relating to the marketing mix, 2. those inherent in the accompanying target market strategy and 3. those that make up the marketing environment. These factors are subject to less control by an organization, but they affect buyers' needs as well as marketing managers' decisions regarding marketing mix variables.

Marketing management is a process of planning, organizing, implementing, and controlling marketing activities to facilitate and expedite exchanges effectively and efficiently. Effectiveness is the degree to which an exchange helps achieve an organization's objectives and efficiency in the minimization of resources an organization must spend to achieve a specific level of desired exchanges. Thus the

overall goal of marketing management is to facilitate highly desirable exchanges and to minimize as much as possible to costs of doing so.

Organizing marketing activities refers to developing the internal structure of the marketing unit. The structure is the key to directing marketing activities. The marketing unit can be organized by function, product, region, type of customer or a combination of all four.

Proper implementation of marketing plans hinges on co-ordination of marketing activities, motivation of marketing personnel and an effective communication within the unit. Marketing managers must motivate marketing personnel, coordinate their activities both with those in other areas of the company and with the marketing efforts of personnel in external organizations, such as advertising agencies and marketing research businesses. An organization's communication system must allow the marketing manager to stay in contact with the higher level management, with managers of other functional areas within the company and with personnel involved in marketing activities both inside and outside their organization.

## 2. UNDERSTANDING MARKETING MANAGEMENT

MMarketing is the company function charged with defining customer targets and the best way to satisfy their needs and wants competitively and profitably. Since consumers and business buyers face an abundance of suppliers seeking to satisfy their every need, companies cannot survive today by simply doing a good job. (Clancy, Kevin J.; Peter C. Kriegafsd (2000). They must do an excellent job if they are to remain in the increasingly competitive global marketplace. Recent studies have demonstrated that the key to profitable company performance is knowing and satisfying target customers with competitively superior offers. This process takes place today in an increasingly global, technical and competitive environment.

Marketing has its origins in the fact that humans have needs and wants. Needs and wants create a state of discomfort in people, which is relieved through acquiring products to satisfy these needs and wants. Since many products can satisfy a given need, product choice is guided by the concepts of value, cost, and satisfaction. (Porter, 1998)

These products are obtainable in several ways: self-production, coercion, begging and exchange. Most modern societies work on the principle of exchange, which means that people specialize in producing particular products and trade them for the other things they need. They engage in transactions and relationship-building. A market is a group of people who share a similar need. Marketing encompasses those activities that represent working with markets and attempting to actualize potential exchanges.

Marketing management is the conscious effort to achieve desired exchange outcomes with target markets. The marketer's basic skill lies in influencing the level, timing, and composition of demand for a product, service, organization, place, person, idea or some form of information.

It is up to the organization to decide on which way will focus own efforts to carry out marketing goal(s).

The production concept holds that consumers will favor products that are affordable and available, and therefore management's major task is to improve production and distribution efficiency and bring down prices.

The product concept holds that consumers favor quality products that are reasonably priced, and therefore little promotional effort is required.

The selling concept holds that consumers will not buy enough of the company's products unless they are stimulated through a substantial selling and promotion effort. (Schultz, Don E.; Philip J. Kitchen (2000)

The marketing concept holds that the main task of the company is to determine the needs, wants, and preferences of a target group of customers and to deliver the desired satisfactions. Its four principles are target market, customer needs, integrated marketing, and profitability. The marketing concept places primary focus on the needs and wants of customers who comprise the target market for a particular product. Rather than coax customers into purchasing a product they may not find satisfying, the emphasis is on determining the types of markets to be satisfied, and creating the product that achieves this satisfaction objective.

Choosing target markets and identifying customer needs is no small task. A marketer must dig beyond a customer's stated needs. Once this is accomplished, a marketer can offer for sale the products that will lead to the highest satisfaction. This encourages customer retention and profit, which is best achieved when all areas/departments of a company become "customer-focused". (Ries,; Jack T., 2000)

Moving beyond the marketing concept, the societal marketing concept holds that the main task of the company is to generate customer satisfaction and long-run consumer and societal well-being as the key to satisfying organizational goals and responsibilities.

Interest in marketing management is intensifying as more organizations in the business sector, the nonprofit sector, and the global sector recognize how marketing contributes to improved performance in the marketplace. The result is that marketers are re-evaluating various marketing concepts and tools focus on relationships, databases, communications and channels of distribution, as well as marketing outside and inside the organization.

## CONCLUSION

As we move in the future, we need to be prepared for the new reality, which is that the future economies are going to look, feel and even "be" completely different. These changes are going to be very much "next generation" when compared to what we're presently seeing.

Here are steps towards this new economy:

**Digitalization.**There is going to be a dramatic shift in how business is created on the business-to-business side and on the front-end as well. The changes and shifts are going to be deep, and the investments are all going to be into the digitization and modernization of everything from business process to delivery mechanisms. What happened to the music industry and what's happening to the newspaper industry is an anomaly, it's not. It's going to happen to any industry as well.

**New Business Models.** The real industry leaders of tomorrow are going to crush the current top-tiers in their sector not by replicating what was done before, but by creating an entirely new business model. Let's consider what Google did with pay-

per-click advertising in relation to the traditional advertising industry Profits in the future will be made by selling and promoting brands in a way in which we have never seen before.

**Digital Nomads**. This could well be the biggest and hardest shift that we're going to see. The entire workforce is going to change completely. As more and more people are connected always and anywhere (the Internet will be as pervasive as electricity), it's going to change the perception of what a work week looks like, how teams are formed and collaborate, and the physical structure by which architects will build corporate offices. The new economy is going to obliterate the cubicle culture. We're also not going to see people sitting at desks, working at terminals and looking like a factory assembly line. That is all going to pass.

**Personal Customer Care.**The "us vs. them" model that most companies currently employ for customer service departments in relation to their customers is going to disappear. Competition for almost everything is going to get much more fierce as globalization continues and other countries begin to improve in both product creation and marketing. From that, companies will finally get very customer focused. Much in the same way luxury brands offer their consumers a higher level of service and attention, so too will all companies. Brands going forward will not battle over price, they'll battle over value and relationships as they build communities around their consumers.

**Direct Contact**. One of the many reasons why T- Home Macedonia, is so fascinating to so many people is because of how it gives an individual direct access to people who they would have never had direct access to. T- Homeoffers like 3 Max, 2 Max packages, Call and Surf and others. From politicians and celebrities, to business leaders and customer service divisions of companies, this type of direct contact is just the beginning. The example of this are Kaliopi for Peugeot – Macedonia, lambe for Opel – Macedonia, Tomi for Ladna water and many others. There is no going back. In the new economy, the companies who allow, enable and empower their employees to have direct contact with the consumers are going to be the ones with the most brand evangelists and the biggest communities.

Analytics Driven Initiatives. The technology and infrastructure will be in place to actually understand and use the current sea of data that most companies are simply housing right now. The shift from housing to harvesting is going to make companies extremely smart, quick and agile. Through analytics and better decision making, they will be able to not only serve their current consumers, but better understand the types of products and services they are looking for based on current usage.

These steps will have a tremendous side-effect on everything we think we understand about Marketing, Communications, Advertising and Public Relations.

Many companies today are simply trying to see what their business might look at the end of the next quarter. The bigger challenge is in imagining the business in five years from today i.e, which is the next boom coming too.

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#### THE NEW MARKETING MYOPIA

Savica Dimitrieska<sup>3</sup>

## Abstract

Nowadays, companies are faced with negative phenomenon "marketing myopia" that as a term, for the first time it was used by Emeritus Dr. Levitt in 1960. Namely, marketing myopia, in its original, means that companies pay greater attention to the products (now consumers) than the external environment, consumers, competition and other interested stakeholders. In a business environment however, there are many groups that have a claim or "stake" in some respect to an organization's products and services. In addition to the shareholders and investors, the organization's stakeholders also include the employees, customers, suppliers, government agencies, communities and other special groups that have a claim in some form of the organization's merchandise, operations, markets, or other areas of interest. This group is known as the primary stakeholders. The secondary stakeholders are the special interest groups and the media that also help influence the operation of a company without direct economic exchange. In this context, primary and secondary stakeholders are in a position to help define an organization's product policies.

Today marketing myopia appears as companies pay too much attention to customer's needs rather than its social responsibility to the community and the environment. Consumers are still important to the companies, but beyond them they need to e concerned about society at large.

**Keywords**: stakeholders, primary stakeholders, secondary stakeholders, marketing myopia, external environment, competition

# EVOLUTION OF MARKETING CONCEPTS AND OCCURRENCE OF MARKETING MYOPIA

"Make your stakeholders rich with knowledge and they will make you rich in knowledge."

Gavin B Davies

The concept of marketing has evolved over time. It is believed that marketing went through the **following concepts**: the concept of production, product concept, sales, marketing concept and the concept of social marketing. Each of these concepts has its

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own characteristics, advantages and disadvantages. But, it seems that what Levitt said in 1960-es on marketing myopia is valid for each concept separately. Namely, marketing myopia occurs when one concept finishes and a new one begins.

The concept of production means that companies reduce costs through mass production. They believe in "economies of scale", i.e. mass production with reduced costs and maximum profits. This production oriented concept was very positive at first, because consumers could choose of many products available at affordable prices and companies could make high profits through smooth sales. This was so until the moment when the market was saturated and consumer needs started to change. A production orientated concept avoided production efficiency processes which affect product design and quality. Compromising product design and quality for the sake of production is likely to reduce the product's appeal to customers.

In order to meet the changed customers' needs, production concept shifts to a so-called **concept of a product**. Now companies focus on innovations, technologies and strive to offer better and more sophisticated products. Consumers satisfy their needs with products of higher quality and better performance. A product orientated company believes that its product's high quality and functional features make it a superior product. Such a company believes that if they have a superior product customers will automatically like it as well. The problem with this approach is that superiority alone does not sell products; superior products will not sell unless they satisfy consumer wants and needs. During this concept, for the first time in 1960-es, a new notion was mentioned: "Marketing myopia". Marketing myopia means that companies increasingly focus on products rather than consumer needs. At one point of a time, manufacturers, by mass production, produced products that are not required by the market.

Products surpluses couldn't be sold on the market. Hence, necessarily follows the concept of sales when companies run an aggressive sales and intensive promotions in order to get rid of excess products. Consumers have a broad choice of products, but marketing myopia reappears again. Now companies are too focused on sales, not the needs of consumers. This type of orientation involves the organisation making what they think the customer needs or likes without relevant research.

The next concept is the **concept of marketing** that is present and valid today. Companies are concerned about satisfying the needs of consumers. A market orientated company puts the customer at the "heart" of the business; all activities in the organisation are based around the customer. They use various marketing methods and techniques (qualitative and quantitative analysis), integrated marketing approaches to research the needs and desires of consumers. At this stage, priority is given to consumers. Consumers are on a pedestal. The customer is truly king! During this phase, a new science of consumers is developed—Consumer behavior. A market orientated organisation endeavours to understand customer needs and wants, then implements marketing strategy based on their market research; from product development through to product sales. Once sales have begun further research will be conducted to find out what consumers think about the product and whether product improvements are required. As markets continuously change, market research and product development is an ongoing process for a market orientation company.

Today companies are faced with a **new marketing myopia**. What is happening today is the completion of the marketing concept and appearance of a new **concept of social marketing**. For companies, consumer is still important, but they take into

account other stakeholders as well. A stakeholder is any person, organization, social group, or society at large that has a stake in the business

(http://www.businessdictionary.com/definition/stakeholder.html).

Stakeholders can affect a business, be affected by a business and be both affected by a business and affect a business. Beyond consumers, companies seek the opinion of competition, community, distributors, environmentalists, experts, activists, NGOs, government or anyone who can influence the design of the products. A company's stakeholder orientation represents how much a company attends to the interests of all its relevant stakeholders, and thus it attempts to address such interests. Stakeholder orientation has four components that are relevant to most markets and industries: customer orientation, competitor orientation, employee orientation and shareholder orientation.

## DEFINITION OF MARKETING MYOPIA

How marketing myopia is defined? "A short-sighted and inward looking approach to marketing that focuses on the needs of the company instead of defining the company and its products in terms of the customers' needs and wants" (Levitt, 1960). Marketing myopia can be described as a firm's shortsightedness or narrowness when it is attempting to define its business. Marketing myopia is analogous to a "product orientation" (in the time of concepts of production, product and sales), whereby the firm defines itself as a "product-producer". Other alternative is a "customer orientation" or "marketing concept" (in the time of marketing concept), whereby the firm defines itself as a satisfier of customer wants and needs; that is, the "customer orientation" helps the firm to anticipate and adapt to changes in customer demand. Now, marketing myopia appears because companies focus too much on consumers, rather than other stakeholders who have impact on business's performance. Marketing myopia is dangerous for the strategic vision and successful business of the companies.

The term "marketing myopia" originally was proposed by Harvard Business School emeritus professor of marketing, **Theodore C. Levitt**, who stated that "marketers should look towards the market and modify the company and products accordingly rather than looking towards the company itself". At the time he wrote, in early 1960-es, the concept of product was valid, meaning that companies focused too much on themselves rather than to consumers and their needs. He pointed out that the needs, demands, requirements of consumers should receive the top priority. Marketing myopia can be avoided only by focusing on consumers.

According to Levitt, businesses fail due to illusion that they are in so-called "growth industry". In every case the reason growth is threatened, slowed or stopped is not because the market is saturated. It is because there has been a failure of management. Management is shortsighted and it is preoccupied with itself and growth of the company, losing the reality, losing a sight of what customers really want. There is no such a thing as a growth industry. There are only companies organized and operated to create and capitalize on growth opportunities. There are four conditions of self-deceiving cycle (Levitt,1960):

- The belief that growth is assured by an expanding and more affluent population.
- The belief that there is no competitive substitute for the industry's major product.

- Too much faith in mass production and in the advantages of rapidly declining unit costs as output rises.
- Preoccupation with a product that lends itself to carefully controlled scientific experimentation, improvement, and manufacturing cost reduction.

Levitt illustrated the mistakes of management with an example of **American railroads.** Namely, he said: "The railroads did not stop growing because the need for passenger and freight transportation declined. That grew. The railroads are in trouble today not because the need was filled by others (cars, trucks, airplanes, even telephones), but because it was not filled by the railroads themselves. They let others take customers away from them because they assumed themselves to be in the railroad business rather than in the transportation business. The reason they defined their industry wrong was because they were railroad-oriented instead of transportation-oriented; they were product-oriented instead of customer-oriented.

However, today's managers have learned the lesson of customer orientation and they have fallen prey to a **new form of marketing myopia**. The customer orientation has also been considered as a marketing myopia. By overemphasizing the satisfaction of customer's wants and needs, marketing managers ignore the external environment and competition activities. They fail to see the broader **societal context** of business decision making that in today's business environment, can also cause serious distortions of strategic vision and the possibility of business failure.

Nowadays, managers are facing with the new marketing myopia that stems from the following three related phenomena (Smith, Drumright and Gentile, 2009):

- 1) Single-minded focus on the customers and exclusion of other stakeholders,
- 2) Too narrow definition of the customers and their needs,
- A failure to recognize the changed societal context of business that addresses multiple stakeholders.

## THE NEW MARKETING MYOPIA

According to the new marketing myopia, "consumption orientation" means focusing on consumers only, understanding them as commercial entities that seek to meet only their material, short-term needs and desires. The consumer is not viewed as a citizen, parent, employee, member of the community with long-term needs. Consumption should be considered as a more sophisticated process that involves **lots of groups of stakeholders** interested in the social and environmental impacts on the company. These groups can profoundly change businesses and their process of decision making. Marketers, in order to be successful, must understand the company's position in society and shift from a narrow focus on consumers to a "**stakeholder orientation**". Only in this way, companies can be successful in today's extremely complex and unpredictable business environment. Cooperation with stakeholders, such as activists, scientists, experts, athletes, politicians, members of the local community can provide many benefits and innovations.

There are **many examples** of new marketing myopia. Thus, one example being food producers and fast food restaurants that exclusively focuses on satisfying short-term appetites of young consumers. They do not take into account the long-term well-being of young consumers, their health and nutrition. They are "deaf "to the calls of

stakeholders who are concerned about health and nutrition of children, such as parents, nutritionists, doctors, athletes.

Likewise, in the automotive industry, car manufacturers and retailers constantly ignore admonitions from scientists, environmentalists, politicians, activists, journalists that loudly point out problems of air pollution, oil usage and the need of developing alternative energy sources. They solely focus on production and sales of large gasguzzling cars, trucks, SUVs that have become a symbol of blatant disregard for energy consumption. On one side, there are high attractive profit margins for large vehicles, and on the other is the pressure of the government and community to produce green cars and trucks. The value cannot be created in isolation of **multiple stakeholders**. The impact of a broader environment to marketing activities of the company cannot be neglected. Multiple stakeholders refer to primary stakeholders (customers, employees, suppliers, shareholders, communities) and secondary (media, government, competitors, certain NGOs). Some companies are very successful at recognizing the changing environment and reinventing themselves accordingly.

**IBM's** management recognized that its traditional position in computer manufacturing, although it was a growth market, would be threatened by low cost Far East manufacturing and repositioned itself as a business and technology consulting company.

**Johnson and Johnson** changed their mission and vision according to the new concept of societal marketing. This company states the following:

(http://www.pria.com.au/sitebuilder/state/knowledge/files/1930/nigeldebussy.pdf):

- "Our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services.
- Our suppliers and distributors must have an opportunity to make a fair profit.
- We are responsible to our employees, the men and women who work with us throughout the world.
- We are responsible to the communities in which we live and work and to the world community as well.
- Our final responsibility is to our stockholders."

Furthermore, the aim of the company is creating value (social as well as economic) for all the stakeholders-not just shareholders alone. And the most important thing is listening and being responsive to stakeholders, i.e. engaging in true dialogue. The internal research made in the company shows that on a scale of 7 points, most attention is paid to shareholders (5.45%), then the customers (5, 42%), employees (5.26%), suppliers (5.04%) and community (by 4.44%).

In this direction, AMA slightly changed the definition of marketing in 2013. The current AMA definition

(https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx), refers to marketing as "an activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large." This definition treats marketing's stakeholders as beneficiaries of marketing and they have central role in value creation. This definition is a call for more effective and socially responsible marketing practice. Each company has stakeholders who are affected by or can affect what a company does.

#### DEALING WITH MARKETING MYOPIA

How can marketers avoid a new marketing myopia? At first, it has to be understood that marketing is a practice that proactively involves multiple stakeholders beyond the customer in creating value for the company and for society. This does not mean that customers are unimportant-they still have a priority- but is to recognize that there are other stakeholders who also require marketing's attention. According to a group of marketing experts (Bhattacharya and Korschun, 2008), there are five propositions for avoiding a new marketing myopia:

## 1. Mapping company's stakeholders

The starting point for marketers is to map the company's stakeholders. Marketers should be aware of all the company's primary stakeholders (customers, employees, suppliers, shareholders, communities) and its secondary stakeholders (media, government, competitors, certain NGOs) and interactions between them. Stakeholder mapping is a very difficult task for marketers as they need to identify the salient stakeholders and their interconnections. Good example of stakeholders mapping is Global Advisory Council established in 2003 by Kraft Food Inc. -that is an interdisciplinary group of experts on behavior, nutrition, health and communication who were assembled to guide the company to align its products and marketing practices with societal needs.

## 2. Determining stakeholder salience

The second step is to determine who of stakeholders really counts for the company. It is believed that three features count of stakeholders: stakeholder's power, stakeholder's legitimacy and stakeholder's urgency. Stakeholder power is the power and the will that stakeholder can impose in the relationship with the company. Legitimacy is an assumption that actions of the stakeholders are desirable, proper and appropriate within socially constructed system of norms, values, beliefs and definitions. Urgency is a degree to which stakeholders claims call for immediate attention.

## 3. Research stakeholders issues and expectations and measure impact

After mapping and prioritizing the salient stakeholders, companies must identify their expectations and issues of concern. For this task, a full array of marketing research techniques can be applied, including qualitative and quantitative analysis, collecting primary and secondary data. Marketing research is a key component for integrating social, economic and environmental impacts into product design. Successful brands of the future will be those that both satisfy the functional needs of consumers and address environmental and social factors. Most large companies report on their social and environmental performance.

## 4. Engage with stakeholders

The practice has shown that many companies give attention to stakeholders – they research their interests and expectations, they research their needs and requirements – but they don't engage directly with them. This proposition refers to intensive communication and dialogue with stakeholders. Stakeholders need to be involved in product development as consumers are.Let's consider the example of Monsanto. At first, Monsanto primary stakeholders customers, farmers, distributors) liked the genetically engineered crops. Later, secondary stakeholders showed great concerns regarding safety and health of users of those crops. The result was a crisis of public confidence initiated by activists. They put strong pressure on Monsanto's customers and distributors that were forced to withdraw their support. The biggest mistake of Monsanto was not taking into account stakeholders concerns and not bringing them into its internal policy and decision-making.

## 5. Embed a stakeholders concerns

Final proposition means that marketers should ensure that stakeholders concerns will be taken into daily decision-making and marketing practice in appropriate and relevant way. Avoiding the new marketing myopia suggests that company's decision making has to include all the interested parties or stakeholders.

## **CONCLUSION**

Marketing myopia is still present in companies today. It has a negative impact on marketers, their companies and society. It is pivotal for companies to involve multiple stakeholders in value creation and daily decision making. Different experts propose different measures for avoiding the new marketing myopia. The five propositions elaborated in this paper are: 1) to map the company's stakeholders, 2) to determine stakeholder's salience, 3) to research stakeholder's issues and expectations and measure impact, 4) engage with stakeholders and 5) embed stakeholders concerns. Marketing managers need better to comprehend the company's position in society and shift from a narrow focus on customers to stakeholders' orientation if businesses are to prosper and grow in the unpredictable business environment of the 21<sup>st</sup> century. Pioneering naturalist John Muir observed that "when you tug at a single thing in nature, you find it attached to the rest of the world." Such is the case with business, which is an intricate and interconnected web of relationships.

In Summary, Marketing myopia asks the companies to be more customer focused, to be innovate, be in control, and understand customer desires, conduct marketing research programs. Marketing strategy should be developed keeping feedback of customers and stakeholders in mind.

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## MARKETING ISSUES AND CHALLENGES IN THE 21ST CENTURY

Maja Kochoska<sup>4</sup>

#### Abstract

In the beginning of 21<sup>st</sup> century as a result of major changes in information technology the market place has radically changed. The Internet has opened new opportunities for consumers all over the world and has become a part of theirs life regardless of age. Nowadays, they obtain a lot of information about products or services which allow them to make decision more intelligent. So, they expect a higher quality, strong relationship with companies and interactive communication.

On the other hand internet enables businesses to reach a worldwide consumer population and allow them to survey, select and purchase products or services which are compatible with their specific and unique habit, attitudes, wishes and preferences. The internet is not only a place where companies and consumers communicate but it has developed into a new distribution channel for online transactions. It has become a global medium for promotion and selling of companies' products and services. The number of product which are able to be offered online gradually increase. In general, e-commerce is one of the most important factors for economy development. This challenge require a new sophisticate marketing philosophy which is going to listen and understand consumers.

The aim of this paper is to analyze consumers' attitude toward online shopping in R. Macedonia. Also, to examine the particular factors that influence online consumers.

**Key words**: internet, online shopping, marketing philosophy, consumers

## INTRODUCTION

The nineties of the last century are considered a time when overall economic and political system completely reoriented towards global market access. Namely, information and communication technologies are considered as the main driving forces of economic transformation on a world scale. Their development and penetration into all aspects of society have a major impact on economic and social change. The process of globalization, hyper competition, electronic commerce and the Internet gave a new dimension to the market. In particular, the development of the Internet and information technologies shape the twenty-first century. At the same time, the size of the market was allowed to approach the size of the population that is present on the Internet. The importance and significance of the Internet confirms thatthe number of Internet users

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worldwide is growing daily and is estimated at about 3079339857 i.e. 40% of the world population uses the Internet. The number of Internet users grew the most from 1999 to 2013. The first billion was reached in 2005, the second in 2010 and the third in 2014. Research shows that this trend will continue and by 2020 the expected number of Internet users will reach the figure of 5 billion which is equivalent to the world's population in 1987. It is particularly interesting that a large number of developing countries continued to increase the number of Internet users.

The fast pace of life and the ability to save time by buying from our comfortable homes or workplaces enabled the Internet to grow into a usual sales channel.

However, creating e-business and taking advantage of all the amenities offered by the Internet is a complex process that requires the implementation of an integrated system of values that should be compatible with the new standards of quality, flexibility and availability during 24 hours a day, 7 days a week, 365 days a year.( Radenkovic B., Despotovic M. 2012)

The number of products that can be found and purchased electronically is increasing on a daily basis. The purchase via the Internet brings benefits not only to the consumer, but also to the companies. Namely, this way of selling allows a larger number of customers who have direct access to the information placed. On the other hand, the Internet is used as a marketing tool that allows managing the customers, the offer, the information and the number of visitors over a period of time.

It is generally considered that the electronic commerce and all other activities online represent one of the factors for improving the economic situation in each country, as well as for improving the interaction of the country with the world trends. UNCTAD has introduced a new measure for determining the readiness of a country for e-commerce by setting the so called Index of electronic commerce. This index takes into account four parameters: Internet penetration, coverage of postal delivery, penetration of payment cards and safe Internet servers. The analysis covers 130 countries, and at the top of the list are Luxembourg, Norway and Finland as countries with the most developed e-commerce. Among developing economies, a leading position is held in Asia by Korea, Hong Kong and Singapore. Macedonia is on the 41<sup>st</sup>place before its neighbours Bulgaria, Greece and Serbia with the index value of 62.2. (UNCTAD 2015). The index predicts that 13.5% of the population in Macedonia buy online, but the actual situation is that only 5.4% of the population buys via the Internet. The barriers of economic, social and cognitive nature are taken as factors that hinder this.

# THE EMERGENCE AND DEVELOPMENT OF ELECTRONIC COMMERCE

Electronic commerce appeared in the middle of the 90s of the last century, and during the last decade of the 21st century it experienced its flourishing. Analyses show that sales generated via the Internet worldwide are slowly but surely approaching the sales achieved in the traditional way. However, this tendency is not observed in the Republic of Macedonia, although a slight progress can be detected lately. We highlight the following as reasons for this situation: the low Internet penetration, insufficient use of payment cards, lack of a sufficient choice of Macedonian online stores, many foreign online stores prevent orders from Macedonia etc. Since 2008 onwards, the Ministry for

Information Society began identifying the problems and taking measures that encourage the development of e-commerce.

The term electronic commerce is actually a combination of two terms, including "electronic" which refers to the Internet medium through which the action is performed, i.e.the online transaction and "commerce" which refers to the transaction being implemented. Hence, the electronic commerce means performing transactions conducted via the Internet or, more specifically, electronic or online purchase of products and services. The essence of online shopping is based on the Internet as a means through which buyers and sellers interact and close the purchase contract i.e. perform the order and payment. For this purpose web-based software applications are used, which are called shopping carts, the actual payments are performed using credit and debit cards and are implemented through special portals, the so called payment processors. For security of the transaction, the website of the seller is required to use a Secure Socket Layer SSL system and a secure code on the credit card to increase safety.

Online purchase includes 4 parties, namely: seller, buyer, bank and payment processor that serves the payment portal. This works in a very simple manner. The registered consumer searches the internet store, selects the product or service he/she wants to buy, chooses the delivery and payment method, and finally clicks the button to confirmthe order. The system of the Internet merchant i.e. the seller sends information to the payment processor for the order made and the processor communicates with the banks (the bank which issued the card from which the payment is made and the bank in which the seller has an account). Once the money is transferred from the account of the buyer to the account of the seller, immediately there is delivery of the order. This type of functioning of online shopping provides greater safety of the overall transaction which represents one of the biggest concerns of the customers.

In the Republic of Macedonia,in order to carry out e-commerce, every Internet merchant must first register as a merchant in the central registry unless he/she is already registered as an offline merchant and only wants to expand the work method. In terms of space and staffing requirements for operating on the Internet, the merchant does not need physical space, it is enough for one person to be employed and does not have to possess a fiscal cash register if payment is made via the Internet. On the other hand, the consumer safety is guaranteed by establishing privacy policies, delivery and money back guarantee that is set as a condition by the banks in which the sellers open their accounts. After getting approval from the bank and purchasingthe software for the shopping cart, the Internet merchant can start.

However, despite the high rate of Internet use by households in the Republic of Macedonia, which exceeds 60% of the whole country, e-commerce has seen a relatively slow growth. According to the results of the survey, it can be concluded that one of the reasons leading to this situation is the lack of trust towards e-shopping by consumers. Of the total number of respondents to the question 'how often do you buy online', only 6% said they buy regularly, 31% answered often and 49% said rarely. There are still consumers who have never bought goods electronically.



An additional reason that causes the apparent lag of our country compared to other countries in the world is the overall political and economic situation in the country.

Banks have so far issued more than 1,500 000 payment cards, but only 10% of them are used for online purchases. From demographic aspect, according to the State Bureau of Statistics, online purchases are mostly made by males aged 24 to 35, withhigher education and employed.

However, payment is the most critical moment in online shopping andhas the biggestimpact on the development of this type of purchase. The developed countries in the world have already begun to use electronic money. In the Republic of Macedonia the payment is usually performed by credit cards or in cash on delivery of the products. The speed, reliability and cost of the delivery of the ordered products is a key element in the development of e-commerce in our country. Online retailers or online stores usually use services of specialized companies for express courier services, except those that already have offline stores and use them for transport and distribution which represents an advantage in terms of speed and reliability of the delivery and price.

### FACTORS AFFECTING CUSTOMER BEHAVIOUR ON THE E-MARKET

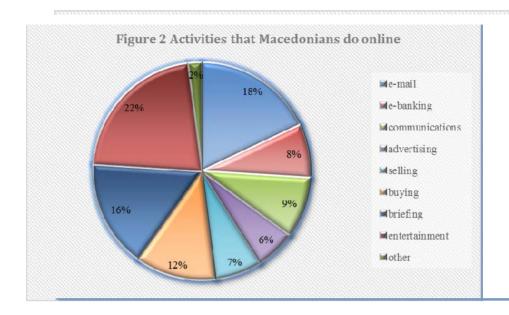
The electronic market consists of the so-called Internet users. Namely, all customers who have payment cards are actually potential online buyers. Online customers are those who buy and pay exclusively electronically. What is distinctive in the process of attracting and retaining customers in the traditional method of purchase is also distinctive for online purchase. That is why every online merchant should first target his/her target group and further retain all stimuli geared towards the same target group in order to satisfy their needs and desires. The behaviour of each e-shopper and his/her decision making concerning theonline purchase is influenced by many factors, among which we mention the following:(Laudon K. 2009)

- Availability of information on products offered by electronic means;

- The functions available on the website;
- Security during the purchase;
- The reputation of the e-shop;
- Customer support;
- Delivery services.

E-shops, constantly monitor and analyze all these factors and based on it they create an appropriate offer, perform continuous stimulation in order to buy a given product or service and establish and maintain contacts and long-term relationships. The number of customers who use the internet as the first choice to shop is still small because there is still fear of misuse of personal data and distrust that they will receive the product as ordered. The profile of the e-customer could easily be defined as the sum of qualities and characteristics that determine his/her behaviour on the Net. But every e-customer perceives the information differently and has different desires associated with satisfying the particular need. Precisely the various preferences of consumers seek their classification in individual profiles that represent a set of databases collected through various web tools. In fact, technology has developed to the point that it allows rapid collection and processing of information that help e-merchants to determine: how often a user visits a website which content is usually searched by the user, at what time of day it is usually searched, how quickly the content of the page is looked through i.e. how long the userstays on the page, which sponsored messages are most viewed, which banner he clicked on, if he has ever bought something, how much and for what value. (Kennedy A. 2000)

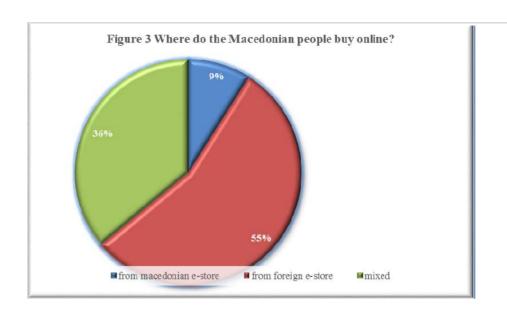
Despite the high rate of Internet use in the Republic of Macedonia, the electronic purchase covers only 12% of all the activities that Macedonians do online. According to the survey it can be noted that the Internet is mostly used for entertainment (22%) and sending e-mail. Below is the percentage data referring the activities undertaken onthe Internet.

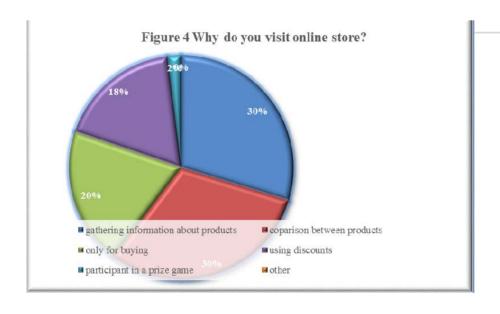


It should be noted that those who are classified as e-customers:

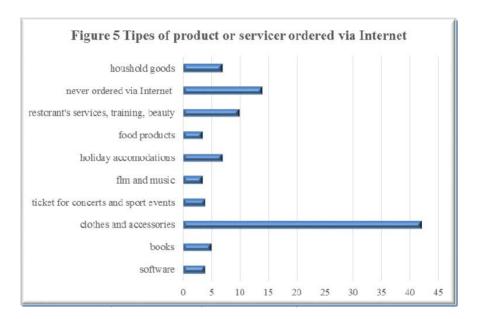
First, a larger per cent shop in foreign e-shops;

**Second**, those who shopin Macedonian e-shops do not buy veryoften i.e. do not buy whenever they enter the e-shop. In most cases they only gather information about a product or service, make comparison between products, use a one-time discount or participate once in aprize game.

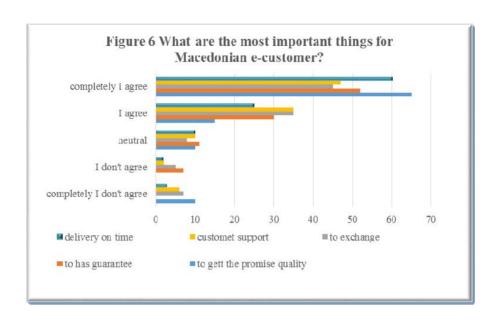




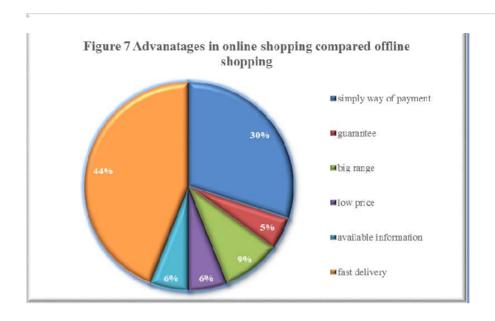
In terms of the types of products and services which are bought online, the results show that clothes and accessories are bought electronically at the most, then restaurant services, trainings, seminars, beauty products, household products, package tours, books, food and software.



When purchasing goods and services electronically, the most important thing to the Macedonian customer is getting the previously promised quality i.e. the product must have all the features given in the description. Then, it is important that the delivery of the order is on time and has a guarantee, that it can be replaced and that there is customer support.



As the biggest advantage emphasized by the buyers in online shopping, compared to the traditional way of buying, is the high degree of comfort when shopping which saves time and energy. A number of respondents felt that certain products offered online cannot be found in classical sales. In terms of the variety of assortment, the low prices and the uniqueness of the products, only a small percentage of the respondents highlighted these as advantages of this method of purchase by, i.e. they are a reason to buy online.



Additionally, the fast delivery is emphasized as advantageous, the simple method of payment and the large number of discounts that can be obtained only through this kind of purchase.

These results help us define the profile of the Macedonian e-consumer who is aged 25 to 54, with higher education and employed. On average, he/she spends more than 3 hours on the Internet mostly collecting information or using the social networks. He/she spends10 minutes on average in the e-shop and most often when there is a need for a particular product. He/she has no confidence in e-stores and is price-sensitive.

Picture No 1 The profile of the Macedonian e-consumer



#### CONCLUSION

The development of information and communication technologies each year has more impact on business and the overall method of trading. The development of the Internet especially, caused a complete upheaval in all spheres of social life providing information at any time and any place 24 hours. It is in this "Golden Age of the Internet" that the information represents the main resource in decision-making. Changes in the environment, changes in the way of communication, the rapid pace of life and everyday problems demand more choice and convenience when shopping.

The Internet, as a global medium and an indispensable part of life for individuals, has created new opportunities for companies through the development of e-commerce which offers easier interaction with customers, cost reduction and complete understanding of individual and unique desires, needs and preferences.

Macedonia is a small country with a small market, low standard of living and still with underdeveloped business climate to encourage and support the development of small and medium businesses, much less development of e-businesses. On the one hand, it is evident that electronic commerce is not at a high level, and this is due to the perception of the Macedonian consumer regarding the security of the transaction and the quality of products and services and the impact of a range of factors from economic, social and political nature. On the other hand, the small percent of consumers who shop online, make most of the orders from foreign e-shops because of the greater choice, favorable prices, higher quality and greater confidence.

Defining the profile of the e-customer helps companies determine more easily the target group and adapt the offer to their preferences. Despite all the drawbacks that consumers emphasize as a reason not toshop online, in recent years a growth rate has been noted which tends to continue in the future.

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# THE INFLUENCE OF THE SOCIAL FACTOR DURING ADAPTATION OF THE MARKETING STRATEGIES IN FRANCHISE

Daliborka Blazeska<sup>5</sup> Vera Boskovska Angela Milenkovska

#### Abstract

The franchise business is a specific due to the internationalization of its functioning. The basic characteristic of the franchise functioning in international frames is standardization of all processes consisted in the functioning and application of defined rules and procedures. But, the strict standards and procedures, which the franchise and the franchisee entail, cannot be always applied. Each territory, geographical or administrative, has its own specifications in which a business functions. The present influences lead to a need of declination from the strict rules while using the franchise. If the user of the franchise ignores these influences, it will lead to the franchise non-functioning.

The differences from economical, social, political and technological character between different territories imply different approach of franchise implementation. As part of the implementation are the marketing strategies that attribute to successful franchise functioning. As one of the most influential factors on marketing strategies is the sociological aspect.

This research shall demonstrate which social factors influence on the marketing strategies during adaptation of the marketing strategies in franchise functioning, how they influence the creation and implementation and the need of adaptation of the marketing strategies regarding the standardization which entail the main franchise and the franchisee.

**Keywords:** franchise, social aspect, marketing strategies, standardization, adaptation, implementation

### INTRODUCTION

Globalization represents a real condition in the world, but yet one has to admit that the boundaries still have a great value. To give an answer to the question why is that so, the modeled differences between the countries shall be investigated through economical, administrative-political, geographical and sociological dimensions. These conclusions shall not only identify the main difference in the certain environment, but they shall

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provide a differentiation between the countries which according the key dimensions are relatively close than those which are relatively distant.

Franchise concept, as a way of functioning, mostly represents an internationalization of a business which implies acting on the territory of very different countries which have their own specifications important for the functioning of the franchise business (Hesselink 2006). The influence of the specifications and differences of a certain country on franchise business and the rigorous standardization principles which characterize this business could be defined based on investigation of economical, administrative-political, geographical and sociological dimensions of the country.

## 1. WHAT IS A FRANCHISE?

Franchising is simply a method for expanding a business and distributing goods and services through a licensing relationship. In franchising, franchisors (a person or company that grants the license to a third party for the conducting of a business under their marks) not only specify the products and services that will be offered by the franchisees (a person or company who is granted the license to do business under the trademark and trade name by the franchisor), but also provide them with an operating system, brand and operating system, brand and support.

### 2. WHAT IS CHARACTERISTIC OF THE FRANCHISE?

Characteristic of the franchise are the following elements (Hayes 2006):

- ownership of a certain person on the trademark, an idea, a secret process, a patent or a special part from an equipment, a goodwill, skills and know-how which arise from them.
- transferring the right from one person to another to use the trademark, an idea, a secret process, a patent or a special part from an equipment, a goodwill, skills and know-how which arise from them.

The right provides and obliges the franchise recipient, instead of a direct or indirect financial help, to use the brand name of the franchise provider for a product or a service, know-how, working and technical methods, procedural systems and other rights of the production or intellectual property, through providing constant commercial and technological assistance, in the time framework determined in the written franchise agreement concluded between the parties:

- payment by the user of the given right of royalty or other fees due to using the right and eventually services which are being provided to the user of the right.
- inclusion of norms and controls in the contract for providing the right to use which are related to the business functioning in the part of the right to use.

Main characteristic of a franchising business is the brand recognition. It is due to the standardization of the complete business functioning regardless the country or territory where it unfolds.

Consumers expect to get the same services, same utility and same quality regardless of the place where they consume the goods.

This is a great challenge for both the franchise provider – franchisor and the franchise user – franchisee to apply the given standards which in fact represent the key element of the franchise.

Sociological factors which influence the adaptation of the principles for franchise functioning are grouped into the following categories:

- culture and sub-culture, which create the beliefs, values and norms of a society,
- environmental strata, which define the hierarchy and the same or similar interests which members of a certain strata share,
- referent groups, which have direct or indirect influence on the attitudes or behaviors in a society and which serve for comparison,
- leaders-guides of opinions, persons to which one addresses to for an opinion or ideas for certain area
- family, the role of the man, woman or children,
- roles and attitudes, participation into social activities, groups, clubs,
- lifestyle, psychography, activities, interests, opinion and demography.

#### 3. RESEARCH

In the conditions of globalization and internationalization it is not always possible to apply the strict franchise standards. Practice has shown that great percentage of the franchise businesses are obliged to undergo adaptations of their strategies due to successful functioning of a certain territory or country. Part of them make adaptations of development strategies, part of financial strategies, part of marketing strategies, etc. regarding the factors which have a great influence on functioning. This survey focuses on the influence of the social factors in the Republic of Macedonia, on the functioning of the franchise businesses which function on its territory. More precisely, the sociological influences on marketing strategies at franchise business are being analyzed and the adaptation degree of the standardized marketing strategies of the main franchise and the principles of the franchise provider. The survey was conducted on 30 franchise businesses which function at the territory of the Republic of Macedonia and are foreign companies which extended their business in Macedonia.

The respondents that answered the questionnaire are managers-in-charge of the companies. At the posed five questions they had the opportunity to answer with 6 proposed answers (they could choose more that one answer to each question) which define the social factors for the influence of adaptation and at the same time each factor has gradation of the degree of influence of the same. And the posed sixth question, which has four proposed answers, has a gradation of the degree of influence of the same. The questionnaire analyzes the four marketing strategies, the product strategy, price strategy, distribution strategy and promotion strategy. The general research hypothesis is: If there is an adaptation of the marketing strategies in the Republic of Macedonia based on the influence of the sociological factors, the franchise business shall have greater success in the functioning of this territory. Expected results from the survey include the following:

- if there is a need of adaptation of the marketing strategies of the franchise in the Republic of Macedonia
- what marketing strategies influence on the marketing strategies

• to what degree is the influence of the sociological factors for adaptation of the marketing strategies.

The following are separated issues that are indicative in terms of validation of the set variables derived from the general hypothesis.

## 1.Influence of the social factors on the marketing product strategy

To the question which of the proposed social factors influence the marketing product strategy, for the factor culture and sub-culture 68% answered that there is an influence of 16%, for the factor referent groups 43% answered that there is an influence of 12%, for the factor leader 5% answered that there is an influence of 4%, for the factor family 98% answered that there is an influence of 31%, for the factor roles and attitudes 55% answered that there is an influence of 9% and for the factor lifestyle 62% they answered that there is an influence of 28%.

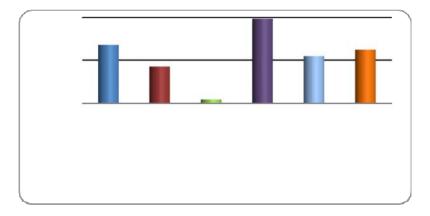


Figure 1. Answers for influence of social factors on the marketing product strategy

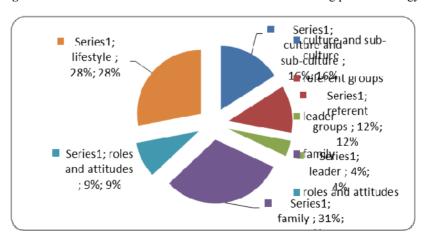


Figure 2. Influence of the sociological factors on the marketing product strategy

# 2. Influence of the social factors on the marketing price strategy

To the question which of the proposed social factors influence the marketing price strategy, for the factor culture and sub-culture 39% answered that there is an influence of 12%, for the factor referent groups 52% answered that there is an influence of 17%, for the factor leader 12% answered that there is an influence of 7%, for the factor family 92% answered that there is an influence of 24%, for the factor roles and attitudes 85% answered that there is an influence of 15% and for the factor lifestyle 88% they answered that there is an influence of 25%.

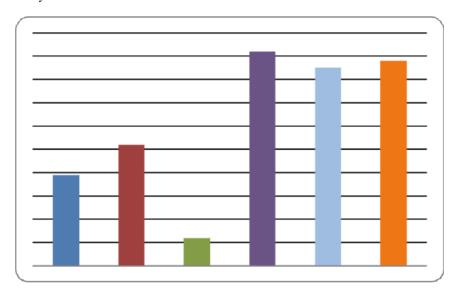


Figure 3. Answers for influence of social factors on the marketing price strategy

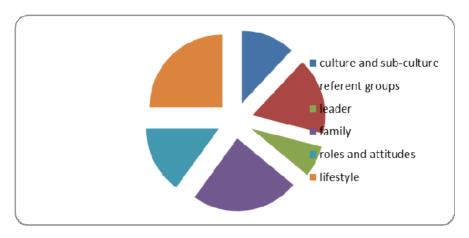


Figure 4. Influence of the sociological factors on the marketing price strategy

# 3. Influence of the social factors on the marketing distribution strategy

To the question which of the proposed social factors influence the marketing distribution strategy, for the factor culture and sub-culture 21% answered that there is an influence of 7%, for the factor referent groups 32% answered that there is an influence of 12%, for the factor leader 3% answered that there is an influence of 5%, for the factor family 35% answered that there is an influence of 18%, for the factor roles and attitudes 95% answered that there is an influence of 35% and for the factor lifestyle 81% they answered that there is an influence of 23%.

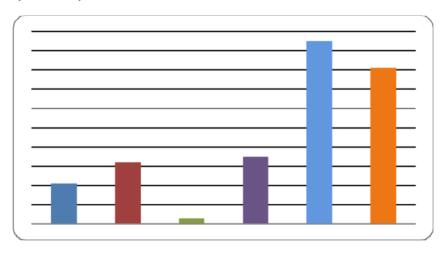


Figure 5. Answers for influence of social factors on the marketing distribution strategy

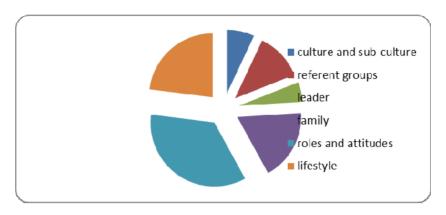


Figure 6. Influence of the sociological factors on the marketing distribution strategy

## 4. Influence of the social factors on the marketing promotion strategy

To the question which of the proposed social factors influence the marketing promotion strategy, for the factor culture and sub-culture 63% answered that there is an influence of 23%, for the factor referent groups 43% answered that there is an influence of 18%, for the factor leader 17% answered that there is an influence of 13%, for the factor family 44% answered that there is an influence of 15%, for the factor roles and attitudes 10% answered that there is an influence of 25% and for the factor lifestyle 95% they answered that there is an influence of 24%.

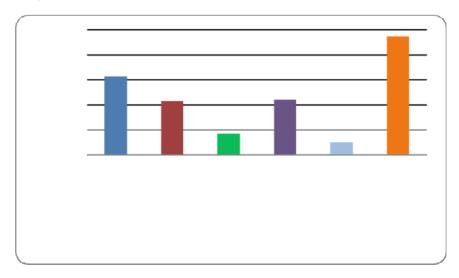


Figure 7. Answers for influence of social factors on the marketing promotion strategy

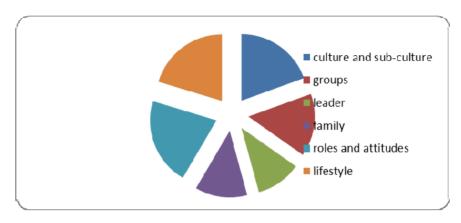


Figure 8. Influence of the sociological factors on the marketing promotion strategy

## 5. Influence of the social factors on the all four marketing strategies

To the question which of the proposed social factors influence the all four marketing strategies, for the factor culture and sub-culture 48% answered that there is an influence of 14%, for the factor referent groups 42% answered that there is an influence of 15%, for the factor leader 9% answered that there is an influence of 7%, for the factor family 67% answered that there is an influence of 22%, for the factor roles and attitudes 61% answered that there is an influence of 21% and for the factor lifestyle 81% they answered that there is an influence of 27%.

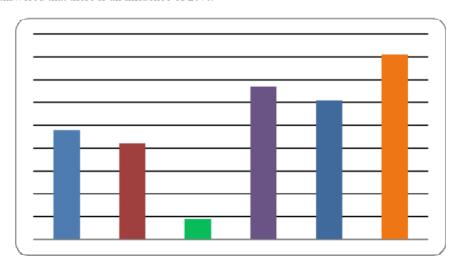


Figure 9. Answers for influence of social factors on the marketing strategies

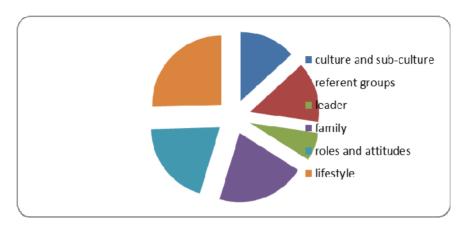


Figure 10. Influence of the sociological factors on the all marketing strategies

# 6. Relation of the influence of the social factors and other influential factors for adaptation of the marketing strategies

To what percent the social factors influence the adaptation of the marketing strategies regarding the economical, administrative-political, geographical factor, 28% answered that the sociological factor influences by 21%, the economical factor influences by 38%, the administrative-political factor influences by 13%.

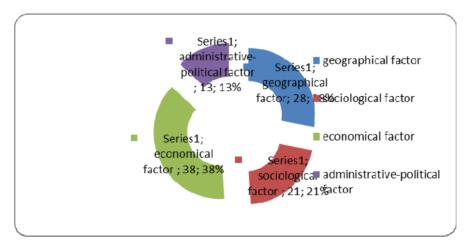


Figure 11. Answers for influence of social factors on the marketing strategies

The results obtained in this research include opposing sides in respect of the same questions, but the answers to 30 involved Franchisee indicate the same. The presented results indicate the following conclusions:

- Social factors have an influence and imply adaptation of the franchise standardized principles of functioning of the franchise in the Republic of Macedonia
- Out of all four marketing strategies the lifestyle has the greatest influence
- The smallest influence for adaptation of the marketing strategies has the leader-guide of opinion
- Regarding the other factors which influence the marketing strategies, the social factor takes the second place after the economical factor with 28% of influence.

### CONCLUSION

Franchising, as a business concept based on its standard working principles, functions into the economic sector in the Republic of Macedonia. Greatest part of the franchise businesses is located into the commerce sector or more precisely into the clothing retailing. The survey was conducted on 30 franchise businesses from this sector. Having in mind that the business is related to clothing, which in fact is an essential part of every human's life, the presence of these franchises is a necessity. Regarding the fact that economical factors have the greatest influence on the decisions that people make in relation to shopping in the Republic of Macedonia, one cannot neglect the social factors which take the second place. This is due to people's mentality in the Republic of Macedonia which is specific regarding the rest of the world. Great influence has peoples' lifestyle at the same time stressing the influence of the environment, the opinion of the friends, cooperatives, relatives, etc. In rare cases the material condition of an individual cannot be discovered according the outward appearance due to the priority it has when it comes to leaving an impression on the environment in exchange of the basic physiological needs. Clothing commerce represents part of fashion which offers an opportunity for an individual's prestige. Most often, clothing franchise businesses cooperate with brands which are top-ranked into the fashion world and support this prestige. So, one can say that consumers in the Republic of Macedonia are influenced by using the products of these franchises in order to create their lifestyle which they are being very interested in and intervene to own it and take care of it. Investigation of this paper represents this aspect of the consumption of the citizens of the Republic of Macedonia.

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# INTEGRATED MULTIGENERATIONAL MARKETING COMMUNICATIONS: A MODERN MARKET INDUSTRY CHALLENGE

Ljupka Naumovska<sup>6</sup> Sinisa Bogdan

### Abstract

When targeting more then one generation, marketing professionals need to pay stronger attention to the diversity of generations composing the targeted audience in terms of buying habits, social and cultural values in order to create effective marketing strategy.

Each generation has distinctive demographic and psychographic characteristics related to lifestyles and values that influence their buying behaviors. Multigenerational marketing is the practice of appealing to the unique needs of individuals within more than one specific generational group. Marketing professionals need to understand and profile the four professionally and socially active generations: Baby Boomers, Generation X, Generation Y, and Generation Z. Absorbing the diversity among generations, for marketers should be easier to create marketing strategies and media planning that will reach the specific target.

The purpose of this research is to upgrade the understanding of marketing science and industry concerning the undermined challenge of generation's diversities when targeting more than one generation and thus offer a proper knowledge for creating more effective integrated marketing communications strategies with tailored media mix and creative message, based on precise segmentation according unique features of each generations properly.

**Key words:** marketing, multigenerational marketing, targeting, integrated communication, media, and message.

## INTRODUCTION

Segmentation of the market is one of the key elements of the marketing strategy. The demographic segmentation variables are identification factors that determine the difference in targeted segments; an example is age-based segmentation. (Howell, 2012). Much of the research focused on identifying consumer buying compares generations as specific segmentation variables to be used in marketing(Solomon,

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2010). Nowadays, the age groups are having specific characteristics and differ among each other more then ever. Marketing professionals need to understand and profile the four professionally and socially active generations: Generation, Baby Boomers, Generation X, Generation Y, and Generation Z. Baby Boomers are people who were born between 1946 and 1964. People born between 1965 and 1980 are considered Generation X, while people born between 1981 and 2002 are considered members of Generation Y (Solomon, 2010).

Every consumer belonging to different generation can react to the same marketing stimuli differently and individual perceptions can be associated with schemas that were not anticipated by the marketers because of the undermined diversity factor in generations. An evidence for this are many mass media campaigns that are sending the same message using the same media mix for the targeted audience neglecting the age factor.

Justification for this particular topic involves broader and profound understanding of currently active generations in the role of consumers with specific habits, beliefs and perceptions and thus upgrading knowledge for creating more effective marketing strategies and more applicable media planning accordingly.

# PROBLEM STATEMENT AND JUSTIFICATION OF THE RESEARCH PROJECT/MOTIVATION

Marketing professionals need to understand and profile the four professionally and socially active generations: Generation, Baby Boomers, Generation X, Generation Y, and Generation Z. Baby Boomers are people who were born between 1946 and 1964. People born between 1965 and 1980 are considered Generation X, while people born between 1981 and 2000 are considered members of Generation Y (Solomon, 2010). Individuals born after 2000 are members of the Generation Z.

Justification for this particular research involves necessity of broader and profound understanding of:

- 1.The enormous diversity among generations currently active: Baby Boomers, Generation X, Generation Y, Generation Z with regard to the specific habits, beliefs and perceptions
- 2.Defining and profiling the youngest generation Z and children, as the most different and unstandardized target
- 3.Creating deeper understanding for tailoring the creative message and media mix for addressing specific subgroups in targeted audience.

The research should provide upgrading knowledge for creating more effective marketing strategies and more applicable media planning for multigenerational targeting accordingly.

#### RESEARCH METHODOLOGY

A literature review of available journals, books and papers will be used. Qualitative research with case analysesis conducted for different industry brands using multigenerational marketing for gaining deeper understandings and conclusion.

# 1. GENERATIONS DIVERSITY AND MARKETING COMMUNICATIONS CHALLENGES

Individuals belonging to a specific generation have similar interests, perceptions, values, habits and experiences that influence their consumer behavior and hence, determine their characteristics as consumers. The understanding of unique characteristics of different age groups ensuresmore effective marketing and brand communications strategies for marketers, because marketers can tailor the communication message and visuals according standards of perceptions and consumer behavior of the targeted age segment and thus target more precisely. (Howell, 2012)

The Baby Boomers were born during 1946-1964 during the dramatic increase of births between the end of World War II and 1964. (Williams and Page, 2010). In terms of social behavior they value individualization, self-expression and optimism. (Walker, 2003) Boomers have defined themselves by their professional careers and many are identifying themselves as workaholics. (Koco, 2006) Beside professional achievements, also, family bonds are important to Boomers. (Dietz, 2003) Health, vitality, and wellness are major goals for them. They are considered more self-centered and doubtful of authority. [Binder, 2010]

Generation X was born during 1965-1980 and reached adulthood during difficult economic times; hence, professional success for this generation has been much more unsure. They are likely to be self-employed professionals who embrace free agency over company loyalty (Cranston, 2008). In terms of social life, they grew up quickly, experiencing rising divorce rates and domestic violence, but still they value family first. They are highly educated, but pessimistic, skeptical, even sarcastic for most of things(Moore and Carpenter, 2008). The lifestyles, habits and values of Generation X include balancing family, life, and work. Unlike Baby Boomers, they do not believe in sacrificing time, energy, and private relationships for work development. They generally are free agents, not team players. (Cranston, 2008)

Generation Y was born between years 1981 – 2000. They are children of the Baby Boomers and grew up in a time of immense and fast-paced economic and global change such as rise of woman leaders, significant respect for ethnic and cultural diversity including a intensified social awareness, technological, electronic, and digital expansion, and globalization economic processes. Eight key values have been described for Gen Y: choice, customization, scrutiny, integrity, collaboration, speed, entertainment, and innovation (Donnelly, 2008).

Generation Z is the youngest generation and these individuals are in their early formative years, born after 2001. They have witnessed economic uncertainty, recession, mortgage global crisis and parallel negative streams that lead to their loss of childhood. (Bashford, 2010) In terms of characteristics, lifestyles, and attitudes, Generation Z individuals are self-controlled, aware and responsible. Their diversity of previous generations is evident, mostly due to the technological development trend that will continue in future. They are comfortable to high-tech and multimedia devices, and never lived without the Internet. (Simon, 2009) Just as Generation Y, they need to belong. They are a global and diverse generation who come from a wider mix of backgrounds with different experiences and ideas. They are ready to be on mission, and

are fond of imagining. They are least loyal to employers and brands. The basic three key characteristics of Generation Z are: instant gratification, success as given, and liberal social values. (Williams and Page, 2010)

Modern consumers belonging to Generation Y and Z, are demanding personal connections with brands that appeal to their emotions, beliefs, values, and attitudes. Also they look for products, services and brands that relate to their lifestyle and help to promote their ideal self. (Howell, 2012)

The knowledge of different generations of consumers gives marketers a deeper understanding of buying habits and will aid in forecasting future product trends that may apply to future promotional strategies (Schewe and Meredith, 2004). In addition, marketers work harder to understand and define properly the new generations in order to address to them as consumers more effectively, because achieving brand loyalty earlier in a consumer's life will create a future of loyal customers.

### 1.1 The differences among Generation X, Generation Y and Generation Z

The individuals belonging to Generation Y are more optimistic and entrepreneurial than that of Generation X, who appear to be more pessimistic and mistrustful people. One of the most evident characteristics that apply to Generation Y in the workplace is that they are the most pleased and recognized of any generation in terms of childhood accomplishments (Galagan, 2006).

In terms of sport preferences, Generation Y consumers are less inclined to watch or attend traditional sporting events like basketball, than that of Generation X. Generation Y prefers watching action sports or playing action sport video games or skateboarding (Bennett et al., 2006).

In terms of brand awareness, individuals from Generation Y are more brands conscious than previous generations and have been exposed to a wider range of media and advertising messages. For example television, movies, video games, magazines, and the Internet are more exposed to generation Y than Generation X consumers, due to the rapid technological advances established during the childhood of Generation Y (Bennett et al., 2006).

Modern consumers belonging to Generation Y and Z, are demanding personal connections with brands that appeal to their emotions, principles, standards, and feelings. Also they look for products, services and brands that relate to their lifestyle and help to promote their ideal self. (Howell, 2012)

In terms of social and cultural habits, members of Generation Y tend to be more tech- savvy, music-oriented, and fashion conscious then Generation X and Baby Boomers. The Baby Boomer generation is on the verge of retirement age and tends to incline toward brands that bring a sense of nostalgia and a reminder of their previous years.

These relationships that consumers are looking to establish with brands and products are what marketers try to capture in their planning in research for creating marketing strategies and campaigns.

# 2. INTEGRATED MULTIGENERATIONAL MARKETING COMMUNICATIONS

Marketing management in any company needs to agree on the target audience they

would like to market their products or services to. Management should be aware of the different segmentation variables; most importantly generations diversity, in order to precisely address to the selected target audience. (Howell, 2012) The sheaf challenge of the modern marketer is to target more than one generation within one integrated marketing campaign, taking into account the diversity in currently active generations having significant differences in perceptions, values, habits and consumer behavior.

The knowledge of different generations of consumers gives marketers a deeper understanding of buying habits and will aid in forecasting future product trends that may apply to future promotional strategies (Schewe and Meredith, 2004). In addition, marketers work harder to understand and define properly the new generations in order to address to them as consumers more effectively, because achieving brand loyalty earlier in a consumer's life will create a future of loyal customers.

## 2.1 Marketing to Baby Boomers

Baby Boomers are rather value, than price sensitive; hence they value quality in products and services. (Williams and Page, 2010) Boomers like options and flexibility. They focus on health and wellbeing, and are highly sensitive about aging process. In accordance, marketers should not use these seven words for Boomers: senior citizen, retiree, aging, Golden Years, Silver Years, mature, and prime time of life (Wright, 2008). They prefer weight loss products, plastic surgery, organic food, hair coloring and sports.

Family values are very important to this generation.

They are very attracted to new products and technologies that will make their lives easier, save them time and secure well-being. Baby Boomers are good customers for traveling, expensive restaurant meals, maintenance-free homes, personal trainers, motorcycles, and financial advisors. (Williams and Page, 2010)

In terms of socio – psychological parameters, personalsatisfaction and public acknowledgment are important to this generation, which is very important aspect when creating wording in PR and Marketing messaging. In creativity manner, advertisers should use positive, emotionally meaningful concepts, words, and images, e.g., tell them a story they will connect with. They are environmentally conscious and supportive of the awareness campaign for social movement and green products and services. (Williams and Page, 2010)

Given that Internet usage by Boomers is over 70%, Internet can be intensively used my marketers for as a communication channel. Additionally, it is important for marketers to get the most from their web initiatives. (Ferguson and Brohaugh, 2010)

## 2.2 Marketing to Generation X

Generation X as customers are much insecure and hesitative. Using the message for balance work, family, and personal life, marketers can gain confidence among these customers. They also value to learn, grow and progress. Also, marketers should mind their low level of loyalty toward brands and companies. (Williams and Page, 2010)

They are a major force in the market for cars, home appliances, and children's products. They are both sarcastic and sophisticated about products, services,marketing campaigns, and brands. They want products and messages personalized and tailored designed for their needs. (Rosenburg, 2008)

In terms of media mix, Generation X is complicated target to reach. They disobey traditional media even show skepticism toward advertising. Mainly, marketers should create strategic campaigns that contain lots of educational elements, interactive options by asking for their feedback and sharing information. It is effective to approach them more as a adviser rather than a seller. (Williams and Page, 2010)

Since they are not fond of standards and tradition, members of Generation X prefer an informal communication style with straightforward facts and reliability. Most applicable communication channels to communicate with them are Internet, e-mail, multi-media, word-of-mouth and social events(Kumar and Lim, 2008)

### 2.3 Marketing Generation Y

In terms of marketing communication, marketers face real challenge when trying to capture the attention of the audience – members of Generation Y. (Talay, 2015) They are unlikely to respond to marketing stimuli in comparison with Baby Boomers and Xers. Media planning is alos a challenge; Ads targeting this generation, must be placed in appropriate magazines and on appropriate Internet sites, TV and radio programs, and video games ("advergaming") (Williams and Page, 2010). A media mix of online, offline, and word-of-mouth media channels are the best choice for reaching Generation Y. (Furlow, and Knott, 2009)In terms of visuals, marketers need to use more images, graphics and videos. In terms of wording and copy writing, creative designers must use language that paints visual pictures and action verbs that challenge. They respond well on humor and are reluctant on "too serious,, advertising messages. Public relations and creating buzz, sponsorships and electronic media are important as effective marketing communications to this group. Interest in television is less than any other generation. (Williams and Page, 2010) They are more related to social media, interactive platforms and fond of fast communication: instant messaging, texting and social media platforms: Facebook and Twitter. Content is most important for Generation Y. (Spencer, 2009)

### 2.4 Marketing to Generation Z

Fashionable wardrobe, music, fashion, cosmetics, and on line games are very important products for Generation Z. Youngest individuals of Generation Z influence more than 70 percent of family spending concerning food choices, cars, home appliances and vacations. Children are able to recognize brands from the age of about 18 months; whish arouses attention concerning moral and ethical issues when creating acreative messages. (Calvet, 2008)According Calvet, younger than eight are especially vulnerable to mass media marketing messages because they lack the cognitive skills to understand the persuasive intent of television and online advertisements. Marketers should be aware that Generation Z is easy dealing and manipulating with technological devices and hence easily exposed to digital and social media. While lagging behind in comparison with many other generations, online shopping for groceries has increased dramatically over the last few years due to the buying habbits of Generation Z (Warschun 2012). Consequently, they may adjust their purchase behavior as they gain more experience with buying groceries online. (Pozzi, 2012) Therefore, Generation Z is probably the most challenging audience for marketers.

#### 3. RESEARCH

Case analyses

### 3.1 Case 1

Company: Ramstore Mall Campaign: Garage Sale 3 General company information:

Ramstore is the first shopping center in Macedonia and the region with global standards and more than 90 selected stores that satisfy the tastes, needs, and budgets of the customers.

The Ramstore Shopping Centre has more than 20.000 visitors on a daily basis, 5.000 of which are visiting the supermarket.

Campaign information:

Duration: 3 weeks (2 weeks announcement, 1 week active sales campaign)

Concept: All stores in Ramstore Mall are selling their product on discount up to 70 presents. The goods are displayed in front of the store in improvised garage boxes. The mall is branded with in, garage style,, in accordance with the creative concept.

Target:

Male and female

Age: 20-60 (Baby Boomers, Generation X, Generation Y, Generation Z)

# Media mix:

- Billboard
- TV
- Radio
- Public Relations
- Social media / Facebook
- Digital media

# 3.1.1. Creative concept and design with aspect of multigenerational marketing:

Ramstore Mall has tailored its creative message to different age groups that constitute the targeted audience of the campaign Garage Sales 3. Namely, the master poster as shown in picture number 1, was used for mall branding and Facebook ads aimed for targeting mass audience mainly Generation Y and Z. The creative design is composition of strong visuals and clear illustrations, which corresponds with needs of individuals of Generation Y and Z for visual communications.

Picture 1. The master poster of the campaign for social media communication



A version of the master poster with less visual elements and more focus of the wording –and strong accent of the slogan was the content of the billboard, targeting mass audience. The TV pop up was also wording based composition, communicating the duration of the campaign and the slogan, targeting Baby Boomers and Generation X mainly.

Picture 2. Billboard – adaptation of the master poster



### 3.1.2. Media mix planning with aspects of multigenerational marketing:

Campaign's rich is 250.000 individuals divided in 4 age segments and targeted through different media channels included in the media mix.

Table 1. Media channels divided according targeted age segments

Campaign: Garage Sales 3 / targeted audience							
	Billboards	TV	Radio	Facebook	Mall Branding + BTL	PR and creative	On line banners
Targeted generation	All	Baby Boomers, X	All	Y, Z	All	Generation X, Y, Z	Y, Z

As shown in Table 1., by using different media channels, Ramstore Mall is targeting different generations of the total audience. Billboards and Radio are the channels through which the campaign is addressing to all age segments of the audience. Social media / Facebook is mainly targeting age segment Generation Y and generation Z.TV is mainly addressing Baby Boomers and Generation X. By PR channels, the campaign is reaching Generations X, Y, Z.

Table 2. Media channels divided according targeted audience rich expressed in numbers

Campaign: Garage Sales 3 / number of targeted audience by media							
	Billboards	TV	Radio	Facebook	Mall Branding + BTL	PR and creative	On line banners
Number of targeted audience	20000	95000	10000	30000	30000	50000	15000

Table 2 and Chart 1 are representing the specific number of audience targeted via different media represented in Absolut number and percentage accordingly. As TV media is still the dominant media channel, the main audience is targeted through this channel – 95.000 viewers or 38% out of the total audience 250.000. With Public Relation, which included TV interview, press release and editorials 20% of the total targeted audience was reached or 50.000 people, mainly Generation X, Y, Z. With social media - Facebook, 12% of the audience mainly Generation Y and Z was reached which is 30.000 people. The same number is targeted with mall branding, which is form of direct marketing. The rest of the public is targeted with radio, billboards, on line banners – with reach of 4%, 8% and 6% of the public accordingly.

Chart 1. Media channels rich according specific percentage of audience.

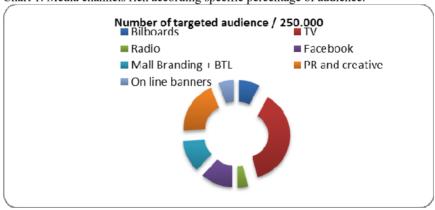


Table 3. Budget spending's per media channel

Campaign: Garage Sales 3 / budget spending's per media channel							
	Billboards	TV	Radio	Facebook	Mall Branding + BTL	PR and creative	On line banners
% of total campaign budget spending's	25%	33%	10%	3%	7%	2%	20%

The marketing campaign budget is divided on 7 media channels as shown in Table 3. TV is targeting the most of the audience -38%, therefore the highest percentage of the total marketing budget is allocated in this media. Public Relations is a tool that is spending less than 5% of the campaign budget and targeting 20% of the audience which makes this channel mostly effective. However, the channels for targeting all age groups (Radio, Billboards and Mall Branding) and the media targeting Baby Boomers and Generation X (TV) are the most expensive. The channels for targeting younger generations Z and Y through social media are less expensive and more effective. Having in mind the mass character of the campaign, and the diversity in age segments of the audience, the marketers working on the creative planning and media mix had a serious challenge creating effective marketing strategy for Garage Sales 3. However, the proper mix and the optimal adaptation in the creative message, by tailoring the ads in accordance with specifics of the age segmented public represents a model for successful and efficient multigenerational marketing strategy.

#### 3.2. Case 2

Brand: Chef Ognenovski

Brand information:

Chef Ognenovski is the brand of a persona /- a kitchen chef Vlatko Ognenovski. He has 25 years of international culinary experience working in USA, South America, Italy, Kosovo, Monte Negro and Macedonia. His wide knowledge of international kitchens and deep love of food has made him recognizable and popular. In addition, he owns a personal charisma that easily transforms him into a public persona with loyal audience. Currently, he works in Macedonia in restaurant FORZA, whose owners and their marketing agency developed a personal brand strategy with unique selling propositions on: healthy food, Macedonian national organic food, tasty, fun and domestic. The brand name is Chef Ognenovski.

Campaign: Creating a modern and healthy Macedonian kitchen.

Concept: rising awareness of the importance of healthy food for young generations and directing the attention of the audience toward organic and healthy fruit and vegetables growing in Macedonia.

Target Group: Generation Y (young parents) and Generation Z (children).

Media mix:

- 1. Facebook
- 2. Public relations.

## 3.2.1 Creative concept and design with aspect of multigenerational marketing:

In terms of creative message, one half of the target - Generation Y that is mainly targeted through Public Relations is communicated via PR – with strong focus on correct wordings and frequent usage of the slogans based on credibility and trustworthiness as the main characteristics of this tool, while Generation Z is targeting with FB campaigns using strong visuals.

Picture 3. Facebook ad for brand Chef Ognenovski – visual targeting of Generation  $\boldsymbol{Z}$ 



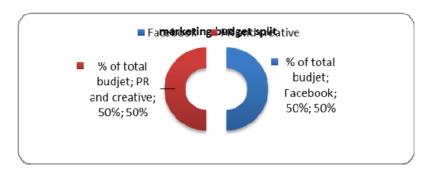
3.2.2 Media mix planning with aspects of multigenerational marketing

Table 4. Media channels and target for the campaign: Creating modern and healthy Macedonian kitchen

Campaign: Creating modern and healthy Macedonian kitchen						
Media	Facebook	PR and creative				
Targeted generation	Z	Y				

As presented in Table 4 and Chart 2, the brand used very precise model of targeting the audience. Beside the fact that 50% of the target generation Z is economically independent, still the 50% marketing effort in terms of awareness creation and communications are directed toward them using the channel social media. The other 50% are directed toward their parents using the Public Relations and a tool.

Chart 2. Marketing budget split of the campaign: Creating modern and healthy Macedonian kitchen



This campaign is simple but useful example of successful multigenerational marketing campaign equally targeting two age segments by clear tailoring of media and creative messaging I accordance with the age segment specifics.

#### CONCLUSION

Each generation has unique perception, experiences, lifestyles, values, socio – psychological and demographic characteristics that influence their consumer's behaviors. The leading factors for generation's diversity are: economic crisis, scientific progress, politics, and progress in technology. Multi-generational marketing is appealing to the unique needs of individuals within more than one specific generational group. Marketers need to respond to the trend of multi- generational marketing and branding by adjusting marketing mixes, media planning, creative graphics and wording accordingly.

The most effective marketing model for targeting multigenerational customers is redefined age based marketing strategy based on clear understandings and knowledge about Baby Boomers, Generation X, Generation Y and Generation Z and defining a marketing strategy, creative message and media mix accordingly.

As presented in the analyses cases, companies that are using the model of multigenerational marketing are splitting the audience, the media and tailoring the creative message in accordance with audience age segments.

Hence, the model of multigenerational marketing involves:

- Clear age segmentation of the targeted audience
- Understanding the specific values, habits, expectations and norms of each generation
- Creating creative message with adaptation of the key elements for each targeted age segment
- Media mix planning by aligning each age segment with the most suitable media
- Creating overall multigenerational marketing strategy, which will assure
  effective integrated marketing communication and interaction with its
  audience.

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# CORPORATE RESPONSIBILITY IN ORDER TO BUILD THE COMPANY BREND

Gordana Serafimovikj<sup>7</sup> Todor Badarovski Renata Stoilkovska

## Abstract

In the last two decades, globalization directly affects the level of competition in the markets. Corporate responsibility occupies a greater influence in customers' decision-making. Therefore organizations are becoming more aware of the need for socially responsible activities.

The aim of the paper is to prove the connection of building and maintaining the company's brand to socially responsible activities which the company undertakes. The research was conducted in companies that received three consecutive awards for social responsibility on different grounds. Based on the previous experience and throughout the research process (lat. Empeiria) all segments of social responsibility are explored in specific hypotheses.

The obtained results have proven previously set assumptions.

**Key words:** corporate responsibility, brand, competitive advantage, promotion

## INTRODUCTION

In today's modern environment, companies are under enormous pressure from increased competition imposed by globalization that are stronger affects all industries and market. Globalization is truly inescapable. This economic phenomenon is viewed as geared towards further burying the economies that are currently struggling and see no hope in "economic resurrection" (Jotia 2009)

Even though a lot of researchers criticize globalization, it will be naïve to not to make deeper survey and to make a conclusion that is has no positive effects on organizations.

In the past the companies put the focus on increasing production without taking into account the factors of the internal and external environment as maintenance and building brand image of the company, providing a positive work environment and care for the welfare of workers and taking action to improve surrounding environment and direct positive impact on the overall environment. Today these activities are based on any successful company that wants to achieve a competitive advantage and to fight for a better position in the global environment.

With the process of application of corporate liability companies receive many benefits such as: better marketing and better public representation, building a better

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image and brand, high motivated employees, increasing the competitiveness of the company and ensuring sustainable development.

Brands can build trust and loyalty among consumers and help them make their purchase decisions faster. In returns, this relation provides adequate wealth that enables corporations to develop their equipments and efficiencies. Likewise, brands create substantial social values in addition to economic values due to increased competition, improved product, process performance and also pressure on business owners to behave in socially responsible manner. Employees can be made ambassadors of organization if well motivated. There are number of factors that affect the brand of the company. These factors could be the key players of organizational success as the perception of a company's brand is very critical for its survival or failure. (Amoako, Adjaison and Osei-Bonsu 2015)

Brand-building effort has to be aligned with organizational processes that help

deliver the promises to customers through all company departments, intermediaries, suppliers, etc., as all these play an important role in the experience customers have with the brand. (Ghodeswar 2008)

## 1. CORPORATE RESPONSIBILITY

Corporate social responsibility can be defined as the responsibility of the company to influence its decisions and activities on society and the environment. This is achieved through transparent and ethical behavior that contributes to sustainable development and takes into account the expectations of stakeholders, in accordance with international norms and is integrated throughout the enterprise.

Corporate social responsibility is the base for building competitive advantage. People recognize the CSR and they want to use the products and services offered by the companies that have incorporated and implemented the CSR in their strategy. The organizations used to be interested only about bigger profit, but the times have changed. Nowadays it is very important to be socially responsible in order to emphasize the willingness to invest in something that is above the legal obligations i.e. something that is just the right thing to be done, and at the same time is a source of competitive advantage. (El-Garaihy, Mobarak and Albahussain 2014) Not only does the effective use of social responsibility conducted by corporations distinguish the corporate from its competitors, but it also helps corporations to gain a competitive advantage over its competitors. (Porter and Kramer 2006)

From the theoretical point of view, the major contribution of one of the conducted surveys was to find an answer to the 'how' question and to explain the mechanism through which an organization is able to outperform its competitors by using its CSR-related activities for development of intangible resources considered indispensable for a

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sustained competitive advantage position in today's highly competitive business environment. (Saeed and Arshad 2012)

The Corporate Social Responsibility (CSR) effects on the building of future brands in an organization. They can no longer present any ordinary product to the market but rather, they must deliver consistent brand promise to each shareholder. It has become acceptable that consumers show positive changes in their purchasing towards businesses that are demonstrating environmental responsibility as well as towards organizations that constantly build the brand. (Ayogyam, Francis, Kyire and Mohammed 2014)

A conducted study on the effects of CSR on Brand Performance came to a conclusion that buyers' perception about suppliers' corporate social responsibility (CSR) activities may be an antecedent to industrial brand equity because this perception induces buyers' positive brand awareness/ association of supplier's products, improves perceived quality about these products, builds brand loyalty and brings about brand satisfaction. (Lai, Chui, Yang and Pai 2010)

## 2. COMPETITIVE ADVANTAGE

When talking about the competitive advantage, we should think of a strategy that creates value and which is also implemented by the existing and potential competitors. The aim of every organization is to defeat the competition and to win new customers. The employees are the key to a competitive advantage. They represent a tool for the generation of innovation. Thanks to their personal creativity, their knowledge, skills and abilities it is possible to generate new innovative ideas that will help organizations to achieve a competitive advantage. (Urbancova 2013)

In the past we needed to do market analysis, analysis on the consumers and their requirements and needs, as well as analysis on their own capabilities and resources in order to find a strategy so that there are no side effects, i.e. to enter a particular market with losses and not with the opportunity to create a competitive advantage. Today's competitive business environment is different and more complex that it was in the past. Each company should find a specific method to survive, succeed and sustain on the market.

Rapidly evolving environments due to the globalized markets and the rapid technology change make it difficult to the companies create the best strategy to complete on the global market. This is the reason why the strategy of the company should be constantly adapting to the changes in the environmental conditions. (Rodriguez, Gomez and Ramirez 2015)

The company should find a way for survival and compatibility with the surrounding environment full of challenges and yet gaining a good position in the competitive environment; an important objective whose achievement possible only sustainable competitive advantage. (Hakkan and Ghodsi 2015)

## 3. RESEARCH

The core of this paper i.e. the problem upon which the researched is based is the insufficient information that the companies have about the impact of corporate responsibility in terms of building and maintaining the company's brand. The general hypothesis on which this study was set is:

If the company approaches to socially responsible activities and at the same time has implemented them in its strategy **then** it will be successfully branded in the environment as a socially responsible organization.

This general hypothesis is generated into four specific hypotheses that deal with:

- 1. Socially responsible activities in the sphere of human resources
- 2. Socially responsible activities in the market
- 3. Socially responsible activities in the community and
- 4. Socially responsible activities in the public.

In order to prove or deny the hypotheses, a research was set up and conducted in the three award-winning companies in the last three years. As a measuring instrument a close type questionnaire was used with 43 questions and a measuring scale where three possible answers were offered: 1) No; 2) Partially; 3) Yes.

This research is expected to get answers to the following variables:

- Implementation of policies on human rights;
- Concern for the safety of employees in the performance of their official duties;
- •Allowing employees to freedom of association and collective bargaining;
- Implementing development programs aimed at developing employees' potential;
- Care for the quality and safety of their products and services;
- Care for the correctness and acceptance of the activities for the promotion of products and services;
  - Care for the correctness of the prices of products and services;
- Investing financial donations and developing various programs and activities in order to develop the community;
  - Organize volunteer actions and activities for community development;
  - Regularly inform employees about organizational activities and policies;
- Informing the public and the interested parties about the corporate actions and policies of the company.

## 3.1 Analysis of the obtained results

The closed type questionnaire was completed by 138 employees from the targeted companies. Respondents were selected proportionally from all levels. The obtained results that are considered to be representative in terms of proving hypotheses are presented below.

The obtained results of the following two questions were the same: *The Company adhering to the basic human right* and *In the company there is a body or person responsible for safety at work;* 18 respondents (13%) answered NO, 54 respondents (39%) answered PARTIALLY and 66 respondents (48%) answered YES. The results of these questions are shown on the Figure 1.

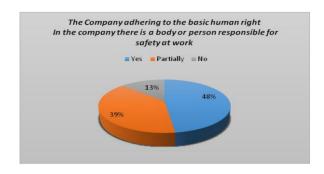


Figure 1: Adhering the basic human rights

The respondents replied in the following percentage on the question: *The Company allows employees to freedom of association and collective bargaining*; No- answered 42 respondents i.e. 30%, 18 (13%) respondents replied partially and 57% or 78 respondents said yes. The results of these questions are shown on the Figure 2.



Figure 2: Freedom of association and collective bargaining

The answers to the question *The Company's aim is to develop employees' potentials* are the following: Nobody answered no i.e. 0%, 24 (17%) respondents replied partially and 83% or 114 respondents said yes. The results of these questions are shown on the Figure 3.

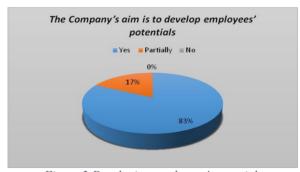


Figure 3:Developing employees' potentials

These three questions are selected from a set of questions that determine the situation in terms of socially responsible activities of companies to human resources. The responses indicate that these companies are paying great attention to the development of staff, safety at work, respect for human rights and other workers. As exception occurs only the freedom of association of employees in organizations and collective bargaining. Additional analysis (documentation) found that in these companies there is no trade union or any other association of employees (see histogram number 2). This is one of the weaker sides in social responsibility activities even in the most prominent companies in the country on social responsibility. Alliances present in these companies are complementary with the efforts the companies make.

The respondents replied in the following percentage on the question: *The company takes into account the ethics of advertising and promotions*, all respondents answered as follows: NO answered 6 respondents that represents 4%; Partially answered 18 i.e. 13% of the participants, and Yes answered 114 respondents which represents 83%. The results are graphically displayed on the Figure 4.

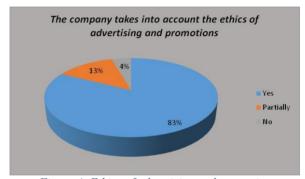


Figure 4: Ethics of advertising and promotion

The respondents replied in the following percentage on the question: *Company sets fair and realistic prices for the offered products and services*, all respondents answered as follows: None of the respondents answered NO that represents 0%; Partially replied 48 respondents that presents 35%, and YES answered 90 respondents i.e. 65%. The results are graphically displayed on the Figure 5.



Figure 5: Fair prices for products and services

These two issues are part of a set of questions used in the questionnaire to establish the social responsibility of companies to the market. It can be noticed (see Figure 4 and 5) that companies that largely take ethical actions towards their clients, do not use manipulative tactics in order to seduce and falsely represent itself and in terms of pricing policy endeavor to work maximum correctly.

The respondents replied in the following percentage on the question: *The company according to its strategy allocates financial donations for community development*, all respondents answered as follows: NO answered 6 respondents i.e. 4%, Partially replied 30 respondents i.e. 22% and YES said 102 respondents i.e. 74%. Results are graphically displayed on the Figure 6.

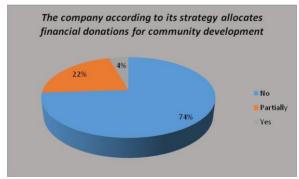


Figure 6: Allocating the financial donations

This question was asked along with other related questions that confirm the seriousness of the companies in terms of socially responsible activities to the community. Namely, companies have implemented in their strategies planned activities, covered by appropriate means separated exclusively for that purpose. Other artifacts gave further arguments in favor of this variable (analysis of documentation).

The answers to the question: *The Company regularly informs employees about its future activities* were the following: NO answered 6 respondents i.e. 4%, Partially replied 30 respondents i.e. 22% and YES said 102 respondents i.e. 74%. Results are graphically displayed on the Figure 7.

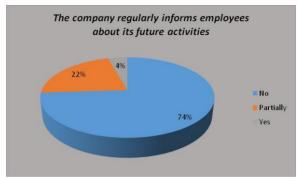


Figure 7: Informing the employees regularly

Informing the external and internal public is satisfactory. These companies have a system for regular information. Mostly it is done electronically. For this purpose we have developed electronic systems with separate portals for employees and specific portals for external public

The answers to the following question: *The company has received international awards for social responsibility* were the following: NO answered 6 respondents i.e. 4%, Partially replied 18 respondents i.e. 13% and YES said 114 respondents i.e. 83%. Results are graphically displayed on the Figure 8.

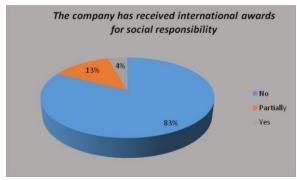


Figure 8: International awards

The surveyed companies for their socially responsible activity and widespread impact on the awareness of socially responsible action in the environment are winners of many international awards (which was the criterion for targeting in the survey). Among these awards is the prize Super brand of the year that is obtained by ranking the company's brand nationwide.

By verifying the individual hypotheses the claim in the general hypothesis is verified, at it was about the relation of socially responsible activities of the company with its brand development.

## CONCLUSION

From the data obtained and summarized results it is concluded that corporate responsibility plays an important role in building the image, the image of the company and its brand.

The results clearly indicate that human rights are generally respected, with the exception of trade union associations that tacitly are not permitted in private sector in Macedonia.

In all these organizations there is planned improvement of employees. Each of the surveyed organizations has provided funding for staff development. Trainings and conferences for which there is an appropriate program are realized and implemented

In terms of social responsibility towards the market, it was found that ethical behavior and fairness in pricing policy lead to strengthening the image of the organization as fair and desirable for cooperation.

The investments in the community is a segment of socially responsible behavior of companies that often is planned in the strategy of the companies because it is easy and provides noticeable results in terms of building the brand of the organization.

Transparent information in and out of companies is an important segment of socially responsible behavior of companies. Companies that are awarded for social responsibility and for a national brand respect and come to meet the needs of employees and customers in order to regularly inform them about the company which on the other hand contributes to building trust in the organization.

Taking this all into consideration we can conclude that corporate responsibility directly affects building the company's brand. Also corporate responsibility directly affects the progress of the company and its competitiveness by improving the working environment in the company, increases staff motivation and increases competitiveness.

By practicing corporate responsibility it can clearly be seen that companies are gaining significant strategic advantage over other rivals. Corporate responsibility beside the fact that positively affects the companies it positively affects its environment that helps in building the image and the company's brand.

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# THE INFLUENCE OF THE WINE FOR BUILDING A BRAND OF THE TIKVES REGION

Ljupka Naumovska<sup>9</sup> Meri Nickova<sup>9a</sup>

#### Abstract

The purpose of this paper is to present the need of the development of the wine tourism, as an alternative form of tourism throughout the whole Tikves Region.

Analyzes are focused on the effective strategies that can develop the wine tourism. In this paper is described the influence of the European Union through the regional

program for development of the rural tourism for increasing of the production of wine and for the consumer education.

This kind of tourism can be significant and essential for the big wineries, especially for those who are manufacturing wine as a primary activity. Also for the small wineries which are manufacturing wine as a secondary activity, have important potential role thorough the channels of sales and promotional channels to give consumer education. This paper emphasize the meaning of economic factors, marketing, the sales mix for the wineries and the wine working process that are very important for the development of the wine tourism. The research instruments that are used in this paper are TOWS, analyses.

The results of this paper intent to propose the appropriated strategy for building a brand from the Tikves Region, which will attract a great number of wine tourists.

Key words: Tikves Region, wine, brand, wine tourism, wine tourist

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#### Introduction

According to the author in the last fifteen years, the world tourism, give an interests of the consumers included the wine segment which has proved highly successful. In the broad range of the social and natural heritage of Macedonia that form the basis for the development of the tourism, a special place in the formation of the tourism product takes viticulture and winemaking, through the centuries, especially the wine in the place revolved around. Wine have I big influence of the economic and cultural development of individual places in Macedonia, such as: Kavadarci, Negotino, Demir Kapija. Until today's the wine preserved their centuries-old prestige, its quality and reputation and make this region recognized worldwide. Because of this fact in the tourism offer in Macedonia can be found widely renowned, authentic wines that will restore the former splendor of the wine from this area and will make a long tradition of viticulture in the 21st century. According to the author the opening of the "wine road" or the "wine trails" are effective form of stimulus in which producers are in a position of producing and selling wine to be able to live decently. The "Wine Roads of Macedonia" significantly contribute for improving the quality of the wine and have favorable impact on the standard of the producers because they are also involved in this action, thus contribute for building a brand from the Tikves region.

#### THE EUROPEAN UNION AND THE WINE TOURISM

The tourism is an area of great economic importance for the European Union (EU). Tourism is responsible for 5.5% of the total household income for a year, about 5% of the profits earned by exports and over 6% of all deals. Although the European Parliament was rather slow in establishing the policy of tourism in relation to other economic, social work and care for the environment, the extent of participation of the European Union in tourism is very important, the tourism has become an important part of the planning and of the policy of the European Union for various reasons:

- -Tourism is now recognized as an important economic activity;
- -The international character of some tourist issues led to the necessity of the development of the European policy system;
- -The cultural impact of the tourism has raised the interest of preserving cultural identity while at the same time attempts to promote the idea of Europe;

There are many projects of the European Union that are made to help to the wine regions and wine tourism directly improved the tourism and the development of the viticulture. For example, many Portuguese entrepreneurs in the wine tourism are supported by the European Fund in an effort to improve the infrastructure and competition in tourism in Portugal, which is an important sector of its economy. An example of a project of cooperation and wine tourism which is supported by the European Regional Development Fund of the EU (ERDF-European Regional Development Fund) is WINTRANET, and is applied in certain regions of Greece, Italy, Portugal and Germany. The project aims to preserve the tradition of wine production as an important part of European culture. According to ERDF "wine production is an important economic activity that gives unique identity of the regions in which the prevailing identity shared areas dealing with the cultivation of wine across Europe. The only wine culture can be used to strengthen regional and European identity, to develop cultural tourism and educational purposes. "Application of the project covers the following activities:

- Setting up the network, including the organization of a data bank;

- Selection and renovation of traditional wineries for the spotlight to be put on a "living museum" of winemaking;
- The establishment of a European festival tradition of wine production, which would be hosted in all Member States during the grape harvest and not free of cultural exchange events between groups and regions;
- Introduction of different events, eg. seminars for wine tasting and evaluation, through exhibitions, wine tours throughout the year in every area related to interpretation and evaluation of the tradition of wine production, with a view to stimulating entertainment and cultural tourism in each area.

## THE EUROPEAN STRATEGY FOR RURAL DEVELOPMENT

Economic restructuring has gotten many Western European wine regions and many of these regions have received support from different parts of the European Union. One of the most important European strategy for rural development is LEADER (Liaison entre actions de développement de l'économie rurale). LEADER is "social entrepreneurship" founded in 1991 as part of the main policy linking the European Union by the Main Directorate of Agriculture of the European Commission. As LEADER confirmed, "the relationship between government administration and various entrepreneurs to promote rural tourism - is undoubtedly answer - in some cases driven by remorse - the economic crisis and the need to find a solution on the negative effects of reforms the structures of farms and the eradication of basic structures in many rural areas, "There are four kinds of measures suitable to meet the objectives of LEADER:

- Adoption skills, analysis of the local rural needs, training programs, and strategy;
- The programs for rural innovation are models of portable programs and programs that generally promote the local groups that include technical support for rural development, vocational training, support for rural tourism, support for small things, local exploitation and marketing of agriculture products, products Forestry and Fisheries, and preserving and improving the environment and living conditions;
- International cooperation, for example: joint projects between groups of the Member States;
  - Contribution to the European network for regional development.

One of the problems of the projects such as LEADER is a failure of the development agencies to create an adequate network between those who have a stake in order to cooperate in order to accomplish common goals. Networking (networking) refers to a wide range of cooperative behavior among otherwise competing organizations and between organizations connected by economic and social connections and transactions (Hall 2000). Network development is an important part of European and Australian initiative - the entrepreneurs of wine tourism. For example, many European wine routes and routes are developed by the European Council of Wine Roads (Europäische Weinstrassen) based in Bordeaux. The Council is an organization that is an integral part of the European Wine Council Areas (Assemblia das Regioes Europeias Viticolas (AREV)) which is formed within the network Dionysus multimedia network of European areas that produce wines. The network was founded in 1992 with the support of the European Union and now covers more than 60 European wine regions according to the European Council on wine routes, wine routes are "the best system for cooperative work between government, private companies and associations, the tourist industry, and local wine Council "to promote regional development and job creation. To that, from the perspective of individual producers, "the possibility exists for the wine grower to establish useful contacts and strategically important ways of obtaining trade with high quality products that encourage the development of direct sales and the level of knowledge, and consolidate the image of the product and at the same time it creates a loyal consumer market."

## WINE TOURISM (oenological tourism)

Wine tourism is an important component for the wine industry and the tourism. Between wine and tourism there is long-standing relationship, but recently even that relationship is recognized by the government, researchers and their industry. For the tourism industry, wine is an important component of the attractiveness of the destination and can be a major motivational factor for the visitors. For the wine industry, wine tourism is a very important time to establish relationships with customers who want first-hand experience the story of the grapes, while many small wineries, direct selling wine cellars visitors is the basis for their business success. The term wine tourism industries has a significant share in the regional economy, environment and lifestyle. The visit of the vineyard is part of an organized trip back to the big tours (Grand Tour) and is very similar to the time of ancient Rome and Greece. Towards the mid-19th century wine appearing passenger interest. Several factors appeared together at the time. First, the revolution in transport and railways, Second, social revolution and the development of a new middle class seeking quality wines along with the aristocracy. Finally, with the publication of "Classification of wine in Gironde" (1855.) the first time clearly and officially presented the wines and wine regions, destination identity. Although the wine production and the tourism long exist separately. Even recently was observed the need to establish the formal links between the tourism and the consumption, moving out of the place of the permanent residence in order to satisfy the recreational and cultural needs and winemaking as agricultural activity. For these reasons there is still distrust and misunderstanding and the wine and the tourism may even be able to use one another in the region that exist. Certain sites with a tradition of wine production come into play allowing to satisfy the specific needs of the modern tourists, and thanks to the wine tourism. Particularities of the tourism dedicated to wine reflected that he gives a complete experience of feelings. The experience could be described through the five senses:

- -Sense of taste: the fault of the local gastronomic specialties, fresh grapes, vegetables produced in the surrounding gardens, etc. .;
- -Sense of smell: the grapes, the fermentation of wine, the fresh rural air of stricken hay, the smell of flowers;
- -Vision: first color of the wine, flung vineyards, stone architecture with specific wine-growing areas of the hills, colorful festivals of wine;
- -Sense of touch, manifested through the practical experience in production, the design of the bottle, harvesting grapes;
  - -Sense of hearing, filling wine, music that goes with the wine.

The wine tourism is a complex phenomenon: culturally authentic considering that it includes the lifestyle associated with wine and dining, an occasion for numerous festivals devoted to wine, affecting the architecture of the settlements. It is educational since it provides an opportunity to learn about the technology of producing the wine, wines, wine evaluation, romantic is that it is based on the fact that the wine, food and environment attracted achieved romance. In defining the wine tourism must take into account the specificity of tourism as an economic activity, the direct connection of viticulture agriculture and the impact on the economy of the environment in which manifests the need for participation of winemakers, tour operators and tourists. "Wine

tourism is visit the vineyards, wineries, wine festivals and exhibitions which are organized in order to recreate "This definition excludes work-related visit emphasizing recreation and covering the historical context of wine tourism and maintaining adequate romance of the grapes wine-growing regions. The second definition given professors Hall (Hall 2005) and Makionis within the study "Wine tourism in the world." According to their definition wine tourism can be defined as: "The visit to vineyards, wineries, wine festivals, wine exhibitions, which degustation is consist from: wine + and / or experiencing the attractions vineyard region represent primary motives" In this definition must take consideration that visitors to wineries and wine regions have different interests and knowledge for the wine and winemaking and different passion for wine. Their motivation may be other activities that are directly linked to the wine and the wine industry as collecting labels from wine bottles, introduction to the wine cellars, the architectural, the method of production, participation in harvesting and maintenance of the vineyards. The definition of the tourist Commission (South Australian Tourism Commission), "wine tourism is any experience related to wineries or wine in which the visitor participates during the oneday visit or a longer stay." This definition is not complete since it neglects the above elements that the tourists introduced the history, tradition and culture in a certain area that are not directly related to winemaking. One of the most theorists Goetz (Getz 2006) which dealt with the issue of wine tourism management and its development, gave a definition that has marked economic construction. He defines wine tourism "travel related to the allure of the wineries and vineyard areas, the types of hidden places marketing, the development of destination and opportunities for direct sales and marketing for the wine industry through this definition Goetz suggests that certain vineyards must first have an element of attraction that can be aesthetic, historical, ethnographic, cultural specificity and through visiting tourists not only for economic performance but also introducing the elements of attraction. Through this definition Goetz suggests that many developing countries have gone down the road of wine tourism which has had a chance to restore their vineyards to improve the economic situation. There are no universal definitions of wine tourism. The term practiced many authors and organizations for the development of wine tourism from different aspects. But each helps to recognize the specificity of wine tourism, which is a series of interactive processes, phenomena and relationships arising from the interest of visitors for the production and / or consumption of wine as a style, a way of life, culture and tradition of a particular wine region. In the case of our country, therefore, wine first could be defined as visiting wineries and wine events with the main motive-tasting wine and enjoying home-made food specialties. It is positive as many wineries considering modernizing its tourist appeal. Endeavor in offering to include tour of vineyards, participation in deals related to harvesting and wine tour of natural / cultural-historical sites in the environment. With his thoughts approaching the real wine tourism.

## WINE TOURISTS

Most visitors will visit wineries as part of a single trip, short holiday or weekend or rather than simply buy a bottle of wine. They come in a certain area for experience and experience her character, food, lifestyle, and cultural attractions to visit friends and relatives, and more to relax and relax. The desire to have fun and to escape the stress of

the city is also often included. Something as simple as changing the environment and occasion for romance also play a role for many.

The activities of the wine tourist.

While the winery visitors mainly want to:

- Fun.
- Learn more about wine in general and specific winery and wine area,
- To sample wines and maybe to buy some of them.

Those travelers who participate in the wine tourism as part of their experience of the vacations more often than other occasions to participate in these types of activities while on road / vacation:

- Will try restaurants, international food and wine
- Will learn and mingle with other people,
- Will visit art galleries, museums,
  - Will visit historical places,
  - Will visit parks (national parks).

While the primary motivation for wine tourists / visitors is associated with wine, as wine tasting or purchase, number of secondary or peripheral motives integrate and make up the total wine experience. These include:

- Testing, purchasing, quality wine,
- Festivals and various other events dedicated to wine,
- Socializing with friends / enjoying a day out,
- Enjoying a rural environment in the vineyards,
- Introduction to the winemaker,
- Learning about the wine / wine production,
- Tasting wine in a restaurant / picnic / BBQ (food and wine)
- Tour of the winery,
- Visit or experience of other attractions and activities,
- Holiday.

Foreign visitors which are traveling to the wineries have a greater interest than other visitors to cultural activities (museums, art galleries, festivals of wine), especially those that reflect local customs and heritage. Wine tourists can be divided into three categories, depending on their motive to visit the winery and their expectations about experiences. Incidental or tourists interested in wine: they need to feel comfortable when entering the winery, do not be scared. They need to be informed about wine in a fun and informal way.

Interested wine tourists: need to find fault and information can be obtained at local stores for beverages at home. They want to discover something new to show off to their friends. Dedicated to wine tourists, want even more information from interested wine tourists. Also want the opportunity to develop their intellectual inclination further be recognized as connoisseurs and to try / buy the latest and rare wines.

Consumer behavior is "behavior that shows the consumer when is buying, using, evaluating product and service ideas that he expects to meet his needs." The research that the author made for the consumer behavior has been studying why people, individuals or groups buy products they buy and how they made the decision. Internal study (eg. The motivation, habits and beliefs, education, lifestyle) and external (eg. Demographic, reference groups and cultural) factors affecting decision making.

A survey of consumer behavior is important for stakeholders in the wine tourism because it can help in understanding that wine tourists, their reasons for visiting a winery, why go to the tours, participate in wine the festivals etc. According to the definition of "wine tourists are visiting the vineyards and wineries of the wine festivals and wine shops in order to rest." The definition tells us a little about that wine tourists, what they do and why. Former "stereotyped" descriptions of wine visitors implied span of "wine experts" through "the passing by tourists who felt that" the slowdown of the wineries "good" holiday "to" moving drunks." Current research on wine tourists provide more detailed descriptions based on empirical data.

## RESEARCH ANALYSIS

TOWS matrix is a conceptual framework for identifying and analyzing threats (T-threats) opportunities (O-opportunities) in the external environment and assess weaknesses (W-weaknesses) and forces (S-straights) in the inner. .okruzhuvanje. TOWS matrix is a variation of SWOT analysis.

When the strategic actors are recognized according SWOT, develop strategies that can be built upon the strengths able to eliminate weaknesses, exploit opportunities and face threats.

SWOT analysis does not show the links between the various external and internal factors, and therefore developed TOWS matrix. TOWS matrix is a tool to facilitate the connection of external and internal environment and formulation of strategy.

With the SWOT analysis of wine tourism is drawn attention to the strong and weak points, as well as chances and threats from the environment. All the analyzed wine regions have to better exploit its strengths and opportunities that environment gives rise to wine tourism to a higher level and to be able to measure with other European and world cities. Also, all vulnerabilities and threats need in the shortest period of time to eliminate and overcome. SWOT analysis is a time dimension, or when possible, it is useful to compare and monitor SWOT analysis, ie to monitor changes in the situation.

Scheme 1. TOWS matrix of the wine tourism

Internal	<u>W-</u> ОстратегијаМіпі- Махі	Poor tourism infrastructure, development plans
	W-Тстратегија: Mini-Mini	offering high quality wines, small openness of the country abroad
External	S-Тстратегија: <u>Махі-Міні</u>	investing in their own marketing, management, without relying on help from the state
	<u>S-Остратегија:</u> <u>Maxi-Maxi</u>	wealth of the natural and social values and a long tradition of viticulture, great interest in wine tourism

## Conclusion

The process of building a brand from the Tikves region through the influence of the wine can be realized with the economic restructuring, because is the most important European strategy for the rural development. The main components that play a major role in the process of building the brand, except the wine, are the wine tourism, wine tourists, and their behavior. Also with the SWOT analyzes can be develop the strategies that can built the strengths, and will be able to eliminate the weaknesses, to exploit the opportunities and to get in face with the threats. And as the author mentioned in the research analyzes, the aim of the TOWS matrix is to facilitate the connection of external and internal environment and formulation of strategy which will realize the vision and mission and will achieve the ultimate goal of creating a brand from Tikves region through the wine. Also the wine industry, and wine tourism is a very important time to establish relationships with the customers who want first-hand experience, while many small wineries, direct are selling the wine cellars visitors is the basis for their business success.

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## MODEL FOR PREPARING STAFF PLANNING

Aleksandra Stoilkovska<sup>1</sup> Julija Sekerova

#### Abstract

The planning of human resources as a process of analysis and identification of the need for staff and determination of the condition of the available labor force is one of the most important activities of human resources. This paper treats the problem concerning the lack of a model for human resource planning and in particular public enterprises where in relation to staff the attention is paid only to administrative activities, while the need for training and employee development, the planning of inheriting key jobs positions and in general the planning of human resources is neglected. The implementation of the process of human resources planning, even though imposed by the new regulations for public companies will condition the new modern way of managing human resources.

This paper presents a model plan that works based on the current situation in terms of: the current state of the available workforce, employee development, internal transfers, promotions, until the need for recruitment or dismissal, will be in function of appropriate allocation of public employees enterprises.

**Keywords:** human resource management, planning, human resources, public enterprises, strategy, analysis of workforce, planned succession, talent management, mentoring.

## INTRODUCTION

Unlike the organizations working in the private sector that are facing turbulent conditions for proceeding with their work, the very important characteristics of the public firms is the fact that their work and productivity is decreed by special legal regulation which provides them to do their work for the public interest, keeping that in mind it allows them to have privileged position. Because of the specific activity they are dealing with, it is completely justified that the public firms are the target for investing in them by providing them the latest computer science, basic means and materials, as well as for the salaries for most of the employees. Jet, the thing that's been missing so far in this firms was the insufficient engagement for the developing of the employees, neglecting the analyses of the working power, planning the human resources and all in all completely neglecting the function management of human resources. Keeping that in mind it's no wonder that this government- owned companies have negative characteristic such as keeping insufficiently educated stuff, unfriendly, unmotivated employees on one hand, while on the other hand these firms are not preferable places for the young and ambitious young talented people, because of the non existing possibilities to grow in their line of work. The new regulations for government- owned companies will bring about changes in the obsolete system where the main task was administrative archiving and activities aimed at providing a work force with all the necessary qualifications. By applying the term human recourses, the duty for

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preparing new plans for employment and training, estimation of the labors affectivity, applying mentoring programs, competitions, possibilities for advancement in the line of work will be their task to achieve. With all of the above a new way of achieving those goals is ahead, and with all that the sections that will work on putting this into a real moving successful process. For the presentation of this model of working I was using foreign experiences. (Lepak and Snell, 2002)

## 1. PLANNING OF HUMAN RECOURSES

Institutions that have already developed the managing politics for human recourses, and succeed in implementing them have significant benefits such as stuff retention, profit increases and an increase in customer satisfaction (D'Netto, Bakas and Bordia, 2008) Planning of the human recourses as one of the major functions of the management for human resources, it represents process of analyzing and defining the needs for human recourses, as well as detecting their availability, and with all of that the organization will be capable to fulfill its needs and implement the working strategy. While all aspects of managing human recourses are important, stuffing, continues to be an essential Human Resource Management activity that helps organizations in their need for coordination and control across widely dispersed units. (Tarique and Schuler, 2008). The focus of the process for planning the human resources is to provide organization that will have the right number of human resources, with the right capabilities, at the right time and place. (Mathis and Jackson, 2006). The purpose of planning the human resources depend entirely on the context of the organization, but the major goal of this process is that the organization is provided with human resources in an previously calculated period of time, so that they can effectively work and give their best results.

The fact that the implementation of the strategic working plan depends on the people that will work to make it real, points out the connection and effort to make the planning of human resources, in other words the necessity in its implementation for the sake of the strategic planning. That plan must contain possibilities for carrier improvement. (Naris and Ukpere, 2009). There are number of challenges which the organizations face while developing the strategic planning of human resources, among which are: sustaining the competitor's advantage, building the entire business strategy, avoiding the excessive concentration on every day problems, adjustment of the strategy for human recourses with the unique organization features, facing the environment, providing a detected managing team, implementing the plan, combining the specific and emergent strategies as well as integrating the changes. The process of planning the human recourses is a circular process combined with many activities or steps such as: clear determination and expression of the mission and vision, analyzing the external environment, analyzing the eternal working power, prediction, synchronizing the needs and demands for workforce, development of a plan for human resources and its follow up, evolution and corrections of the plan. The implementation of the activities while planning the human resources doesn't have to be shaped by previously logically made planning, in opposite the process can start with no specific activity, some of the activities can be preceded parallel, and some of the activities can be done reputedly many times. If the process of planning is done in such manner it will show where the organization is at the moment, where does it want to be and what could be done to get the organization where it plans to go. The strategic goal must be determined and shown very clearly so it can show the organization which changes to make in order to get where it is planed, by doing so it will provide the organization a clear

path where it needs to go and what could be achieved in the future, as well as providing a base structure for developing a central values, believes and principles for making decisions. The activity – analyzing the external environment is very important keeping in mind the fact that the it effects the workforce and human resources as they are. Organizations can only survive in the market if their business strategy is designed around building a human resource foundation because people are the key drivers of today's business successes, (Noe, Hollenbeck, Gerhard and Wright, 2006: 20). The strategy in fact is build as a response of the surroundings. The analyses of the internal power and weaknesses through analyzing the culture in the organization, analyzing the work, working places, capabilities and skills they have on disposal, all of that is done so the organization can compare what is at the moment disposable and what needs must be fulfilled. With prediction they can use the information from the present and the past, compare the data as a major step in human resources, because if the working places are not filled with the workforce needed the organization will lose its affectivity. By defining the relationship between the needs and the demands of the organization there will be a clear sigh whether the organization is in need of human resources. That will show the need to work on the imbalance, but in order to do that one needs to use the plan to solve the situation which rose from the deficit or surplus. According to all the data collected about how many people of the workforce and the candidates for some working spots are available to the organization, the draining of the workforce and the movement as well as putting of some of the employees on higher position will genially give reliable information of how the plan for the human resources should be.

Because it's not possible to predict all the happenings in a limited period of time it would be unreal to expect that the plan will be perfect and with no mistakes. Keeping in mind that situation, planers may try to develop a realistic, feasible and adequate plan, but they still need to constantly follow the plan, change it and correct it, if that is not done there is a risk of lowering of the effects of the planning.

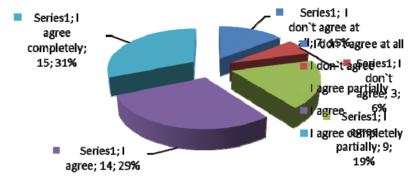
## 2. RESEARCH

The object of this research will be "Permanent planning of human resources and implementation of the document that was planed and made to bring a positive effect on the postulate "suitable employee on a suitable working place", and all of that will lead to better quality of work. "Unplanned human resources will lead into negative working continuity and efficiency of the workforce ", is in fact the problem that was researched and the need of that research was based upon the situation "Conditions in the government-owned companies based on the subject of planning the human recourses". The research was conducted upon the representative number of 234 examinees employed in a government-owned companies in the field of communal activities founded by the city of Skopje during December, 2013. Keeping in mind the target groups of the employees in this companies, we were researching 48 managers (from deferent levels), and 186 employees from deferent government- owned companies. The research was made through Enquete inquiry (opinions scale) num. 1 designed for the employees on leading positions and Enquete inquiry (opinions scale) num. 2 designed for the employees.

## 3. ANALYSIS OF THE RESULTS

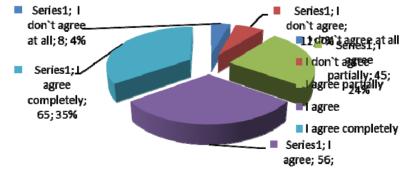
Based upon the analysis of the researched opinions of the examinees from the two Enquete inquirys we came to the conclusion that in the government- owned companies exist employees that are appointed in inadequate working positions, according to their level of education, competences and working experiences.

Statement num.1 from the Enquete inquiry num. 1 – In Your organizing unit there are employees which do not fulfill the necessary capabilities, skills and knowledge's in order to successfully execute the working tasks on some particular working place. – 31% or 15 of them answered that they agree completely, 29% or 9 agreed, 15% or 7 did not agree at all and 6% or 3 agreed partially.



Graphical presentation num. 1: employees which do not fulfill the necessary capabilities for certain working spots.

Statement num. 1 from the Enquete inquiry num. 1-you have qualifications, skills and knowledge for successful fulfillment of working task for another working spot. -35 or 65 of the examinees responded that they agree completely, 30% or 56 agree, 24% or 45 agree partially, 7% or 12 partially do not agree, and 4% or 8 examinees answered that they do not agree at all.

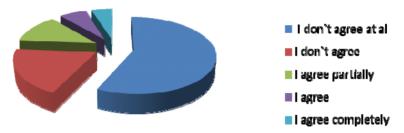


Graphical presentation num. 2 Competent employees for another working spot.

Because of the high percentage of disagreement with the assertion "In some time intervals interviews and enquetas for the knowledge will be done, capabilities and skills of the employees" there is a conclusion that in the government- owned companies exists

evidence of the employees based on their working knowledge and working experiences, but on the other hand there is no constant evaluation of how competent are they in their line of work.

Statement num. 2 Enquete inquiry num. 2 – in certain periods of time some verifications of the knowledge, skills and compatibilities of the employees are held. – 57% or 106 examines answered that they don't agree at all, 19% or 36 are partially disagreeing, 12% or 23 partially approved the analysis, 7% or 12 agreed, and 5% or 9 examines totally agreed.



Graphical presentation num. 3 Doing the interview and inquiry of the employees about their opinion for how competent are they for the working place they are at the moment.

From the analyses of the opinions of the examines we came to the conclusion that in the a certain loophole exists in the current process of working when there is a need in providing skilled and competent substitute in case when a skilled worker leaves the working place suddenly or with a previous given information for leaving.

For the Statement num. 2 from the Enquete inquiry num. 1 – In a situation where a skilled worker leaves without a previous notice, a problem rises for fulfilling his place with another skilled and competent worker. – 44% or 21 responded that they agree completely, 31% or 15 agreed, 17% or 8 agreed, and 4% or 2 said that they don't agree partially or they don't agree at all.



Graphical presentation num. 4 Problem that appears when a skilled worker leaves without previous notice, the problem is finding a suitable substitute for him in a short period of time.

According to all the opinions told by the examinees and the things that they have concluded, in the government- owned companies there is a shortage of analyzing the workers and their knowledge for a certain working position and this is the main reason

why some of them work in an area they don't understand. The number of people with high education meaning university diploma as a sole thing has no meaning, because professional knowledge is one thing, but a totally different thing is being competent for the work that you are doing. Skills and capabilities like: professionalism, taking an initiative, creativity, flexibility, planning skills, time managing, capability of making decisions, setting up priorities etc. is the thing that makes a difference for doing a quality job. Analyzing how competent the workers are while preparing the plan for human resources, for the organization will mean getting a clear picture of how many working places are actually needed in the scheme previously provided by which man are capable for doing what job. By doing so a plan for an annual needs will be easy to provide, a plan to concentrate on a workforce by providing them with training, and all in all making a more capable employees. The capability analyses can locate a problem in the description of the working spot, meaning if some conditions that have to be fulfilled are very strictly defined while the practice shows that there is no need for such capabilities and that working place will be redesigned.

Starting from the object and problem of the research, as well as the targets and tasks of the research from the beginning, the provided results made it clear that the following general hypothesis is correct – "If an organization conducts a planning document for human recourses which is based upon a executed sondage (research) and that same document is put fully in practice, meaning the function of the plan for human recourses is taking its course, the result will be that on every working spot in the organization there will be employee that is suitable for that work"

# GOVERNMENT- OWNED COMPANIES AND PLANNING THE HUMAN RECOURSES

Government - owned companies are doing economical activities of public interest for permanent improvement of the living and working conditions for the citizens, legal entities and state authorities. As a service for the citizens they are obligated to do their work effectively, permanently, orderly and with great quality in order to satisfy the needs of the users of products and services. Government- owned companies especially the once that provide communal services are a constant target of criticism for their work by the public, for not doing their job more effectively, large number of employees jet not enough kindness and effectiveness while approaching the costumers. In order to make things better in those organizations and to increase the quality of the services they provide there is a need of a change in the attitude of the leading managers towards the direction of human recourses. The understanding that human resources are the most important and most expensive resource that needs to be permanently developed leads to the need of planning the human resources, as an activity that will improve the working status of the employees and by doing so the whole affectivity of the organization will be improved. According to the need for permanent planning of human resources in the government – owned companies are the new legislations: Law legislations for the employees in the public sector (Official Gazette of the Republic of Macedonia 27/14, 199 / 14) and Law legislations for public administration (Official Gazette of the Republic of Macedonia 27/14, 199/14, 48/15) as well as the law on changes and additions to the public enterprises law (Official Gazette of the Republic of Macedonia num. 41/14, 138/14, 25/15 and 61/15). These law regulations impose significant changes for government – owned companies concerning the employees and most of all are targeting the status of the

employees, classification of the working positions, the way that the employment is done, advancement, professional improvement and enabling, estimation of the working effect, mentoring etc. The mentioned changes impose the need of changing the acts for systematization of the working places. Probably one of the most significant law legislations for the government – owned companies is the preparation of annual plans for employment and plans for training. For successful preparation of these plans and achieving their goals, we need a through analysis of the conditions of the human resources in the government – owned companies, meaning full execution of the process of planning the human resources in all of its phases and steps, as well as preparing the annual plan for human resources which will contain the annual plans for employment and training will make it possible for the government – owned companies to get the real picture of the workforce they have at the moment and analyzing whether they will have the same needs in the future when it comes to employees.

#### FIVE MAJOR STEPS WHILE PREPARING THE STAFFING PLAN

Preparing the plan for human resources is a strategic and systematic approach towards the management of human resources, and the plan itself is a document in which will contain the information about the present condition in the organization concerning the human resources, programs and plans for their development, as well as a need for them in the future, all of that in collaboration with the working strategy of the company in order to achieve effective and quality results. The five basic steps for preparing the plan for human resources will be:

- 1. Formulation of the strategic mission and vision of the company
- 2. Defining the present condition of human resources
- 3. Defining the need for human resources in the future
- 4. Determination of the activities for adjusting the present situation with future needs of human resources
  - 5. Making the plan for human resources

## Step 1. Formulation of the strategic mission and vision of the company

Keeping in mind that the plan for human resources should be in function for achievement of the strategic working plan of the company, the first step towards preparing the plan is getting a clear picture for the goals and key strategic internal and external challenges of the company. When formulating the strategic mission and vision of the company the following steps are made:

- Clear formulation of the mission of the organization, putting an highlight on
  the task on providing product and services, according to the needs of the
  citizens (while doing a strategic analyze the demographic info of the
  population is very important in the area that they do their work, because the
  trend of lowering and increasing of the population effects greatly on the
  quantity and the way of working of the organizations);
- Formulating a vision or giving directions of strategic way of movement of the organization and the services that it plans to provide in the future;
- Identification of the critical factors for success (Interview with the employees can give us important info of from their point of view how the

- organization is working, as well as interview with the users of the services in order to know their expectations of the quality of the service);
- Defining the values (for example developing an organization culture which will value the employees as the most important resource and is aware of their contribution and dedication to the organization, their professionalism and keeping the customers satisfied with the service they got).

In order to make all of this possible it is necessary to organize workshops of teams of managers, whit them draft plan of the mission will be formed, as well as the vision and values of the organization. After that the draft plan of the mission will be presented to deferent focus groups of employees, and after the given suggestions from the employees the plan can be finalized.

# Step 2. Defining the present condition of human resources

When defining the present situation of human resources in the organization the necessary data could be provided from the following analyzes:

- Analyzing the qualifications, gender, national and ageing structure of the employees. (While doing this analysis it will be necessary to have information of the conditions in the organizations in order to have some general idea in what way it is headed):
- Analyzing the working places completed with info of how many employees work on the suitable working positions, meaning is their education suitable for the working place they have. (This analyzes will give the necessary info of how many employees have a working place that is not suitable with their education, as well as locating the working places where the criteria to be on that spot is too strict and a redefinition of the needs for that working place must be made with the systematization);
- Analyzing the capabilities of the employees. (Comparing the necessary conditions needed for every working place as described in the systematization and the real compatibilities of the employees working at that place at the present time gives us information about the capability of the employees. According to that analyze, it is logical that a plan for training the employees is needed in order to fulfill the missing knowledge, skills and capabilities in some areas. This analyze will show the need for transferring some employees at places where they will show their potential.);
- Analyzing how many of the employees will go to pension the following year. (According to this analysis it is important to know the education level of the employees that will go to pension the following year so they could be replaced with the stuff that's already employed or there is a need for new employments. This information is crucial so the new employees can be educated and ready for the new working places they will have).
- Analyzing the conditions related to absence from work, and hours made as overtime work, but made for every person individually also concerning the profile of the work. (This information is important because is a solid info when it comes to the need of recruitment of new employees, because they give real image if some of the employees are burdened with too much work)
- Analyzing the conditions for work in the working organs and commissions. (How many and what kind of working organs and commissions are formed during a period of one year, are there working places that can do the work which was done by some of the commissions, or there is a possibility to fulfill some of the working places that already exist, all of this data is important to know if or when new working places should be open or redesigning some of the old)

- Analyzing the disciplinary irregularities, offences and punishments. (These are information according to which the morality in the company could be analyzed, with a starting point of improving the conditions, but this could mean that at some point there might be a need for employing a security service.)

Important information while doing this analysis and starting point for locating some problems in the government- owned companies related to the field of human resources could be provided by interviewing the employees, observation of the behavior and questions like in enquete. By doing this steps we can expect more objective information about employees opinion about their position in the company, if they are satisfied with their work, their relations with the co workers and directors, if they feel that they have more work than they can handle, their ambition for higher progress in the company, and all of this taken as an important info for improving the work in the company.

## Step 3. Defining the following need for human resources

After we have formulated the strategic mission and vision of the company and the current condition of employees, the next step for forming a plan for human recourses is establishing the following path, challenge and need for human recourses. This step is about preparing a Review of the established differences which appear when comparing the strategic analyzes and current condition of human recourses that are active at the time being in the company. The review should contain the answers to the following questions:

- Is it possible for the current employed workers to satisfy the future needs of the company for fulfilling the strategic targets?
  - Which are the new competences that will be needed in the future?
  - What is the difference between the superior employees and the mediocre once?
- What kind of improvements could be made with the employees that have very low rate of working profitability?
  - Are people motivated for fulfilling the future challenges?
- Is there unbalanced situation between the current working force and the mission, vision and the values of the company?

Especially important activity as a completing part of the establishment for the need of human recourses is the analyses of the internal relocations and planning the succession or the planed inheritance of the leading positions.

# Step 4. Determination of the activities for adjusting the current condition and future need of human recourses

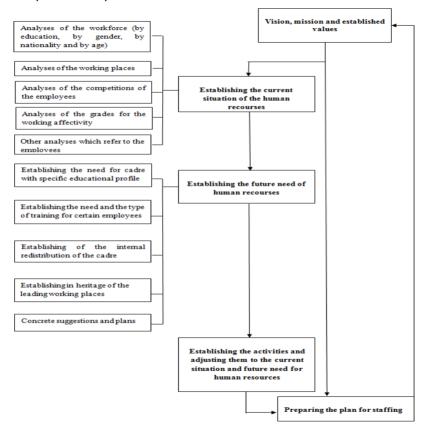
When establishing the concrete activities that need to be taken for adjusting the current situation and the following need of human recourses, it's important that the high managing team, which upon the presented analyses and reviews will determine which are the priority questions, and all of that will help to achieve he plan for the human recourses to focus on solving the critical problems. Because this activities are planned as concrete steps for taking actions and strategy oriented towards the future it is very important for the team of managers to understand that the improvement of the capabilities and skills of the employees will lead to achieving the goals of the company. Certain activities mean preparing the programs and plans for concrete questions which will be part of the annual plan. For example:

- Plan for training the employees;
- Plan for carrier development of the employees;
- Program for increasing the motivation of the employees;

- Program for attracting and keeping the talented individuals;
- Program for integrating of system for material and nonmaterial awarding;
- Program for mentorship;
- Plan for inheritance of the key managing positions (planed succession);
- Plan for redesign of the working positions;
- Plan for new employments.

## Step 5. Preparing the plan for human recourses

The plan for human recourses itself is a unique document of every company, prepared for concrete questions and problems on annual level.



*Image num. 1 – outlining the scheme model of the plan of cadre* 

Because of the main target of the plan for human recourses the process of the plan in general is to help the company to achieve its mission and goals, especially important for the designing of the plan, implementing and achieving the main goal is supporting the leading team of managers and its dedication to the philosophy that the employees have the key role in the company.

It is important to notice that the time being and complexity of every step and preparing of the plan will depend on the individual needs of every company, and its establishing could be achieved by the internal employees. Also, keeping in mind that the planning of the human resources is a circle process and the fact that once the plan is established that doesn't mean that the process is finished, it is necessary to know that the plan should be under constant observation so it could be corrected and adjusted to the new conditions.

Planning of human recourses is a necessary need and crucial function because it means creating conditions, establishment and choosing the alternatives, keeping the track for getting out from unexpected circumstances by finding out concrete solutions. Planning of human recourses is a creative way and existence of deep conscience is a sign for professionalism, imagination and skills. The plan for human recourses in the companies should be made by organizing unit in collaboration with the team of managers, that kind of equipping could make an effective system of human resources synchronized with the law legislations.

Table num. 1 Process for preparing a plan for human resources

# Annual plan for human resources

## Introduction part – Mission, vision and values

➤ In this part there will be information about law obligations of the company and data info for every organization unit in the last three years, precisely described strategic importance of the plan, with clearly described mission, vision and values for the company in future.

## Part I – Currant condition of the human resources

This part contains the table description for:

- > qualification, gender, national and age structure of all the employees especially for the once that are employed with the status: public service, the stuff that gives public service and employees that give help in the technical area.
- > current condition for working places that are filled, working places that are empty and the reason why they are empty, that analyze should be made according to the groups, subgroups, categories and levels;
- > current condition for filled places according to the conditions of their employment (number of employees on a unlimited time, limited, unfilled working time for groups, subgroups, category and level, employees employed through employment agencies, employees for the season);
  - > analyses of the grades of the employees;
- > analyses of the working places for employees that have their spots on hold and their rights and responsibilities are on hold;
- > analyses of the realized permanent and nonpermanent working places in the company, as well as probable transfer in other institutions for the current year:
- ➤ analyses of all started discipline measures and given discipline measures, material responsibility and suspensions as a result of discipline irresponsibility, as well as disciplinary offence;
  - > similar presentations with graphics and tables.
- reaction of the need for a change in the internal organization and a need for a redesign of the working places, the need for implementing new working places or abolishment of some working places with explanation why is that with fact got from the final analyses of the work, skills and capabilities of

the employees, grading the working progress etc.

# Part II – Programs and plans for human resources for the following year

This part of the plan should contain the programs and special plans prepared for separate key areas for human resources, with short introduction for the meaning and targets of the program/plan, as well as responsibilities and capabilities of the teams and individuals in the realization of every separate part of the plan. This part of the plan should be composed from:

- > Plan for employment composed of two parts: plan for employment for limited and unlimited time.
  - Plan for advancement form one to a higher position;
- ▶ Plan for mobility meaning permanent and part time redistribution on different working places on the same level in the company, as well as eventual taking over from another company for the following year;
- ➤ Plan for training of the employees which (according to the new law legislations) should contain two parts:
  - > plan for training in order to get professional improvement of the employees with status for administrative workers
- o annual program of generically based professional training of the administrative workers according to the frame of general capabilities;
- o annual program for specialized training because of special improvement of the administrative workers according to the special capabilities;
  - o annual program for training for the administrative leadership;
    - > Plan for special training of the employees that have status of service givers and technically helping services.
  - Program for mentorship;
- > Program for coordinating the people that are evaluating the employees with grades.
  - > Programs for material and nonmaterial upgrading the employees.

## Final part

- with expressed opinions, comments and expectations for realization of the plan;
- determination who will control and evaluate the plan;
- defining the process if its necessary to make changes of the annual plan.

## CONCLUSION

The reforms that are applied with the new legislation laws for the employees in the public sector are targeted to develop professional and special help trained to response to the modern needs of the cooperative businesses, and that means structural changes and transformations in the cadre politics of the company. Applying the term human recourses must not mean only changes will not continue where changes were made. The activities that the organizing units take besides choosing the employees, organizing them on the exact working places and keeping the personal data of the employees, are expanding on the activities based upon analyses of the working places, workforce and the development of it, organizing the workers final achievements etc. For doing that, the employees in the organizing units of human resources must use special skills and knowledge and the function management of human recourses will get special significance because it will be focused on the future needs of the company. The attitude towards the employees will be important asset as they will be considered to be the main key for the prospect of the

company, working with the ambitious and capable workers will be a challenge and for the government- owned companies will mean keeping and attracting capable workers. Even though a hard period may be in front of us for adjusting yet the changes may increase the affectivity and the quality of the work and in the end that is the main goal of this plan.

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# THE ORGANIZATIONAL CULTURE AS A DETERMINANT FOR EFFICIENT AND EFFECTIVE ORGANIZATION

Konstantin Petkovski<sup>2</sup>

#### Abstract

The social placement and the constant worldwide changes impose the need for a modern approach to the opinions related to the management. The needs of changes are an opportunity that will be the basis for a different approach in the opinion for the organizational as well as for the individual level. The development of the systematic way of thinking, the development of the personal vision with built conditions for their transformation into a common and shared vision, the establishment and the proper functioning of the teams, will result in building an organization that is characterized with a functional organizational culture as an integrated system of corporate values, norms, rules, attitudes, beliefs, common characteristics, methods of implementation of processes and procedures, attitudes and ways of thinking of the employees, common goals and forms of interaction. It creates conditions for constructive, professional and creative interrelationship of all the management levels and the employees, which is a foundation for building, development and application of organizational learning. The organizations that learn always manage to be in a phase of constant growth and development.

**Keywords**: organizational culture, efficiency, effectiveness, organizational learning.

## INTRODUCTION

The managing of human resources is one of the important determinants for proper managing of the entire organization process, with which achieves its efficiency and effectiveness. It is a need which is a necessity in the different spheres of the organizational functioning. If in the past, and unfortunately today, the traditional understanding of the capital refers to the money and profitability of the organization, and all processes were targeted towards their increase; the modern approach in the management refers to the fact that the most important capital is the intellectual which provides wealth of knowledge, skills and creative abilities that are condition for improvement of the quality of work and its products, and increased competitiveness on the domestic and the world market. As follows, that any organization, whether it belongs to the public, service or economic sector, has need of modern approach during managing the human resources.

The modern managing with the intellectual capital of one organization, as elementary determinant for efficient and effective functioning of the organization has the approach for creating and developing of the functional organizational culture, that affects to the level of motivation of each organization member, development of the same as well as the way of managing with it. It is a "pattern of beliefs, values and learned behaviors with experience which is developed through the organizational history and which is manifested through the material objects and the behavior of the organization members". (1) Depending on its

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structure and the valuable elements it contains, it is a base for creation of creative strategy which is a condition for conducting the mission and achieving the organizational vision, i.e. it is a base for development of the organizational learning of the same.

The management in the past period was characterized by the conditions in which the role of the human factor treated it as something that does not need to be wasted time on, i.e. the employees were treated as performers of certain tasks and activities without taking into consideration the intellectual potential, possibilities, needs and individual desires. The poor way of managing lead to situations whose consequences, even after a long period of time, couldn't be exceeded and improved. What is our past, but unfortunately also our present, is appointing managers who are not even close to what means professionalism, competence and expertise. The organizational culture is in a situation which is not even close to being functional. That leads to impaired human relationships, motivation under the minimum, which is base to conclude that there are not possibilities for minimal development of the organizational learning.

## 1. ORGANIZATIONAL CULTURE

The organizational culture is a significant factor for efficient and effective functioning of the organization. If the term civilization covers the entire material inheritance, then, the culture as a parallel state is a sum of spiritual values transferred from generation to generation. Its basic elements are: customs, tradition, habits, value systems, beliefs, attitudes, standards and norms of behavior. (2) The organizational culture is an integrated system of corporate values, norms, rules, attitudes, beliefs, common characteristics, methods for conducting processes and procedures, attitudes and way of thinking of the employees, common goals and forms of interaction. "The culture is an expression which tries to win the informal/unofficial side of the business, i.e. the work... It is the way of doing the things in the organization... The organizational culture is something that cannot be touched, cannot be seen and it is informal apparition which leads to difficulties the same to be changed. In any case, its basic characteristic is the secrecy. It is a historic determinant which is socially established, kind of "soft" strategy which is very difficult to change. "There is nothing more difficult to take, more dangerous to lead and more uncertain to succeed than to become a leader in establishing a new order of things" (Niccolo Machiavelli). It is "a characteristic spirit and belief of one organization, that are determined by the norms and values that the people in that organization usually respect and which show them how they should behave towards one another, what kind of working relationships should be developed and how it is changing the attitudes. "(3) The organizational culture is a sum of formal and informal values, philosophy of attitudes, behaviors and performances of individuals, which are rooted in the belief of all organization members. Some authors call it "the glue which holds the organization together ... Culture is organizational memory and develops a sense of identity and stability ... It is of crucial strategic importance to the growth and development of the organization."

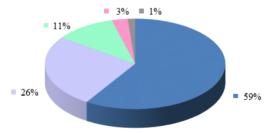
#### 2. RESEARCH METHODOLOGY

The bad management affected and still affects to the reduced efficiency and effectiveness both in business organizations and the institutions that implement social activities. Decision-making by one person, the presence of conflicts, which are often destructive, the bad communication between the different levels of the hierarchy, the application of inappropriate management styles, etc., lead to conditions of bad interpersonal relationships and the climate for working is far from desired for each organization member. The basic problem that enables persistence of this situation is a result of the absence of managers at designated at different levels in the organization with developed abilities of identifying the need and consistently building of functional culture.

As a result of the perceived problem, was conducted a research, which aimed to put into function of identifying the needs for developing leadership skills of managers which will directly affect the proper setting of the organizational framework in the structure where is stored the organizational culture. The research was conducted on a sample of 594, from different spheres of working: service, economic and public sector. The technique that was used in the research, in order to gather empirical material was canvassing with scaling. The respondents could give their attitudes regarding the given statements, using a scale of paragraphs from 1 to 5.

#### 3. EMPIRICAL RESEARCH

Organizational culture means a system of standards, norms, beliefs, criteria, attitudes and a number of other elements which are the basis for the proper functioning of the organization as a whole. Based on this arise the need for perceiving the ability of the managers to set standards, norms and criteria for the job, according to the activity of the organization in order to improve the efficiency and effectiveness of the organization. For that purpose, in the questionnaire was placed statement that perceives the need for training of the team leader for determining the quality criteria which would be fully implemented in the working process. The data obtained during the processing indicate that 85% of respondents consider that this is a need that often has to be applied by the team leader, 11% believe that it should be occasionally implemented, while 4% think that mainly there is no need of that.



**Chart 1:** Determines quality criteria which are implemented in the entire working process

In the context of this was set statement which aimed to examine the opinion of the respondents regarding the level of competence of the team leader and the need of building objective, attainable standards that would allow comparison of the actual to the expected features and results in the work. Based on the research, 84% of respondents believe that it is a necessity that should be fully or often conducted by the team leader, 14% consider

that it is the occasional i.e. average need, while the remaining 2% think there is no need for the application of standards at work.



**Chart 2:** Builds objectively attainable standards which enable comparison of the actual to the expected features and results in the work

The teams represent a place where are creating conditions to initiate the changes and their subsequent implementation and institutionalization. The changes give rise to different interests, which, if the team fails to create objective possibilities for their transformation into joint or shared interests, arises a process of destructive conflicts that negatively reflected in the overall team and organizational working. As a result of this, in the questionnaire was inserted a statement, based on which were obtained the data and can be concluded that 87% of respondents have a clear position for the need of full or often applied necessity to build work policy in which there will be no conflict of interest. The remaining 9% think it should be an occasional practice of team leadership, and only 4% think that generally there is no need for that.

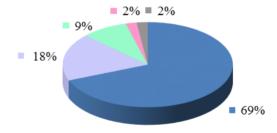
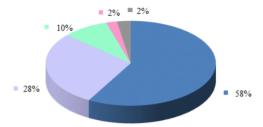


Chart 3: Builds work policy in which there is no conflict of interests

In terms of identifying the level of training of the team leaders for developing and implementing the policy based on professional and career development through lifelong learning for each individual in the questionnaire was set a statement, based on which were obtained the following data: 86% think that this need is a necessity which should be completely or very often a feature of the leadership activities of the leaders, 10% think it

is an ability that leaders have to implement but not very often, while only a small part of them (4%) consider that there is no need for such behavior by leaders.



**Chart 4:** Builds work policy which stimulates the lifelong learning and the career development of each of its members

One of the abilities of the leaders is management, i.e. time management. The ability to manage own time and time of the subordinates enable completing the goals in precisely defined time frames. The basic condition for the implementation of this type of management practice is the ability of the personal appreciation, and the time of subordinates. The data indicate that 86% of respondents think that it is a necessity that completely or very often should be a feature of the team leadership, 9% of respondents think it is a necessity that should rarely be applied, while 5% think that there is no need to apply that to the work of the teams.

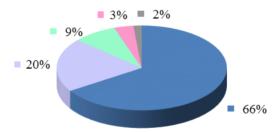


Chart 5: Appreciates its own, but also the time of the employees

What can be concluded from the processed data is the need of the situation and actions that are aimed at building a functional organizational culture. But such data is indisputable and expected. What was necessarily needed is to be done identifying, by the managers, of the actual application of all those elements that build the organizational culture. Considering that the survey was conducted and their views could express 106 managers and 488 employees in various activities, and to the question regarding the real capability of managers to build a functional organizational culture, were obtained the following data presented in Table 1.

Table 1: In your organization the manager builds an organizational culture

Services		Economics		Public activities	
managers	employees	managers	employees	managers	employees
4,82	3,94	3,77	3,09	4,28	2,80

What can be concluded, based on the data presented in Table 1, is the fact that managers in organizations of various sectors believe they have developed a high degree of developed leadership capabilities that they successfully implement in the process of their management. Unlike them, their subordinates-employees believe their managers have the abilities which, according to the ranking, are much lower than the average score. It leads to the conclusion that the managers in these sectors have a low capability for self-estimation, while the employees have high expectations of their managers and they expect from them to develop their leadership abilities much more. In one word, they do not see their managers as persons with developed capabilities that will enable them to be efficient and effective leaders.

# 4. CONCLUDING OBSERVATIONS

The research enabled detection of particularly significant and indicative findings. As priorities in the process of organizational performance, the respondents stressed the need to create a functional organizational culture which is a condition for building and developing a team work where are dominantly felt the ethical characteristics where are prevailing mutual trust, respect and responsibility, consistency, diligence and care all team members. With their views and opinions respondents confirmed that the efficiency and effectiveness of the organization largely depends on the creation of communication that is based on self-criticism, criticism that does not offend, flexibility and kindness which are also the functional attributes of the organizational culture in which teams and teamwork are an everyday practice. This situation, in correlation with the developed team leadership creates conditions for team learning, which is one of the essential disciplines of the organizational learning.

The culture in the organization is created by the manager i.e. the leader. Its importance stems from the fact that it provides a high degree of unity of the goals (individual and organizational). The functional organizational culture is directly dependent on the developed professional relationships. How much are the organization and its entire functioning based on professionalism, that much the commitment and motivation of employees increase. Such organizations use their entire potential in the performance of the actions, at the same time focusing their attention on customers and meeting their needs. Moreover, its importance is growing because it is a basis on which is built and achieved the organizational vision and mission.

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# THE PROCESS OF GLOBALIZATION AS AN INITIATIVE FACTOR FOR KNOWLEDGE MANAGEMENT IMPLEMENTATION IN THE REPUBLIC OF MACEDONIA

Sreten Miladinoski<sup>3</sup> Sanja Nikolic

#### Abstract

The process of globalization strongly imposes the need of new business model that will be consistent with the new created conditions on the market. In such conditions, knowledge management becomes a concept that should continually take place within an organization in order to enable adaptation of the organization and to create competitive advantage on the global market.

The objective of this research is determine the significance and the need of the knowledge management on the telecommunication market in the Republic of Macedonia as a respond to the new conditions created by the process of globalization.

The results show that the managers, as well as the employees in the organizations on the telecommunication market recognize the knowledge management as a strategy to gain competitive advantage on the new global market.

**Keywords**: globalization, knowledge management, competitive advantage, telecommunication market, Republic of Macedonia

#### INTRODUCTION

The process of globalization aims to create new markets, conquering new markets, finding new and cheaper raw materials, decreasing the risk in work, dominance of the international markets by the multinational companies.

Having in mind this, the current situation of the open markets can be characterized with: increased competition; increasingly growing rate of innovations; reduced time for gaining experience and knowledge; early retirement and increased mobility of the work force; work based on information; complex products and services, most often enriched with informational components; the need for continuous learning. It becomes clear why organizations need a new management paradigm of work that will correspond to the current conditions.

The process of globalization, including development of the technology, made rapidly and unexpectedly changing an environment where a company is searching for a way to create and maintain competitive advantage. The knowledge that the company owns becomes a main factor in the struggle for competitive advantage.

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# THE INFLUENCE OF THE PROCESS OF GLOBALIZATION IN IMPOSING THE NEED FOR THE KNOWLEDGE MANAGEMENT

The concept of knowledge management appeared in the 80s of the twentieth century. Knowledge management is maximizing the advantage of organizational knowledge, identifying information, wisdom, and strengthening human and digital capabilities. Knowledge management is the practice of selective knowledge application acquired through past experiences, present and future decisions with the purpose of improving organizational effectiveness (Jennex 2005).

The eighties and the nineties of the twentieth century were marked by the transition from industrial society to knowledge society. This was a period that imposed the need of development of multiple management disciplines: total quality management (TQM), reengineering of business processes, learning organization, knowledge management, etc. Knowledge management becomes an interdisciplinary business model which has the knowledge of the organization in its focus.

The process of globalization strongly imposes the need of new business model that will be consistent with the new conditions on the market (Skyrme 1999): knowledge management is a necessity in all forms of the business transformation; the need for innovation imposes the necessity of managing the information flow within all pores of the organization; the knowledge-based systems (such as "expert systems") demonstrate what the organization can do with knowledge, by focusing on "learning" (a learning organization); the organization continually develops its competencies.

Knowledge management comprehends the most important and the most critical issues related to the adaptation of the organization, its survival and its competencies in clash with the rapidly changing environment. Knowledge management is the embodiment of the processes within the organization that strive towards combining and interaction of data and information, which increase the capacities of the information technologies and human capital.

Knowledge management is a process that should continually take place within an organization. The objective of this process is to manage the knowledge in the organization, but also to create conditions for its creation, distribution, and use. Special attention should be given to the creation of knowledge in the organization, which requires the previous provision of adequate conditions and ambience.

In the process of globalization, the knowledge management concept should provide: innovation through encouraging the expression of the ideas of employees; improvement of services provided to consumers; increase of income through improving the distribution of products and services (increasing sales); reduction of employee fluctuation through recognizing the value of knowledge and accordingly rewarding the activities related to the application of knowledge in everyday work; improvement of the processes and procedures of work and reduction of the costs of work.

Considering the changing and unpredictable modern business that imposes the process of globalization, knowledge management is considered to be a strategy which can meet the new conditions on the market and can make the organization more competitive. Developing the necessary knowledge within the organization, requires a focused combination of the knowledge and the abilities of all the participants in the management process – people, technologies and processes (Nikolic and Miladinoski, 2015).

# COMPETITIVE ADVANTAGE THROUGH KNOWLEDGE MANAGEMENT IN THE PROCESS OF GLOBALIZATION

The aim of every organization is to achieve sustainable competitive advantage because, through the increased income, it enables growth and development of the organization. Competitive advantage in modern economy is the result of the successful use of organizational knowledge.

In the process of globalization, the organization creates its competitive advantage on the basis of exploitation of organizational knowledge.

The knowledge management can bring numerous advantages and benefits to the organization.

First of all, the knowledge management leads to advancement of the communication processes in the organization which improves the cooperation among employees. A healthy communication and an atmosphere that encourages cooperation within the organization contribute towards increasing the trust and the mutual respect among employees, as well as improving the skills, processes and functions of the organization.

Second, the concept can also improve the effectiveness of the organization through advancing the decision-making process – making and carrying out the right decisions. Knowledge management enables the gathering of all the relevant information that are also applied in the process of decision-making, which in turn contributes to top managers being well-informed about everything happening within the organization and out of it. Managers who are well-informed and up-to-date with current developments both in the organization as well as in the changing environment, are able to react better to unexpected events (changes), to adapt easier, to modify current activities if necessary.

Third, the knowledge management concept improves the efficiency and productivity of the organization. Although the implementation of the concept itself is costly, the benefit for the organization is greater. Knowledge management may lead to advancement of the organization's efficiency through reduction of production costs, reduction of production time, reduction of decision-making time, etc.

Fourth, the concept of knowledge management encourages both the creativity and the innovation in the organization. The approach to organizational knowledge may encourage generating of new creative solutions to specific problems.

All the mentioned factors such as communication processes, decision-making processes, the efficiency and productivity, the creativity and the innovation are highly important in creating competitive advantage. Through knowledge management implementation these factor can advance and develop in order to bring benefits to the organization and create the competitive advantage.

The effects of the application of the concept of knowledge management are difficult to measure and express quantitatively. Namely, as with all other strategies, knowledge management also produces long-term results. The results from this concept cannot be exactly represented, but they can be described instead.

#### KNOWLEDGE MANAGEMENT IN REPUBLIC OF MACEDONIA

In the period of transition, Macedonian enterprises faced with the processes of restructuring, where changes of the capital ownership took place. The results from this process in the Republic of Macedonia were far from the expected. In the struggle for survival, enterprises were shaken to their foundations, and only a part of them managed to position them in the Macedonian market. In this process, there were also newly-established enterprises trying to answer the current conditions through developing capacities for successful performance and persistence in the market. The primary objective of the enterprises was achieving competitive advantage within the frameworks of the national economy.

The processes of EU integration and the strong expansion of the international business conditioned a parallel competition of the enterprises with both the internal consolidation and the global competition. This meant a constant adaptation according to external factors and development of internal capabilities and results through effective management.

In their efforts to accept the paradigms of the developed and successful companies, Macedonian enterprises should not disregard the fact that the modern knowledge-based economy sets the knowledge management as a key imperative and the organizational knowledge as a factor of productivity and efficiency. This research is presenting the meaning of knowledge management on the telecommunication market in the Republic of Macedonia, considering it as a dynamic and open market affected by the process of globalization.

#### THE OBJECTIVE OF RESEARCH

The objective of this survey is to determine the significance and the need of the knowledge management on the telecommunication market in the Republic of Macedonia as a respond to the new conditions created by the process of globalization.

# METHODOLOGY

### Participant

The research was conducted in 10 companies on the telecommunication market in the Republic of Macedonia, to a sample of 100 respondents – employees in these companies.

#### Materials and instruments

The questionnaire that was given to respondents was formed with multiple choice questions, using the Likert scale. The respondents had to choose one from five offered alternatives which expressed their level of agreement or disagreement for a series of statements.

#### Procedure

The employees in the organizations on the telecommunication market were asked to respond the questionnaire in purpose of getting the needed information for the thesis. They answered the questionnaire. The collected results were systematized, processed and discussed.

# RESULTS AND DISCUSSION

The majorities of respondents are 26-36 years old, immediately followed by respondents 36-45 years old with 25%. 7% of the respondents who answered the questionnaire are aged up to 25 years, and only 3% of the respondents are 46-55 years old, which indicates a relatively young population working in the organizations that are the subject of this research.

Regarding the qualification of the workforce, the majority of the respondents are highly educated -63%, and the percentage of those who have completed their master studies as well, is also high -30% of the respondents. Only 7% of the respondents have completed their high school education.

The survey results indicate that the impact of the process of globalization has intensified the competition on the market in the Republic of Macedonia. The majority of respondents, 35%, answered that the globalization has greatly intensified the competition on the market; while 27% of the respondents answered that the globalization has moderately intensified the competition. Only 8% of the respondents believe that the competition on the market is not intensified at all. This indicates the fact that the employees are aware of the changes taking place on the market, as a result of the processes of globalization.

The implementation of knowledge management concept depends on the activities undertaken by human resources managers in the organizations that are the subject of research in this work. In this respect, it is investigated whether the human resources management undertakes activities in the direction of improvement of the knowledge and the professional skills of the employees. The results show that 52% of the respondents believe that the management in their organization "often" undertakes activities for improvement of their knowledge and professional skills, and 15% of the respondents answered "very often". Only 5% of the respondents answered that the managers "rarely" undertake activities aimed at improvement of the knowledge and the skills of the employees. The majority of the respondents confirmed that the management undertakes activities for the improvement of their knowledge, which indicates the application of the concept of knowledge management in the organizations that are the subject of research in this work.

Regarding the attitude of the employees and their need to constantly upgrade and improve their knowledge, as a result of the intensified competition on the market, the majority of the respondents – 50%, answered that "very often" they feel the need to improve the knowledge in their area of work. 35% of the respondents answered "often", 11% answered "sometimes", and only 4% of the respondents answered "rarely". The results show that the majority of the employees are aware of the need to constantly improve and upgrade their personal knowledge, which positively adds to the activities undertaken by managers in this direction.

In the purpose of knowledge improvement and upgrade, it was examined whether the employees attend trainings in the domain of their profession. The results show that the majority of the respondents – 46%, answered that they "often" attend training in the domain of their profession. 32% of the respondents answered "sometimes", 13% - "very often", and 10% - "rarely". The results confirm the interest of the employees for improvement and upgrade of their personal knowledge, in the organizations that are the subject of research in this work.

Due to the conditions imposed by the open market, the interest of the employees to attend training outside the domain of their profession was examined. 34% of the

respondents answered that they "rarely" attend training outside the domain of their profession, 26% of the respondents answered that they "often" attend such training, 20% of the respondents answered "sometimes", and 10% of the respondents answered "very often" and "not at all", respectively. This indicates that the employees realize the need for personal improvement not only in the domain of their profession, but also in the development of skills and knowledge outside the domain of their profession.

Regarding the activities undertaken by managers related to the organization of adequate employee training, 15% of the respondents answered that the managers organize training "very often", 30% answered "often", and equal percentage of respondents -30%, answered that managers organize training "sometimes", which indicates the initiative of the management towards development and improvement of the knowledge and the skills of the employees by sending them to training.

On the other hand, the employees themselves show initiative for attending training. The majority of the respondents -43%, answered that they "often" attend training at their own initiative, 25% of the respondents answered "sometimes", and 5% of the respondents "rarely" attend training at their own initiative. 10% of the respondents do not attend training at their own initiative at all. The self-initiative of the employees in the direction of their personal professional improvement is especially positive and to the advantage of the application of the concept of knowledge management.

The effects of the implementation of the knowledge management were examined through the application of the acquired knowledge from the training in the process of decision making in the everyday work. In this respect, even 50% of the respondents stated that the acquired knowledge "often" helps them in everyday decision making, 20% of the respondents answered that the knowledge acquired from the training "very often" helps them in decision making, 25% answered "sometimes", and only 5% answered that the acquired knowledge is "rarely" applied in the decision making. The results show that the effect of the application of the concept of knowledge management is positive, or that the knowledge acquired from training helps the employees in the process of decision making.

Regarding the activities of the management in the direction of motivating the employees for continuous personal improvement through an adequate system of rewards in the organization, 38% of the respondents answered that the system of rewards "often" motivates them to upgrade their knowledge, and 16% of the employees answered "very often". 32% of the respondents answered that the system of rewards "sometimes" motivates them for personal improvement, 6% answered "rarely", and 8% answered that they are "never" motivated to improve. Since the majority of the respondents believe that the system of rewards is adequate, or it motivates them for personal improvement, it can be concluded that the system of rewards is an important factor in the implementation of the concept of knowledge management.

Regarding the attitude of the employees about their contribution to acquiring competitive advantage in the organizations where they work, the majority of the respondents – 47%, answered that with their knowledge they can contribute to acquiring competitive advantage "very often", 31% answered "often", 17% answered "sometimes", and only 5% answered that they can "rarely" contribute to acquiring competitive advantage with their knowledge. These results indicate the awareness of the employees of the importance of their knowledge and the contribution they can make for acquiring competitive advantage in the organizations where they are employed.

The results obtained from the questionnaire show the implementation of the knowledge management in the organizations on the telecommunication market in the

Republic of Macedonia. Managers undertake a number of activities in this direction such as, organizing training for the improvement of the knowledge and the skills of the employees, creating an adequate system of rewards that should motivate the employees for professional improvement, and on the other hand, the employees show interest and awareness for the need of constant improvement of their personal knowledge and skills, which is imposed by the open market. Such need of continuous investment in the professional improvement is especially emphasized on the telecommunications market due to the connection of telecommunication with high technology, as well as the legal regulations in this area.

#### CONCLUSION

The process of globalization imposed the need of modification of the management processes. Namely, because of the free market and the dynamic market factors, management need new aspects and tools for achieving goals and successful work of the organization. This resulted from the fact that the value and the resources are no longer perceived in the same way as in the "traditional" economy, not only from the aspect of organizations, but also from the aspect of countries, regions, industries.

Today, world economy is facing a whole new challenge. The production and the technological revolution are already in the past. Managerial revolution points out the need and the importance of organizational knowledge as a condition for successful work and for achieving the competitive advantage of the organization.

In the process of globalization, the effective use of knowledge becomes one of the decisive factors in the competitive battle among companies. Knowledge management as a process through which an organization generates the value of its property based on knowledge, is an imperative in modern business. In conditions of changing and unpredictable modern business, and in the struggle for conquering competitive advantage, companies are intensely focusing on the knowledge they possess. Developing the necessary knowledge within the organization, requires a focused combination of the knowledge and the abilities of all the participants in the management process – people, technologies and processes.

The results from the survey point out that the process of globalization influence on the telecommunication market in the Republic of Macedonia, imposing the need of new management concept – knowledge management. The employees as well as the managers in the organizations on this market show the awareness of the need of knowledge management. Moreover the managers undertake several activities in order to implement the concept of knowledge management. Organizing trainings for improvement of the knowledge and the skills of the employees, creating an appropriate system of rewards that should motivate the employees for professional improvement etc. are recognize as significant issues of the knowledge management implementation. The organizations on the telecommunication market in the Republic of Macedonia show awareness of importance and possible benefits of the knowledge management considering the conditions on the market imposed by the process of globalization. The managers in these organizations recognize the knowledge management as a strategy to gain competitive advantage on the new global market.

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PREPARATION OF THE MANAGERS AND EMPLOYEES,

#### AS A FORM FOR SUCCESSFUL ENTERPRISE

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#### Abstract

Successful function of every company, business, or institute, and in order to accomplish it's situate objectives, seek high level of feature executive and excellence in the process of implementation of the labor obligations by the employees.

Although, the achieved credentials, concerning managers and workforce are not all the time adequate for conquering results. According to previous mentioned, further education will allow improved quality of work done, and through learning, managers will contribute for improved competence and allocation of labor commitment of employees.

In that manner, this papers aims to facilitate in the process of revealing of the problems, and provide solution for it.

Key words: enterprises, management, education

#### INTRODUCTION

Organization changes and education of the managers and employees have a vital role in making responsible decisions in the field of managing the human resources. Even though many researches have been made in this area, still the growing economy and the ambient imposed by the concurrence in world market, should always conceder internal and external factors, especially the ones which comes from the internal area, so the enterprises can be ready to cope with them, because that changes are the hardest to implement and they always withdrawn a lots of resistance, conflicts and radical changes hard to be accepted from employees especially.

This paper aims to uncover and help with this kind of changes, which in modern economy become "a lifestyle", the more enterprises are capable to uncover them and find solutions, the more they will stay competitive on the market. That is why is of main importance implementation of the system of human resources in all sectors of every enterprises who holds up to its image.

# RESEARCH

The research presented in this paper is conducted at Bitola, Republic of Macedonia. It includes managers and employees in the public communities and private sector with 98 respondents (2014). The selection of the respondents was random but emphasis was placed mostly on the administrative staff. In the survey as a research technique was used closed questionnaire for the employees and informal interview for the managers.

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The general research hypothesis is: If the organization prefers to become a learning organization, than the organization will permanently invest in building development of competence of the employees (culture, climate, structure, communications, ethics, competitive outrank. The general hypothesis is subdivided on 3 distinct hypothesis which include dependent and independent variables which are proved by using indicators of the survey and using le line of continuum to prove the general research hypothesis.

#### SURVEY PROBLEM

The problem which took place in this survey thesis is: Lack of organizational culture to finance in the development of the intellectual capital of the organization.

Under current economic conditions many enterprises belive that the key of gaining and maintaining competitive advantage in the market is development of intellectual capital which includes: cognitive knowledge (knowing what); advanced skills (knowing how); systematic understanding and creativity knowledge (to know why) and individually motivated creativity (to realize the importance).

The need of training in enterprises is becoming more important activity of human resources due to globalization of the world economy, strengthening the need of leadership, increasing knowledge, the need to attract talented individuals growing focus on quality and rapid change. Companies worldwide invest millions in organizing various training programs in order to achieve competitive advantage on the market.

# SUBJECT OF SURVEY

The subject of survey is: Investing in employees development-contributes to the development of the organization that learns.

Good managers are very important for the success of the organization. Extremely good manager is the one who manages to achieve high hardworking, productive and efficient workplace where great results are achieved.

Good managers attract excellent employees, they make the organization a place where we all want to work and they increase profits and reduce coasts. Theirs employees are always motivated to develop more.

# OCCURRENCE (DISTRICT) OF THE SURVEY

Occurrence of the survey is: Organizational changes as a requirement for the development of the organization.

# PREPARATION OF THE MANAGERS AND EMPLOYEES, AS A FORM FOR SUCCESSFUL ENETRPRISE

When we have a discussion about the organizational changes, as a vital impact, it means that all activities that in recent times are increasingly challenging for organizations, they at the same time can be equally unlikeable job for the majority individuals in daily life in the organizations.

Change is a term used to illustrate the evolution that occurs from diverse, or change describes the process of transition, from one to another. Also, change in the organization can be described as performance that divers from the modification of the organizational system in order to improve business processes in the organization, and they are the only thing that is constant in the enterprises (Wilson, 2005).

In today's operating environment there is no company that can succeed without adaptation of international and external conditions, and those adjustments stand for the changes itself. Therefore we can say that organizational change represented among the phenomenon which refers to continuous monitoring of internal and external circumstances in order to modify and transform the organization from existing to new, current or even desired situation. Never the less, organizational changes can be considered as technical and practical terms. In a technical sense, changes occur constantly, in a way that no point is précised in the moment in front of it. Nevertheless, in sensible terms this represents a very significant change, while planning the changes in the organizational system such as: changes in the correlation between inputs and outputs, technology, structure, design, coordination mechanisms, human and its responsibility in the organization, and several more. Organizational changes are essential to be adopted in every business or enterprise since changes can enroll vibrant atmosphere to the organization (Al-Haddad and Kotnour, 2015).

From time to time providing changes means innovation that results prologue of new ideas, merchandise and services that are planned to be convenient. Innovation used to classify the changes in technology and new products, it is also used for changes in governance practices and organizational structure proposes. Because the differentiation between the changes and innovation is particularly complicated, with innovation comes to introduction of new original products that were not previously available in the market. The main difference is that organizational change implies adjustment of previous behaviour, and the testing adjustment behaviour represents new and unique. Changes and innovations are one of the most important factors that determine the economic strength of the company and a major factor for the survival of enterprises on competitive markets (Sikdar and Payyazhi, 2014).

The organizational changes are necessary to any organization and should be supported by the management of the company. The significance and relevance of the change is based on several reasons as follow:

- Changes are the only constant thing in enterprises.
- To survive, companies must change and go out to meet the changing requirements of the costumers,
- Globalization of the market and increasing competition in the same time,
- Development and application of science in the work of leading organizations requires the application of new ways of working,
- Complete changes and continuously changing the way of communication,
- The market is looking for new products faster with lower cost, which requires major changes in the company and so on.

Sources of organizational changes: suitable detection

The source of organizational change is the basis of any organizational change in enterprises. Although, any change occurs as a result of some action this causes the source of organizational change, that action sends indication that somewhat need to be changed in the enterprise. There are several reasons that are significant sources of organizational change managers, for example, when you know the sources of organizational change, managers can predict the change process in a simplified manner, as organizational changes represent a solution to a problem, a source of organizational change exposes the problem that need to be solved, knowing the source of organizational change, provides an answer to what the organization should change, sources of organizational changes allow the company to stay in place, but keep awake to adequately respond to all those forces that seek change. The basis of successful change lies in timely recognition that something simply must be changed, or disclosure of the reasons that hint that needs to make changes, and their discovery to get the answer it will be subject to change. But if the environment appears significant changes, the manager should intervene to change the organizational nature that will minimize the negative impact of external changes on the organization, otherwise the manager will not respond to these treats until they realize that it is already too late to do something to survive (Luo, Wang, Lu and Liang, 2015).

Frequently, managers by doing their work, they pay attention only to the big-big changes, and they pass over small, minor changes. However, it is necessary not only to monitor major changes in their own environment but in monitoring small - small changes, should also be noted, because small enterprises are very adaptable and it is also their main advantage over large companies.

# Internal and external sources of organizational changes

Observing the sources that causes organizational changes, it can be concluded that there are mainly two main sources from which mostly initiate changes, and yet can be detected sources that are localized within the enterprise and outside the enterprise resources - internal and external sources of organizational changes.

External sources of change come from the external environment when the manager will see the need to change approaches to analyzing the external environment which may be of economic, technological, political, social and international nature. In order to easily determine the source of the occurrence of the change, the manager must continually analyze all aspects of the external environment which would affect. In the case when analyzing competitors, suppliers, interest rates, unemployment, incomes of the population, inflation rate, etc., means that it is a change that is driven by economic area of external policy (van der Voet, Kuipers and Groeneveld, 2015).

This implies the need for better monitoring of those resources, in order to adopt the right decisions about the changes. But not necessarily, the change is driven by economic resources. As an external source of changes can be addressed and technological area, which recently became the strongest cause of changes in the organization, technology is the application of knowledge, methods, techniques and means with which an organization transforms the entrance to the exit (Daft, 1988).

In all societies appear different socio-cultural characteristics that can vary based on region, ethnic basis, population, etc, so that any change in the demographic characteristics of the people can be followed by a need for change in the organization. Even more, as an external source can also be a political segment of the external environment, in addition, changes can be encouraged by the stability of the political sector in the country and the

region. These sources must be respected by managers and incorporated into the operation of their business, because it is an external source of organizational changes that enterprises can't influence on it, but it needs to be adapting to them. (Ibid, p.70)

It is important to be mention internal sources. If the change in the organization caused by external competitive factors, primarily from foreign companies and businesses, or the incorporation of the company in foreign countries, it comes to analyzing the general environment of the enterprise, which lately are gaining colossal impact of the business, because of the increasing globalization of the market.

In terms of external sources of changes can be noted that managers may not have control over developments in the external environment, but monitoring them is the only thing that remains for managers and it is of great importance for the organization. In opposite, internal sources of change in the organization, which require control, are easier for managers, because they come from the organization, sometimes according to management control functions (Ibid, p.71).

Internal sources of change should be presented. They should be perceived, in order to better implementation of the changes. In order to get better idea of what the organization can be as a source of change, we first need to analyze it from consistent internal environment of the enterprise. Internal environment of an organization represents everything that is inside the organization, human resources, structure, processes and so on. If these relationship are damaged may be a need for new changes to the structure of the institution, an over time the organizational structure can meet necessitate for efficient and effective operation of the organization, accordingly, becoming a source of internal organization challenges. Managers should take action in regaining its original conditions in order to avoid chaos in operation.

Another source of internal organizational changes represent themselves processes, and activities that are undertaken in the organization. Processes show full activity from incoming inputs and their transformation into output products or services. Organizational processes relating to the procedures and activities of treating the resources as input in the organization, aimed at its transformation using technology in a product or service as a way out and a final product service. So, processes can occur as internal sources of organizational changes if a disorder of the transformation of inputs into output. This means that changes are needed in a way of performing the procedures and activities within organization. Organizational processes cover the decision taken, the way of communication, training, planning and control, budget, goals, and more (Xiang, Archer and Detlor, 2014).

Although these processes are numerous, for greater visibility can be grouped into separated groups of processes such as (Jojic 1988):

- Technological processes,
- Decision making process,
- Communication process,
- Management process,

Advertised processes are internal source of change, and any problem that occur as a result of it, requires solution in a new way of functioning of the process of organizational changes.

As an external source can appear the political segment of external environment too. Also, the change in the organization, may be encouraged depending on the stability of the government of the specific country, legislation, the political condition in the neighboring countries, a taxation etc. These sources must be respected by the managers and have to

incorporate in its work of their companies, considering that it's a question of the external source of organizational changes that base on the legal and bylaw adopted by the legislative houses of a state (Luo, Wang, Lu and Liang, 2015).

Is significantly to be mentioned the international area. If the change in the organization is fostered by the foreign competition, primarily from foreign enterprises and businesses, or involvement of the company in foreign countries, it's a question of analysis the wider environment of the company, which in recent times reinforces the impact on the businesses for the increasing globalization of the market.

In relation to foreign sources of changes can be noted that a manager may not have control on events in the foreign environment, so monitoring them is the only thing their remains to the manager and it is of great importance for the organization itself, because perhaps there, at that external environment are sources, triggers to the organizational changes. Unlike the foreign, interior sources of organizational changes are forces that emerge from the inside of the organization. Controlling of these sources of organizational changes is simpler for a manager because they come from inside of the organization, something that according to the function the management control it. Interior sources are forced to organizational changes which can also be present everywhere in the organization. Therefore, they should be discovered and determined on time in order to better implementation of the change. In order to get a better idea of what can be a source of change in the organization, we first need to analyze of that what made up is the internal environment of the enterprise (Rogiest, Segers, and Witteloostuijn, 2015).

Internal environment of an organization represents that is inside of the organization: human resources, structures, processes etc. Humans with their meanings, skills and creativity are indispensable implementers on the success of an enterprise. Each organization has its own structure, and skeleton. The structure of an organization is a factor who does not allow the emergence of chaos in its work. Organizational structure refers to mutual applies to all components of the organization. In the case when such relationships disrupts there is a need to change the structure of the organization, and over time the organizational structure cannot respond to the need for efficient and effective activities of all the organization, and arises an internal source of organizational change. When it comes to the dissolution and disruption to the entirety, manager in proper time should undertake the procedures for it is reunion, before being late and to occur the chaos (Maheshwari and Vohra, 2015).

The other important element or an internal source of organizational changes represent the processes themselves, i.e., activities which are undertaken in the organization. The processes represent the overall activity of the treatment of input elements and resources and in shaping their output component represented as a product or service. More specifically, the organizational processes and procedures relating to the activities of treating the resource as input in the organization, directed at him transformation using technology in a product or service as a way out and a final product or service. So, the processes can appear as an internal source of organizational change if it comes to a disturbance of the transformation of the entrances in output. This means that change is needed in the way of performing the procedures and activities within the organization. Organizational processes include: decision-making, delegating, formal and informal communication, training, planning and control of the operations, leadership, formal and informal relationships to the power, the budget, setting targets etc. Although these processes are numerous, for greater visibility, they can be grouped into separate groups of processes such as:

- Technological processes (processes that transform organizational resources into products or services);
- Processes to the decisions making (selecting the direction of operation by the human);
- Processes of communication (dissemination of information between people in the organization);
- Process management (management as a process managing the people in order to meet the objectives of the organization).

These processes represent a source of internal organizational changes, because as previously mention any problem occur in them will require solving that problem, which is a new way of functioning of the process or organizational change (Maheshwari and Vohra, 2015).

# Prediction of the changes and their acceleration

According to Adizes any change causes a problem requiring further resolution. One of the major hazards associated with the change process is to provide determination to the implementation of the changes, to overcome possible resistance so that the change will result in improvement of things, not in chaos. To avoid creating a chaotic situation it is necessary to make a good strategy for organizational change. Where there is a big difference between the actual and desired situation, a well-planned strategy change is needed in order for greater security that the change will lead to a real improvement of the organization. Prediction of the changes involves analysis of the organization, analysis of the immediate environment of the organization, timely detection all possible signals that can indicate the occurrence of a change, tracing the sources of the changes and so on. Prediction of changes is actually a kind of preparation of the company for the future planning of operations, anticipating possible problems that may appear as a result of the change, careful make strategic decisions and so on. Anticipating the changes company manager is obliged to introduce them other people within the organization the possibility of changes to indicate that these changes are normal and that it is necessary to happen. The accelerating changes in the organization is crucial. Once you develop a strategy for predicting the organizational changes and after they perform the same prediction, the managers of the company can begin to think towards accelerating changes. Namely, if the prediction show that changes are needed to enable a new way of doing work and gaining greater competitive advantage, managers need to develop a strategy for accelerating changes (Hussenot, 2014).

Acceleration is useful when working in the enterprise managers who have experience with organizational change and who make the important decisions of the company. On the other hand accelerating change is not desirable in many organizations that are new and young, because it can lead to undesirable consequences, and in the extreme case to a complete disintegration of the organizational system.

In this regard mention may be some advantages and disadvantages of accelerating organizational change. More significant advantages are:

- The acceleration of change can contribute to faster implementation and execution process of change;
- Faster redesign and restructuring of the organization;
- The acceleration of change leads to preparation for new changes;

How a faster response to change will be, enterprises have the option of quickly gaining competitive advantage.

Besides the above mentioned advantages accelerating changes could lead to a worrying situation in the organization as:

- Adopting quick and substandard strategic decisions;
- The emergence of larger problems than expected;
- Neglect of small, minor, but important problems;
- Inability to cope managers to prevailing difficulties and problems;
- Emergence of misunderstandings and conflicts between people in the organization;
- Chaos in the organization;
- Collapse of the organization.

What should managers do is based on predicting the change, considering any move to do well to consider the possible decisions that should be made, to prepare other people to implement the changes well work out strategies to achieve competitive advantage, all aimed at improving the operation and functioning of the company.

#### Field research results

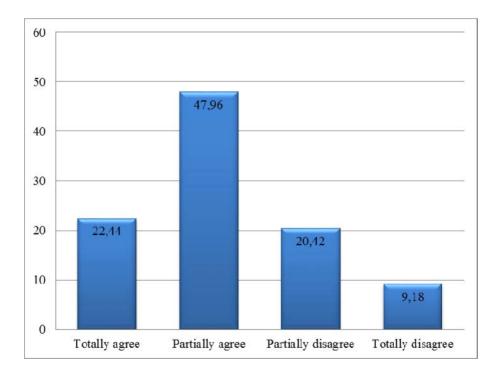


Figure No. 1 - I am able to propose to the manager new idea /suggestion for improvement work

From the Figure No.1 respondents in the survey totally agree with 22,44%, partly agree 47, 96 %, partly disagree 20,42 % and totally disagree 9,18 %. From this point we can conclude that most of the employees feel free to propose the manager new ideas or suggestions for improving the work, but what should managers do is to look on the rest who partly and totally disagree so the enterprise can become more transparent and a place where all employees can make a suggestions to the managers.

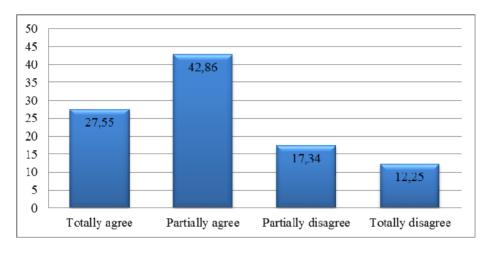


Figure No. 2 - I am satisfied how manager allocates tasks among the employees

From the Figure No.2 respondents in the survey totally agree with 27,55%, partly agree 42, 86%, partly disagree 17,34 % and totally disagree 12,25 %. In this figure is obvious that the top figure of the enterprise is managing excellent, considering the high percentage od the answers of the responders totally agree and partly agree.

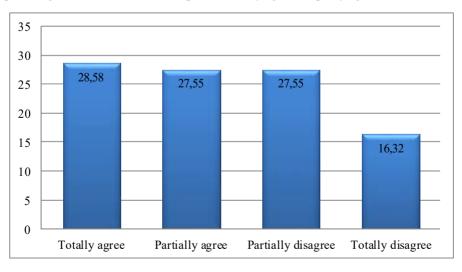


Figure No. 3 - In to my organization, educations and trainings are organized how employees can improve their capabilities

From the Figure No.3 respondents in the survey totally agree with 28,58%, partly agree 27,55 %, partly disagree 27,55 % and totally disagree 16,32 %. In this figure we can see very similar answers which shows that managers should make survey and see why their employees have wrong opinion about trainings, because not every employee should be sent to trainings.

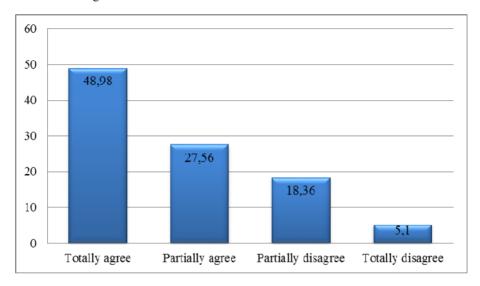


Figure No. 4 - Educations and trainings are useful for better work climate in my organization

From the Figure No.4 respondents in the survey totally agree with 48,98%, partly agree 27,56 %, partly disagree 18,36 % and totally disagree 5,1 %. Employees in a high percentage in this survey about this question answered that the more trainings are provided for them, more motivated they will be and the enterprise will have organizational climate for better work and achievements on the market.

#### CONCLUSION

The results obtained in this research include opposite opinions for the same questions, but the answers to all indicate the same: The administration has fundamentally-service activities and is aimed at providing services to citizens. Civil and public services have a high utility function and a vital role of its framework. The meaning of the existence o the administration's education of duty towards the citizens.

In the process of changing and modernizing the administration, most if the developed countries accepted the Strategy as modernization trough a process that will not leave the traditional ethical values, characteristics of the specific region. In fact, new approaches to the administration imply its strong service orientation, which meet the needs of the citizens are essential. The new administration is no longer in power, but it assumes the role of a partner of the citizens and the private sector, which has coordinated work in favor of the improvement and development of society as whole.

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#### LISTENING SKILLS - AN IMPORTANT ELEMENT IN MANAGING STAFF

Marijana Radevska<sup>5</sup>

#### Abstract

The paper includes listening skills as an important element in communication with the staff which is necessary for the manager in gathering information. Often, the question is what is the most common form of communicating with employees in the organization. There are numerous ways to communicate, such as: reading, writing, speaking, listening, watching etc. According to numerous studies performed in the world, while the man is awake more than half of his time he spends in communication. Most of the communication includes listening. Listening as a part of communication skills with staff and others includes many forms and they are: listening, focusing attention, understanding, looking at the person while communicating and remembrance of what is heard and seen. Listening and watching as a form of listening, require observation and memory of non-verbal cues that the speaking person emits, because they give a clear image of interviewee's sincerity. During the conversation with other interlocutor, through the tone emitted, gestures, facial expressions he makes and postures, give us a clear image of what he wants to express which indicates an important and useful element for the manager. Focusing and concentrating attention during communication is an important element for receiving and remembering the information that the manager receives. Understanding speech and eye to eye communication while talking, is an important element for communication when manager speaks with the employees and customers.

Listening as a skill for communication with employees and the others, is one of the most important skills in communication and management where the manager has high position in the company or institution and as a result he spends most of the working time in gathering information through listening and less by conversations and giving advices.

Keywords: listening, communication, manager

# INTRODUCTION

The main objective of the listening is to receive and accept the message, i.e. the listening is a process of focusing the attention to understand the speech unit of a message. Obtaining information through listening can be very challenging regarding the message that is written and should be read. The recipient of the message, i.e. the listener, during the listening should stay focused because he has only one possibility to receive and remember the message; if the message is written and the recipient is defocused while reading, he can read the message several times.

While receiving messages by listening, the listener should eliminate the external and internal barriers that can prevent him in focusing and listening of the message. To

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overcome the internal barriers the listener should eliminate the internal barriers (thoughts) and to be concentrated to the listening of the message. If during the receiving – listening of the message the listener is not completely concentrated, he can ask the talker to repeat part of the message (speech) or to explain in other words in order the message to be understood and accepted.

While communicating with the employees and the other clients it is necessary the need of strictly keeping to and application of the ethics. The ethics is a sum of rules and norms that should be applied strictly in the communications while speaking as well as while listening and receiving of the messages. Any deviation from the ethical norms of communication can have negative influence on the management – regardless of whether he gives - sends or listens to the message. The ethics in communication especially during the listening of the messages by the employees or the other clients can have positive, but also more negative consequences. Any improper behavior towards the talkers or looking aside is big mistake that leaves irreparable damage for the manager as well as for the company for which he works for.

The listening skills during the communication with the employees and the other clients is an important element for the managing the companies, because on that depends the success of the company and the realization of the planned programs and achieving positive financial results.

#### LISTENING SKILLS

The people during the life are listening for numerous reasons. They are listening to relax (different types of music, stories, advices, etc.), to obtain information from everyday life or the work they are perform; to show certain interests or to discover certain attitudes of the talkers and other speakers.

The music is usually listened for relaxation while working as well as in the spare time. The listening for receiving certain guidance, knowledge, participation in various interviews and receiving feedback is done in order to be obtained certain knowledge which is important for us as listeners. We are listening in order to show that we are interested in what the talkers have to say or to show them that they are important to us.

With listening and giving answers to the friends during different meetings (lunch, dinner or other occasions) is sent important message that their thoughts and feelings are very important to you as listener. The attitudes during conversations especially during listening to speeches are often expressed with certain verbal signs. So with carefully listening and looking into the eyes of the talker we notice certain signs (grimacing) on the face of the speaker which we are trying to identify and understand the true feelings that the talker wants to express.

During communication people use different listening skills depending on the reasons why they are listening. The person listens daily and that is called usual listening.

#### Usual listening

The man as living being is destined to listen and he does that in order to communicate with the environment. The intensity and the effort of the man during the listening, is different which is a result of what he wants to listen. The man in everyday life can listen usually and that's called passive or active listening. The usual listening is the everyday listening in order to understand the messages but there are no efforts the same to be remembered for long. The usual listening is also called passive listening because it is

mechanical process and we are not trying to understand or remember the messages, and that is a result of the fact that we are not focused on the messages that we listen daily.

In the everyday listening we make little or no effort to understand and accept the message and that's why we spend very little energy. The usual listening is relaxed without paying any attention, but when we are talking to others even if the conversation is relaxed, still we need to pay certain attention to the talker while listening so he doesn't think that the conversation is not important.

#### **Active listening**

Active listening is when the listener is actively focused to the message he is listening in order to understand it, accept it and remember it for long. The active listening can be informative, evaluative, empathic and reflective.

# **Informative listening**

The informative listening is used when a person wants to get certain and specific information and to understand, to explain and to remember the same. For example, when the person asks somebody for some action or problem, he insists to obtain greater number of information which is important for him and with that he receives certain knowledge about the corresponding issue. During the informative conversation the listener is actively involved in the hearing of the talker in order to receive, understand and remember the information given by the talker. During the listening, the listener carefully listens and follows the talker not only to understand the message, but also because he gives certain explanations for the message with the non-verbal messages. During the informative listening the person is actively involved and is especially motivated for reception, understanding and acceptance of the message.

# **Evaluative listening**

During evaluative listening the person is involved in the listening of the message with his entire energy and he evaluates the importance and the accuracy of the message given by the talker, its understanding and acceptance. Often in communication with other persons we are forced to evaluate certain messages that we are obtaining, and based on that to determine their importance and the sincerity of the talker that gives us the message. The evaluative listening is also called critical listening because in certain way we are evaluating the received messages whether are true and valid.

# **Empathic listening**

The empathic listening is the one that includes attempts and ways for understanding the attitudes pronounced by the speaker. The listeners in certain ways are trying to discover and understand certain voice messages. The empathic listening can be very important way for solving certain conflict situations or disagreements. For example, when it comes to certain anomalies in the working, the person that has heard the message can ask whether it is true, and the person who delivers the message should not be frustrated but he needs to explain to the listener what he wants to say with the message. In that way the listened message becomes easy to understand and the problem easier to solve. The empathic listening is often paying greater attention to the reception of the voice messages listening, in order the same to be understood and accepted by the listener.

# Reflective listening

The reflective listening includes understanding and repeating of the messages sent by the talker to the listener. During the listening of the message, the thoughtful listener can listen to the message but not to answer. The listener in easy way shows that the message is received and understood. The talker in order to convince the listener that he has understood the message, paraphrases what he has said or simply gives statements with which reflects the feelings of the listener of the message. That type of communication between the talker and the listener of the message is known as parallel talking. The parallel talking helps the listener to better understand the talker. The manager of the company can use this type of listening when he talks to the employees regarding the goals that he wants to realize. This listening approach can help the employees to clarify the thinking about the task given by the manager.

# Barriers to effective listening

During the listening of the messages and their remembering often appear certain barriers that have negative influence to the proper understanding of the voice messages. So, often it happens to be late or not participate at all on certain meetings, and with that we have missed the possibility to listen to the messages sent on this meeting. The negligence and loss of concentration during the meetings are also one of the barriers for losing the capability to listen the messages. Often it happens during the meeting or the listening of the messages to be physically present but not mentally, i.e. to not listen to the messages.

The barriers that appear during the listening and the receipt of the voice messages are very common and of diverse character. So, during the listening of the messages the attitudes said by the talker should be clear, and there appears the basic barrier for receipt and understanding the message; because the attitudes said by the talker can be unclear due to the dialect of the talker. The grammatical errors or improper use of the words in sentence are also barriers for understanding the voice message.

The voice messages that express certain attitudes that are not interesting for the listener, he doesn't receive them although he is listening, but he is losing patience. This situation often appears at listening for longer time or detailed presentation of the message.

The barriers that appear during the listening and receiving of the message are different and they all have equal influence to the receiving and remembering of the messages.

The listening of the messages is important element in the communication with the employees as well as with the other clients. So the message sent by the manager should be short, clear; understandable and convincing so the listener could easy receive and remember it.

When the manager is talking to the employees should be short, clear, opened and to look in their eyes, he sends certain non-verbal symbols which indicate that he is sure of what he is talking; and that's one of the basic principles for proper listening and understanding of the voice message.

To the receipt and acceptance of the voice message great influence have the conditions in which are the listeners. The ambient conditions should enable normal listening, normal temperature, not too high, not too low. In these conditions the listener easy receives and accepts the message.

The listeners, i.e. the employees of the company, to which is addressed the message, should duly answer to the talker and should follow the talking with non-verbal behavior. So, the listener can nod his head or smile, which indicates that the message is understood and remembered. And if the listener hasn't understood the message shows that to the

talker with certain grimaces of the face and the lips. During the listening of the messages if the listener hasn't understood the message can ask the talker to repeat it or to explain it with more details.

The listening as important element of the managing with the employees also has great influence to the other subjects. Through listening can be better understand the individual feelings and beliefs, as well the feeling and beliefs of the others. The comradeship and friendship strengths when people pay bigger attention to understanding each other. The effective listening of the managers helps in the work and the development of important resources at their employees.

The employees, who believe that their opinions are taken into consideration for solving certain problems, gain self-confidence and contribute to the development of the company. For employees to be more productive they should be effective and active listeners. Understanding the listening process and knowing the barriers for successful listening are not enough, but the barriers should be removed and the employees enabled to listen and remember the messages.

The speaker of the message has the greater part and responsibility for the transfer and importance of the message sent to the employees. The listener has the vital role in the listening and they should pay attention to the understanding and remembering the message. The speaker who delivers the message should be short and clear while speaking, and should say words containing from 100 to 150 letters in one minute. In that case the listener has enough time to listen and remember the voice message.

The speaker of the message sent to the employees should be short and concrete, and should not say the unimportant things. So in order to be good listener it is necessary to be ready to listen the main idea and to remember the same.

The listener in order to better understand and remember the message can keep notes. The notes are especially important for remembering certain specific information related to the problem. It is extremely important while listening to messages related to the conduction and realization of certain instructions for the technological process. During writing the messages the listener should mark the main points of the message. When listening certain voice messages regarding certain instructions it is preferred the listener to ask certain questions in order to better understand, write or remember. During taking notes, the listener should pay attention to the organization, i.e. the notes should be like sketch, using certain phrases, abbreviations, symbols etc. The listener could improve the written message afterwards, in his spare time.

#### CONCLUSION

Based on the previously presented theme for the listening skills as important element in the managing of the employees and for better understanding of the persons can be drawn the following conclusions:

- 1. The modern lifestyle requires obtaining accurate and in time information that should reach the last employee i.e. the one for which is attended the message;
- 2. The listening of the voice message is basic and unique way for obtaining certain and fast information;
- 3. The messages sent by speech should be short and clear so the receipient can accept and understand them;
- 4. Active listening dedicating at least twice more time to listening of the talker;

- 5. The feedback that is at the same time also answer to the sent voice message, is a good feedback; and
- 6. To surpass the barriers, the reasons and the difficulties during listening the voice messages, the listener should keep notes.

7.

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# THE IMPACT OF INFORMING FOR THE MEDIATION PROCESS ON THE NEGOTIATION SUCCESS

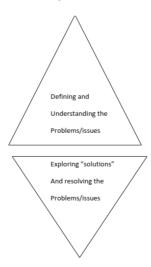
Divna Jankova

#### Abstract

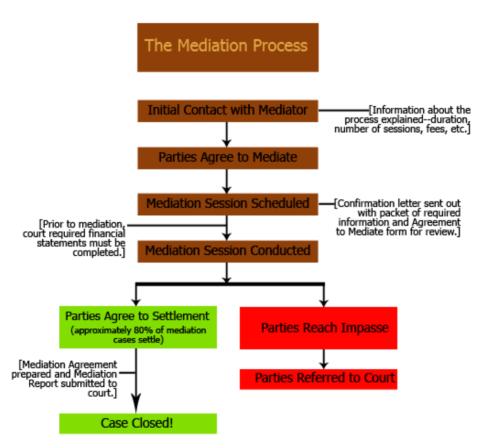
Mediation of disputes can be successful only if the parties have a sufficient level of information to come to a solution outside of court. Another problem that arises is the lack of information and how it can be raised to a higher level. This means to take transparent campaigns mediation and its importance and benefits that this solution is the dispute faster and with less financial implications. Awareness is the key that will be talks and how they will be successful in establishing legitimacy which is towards the greater awareness of citizens greater success in the negotiations themselves in disputes leading mediation. Mediation is a type of alternative dispute resolution in which peacefully by negotiation of the parties in the presence of a neutral third-party mediator, thereby declaring proper communication, tolerance and mutual understanding are coming to resolve the dispute by finding solution that has been proposed and accepted by both (all) sides in the dispute. Mediation complements proceedings and may begin as an alternative to litigation.

#### INTRODUCTION

The general public is supposed to be introduced to the mediation elements, what they are and what they represent, with the whole process of mediation, as well as the process of reaching the mediation decisions. By being informed, the general public and the disputed parties should face the essence of mediation, to feel its nature.



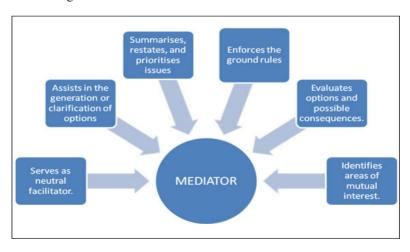
The mediation is more human, more flexible, more inexpensive and much faster than the legal proceedings. Firstly, the awareness about mediation shoul be raised because most of the Macedonian population have not heard about mediation and do not know what it represents. Cooperating with the members of the Chamber of mediators (whose role is to work on the promotion of the mediation), it should be examined how to inform the citizens in a better way, so they can reach a level where they themselves, without any pressure, will begin to value the mediation, in order to be more successful in the negotiation of the disputed parties. They should be informed about all the advantages of mediation use, to become aware that it can be used in conflicts, family, company legal proceedings, as well as legal proceedings between two corporations, educational institutions, while sharing family funds, etc.



Furthermore, the public is going to be informed that the mediation process is a unique process, a quite simple process where the disputed parties can rely on the mediator who protects all their interests. However, it must be admitted that the mediation does not have a fast development and acceptance by the people employed in the court administration, because the very course of the mediation activities are unfamiliar, and often, unacceptable for them.



Mediation is a type of alternative dispute resolution when the disputed parties negotiate peacefully in the presence of a third party – mediator, all the time emphasizing the non-violence of the communication, the tolerance and mutual understanding, thus resolving the dispute by finding solution that has been proposed and accepted by both (all) parties in the dispute. All/both disputed parties should feel as winners, which will lead to a better communication and relations in future, with already established proper level of communication .Mediation complements the legal proceedings and may begin as an alternative to litigation.



A mediator is a person who has completed a proper training for mediators, voluntarily is chosen by the disputed parties, owns qualities and skills to enable the disputes parties to communicate and help them find the solution of the problem, without proposing or imposing solutions to their problem.

# 1. Research techniques and measuring devices

The following techniques are used in the researching process:

- poll
- content analysis
- analysis of documents from the Chamber and the law

The following measuring device was used in accordance with the techniques:

A questionnaire on the information about the mediation

# 2. Expected results

It is expected that the research will show the following data:

- > To analyse the mediation elements and characteristics and disputes solving through mediation;
- > To determine the opinions and views of the mediators who are members of the Chamber of mediators:
- > To determine which activities are to be undertaken so as to prompt the development of the mediation.

# General hypothesis

The level of the citizen informing as disputed parties in a dispute/proceedins, influences the number of citizens who will accept this kind of disputes solving.

# **Hypothesis 1**

Proper and transparent campaigns on the advantages of mediation have a high impact on the citizens' informing and awareness about this way of disputes resolving.

### **Hypothesis 2**

The success of the negotiations in mediation depends on the parties' trust in the very mediation process.

# Hypothesis 3

Well-trained mediators contribute to achieving a bigger success in the negotiations during the mediation.

# Hypothesis 4

Properly directed legal regulations influence the improvement of the mediation in the disputes solving.

# **Hypothesis 5**

Successful disputes solving through mediation has an important impact on the citizens to accept the mediation.

# Selecting and description of the sample Sample of research:

# Members of the Chamber of mediators

The questionnaire is set in a research software Esurv and is sent as a link to the e-mails of all the 155 members of the Chamber of mediators.

# The research goal:

The goal of this research is to evaluate the influence of the disputed parties' informing on the success of the mediation.

The research was conducted from 27th October to 14th November, 2014, with 85 members of the Chamber having answered the questions.

# Method: Electronic poll

A structured questionnaire is made in order to conduct a quantitative research, consisting of 22 questions, 4 of which are open questions, and 16 are questions where Likert scale with 5 levels is used. The Likert scale is a type of quazimetric scale (Groenland and Stalpers, 2012), and can be used in this research.

The scaling of agreement can be 5 or 7; 5 levels of agreement are chosen for this research. From 1 to 2 is small, from 2 to 5 is medium, and 5 is a high level of agreement.

### Results from the conducted questionnaire:

On the question: 'Positive examples of the mediation practice are emphasized enough'.

\*"Positive examples of the mediation practice are emphasized enough"



Concerning this question, 52% have said that they disagree that the mediation practice is emphasized enough, which confirms, along with the answers of the first and third question, that the positive examples are not emphasized and used enough in the media campaign.

\*A media campaign whose goal is to pass on the advantages of the mediation is necessary



On the third question: 'A media campaign whose goal is to pass on the advantages of the mediation is necessary'

The total percentage of agreement with this statement (74%) is relatively high, and emphasizes the need of a media campaign to pass on the message to the citizens that the mediation offers many advantages, as well as recommending a proper campaign about the mediation.

\*"If the arrangement of the Chamber of mediation increases, the citizen informing about mediation will also increase"

	Response (%)	Responses
Strongly agree	10.98	9
Agree	37.80	31
Neither agree nor disagree	42.68	35
Disagree	7.32	6
Strongly disagree	1.22	1
	Answered Question	82
	Skipped Question	0

'If the arrangement of the Chamber of mediation increases, the citizens' informing about mediation will also increase'.

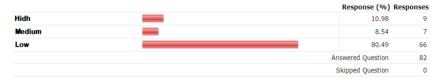
This statement says that 43% of the people have a neutal opinion (also, a high percent of them agree), which implies that the Chamber should and must take an important part in the citizens' informing about mediation, instead of the passive role it has had until now.

\*"According to you, which activities should be undertaken in order to raise the citizens' informing on the mediation and their trust in it

	Response (%) Re	sponses
Media campaign	52.44	43
Workshops on mediation	0.00	0
Emphasis of positive examples solved through mediation	12.20	10
Advantages of mediation in terms of time and finances	15.85	13
Institutional support of mediation	19.51	16
Answered Question	82	
	Skipped Question	0

On the fifth question: 'According to you, which activities should be undertaken in order to raise the citizens' informing on the mediation and their trust in it', most of the people (52,44%) consider that media campaign is necessary, but they also offer other alternatives which will raise the informing and the trust in the mediation, stating the financial advantages and the institutional support as a positive example.

\*"How do you rank the level of information on mediation in the Republic of Macedonia



On the question: "How do you rank the level of information on mediation in the Republic of Macedonia", 80% of the surveyed people have said that the level of

information on the mediation is (very) low, which implies that particular devices are needed to increase the level of citizens' informing on the mediation and its advantages.

\*"There is a good institutional establishment and support of the mediation"

	Response (%) Response	ponses
Strongly agree	17.07	14
Agree	37.80	31
Neither agree nor disagree	18.29	15
Disagree	23.17	19
Strongly disagree	3.66	3
	Answered Question	82
	Skipped Question	0

On the thirteenth question: 'There is a good institutional establishment and support of the mediation", only 37,80% of the mediators agree that there is a good institutional establishment and support of the mediation, which means that the momentarily institutional establishment is not on the necessary level, and it shoul be realised that the mediation in the institutions needs certain changes.

\*"The mediation should be included in the educational curriculums"

	Response (%) Respo	onses
Strongly agree	9.76	8
Agree	23.17	19
Neither agree nor disagree	53.66	44
Disagree	6.10	5
Strongly disagree	7.32	6
	Answered Question	82
	Skipped Question	0

It is necessary for the mediation to be included in the educational curriculums. A big percent of the surveyed people are neutral on this issue, and adding the 33% of agreement with the statement, we can say that the institutions are going to have a bigger effect in terms of practicing mediation in schools.

\*"The practical realisation of the agreement achieved through mediation achieves the mediation goal

	Response (%)	Responses
Strongly agree	34.15	28
Agree	42.68	35
Neither agree nor disagree	21.95	18
Disagree	1.22	1
Strongly disagree	0.00	0
	Answered Question	82
	Skipped Question	0

The practical realisation of the agreement achieved through mediation achieves the mediation goal. With the practical realisation of the agreement achieved through mediation, according to the surveyed people, the goal of the mediation is going to be achieved, as well as it is going to be confirmed that the mediation is functional and justified.

\*"The mediators should have additional trainings and sertificates"

	Response (%) Res	ponses
Strongly agree	20.73	17
Agree	46.34	38
Neither agree nor disagree	18.29	15
Disagree	10.98	9
Strongly agree	3.66	3
	Answered Question	82
	Skipped Question	0

"The mediators should have additional trainings and sertificates" – 46,34% of the surveyed people agree that it is necessary for the mediators to have additional trainings and certificates, as a necessary tool and device for gaining new knowledge and skills in terms of mediation.

\*"There is a need for a change in the legal regulations on mediation in order to improve the mediation"

		Response (%) R	esponses
Strongly agree		8.54	7
Agree		60.98	50
Neither agree nor disagree		26.83	22
Disagree	1	1.22	1
Strongly disagree		2.44	2
		Answered Question	82
		Skipped Question	0

'There is a need for a change in the legal regulations on mediation in order to improve the mediation'. Concerning this question, 60,98% of the mediators agree with this statement, which implies that the legal regulations on mediation, as they are now, have some drawbacks which prevent the mediation process to a certain level.

### **CONCLUSION**

Generally speaking, the mediation in the disputes solving is not fully used in Macedonia, the positive examples of the mediation practice are not emphasized enough, which implies that a bigger media campaign is necessary in order to send the message about the advantages of the mediation.

The general public will be better informed about the mediation if the Chamber of mediators activates itself through special media campaigns on mediation, all that in order to increase the low level of information on mediation in the Republic of Macedonia.

According to the mediators, it is highly necessary to implement the mediation in the educational curriculum.

Whether the process of mediation is successful or not, it mostly depends on the mediator's skills and the disputed parties' trust in him, as well as the practical realisation of the agreement reached through mediation. It is recommendable for the mediator to have additional trainings and certificates continuously.

Last but not the least, institutional establishment and support of the mediation is also in high demand, when the judges will direct the particular cases to the mediators, all that supported by the necessary changes in the legal regulations in terms of the mediation.

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# FURTHER ENLARGEMENT OF THE EUROPEAN UNION: KEY POLICIES AND THEIR INFLUENCE ON THE NATURE OF THE UNION

Ivo Šlaus<sup>1</sup> Filip Kokotović

#### Abstract

The European Union is making substantial effort to become an increasingly important figure in modern international relations. In order for the European Union to fully function, a proper balance needs to be found between deepening and widening of the European integration process, The EU is starting to highly resemble Kissinger's model of multispeed Europe. Two key questions relevant to the integration process have been key issues since the Paris Treaty. The first question is what level of integration the EU can achieve without a clearly defined balance of sovereignty between the supranational institutions of the EU and the member-states. The second question is how asupranational institution will function in the complex European political climate. Analysis of relevant macroeconomic indicators such as GDP. expenditure, the level of employment and unemployment will prove that EU accession had an overall positive effect on acceding countries. In the contexts of enlargement policies, a special emphasis is placed on the region of the Western Balkans. It is recommended that taking into account the complex political situation in the region, the European Commission provides more accurate guidelines for the countries of the Western Balkans.

**Key words:** Enlargement policy, Deepening of the integration, Nature of the integration, Western Balkans integration process.

# INTRODUCTION

The European Union (EU) has made significant progress since its relatively rudimentary beginnings with the Treaty of Paris in 1951 (The year when the Treaty of Paris was signed and France, West Germany, Italy and the Benelux countries formed the European Coal and Steel Community. This treaty signified an important shift in French foreign policy and set up the basis for cooperation rather than further confrontation. By doing so, Schuman, Monnet and other key actors set the basis for future cooperation, thus avoiding the mistake made during the Paris peace conference following the end of World War I.) The complex international relations that were present at the time effectively prevented the creation of a Pan-European integration. During the time of the founding of the European Coal and Steel Community (ECSC), Europe was deeply divided (Not only Europe, but the majority of the world was divided in two opposite blocks separated not only politically, but with completely incompatible ideological differences. This effectively prevented the integration of Europe as a whole. Also, during the forming of the ECSC many key actors in France

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believed that after suffering military defeat there was a need to completely disrupt any chance of Germany once again regaining its former economic strength). The reason for that particular divide ended with the fall of the Berlin wall, but the question of the final borders of the EU is still uncertain and without a definitive answer. Significant other factors now prevent further enlargement of the EU.

After the end of the ideological confrontation, new dilemmas have appeared within the EU itself. While many insist on the relevance of EU enlargement, another crucial aspect is deepening of the relations within the EU itself. The key modern dilemma is finding the right balance between further enlargement while strengthening the coherence of existing member-states. Dehousse emphasizes that "... the key to success is not so much dependent on the political will of governments to join some club as on their administration's capacity to deliver. The quality of partners and their dedication to a common objective are crucial. " (Dehousse, 2007) Declaratory commitment to integration policies is no longer enough. Definitive action, a generally understandable final cause and consensus are necessary on both the national level and on the level of the EU.

While the question of further enlargement of the EU towards countries such as Turkey<sup>2</sup>, or perhaps even less palpably, Russia, is not currently a topic of serious discussions in Brussels, complete integration of the Western Balkans seems to be possible with the only question being how long will it take for the countries to accede to full membership in the EU. Several factors govern this particular question and this article shall attempt toanswer several key dilemmas regarding the very nature of the EU.<sup>3</sup> It will also seek to assess the relevance of enlargement policies on the future of the EU and how forming enlargement policies effects various theoretic models regarding the nature and functionality of the EU.

## 1. THE NATURE OF THE EU

The current mainstream opinion regarding the legal nature of the EU is that it is *sui generis*, practically incomparable to existing entities in international relations. Phelan believes that the reason for such differentiation is due to the fact that the EU truly is significantly different from other existing international organizations (Phelan, 2012). The key reason for this argument is that no other international governmental organization in the world has such elements of supranational governance. <sup>4</sup>Birch argues

<sup>&</sup>lt;sup>2</sup> (Despite the fact that Turkey has sought full membership in the EU on several accounts and under the governance of different political parties. This question shall be addressed more thoroughly in latter parts of this article)

<sup>&</sup>lt;sup>3</sup>When regarding the nature of the EU, this article will accept the current mainstream opinion regarding the legal status of the EU. As it will be further explained, the goal of this article is not to argue against the present opinion or legal view of the EU, but analyse the opinion of relevant political actors and other authors about the functionality of the EU. The focus will be on the sustainability of enlargement policies while continuing to maintain a coherent Union.

<sup>&</sup>lt;sup>4</sup> Not even the United Nations (UN), as perhaps presently the most relevant international governmental organization, has the element of supranational government. Perhaps that is a key element that has been left out of the framework of the UN and that has been preventing any substantial reform of that particular system. The Security Council, as perhaps one of the most significant institutions of the UN, does not have any supranational elements. It is an institution where appointed representatives of 15 member states discuss current relevant political issues and attempt to exact the authority and protect the interests of 15 different member-states. The focus of the EU today is supranational governance and ever since the time of the ECSC there has been a supranational element present in the functioning of this organization.

how it is very hard to categorize the EU, as "On the one hand, it is not a state, not even a loose kind of federation. A state has authority to exercise direct control over the behaviour of its citizens, to tax their incomes, to conscript them for military service, and on occasion to put them in prison. The Community does not have any of these powers." (Birch, 1998) Another crucial argument is that no other international organization or other entity in international relations – except for the nation-state, has accomplished such a high level of integration. Perhaps the key to understanding the supranational level the EU currently has is considering the formation of the ECSC and how the current modus operandi of the EU came into existence.

Ever since the time of the ECSC a certain element of supranational government has been present. During the time of the founding of the ECSC it was present in the form of the High Authority. In accordance with the Treaty establishing the European Coal and Steel Community, the High Authority had the right to issue decisions that are legally binding to all member states. Such authority given to an institution of an international governmental organization was at the time, without precedent.

Perhaps the part that should especially be highlighted regarding the founding treaty of the ECSC is apart of Article 9, which states: "The members of the High Authority shall exercise their functions in complete independence, in the general interest of the Community. In the fulfilment of their duties, they shall neither solicit nor accept instructions from any government or from any organization. They will abstain from all conduct incompatible with the supranational character of their functions. Each Member State agrees to respect this supranational character and to make no effort to influence the members of the High Authority in the execution of their duties. (Treaty establishing the European Coal and Steel Community, Article 9).

The supranational character of the governance of the High Authority was perhaps the key element.<sup>7</sup> It may have even proven a turning point towards creating a possibility for a supranational Europe following the failure of the Council of Europe.<sup>8</sup> Certain

<sup>&</sup>lt;sup>5</sup> Although there are many free-trade areas around the globe, none have achieved the levels of integration that the EU has. A possible comparable example is the Association of Southeast Asian Nations (ASEAN). ASEAN has neither reached the level of economic or political integration that could be considered even on the same level as the EU. Despite fierce criticism regarding lack of coherence, EU has established a Common Foreign and Security Policy (CFSP). In areas where the success of the EU is less questionable, it has established a prosperous free trade area with a single currency whose relevance is rapidly rising in international economic relations.

<sup>&</sup>lt;sup>6</sup>In accordance with Article 14 of the Treaty establishing the European Coal and Steel Community. The previously mentioned Article also entitles the High Authority to issue recommendations that are obligatory upon the objectives which they specify. There was also the possibility of non-binding opinions that could be expressed.

<sup>&</sup>lt;sup>7</sup>As many institution of international organizations that have existed before, the Treaty establishing the European Coal and Steal Community recognized the issue of representation from various countries. It therefore demanded that no more than 2 members of the same country would be able to participate in the High Authority. Thus it took every precaution that was foreseeable in accordance to previous international precedent. None the less, it especially emphasized the supranational character of the High Authority.

<sup>&</sup>lt;sup>8</sup>The term failure is perhaps overly critical, but the expectations from the Council of Europe were extremely high at the time. The Council of Europe has undoubtedly made significant progress in establishing perhaps the very basis of European law and what some might regard as "legal and moral values respected by the civilized world", or at least the Western civilization. The term failure is used due to the high expectations from forming a supranational organization, strengthened by the opinion of many key statesmen of the time. At the time, Winston Churchill believed in the forming of a United States of Europe and the final result which had no supranational elements was far away from the original expectations. Further information regarding the goals and achievements of the Council of Europe may be found on: Official Web-site of the Council of Europe, http://www.coe.int/en/web/portal/home, accessed 10.5.2015.

elements can be identified as being primary opponents to progress of European integration of the time:

- 1) States considered the concept of sovereignty as essential, a matter of vital national interest and any undermining or delegation of sovereignty was not considered in any way a positive or progressive measure. Harris further argues that it is difficult for the people of the EU to grasp the concept of an European identity and how the traditional limitations of thinking, when it comes to the sovereignty of the nation state, will be hard to overcome (Harris, 2011).
- 2) The European system of security before 1945 was based on the concept of the balance of power, any move towards cooperation and collective security as a means of maintaining peace and security was foreign and difficult to understand. As it has previously been mentioned, the leap from the Paris peace conference following World War I and the concept of collective security within the framework of the UN and the prospect of economic cooperation within the EU was quite significant. This may be the only issue that has to a substantial point been resolved;
- 3) The newly formed supranational institution will, under the presumption that they function disregarding particular interest of certain nation-states, undoubtedly find themselves in a power struggle with institutions within the same international organization that have exclusively national character.

The reason why it is important to understand the functioning of the ECSC is that, no matter the fact that these issues were considered a significant problem in 1951, the question of state sovereignty and the authority of supranational institutions is perhaps even more relevant in the EU of 2015 than it was in the ECSC. Considering the EU of 2015, it is very significant to reflect upon the 3 possible scenarios of further development of the EU that Kissinger identified.

The first was mostly endorsed by German foreign affairs ministerJoschka Fischer. This model was based upon the idea that it was necessary to develop European federal institution with executive and legislative capacity. <sup>10</sup>The second model was based upon

<sup>&</sup>lt;sup>9</sup>This question was previously addressed in the Charter of the UN, where in 1945. states first experienced difficulties with compromise and delegating of any kind of sovereignty to an international organization. In orderto make the creation of such an international organization with such, potentially restrictive, measures, more bearable to the countries and their concept of sovereignty, the Charter emphasized the following in Article 2, sub clause 1: "The Organization is based on the principle of the sovereign equality of all its Members." or perhaps even more importantly Article 2, sub clause 7: "Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter; but this principle shall not prejudice the application of enforcement measures under Chapter VII.". The history of attempting to delegate further authority to international organization is constrained with the fear of nation-states of delegating any part of their sovereignty. The before mentioned sub clauses present a certain form of reassurance. Source: Charter of the United Nations, Narodne novine – medunarodni ugovori, br. 15/1993.

<sup>&</sup>lt;sup>10</sup>Fischer further believed that it was necessary to develop a more federal Europe with advanced and centralized institution. In this context it can be difficult to regard the EU as an international organization when attempting to apply state-centred and almost exclusively state applicable elements. Both federalism and confederalism are possible models of internal state organization which can be very difficult to implement when attempting to apply certain traits of these organization models onto an international organization with supranational elements. Both confederalism and federalism must have centralized government in order to function, while the institutions of EU are comparatively more difficult to define and the responsibilities

the concept of "multispeed Europe" in which a core of 15 member states <sup>11</sup>would pave the way for economic and political integration, with other countries entering the EU under less stern criteria and slowly adapting to the requirements of the EU. This model also predicts further cooperation in various areas of interest, depending entirely on the wishes and interests of member-states to increase cooperation in the field of foreign policy, defence or other relevant issues, thus proposing a Europe of concentric circles. <sup>12</sup> The United Kingdom, traditionally wary of supranational obligations, found even the model of EU as a model of concentric circles too demanding. Thus Kissinger identifies the third model, proposed by Tony Blair, which suggests a confederal EU with no previously defined core or differences in the level of integration between the various member-states (Kissinger, 2003).

Europe today is still not defined as a confederation or a federation nor are there any trends that the nation-states of Europe will allow further delegation of sovereignty towards the institutions of the EU. The EU presently faces several key issues that prevent both the deepening and the widening of the integration. A circumstance that was hard to predict was the economic crisis and the growing difference between the economic strength of member states. Several states are, whether from lack of political will or their capacity, failing to adhere to the Maastricht criteria. <sup>13</sup>Pitruzzello correctly identified that this would also affect countries that perhaps did not at first understand the relevance of adhering to the Maastricht criteria towards their welfare system, such as France (Pitruzzello, 1997).

Dealing with many of these issues, the central question once again returns to defining the nature of the EU. Brown argues that: "The ideal solution to the crisis of the euro would be the creation of a United States of Europe. Some specific proposals for 'more Europe' have already been put forward by leading officials, including the German chancellor, the president of the European Commission, and a group of 10 EU foreign ministers. These proposals are all tentative, deliberately vague, and hedged by reservations." (Brown, 2013).

Until the EU makes a defining step towards resolving its potential federal, confederal or other nature, the deepening and widening of the integration will be a relatively slow process. For potential future member-states an EU with stronger, better defined foundations would perhaps be preferable. A strong federation that still accepts the opinion of the comparatively smaller member-states might be preferable for countries that cannot significantly contribute to the economic or military strength of the EU. Russia or Turkey would probably find such a level of integration too demanding, but as was previously mentioned Russian accession to full membership in the EU is currently only a theoretical possibility.

between the nation-state and the EU are divided. Fischer was a staunch believer in multilateralism and believed that further progress in collective security can and should be made within the framework of existing international organizations. For further information see: JoschkaFischer, Global Cooperative Security in the 21st Century, Presidents & Prime Ministers, Nov/Dec2002, Vol. 11 Issue 6

<sup>11</sup>This refers to member states that have been acceded to full membership prior to the enlargement of 2004, when 10 new member-states acceded to full membership in the EU.

<sup>12</sup>According to this model, the state would be left with a large autonomy as to whether or not it wanted to participate in activities outside of the key policies regarding political and economic integration. Thus many that did not believe in a federal Europe largely supported this model.

<sup>13</sup> This problem can especially be identified in Greece, where the public debt has reached a staggering 177% of their GDP. The Maastricht criteria define that the ratio of gross government relative debt relative to the GDP should not exceed 60%.

## 2. Relevant macroeconomic figures considering previous enlargement cycles

The European Commission has issued the Enlargement Strategy and Main Challenges 2014-15 in which it clearly defines 3 key benefits of enlargement. These benefits are:

- 1) Enlargement helps promote regional security, as well as the consolidation of the rule of law:
- 2) The Commission believes that enlargement helps improve the quality of life through cooperation in areas of mutual interest;
  - 3) A larger Europe is stronger with higher overall GDP;<sup>14</sup>

These arguments are often used as responses to criticism of enlargement. It is difficult to assess whether the EU helps maintain regional security as there has not been such a crisis on the territory of one of the member-states. The EU certainly has increased capacity to act in comparison to a nation-state, but its capacity to act depends almost completely on the will of nation states without which the Common Foreign and Security Policy (CFSP) of the EU cannot be adequately conducted. While conducting a coherent and effective CFSP in all areas is a demanding task, enlargement itself may be the most significant aspect of EU foreign policy. Keukeleire and MacNaughtan argue that enlargement is an integral and perhaps the most significant part of EU foreign policy due to the fact that it caused the reshaping of political, legal, socio-economic and mental structures of Central and Eastern Europe (Keukeleire and MacNaughtan, 2008). This is also a crucial reason why more coherent enlargement policies should be defined within the EU itself and why there is a need for consensus on the issue of further enlargement of the EU.

Table 1: EU enlargement in the context of relevant economic indicators 16

Year	Number of member-states	Expenditure in trillions of Euro	Nominal expenditure per capita in Euro
1995.	15	6,97	18 717
2004.	25	10,89	23 676
2007.	27	12,85	25 934
2013.	28	13,52	26 605

A quick glance at the statistical data regarding EU enlargement confirms the majority of the arguments presented in the Council's Enlargement Strategy. The

<sup>&</sup>lt;sup>14</sup>Enlargement Strategy and Main Challenges 2014-15, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, p.3., available on: Official Internet site of the EU, http://ec.europa.eu/enlargement/countries/strategy-and-progress-report/index en.htm, accessed 10.5.2015.

<sup>&</sup>lt;sup>15</sup>Although it is possible to argue that there are numerous threats to regional security and the EU has attempted to combat several of these issues. For instance, the issues of organized crime as well as terrorism present a significant threat to national security. Exchange of data, a common framework and cooperation may have a positive effect on countering these particular threats. The EU also has a disaster relief fund in case of natural emergencies – the EU Solidarity Fund, so in a way the EU truly does improve the quality of regional stability and enhances security by combating relevant threats to national security.

<sup>&</sup>lt;sup>16</sup>Source: Eurostat, http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do , accessed 10.5.2015.

expenditure on the level of the EU is rising and even though 10 new member-states acceded to full membership in 2004, the nominal expenditure per capita on the level of the EU still continued to rise. Basing a conclusion exclusively on the above mentioned data, it would be plausible to believe that the EU is surprisingly economically coherent. A more detailed approach unlocks several problems, illustrated in Table 2.

Table 2: Comparison of nominal expenditure per capita in euros

	1995	2004	2007	2013
EU 28	15 051	22 302	25 799	26 605
EU 27	15 162	22 430	25 934	26 743
EU 25	16 126	23 676	27 182	27 882
EU 15	18 717	26 905	30 417	30 849

Source: Eurostat,

http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do~accessed~10.5.2015.

Comparison of the nominal expenditure shows that, from 1995 the nominal expenditure per capita, on the level of the entire EU, has grown by 42%. On the other hand, the nominal expenditure within the original 15 EU member-states has grown by 64.8%. The difference becomes even more pronounced when comparing the nominal expenditure of EU countries, as is illustrated in Table 3.

Table 3: Comparison of nominal expenditure in trillions of euros

	1995	2004	2007	2013
EU 28	7,276	11,015	12,900	13,529
EU 27	7,258	10,982	12,857	13,485
EU 25	7,219	10,899	12,699	13,299
EU 15	6,977	10,395	11,964	12,433

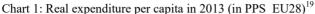
Source: Eurostat,

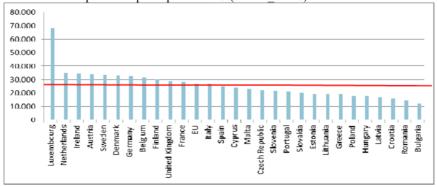
 $\label{lem:http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do\ ,\ accessed\ 10.5.2015.$ 

The report of the European Commission was correct in stipulating the fact that a larger EU meant a rise in the level of expenditure, as well as the GDP. The problem is that countries that have acceded to full membership since 2004 only contribute with 8.1% in the total expenditure of all 28 member-states. Some might even regard that as a positive figure, due to the fact that these 13 countries combined had the nominal expenditure equal to that of 4.1% of the EU in 1995 and 5.63% in 2004. The rise of population was significantly higher, with the population increasing by 75 million people in 2004. Such disparity in statistical figures is not easily explained.

Elsner considers May 2004 a milestone in European integration, further emphasizing that many of the countries at the time were still in the process of economic transition (Elsner, 2013). It is undoubtedly correct that free movement of labour

provided new opportunities for the population of acceding countries.<sup>17</sup>It should also be noted that high mobility is facing increasing opposition in several member-states of the EU. Many rightist political parties<sup>18</sup>, using arguments from the economic theory of protectionism, emphasize the need to protect national interests or protect the production of domestic employers, regardless of their actual market competitiveness. When noting the difference between the original 15 member states and states that have acceded to full membership after 2004, it is relevant to note the differences of real expenditure per capita illustrated in Chart 1.





All of the member-states that have joined the EU after the 2004 enlargement have expenditure per capita below the EU average. The economic convergence, or to be more precise the lack of convergence, of the EU seems to indicate the existence of a multispeed Europe. With part of the EU developing at such a different pace it is hard to expect a politically and economically cohesive Union. This reiterates the question of attempting to increase the economic convergence of the EU. This process is multileveled and without a definitive answer. In order to better grasp the issue of deepening economic convergence, it is also relevant to view the pace of development of the new member states.

<sup>&</sup>lt;sup>17</sup> It should be noted that, especially in the period when a country first becomes a full member-state of the EU, it is possible for other countries to restrict the free movement of the labour force. However, this measure can last no longer than 7 years.

<sup>&</sup>lt;sup>18</sup>For instance the United Kingdom Independence Party (UKIP) is striving for further regulation and restrictions regarding labour movement. Many of their ideas cannot be accommodated under current EU legislation and would probably demand a change of the founding treaties of the EU. Even if a solution without changing the founding treaties was found, it would require a substantial political compromise that might be very harmful for non EU 15 member-states.

<sup>&</sup>lt;sup>19</sup>PPS is the common currency in which national accounts aggregates are expressed when adjusted for price level differences using purchasing power parities. Source: Eurostat, http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do, accessed 10.5.2015.

<sup>&</sup>lt;sup>20</sup>The term multispeed Europe refers to one of three previously mentioned views that Kissinger has presented regarding the EU. Even if the member-states that have recently acceded to full membership have significant gains in relevant macroeconomic indicators, it will still take a long time for them to reach the average level of the EU. The EU 15 countries had a comparative advantage in having more time to adept to the system, as well as a political and economic system that was more in adherence to the EU *acquis*. As relevant actors on the international scene, they also had a comparatively better negotiating position in relation to the countries that joined after 2004.

As can be seen in Chart 2, there have been very little changes regarding the relation of the countries expenditure per capita to the EU average. The EU average level of real expenditure per capita rose by approximately 13.2%. It should be taken into consideration that most of the countries that acceded to full membership in 2004 experienced economic growth, despite the effects of the Global economic recession.<sup>21</sup>

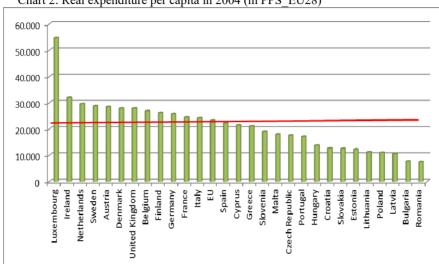


Chart 2: Real expenditure per capita in 2004 (in PPS EU28)

Source: Eurostat,

http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do~accessed~10.5.2015.

Table 4 illustrates the change of real expenditure per capita and that of the nominal expenditure in the 10 member-states that have acceded to full membership in 2004. All of the countries that have acceded to full membership in 2004 have increased their GDP, as well as expenditure per capita by a significant margin. What needs to be taken into account is that all of these countries were experiencing economic growth in 2002 and 2003, before accession to the EU.

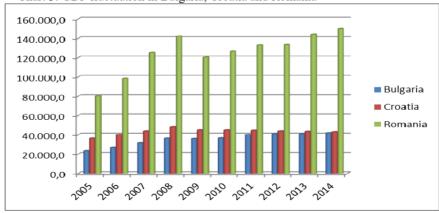
<sup>&</sup>lt;sup>21</sup>During which all of the member-states of the EU experienced at least a short-term recession, with the recession still leaving significant impact on some of the member-states. This issue also highlighted several issues that very already present, but were yet to have their place in the spotlight. A long time before the recession was even considered as a possibility, several member-states of the EU already had great difficulty with adhering to the Maastricht criteria. Thus the recession not only created new issues that had to be resolved, but it also brought to light several long-standing problems regarding non-adherence with the Maastricht criteria.

Table 4: Comparison of significant economic indicators for 2004 acceding countries

Country	GDP	GDP 2013	Real	Real
	2004 in	in millions of	expenditure	expenditure per
	millions of	euro	per capita	capita 2013
	euro		2004	
Malta	4.867,2	7.571,4	18.000	22.800
Slovenia	27.736,7	36.144,0	19.100	21.800
Cyprus	13.812,5	18.118,9	21.500	23.600
Czech Republic	95.878,5	157.284,8	17.600	21.900
Hungary	83.106,6	100.536,5	13.800	17.600
Estonia	9.706,4	18.738,8	12.300	19.500
Slovakia	34.756,2 73.593,2		12.600	20.000
Latvia	11.735,6	23.265,0	10.600	17.000
Poland	204.848,0	396.111,5	11.000	17.900
Lithuania	18.237,4	34.955,6	11.200	19.400

In that regard, it is interesting to take note of the GDP fluctuation in Bulgaria, Croatia and Romania in Chart 3.

Chart 3: GDP fluctuation in Bulgaria, Croatia and Romania



Source: Eurostat,

http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do~accessed~10.5.2015

As it is possible to see in Chart 3, there was substantial GDP growth in 2005 and 2006 before Romania even acceded to full membership in the EU. Even Croatia, which did not become a member-state until 2013, experienced GDP growth in these years. All countries experienced a significant economic slump that started in 2009. For Croatia and Bulgaria the GDP has stagnated since while Romania has experience a slight growth of GDP. Accession to full membership in the EU may provide a significant economic advantage, but that in itself is not a guarantee for economic prosperity.

Neither can the EU function as a substitute for the nation-state, nor can the developing nation-states hope to achieve further development without key actors in Brussels creating a rational development strategy. Short-term gain from EU membership is highly relevant in the minds of voters. Lightfoot emphasizes that institutional capacity can hinder the building of a governmental constituency for development policy. However, lack of political will is also linked to limited public awareness and limited NGO involvement. Low public awareness has a negative effect on support for development co-operation. In many CEE states this situation is compounded by a view that poverty within each state still needs resolving first and that EU funds should be used for this purpose (Lightfoot, 2008).

This highlights issues previously emphasized in this article which focus on the need for the supranational government, national government and sub-national government to work towards common goals. Not without reason does the EU consider multilevel governance highly significant, yet without cooperative relations between the previously mentioned it will be very difficult to work towards a more economically cohesive EU. Dogot and Horga argue that "...it seems that the most important priority of enlargement is to maintain the Member States broadminded, opened to each other, in order to counteract the politicianism and its petty electoral goals, and to boost the interest in the European unity goal. (Dogot and Horga, 2012) This connects the issue of cooperation with the issue of raising awareness<sup>23</sup> of the actual function of the EU. Overinflated expectations can have a negative effect in the opinion of the electorate when the EU does not cause instant stabilization of all relevant macroeconomic indicators. Also, the level of progress depends upon which indicator is analysed. For instance, as can be seen in Table 5, combating unemployment is a field where there are varied results.

<sup>&</sup>lt;sup>22</sup>The balance between a rational and progress-seeking budget on the level of the EU is equally as important to the future of implementation of projects from EU funds as is the necessary organizational and administrative preparation on the level of the national and sub-national government.

<sup>&</sup>lt;sup>23</sup>In countries preparing for full membership in the EU, such campaigns are usually limited to a period of a few months before the referendum whether or not to enter full EU membership. Such campaigns should not have such a limited scope and any country wishing to achieve full membership in the EU should in detail define the positive and negative signs of full membership.

Table 5: Unemployment rate in countries that have acceded to EU membership in 2004

Country	2004	2005	2007	2009	2010	2013
Cyprus	4,6	5,3	3,9	5,4	6,3	15,9
Hungary	6,1	7,2	7,4	10,0	11,2	10,2
Slovenia	6,3	6,5	4,9	5,9	7,3	10,1
Malta	7,2	6,9	6,5	6,9	6,9	6,4
Czech Republic	8,3	7,9	5,3	6,7	7,3	7,0
EU (28) average	9,3	9,0	7,2	9,0	9,6	10,9
Estonia	10,1	8,0	4,6	13,5	16,7	8,6
Lithuania	10,9	8,3	4,3	13,8	17,8	11,8
Latvia	11,7	10,0	6,1	17,5	19,5	11,9
Slovakia	18,4	16,4	11,2	12,1	14,5	14,2
Poland	19,1	17,9	9,6	8,1	9,7	10,3

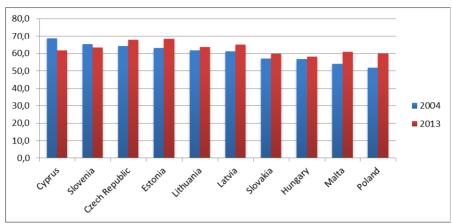
Source: Eurostat,

 $\label{lem:http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do\ ,\ accessed\ 12.5.2015$ 

In 2004, 5 of the acceding countries had unemployment rates higher than the EU average. In 2013, 4 countries of the group that acceded in 2004 had higher unemployment rates, but five of these countries have higher unemployment in 2013 than they had in 2004. On the other hand, as can be seen in Chart 4, only Slovenia and Cyprus<sup>24</sup> have a lower employment rate in 2013 than they did in 2004. All of these results suggest that membership in the EU, or at least the period during a highly significant financial crisis, has not resulted in any negative macroeconomic indicators. As Johnson notes, from the end of the Cold war, there were many questions regarding the future of the EU and it was decided that it was crucial to form deeper political and economic integrations (Johnson, 1991).

Chart 4: Employment rates in countries that have acceded to EU membership in 2004

<sup>&</sup>lt;sup>24</sup>With Cyprus experiencing a highly significant economic crisis which nearly crippled its banking sector, such economic indicators are not unexpected.



Source: Eurostat,

 $http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do\ ,\ accessed\ 12.5.2015.$ 

The remainder of the objectives of EU was undecided at the time and is still under question today. While it is still difficult to consider EU 28 an economically cohesive union, it appears that member-states that have joined the EU after 2004 have made economic progress. When regarding the functionality of the EU, it is equally important to find the exact balance between what responsibilities the nation-states are prepared to delegate to the EU and what will still be considered the exclusive issue of the nation-state. The current system has defined what the exclusive domain of the EU is, but when implementing such decisions they are often met with vigorous opposition from member-states. Without a clear stance on these issues, the EU will have continued problems in achieving further political cohesion. It is also crucial for the EU to attempt to form a cohesive enlargement strategy as one of the building blocks of its foreign policy.

## 3. Enlargement strategy and the cohesion of the EU

In order to understand the enlargement strategy of the EU, it is highly important to take note of several key documents. The 2006 Communication from the Commission - The Western Balkans on the road to the EU: consolidating stability and raising prosperity was supposed to be one of the crucial land marks towards the integration of the Western Balkans. This document emphasized: "The stability, security and increasing prosperity of the Western Balkans are a high priority for the European Union. Reconfirming their European perspective will be particularly important in the context of the Kosovo status process and when other constitutional issues in the region are being addressed. The joint agenda agreed between the EU and the countries of the

<sup>&</sup>lt;sup>25</sup>An obvious example is the Excessive Deficit Procedure. Although this procedure is clearly defined within EU legislation and it is within the rights of the European Council when to enact this procedure, even attempting to use mechanisms from the framework of this procedure are often perceived as threatening to the sovereignty of the nation-state.

Western Balkans at the 2003 Thessaloniki Summit $^{26}$  has largely been implemented, and further progress is forthcoming."

Yet even considering the emphasis on the "European perspective" of these countries comparatively inadequate progress has been made in their negotiating process. The Enlargement strategy and Main Challenges 2014-2015 has identified potential new member-states, as well as issues that are currently preventing further progress. Several new chapters have been opened in negotiations with Montenegro, while for Serbia the key emphasis is on normalizations of relations with Kosovo and upholding the rule of law. As is noted in the document, a Stabilisation and Association Agreement has already been signed. He Macedonian accession process will be evaluated on the basis of the level of freedom of expression, the independence of the judiciary branch, as well as the capacity to resolve the name dispute with Greece. For Turkey<sup>31</sup> the emphasis is on fundamental rights and the rule of law. It is emphasized that Albania was given candidacy status as an acknowledgment to their attempts of reform, while further emphasizing that Bosnia and Hercegovina needs to speak with one voice regarding the future of European integration.

Such a seemingly harmless diplomatic phrase displays little understanding of the situation in Bosnia and Herzegovina, and perhaps that of the entire region, in Brussels. A country so deeply divided that one of the entities continuingly expresses the desire to secede from the remainder of the country<sup>34</sup> can hardly speak with a unified voice. As Krešić indicates, the problems do not stop there as Bosnia and Herzegovina currently has 14 governments, 13 prime ministers and 120 ministers (Krešić, 2014). In the EU progress report, there is hardly any mention of these issues, while focusing on "the weak rule of law" and similar phrases without suggesting concrete measures that might combat the rising economic and political crisis.<sup>35</sup> The reports are highly critical and

<sup>&</sup>lt;sup>26</sup>A high level summit between potential candidate countries for EU membership, high representatives from the EU and the UN. The summit concluded with the desire for further cooperation, economic development and further emphasizing the potential of the participating countries for EU membership. The full text of the declaration can be found on: Declaration of the EU-Western Balkans Summit Thessaloniki, 21 June 2003, available on: Official Internet site of the EU, http://europa.eu/rapid/press-release\_PRES-03-163 en.htm, accessed 13.5.2015.

<sup>&</sup>lt;sup>27</sup>Communication from the Commission - The Western Balkans on the road to the EU: consolidating stability and raising prosperity, available on: Official Internet site of the EU, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52006DC0027, accessed 13.5.2015.

<sup>&</sup>lt;sup>28</sup>Enlargement Strategy and Main Challenges 2014-15, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, p.2., available on: Official Internet site of the EU,

 $<sup>\</sup>label{lem:http://ec.europa.eu/enlargement/countries/strategy-and-progress-report/index\_en.htm~,~accessed~13.5.2015.$ 

<sup>&</sup>lt;sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>&</sup>lt;sup>31</sup>Turkey is also experiencing difficulties with declining public support for EU leadership. This is perhaps a turning point in Turkey's desire for EU membership as tensions are starting to rise between President Erdogan and Prime Minister Davutoglu. The result of this political conflict may have long-lasting effects on Turkish foreign policy and their possible EU accession route.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>&</sup>lt;sup>34</sup> The continued desire of Republika Srpska to secede from Bosnia and Hercegovina has been expressed many times. There has also been mention of abandoning the EU path completely in favour of seeking deeper ties with Russia.

<sup>&</sup>lt;sup>35</sup> Bosnia and Herzegovina Progress Report for 2014, available on: http://ec.europa.eu/enlargement/pdf/key\_documents/2014/20141008-bosnia-and-herzegovina-progress-report\_en.pdf, accessed 16.5.2015.

there are undoubtedly reasons why they should be. On the other hand they need to act as guidelines, indicate clear changes that the Council believes necessary in order to continue the EU accession path. Marshall emphasizes that the institutions of the EU need to focus less on the opinion on member-states and public opinion and more on dealing with the relevant challenges the EU faces today.<sup>36</sup>

The reports of the Council should have a less descriptive dimension and rather focus on concrete and achievable goals that the candidate countries should focus on. Many norms and long-standing laws are modified in order for the national legal framework to be in line with the EU *acquis*. The process of accession negotiation is often unnecessarily misconstrued as mystified and complicated. Accession negotiations are implementation of the EU *acquis* into the legal system of the candidate state, bearing in mind the political, economic and administrative criteria defined in Copenhagen in 1993.<sup>37</sup> The only negotiations that are possible in the framework of accession negotiations are reserves to implementing certain laws or regulations and even these reserves have a limited time frame.

Criticism of candidate countries, whether constructive or not, leaves very few potential political drawbacks for the Council, especially when supported by irrefutably negative macroeconomic indicators. Suggesting concrete actions would leave the Council not only vulnerable to the questioning of the validity of these recommendations, but also with a moral responsibility to oversee their implementation. Timus argues that another reason why the political elite of the EU has made questionable progress regarding enlargement policy is that a significant part of the electorate from EU 15 has not been in favour of enlargement. Eurobarometer results from spring 2014 indicate that the Macedonian, Serbian and Montenegrin electorate believes that their country would benefit from membership in the EU. The same survey implies deep mistrust of EU institutions within the member-states of the EU, with less than a third of Europeans trusting the European Central Bank and the European Commission.

Perhaps taking into account these facts the European Council might reconsider its "speaking with one voice" proposal and attempt to formulate achievable and concrete goals for the candidate countries. It should also take into account the previously developed issues of the EU. The relations between the supranational level of government and the remainder of the EU seem to be perhaps even more fragile than they were during the founding of the ECSC. Furthermore, the extent to which the European Commission will go to defend the interests of future EU enlargement without the constant backing of the member-states is rather disappointing. It was not so long ago that the EU itself was not able to speak with one voice and was nearing a serious political crisis. During the 2014 elections for the European Parliament, the major

<sup>&</sup>lt;sup>36</sup> Sir Peter Marshall, Forty Years On: Britain in the EU, Round Table, Feb2013, Vol. 102 Issue 1, p. 20.

<sup>&</sup>lt;sup>37</sup>In accordance with the Copenhagen criteria, every acceding country must necessarily have stable democratic institutions, guarantee the rule of law and basic human rights, as well as the protection of minorities. Furthermore, the candidate countries need to have a functioning market economy capable of handling the competitiveness of the EU, as well as the institutional capacity to implement the EU *acquis*.

<sup>&</sup>lt;sup>38</sup>Natalia Timus, The Role of Public Opinion in European Union Policy Making: The Case of European Union Enlargement, Perspectives on European Politics and Society Vol. 7, No. 3, 336 – 347, September 2006, pp. 340-345

<sup>&</sup>lt;sup>39</sup>Standard Eurobarometer 81, spring 2014, available on:

http://ec.europa.eu/public\_opinion/archives/eb/eb81/eb81\_publ\_en.pdf, accessed 16.5.2015.

political parties of the EU interpreted the Lisbon agreement in such a manner that the political party that won the majority would have their candidate named the President of the European Commission.<sup>41</sup>

This dispute over the interpretation of the Lisbon treaty lasted for several months and the opposing member-states of the EU, led by the UK, folded under the pressure of the multi-partisan pressure of the leading parties of the European Parliament. This is a significant example of the fear of the nation-states to delegate more autonomy to the supranational elements of the EU. Attina believes that perhaps the reason why the European integration process started is answering the increasing demand for higher functionality than the nation-state as an organizational unit could provide. <sup>42</sup> If political turmoil ensures regarding such an issue that is even defined in one of the founding treaties of the EU, legitimate concerns can be raised regarding the capacity of the EU to resolve more complex political issues.

## **CONCLUSION**

The EU has proven itself to be *sui generis* on more than one basis. The questions considered due to the nature of the EU are without a definitive short-term answer. The significant aspect is that enlargement is perhaps one of the key foreign policies of the EU. It is also one of the policies that should be most defined for the benefit of the candidate countries. The significance of pertaining to documents such as the conclusion of the Thessaloniki summit is perhaps at an all-time high for the EU with such a significant percentage of its populace voicing negative opinions regarding EU institutions.

This is perhaps a pivotal moment when the European Commission has a substantial influence regarding the continuation of the enlargement process. Further criticism regarding candidate states is proving ineffective both domestic and within the international community, hence should the European Commission wish to assist with the further integration of the Western Balkans it should propose concreate measures and actions that might help with the accession process. Current attempts at negotiating are clearly not providing the results that are necessary to continue the EU accession paths for these countries. Analysing macroeconomic statistical figures has proven that EU membership may help in further economic development if all of the interested parties 43 work towards the goals designated in the Founding treaties of the EU.

The concept of multispeed Europe is becoming increasingly clear when regarding macroeconomic indicators of EU member-states. EU 28 is unlikely to become a politically and economically completely cohesive union. Even ignoring the stark

<sup>&</sup>lt;sup>41</sup> Based upon an article of the Lisbon treaty which states that: "Taking into account the elections to the European Parliament and after having held the appropriate consultations, the European Council, acting by a qualified majority, shall propose to the European Parliament a candidate for President of the Commission. This candidate shall be elected by the European Parliament by a majority of its component members. If he does not obtain the required majority, the European Council, acting by a qualified majority, shall within one month propose a new candidate who shall be elected by the European Parliament following the same procedure." Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, available on: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2007:306:FULL&from=EN, accessed 17.5.2015.

<sup>&</sup>lt;sup>42</sup> Fulvio Attina, The Global Political System, Palgrave Macmillan, New York, 2011., pp. 106.-108.

<sup>&</sup>lt;sup>43</sup>The EU, the private sector, both the local and national level of government and other relevant stakeholders in the development of both the EU and its member-states.

economic differences, certain member-states have different vision of the political integration of the EU. The Conservative Party won the 2015 election in the UK with a largely anti-EU agenda, promising to hold a referendum on their membership in the EU by 2017.

Starting from the time of the ECSC, the problems of the delegation of sovereignty and the issue of understanding the role of a supranational level of governance have not been properly addressed. These issues have grown increasingly significant over time and have perhaps turned into the most significant challenge the EU faces today. Time will not solve these issues nor is widening of the integrations a process that is harming political cohesiveness. The differences of opinion are within the potential core of EU 15 countries and there is a need for definitive consensus among them for the scope of political integration within Europe.

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# WESTERN BALKANS – PRIORITY OF THE FOREIGN POLICY OF THE SLOVAK REPUBLIC

#### Abstract

The Slovak Republic became independent state in 1993. Its foreign policy priorities were clear from the beginning – to become member of the European Union and also member of NATO. Both two goals were achieved in 2004. In 2007 Slovakia took part in Schengen zone and in 2009 became the member of Eurozone as the second post-communist country (Slovenia was the first – this ex-Yugoslavian country became part of Eurozone in 2007). It is evident that more than 25 years after Velvet revolution is foreign policy of the country western oriented. On the other hand eurointegration and transatlanticism are not the only elements of foreign policy of Slovakia. After it became EU and NATO member, it was necessary to redefine its priorities – one of new was the support of Western Balkans countries in their ambitions to become members of some Western structures, mainly the EU.

**Key words:** Slovak republic, foreign policy, priorities, Western Balkans

## INTRODUCTION

Western Balkans is one of the most important regions of Europe. Its stability and development directly influences stability and prosperity of European continent (as the history many times showed us). Western-oriented ambitions of the countries of that part of old continent are known. Both, the Slovak Republic but also the European Union support them. For the Slovak Republic is Western Balkans long-term one of the priorities of its foreign policy. All strategic documents confirm that position. The goal for the relevant actors (Western Balkans countries, EU member countries advocating them, EU as an institution) is to work together to finish that process successfully. In the changing world we are facing now it is the precondition for progress of all of them.

# 1. GENERAL ASPECTS OF THE SLOVAK FOREIGN AND SECURITY POLICY

Slovak foreign policy went through remarkable changes during last 25 years. 25 years ago the country was the part of Czechoslovakia and also part of Eastern bloc and its foreign and security policies were directly coordinated by USSR. The foreign and security policies were eastern oriented and were not independent at all. The situation turned totally after Velvet revolution in 1989. The country successfully fulfilled all criteria necessary for the European Union and NATO membership and joined both in 2004. Both are still pillars of foreign and security policies of the country and they are

<sup>&</sup>lt;sup>44</sup> **Karol Janas, Ph.D.,** Associate Professor, **Rudolf Kucharcik, Ph.D.,** Assistant Professor., Alexander Dubcek University of Trencin, Slovakia

accepted as pillars by all relevant political subjects, even by majority of the population (although NATO membership is not as popular as membership in the European Union).

What about the economic dimension of foreign policy - the Slovak republic is small, open and export oriented economy which is strongly affected by external factor (i.e. recession in Germany that is the most important trade partner). So it is logical that global economic and financial crisis and crisis in Eurozone influence Slovak positions in institutions of the European Union. The country has accepted EU plans on recovery of European economy and has called for responsibility of all partners.

Looking at the current foreign priorities of the Slovak Republic we have to point out these five (Slovak Foreign and European Policy Agenda in 2015):

- strengthening the security of the Slovak Republic and the wider Euro-Atlantic area, as well as involvement in global issues and supporting the fight against terrorism as well as extremist and militant groups in the Middle East and North Africa
- 2. European policy
- 3. being active in 2015 as a strong voice in spreading stability and prosperity in the world through sharing its experience with reforms, integration and democratic transition (territorial priorities are: Eastern Partnership countries, especially Ukraine, Moldova, Georgia and the Western Balkans region)
- 4. promoting Slovak economic interests through activities in the field of economic diplomacy (to achieve the growth of exports, an inflow of new investments, the strengthening of direct cooperation with businesses, and a focus on building the knowledge economy)
- 5. to ensure services to citizens via consular assistance and tools for cultural and public diplomacy.

They were also confirmed and defined as current government priorities (Fostering the Position 2012): (trusted and respected Slovakia in Europe, stable and reliable partner of NATO, development of bilateral relations with the member states of EU and NATO, structured and equivalent relationship with the neighbours, democracy and partnership with emphasis on the states of the Western Balkans and the Eastern partnership, using the potential of international organizations, respect and fostering of law binding force on international level and institutions, its enforcement as the key tool to protect the state's sovereignty etc.

Comparing these priorities with the priorities few years ago we see that the foreign policy orientation is constant and is not depended on change of governments (Compare: Slovak Foreign and European Policy Agenda in 2015, Fostering the Position 2012, Report on Fulfilling Slovakia's Objectives and Responsibilities 2013, Slovak Foreign Policy Guidelines 2011).

Current security policy priorities of the Slovak republic result from country's membership in NATO that is perceived as basic pillar of the security of the Slovak republic (Slovakia became NATO member in 2004). Slovak strategic security and defence documents (Strategy of National Security and Strategy of National Defence) specify same global threats as Strategic Concept of NATO and European Security Strategy.

The priorities of Slovak security policy are constant as it is in case of general foreign policy priorities (Active Engagement 2010, Security Strategy of the Slovak Republic 2005, A Secure Europe in Better World 2003, Defence Strategy of the Slovak Republic 2005):

- to ensure security of the citizens a to save their human rights and basic freedoms
- to ensure territorial integrity, sovereignty, political independence and identity
- to develop democracy, rule of law and free market economy
- to create for sustainable development of all aspects of society
- to strengthen transatlantic strategic partnership, to be co-guarantee sor the security of allies
- to develop efficiency of international organizations
- to promote EU and NATO enlargement
- to develop friendly relations and all the forms of cooperation with countries with the common interests
- to contribute to strengthening and propagation of freedom and democracy; respecting the human rights, rule of law, international law, peace and stability in the world

Threats characterized by above mentioned strategic documents and approved by Slovak strategic documents are as follows (Active Engagement 2010, Security Strategy of the Slovak Republic 2005, A Secure Europe in Better World 2003, Defence Strategy of the Slovak Republic 2005):

- terrorism
- proliferation of ballistic missiles
- proliferation of nuclear weapons and other weapons of mass destruction
- regional conflicts
- organized crime
- failed states
- cyber attacks
- threats related to energy security

The only way to face all the challenges is to cooperate with partners and to promote multilateral policy. For the Slovak republic those partners are mainly NATO (NATO first policy), EU (active part in Common Foreign and Security Policy initiatives) and UN (active part in UN operations and respecting UN objectives). The Slovak republic and its security forces (Slovak armed forces are already fully professional) also has tried to profile as an active member of international community taking active part in civil missions (EU missions EUPM in Bosnia and Herzegovina, EUBAM in Moldavia and Ukraine, EUMM in Georgia, EULEX in Kosovo and EUPOL in Afghanistan) and military missions (NATO operations ISAF in Afghanistan and KFOR in Kosovo, EU operations ALTHEA in Bosnia and Herzegovina, UN missions UNFICYP in Cyprus and UNTSO in the Middle East) in different parts of the world including Western Balkans.

As NATO member Slovakia is promoting all NATO priorities – took part NATO ISAF mission in Afghanistan, supports its open door policy - enlargement of the organization, supports improvement of dialog on security issues with different global players.

And as UN member the Slovak republic officially calls for multilateralism in the world policy, enforcing the principles of international law and role of the UN (UN Security Council) in ensuring the peace. Its continual UN agenda is Security Sector

Reform – preferred agenda of Slovak membership as of elected member of the UN Security Council in 2006-2007.

# 2. WESTERN BALKANS IN THE FOREIGN POLICY OF THE SLOVAK REPUBLIC

It is clear that accession to the EU is at the top of the agenda in all Western Balkans countries. The governments of these countries are in principle ready to accept the EU conditions, objectives and criteria. On the other hand there are still many issues that need to be dealt with (European Integration of Western Balkans 2012).

According the Slovak government "the EU Common Foreign and Security Policy provides space for active and passive strengthening of Slovakia in international relation within this ... the Government will specially focus on the development of bilateral cooperation with countries in the immediate neighbourhood of the EU - especially the countries of Western Balkans and Eastern Partnership" (Fostering the Position of the Slovak Republic, 2012).

Analyzing program and strategic documents the position of the country in that issue is repeating and constant. Looking at the list of priorities of Slovak Ministry of Foreign and European Affairs in 2015 we can read that Slovakia is ready support "the efforts of Montenegro, a regional leader in the European integration process, to implement reform and open up further negotiation chapters". The same is the case of Serbia or Albania (ready to help in "meeting the requirements for opening accession negotiations"), Macedonia, or Bosnia and Herzegovina (necessity to overcome the general stagnation). (Slovak Foreign and European Policy Agenda in 2015)

The long term support of the Slovak republic is visible also in the documents that are older. In 2013 it could be read that "Slovakia maintained its support for the integration and reform efforts of Western Balkan countries... The prospect of joining the EU has become the greatest transformational force in the Western Balkans and from this perspective enlargement policy is one of the most successful EU policies..... European ... vision of becoming a full member of this single, peaceful and prosperous community became a reality with Croatia's EU accession..." (Report on Fulfilling Slovakia's Objectives and Responsibilities 2013).

What about NATO and Slovakia it was written that Slovakia "actively supported NATO's open door policy (Report on Fulfilling Slovakia's Objectives and Responsibilities 2013).

Change of the government does not mean the change of the foreign policy priorities. In 2011 rightist government performed the same character of foreign policy as leftist social democrats later. In 2011 those words are to find: "Slovakia is interested in a more effective Common Foreign and Security Policy. It will continue to actively promote the enlargement process. The European and Euro-Atlantic integration of the Western Balkans is of strategic importance for Slovakia...Slovakia will also promote the opening of negotiations with Montenegro and Macedonia...At the same time, Slovakia will contribute to the strengthening of regional cooperation in the area of the Western Balkans" (Slovak Foreign Policy Guidelines 2011).

The support for Western Balkans ambitions are confirmed also during different multilateral forum – the examples are the meetings of V4 countries – i.e. meeting in Bratislava in 2014 (Visegrad Group Joint Statement on the Western Balkans 2014).

But despite those declarations, there is still lot of things to improve. Looking at the results of Slovak foreign trade during the last 4 years (Table 1, Table 2), it is visible that all sides have to work on improving of their economic ties. It is logical that countries as Germany, Russia or the Czech Republic (and other neighbouring countries) are among the most important trading partners of the Slovak Republic. But on the other hand it is questionable why (even!) the volume of business of six Western Balkans countries with Slovakia has really only very slow improving tendency.

Table 1. Foreign trade of the Slovak Republic (in millions of EUR) – chosen countries (the most important trading partners)

	2011		2012		2013		2014	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Germany	8 977,8	11	9 850,7	13	9 462,4	13	8 947,0	14
		479,4		273,5		392,2		331,9
Russia	6 183,2	2 070,5	5 933,1	2 619,8	6 138,8	2 546,8	4 913,4	2 076,9
Czech Republic	5 661,4	8 181,2	5 723,8	8 706,9	6 528,6	8 668,5	6 284,7	8 294,3
Poland	2 212,6	4 134,5	2 172,4	5 003,0	2 901,3	5 295,2	2 862,8	5 199,7
Hungary	2 238,0	4 058,2	2 154,7	4 342,0	2 667,3	4 070,1	2 816,7	3 954,8
South Korea	4 183,2	98,7	5 600,8	91,5	5 170,5	83,5	4 379,3	108,8
China	3 320,7	1 491,3	3 671,5	1 348,6	4 443,9	1 596,3	4 645,1	1 374,6
Austria	1 331,8	3 982,4	1 363,0	4 100,0	1 535,3	3 977,2	1 529,5	3 966,7
France	1 833,8	3 620,0	1 717,4	3 352,0	1 687,0	3 196,3	1 800,8	3 202,9

#### Source:

Foreign Trade of the Slovak Republic in 2014 and Foreign Trade of the Slovak Republic in 2012.

 $\label{thm:continuous} \mbox{Table 2. Foreign trade of the Slovak Republic (in millions of EUR) - Western} \\ \mbox{Balkans countries}$ 

2011	2012	2013	2014

	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Macedonia	52,8	48,9	60,0	38,2	55,0	35,8	54,1	42,4
Serbia	127,7	301,2	156,9	296,1	193,6	342,8	216,8	288,3
Croatia	88,2	202,6	92,4	236,8	101,0	250,7	111,6	297,3
Montenegro	1,2	7,9	5,4	17,9	2,0	33,6	1,3	36,4
Bosnia and Herzegovina	38,8	67,2	39,6	67,5	51,1	83,3	57,6	76,5
Albania	2,4	30,2	1,9	22,7	2,6	40,6	6,2	40,1

Source:

Foreign Trade of the Slovak Republic in 2014 and Foreign Trade of the Slovak Republic in 2012.

## CONCLUSIONS

Western Balkans is geopolitically one of the most important and politically one of the most turbulent regions of Europe. Dynamics of the region is visible and its attractiveness has been long term confirmed (investments, tourism etc). Stability of the Western Balkans is the condition for future integration ambitions and development of the Western Balkans countries. In the current European situation it is not only the task for those countries, it is European objective and European duty to cooperate with them in the stabilization process and in achieving all the goals and "although the agenda for the countries of the Western Balkans and the EU is clear, there are still numerous challenges and dilemmas facing the region" (European Integration of Western Balkans).

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MULTICULTURALISM IN SOUTH-EAST EUROPE - CROSS CULTURAL INFLUENCE OF THE SOCIO-ECONOMIC CHANGES IN REPUBLIC OF MACEDONIA ACCORDING TO OHRID FRAMEWORK AGREEMENT

#### Abstract

The Constitution of the independent Macedonia established a high standard of protection, respect and promotion of basic human rights. However, one of the most important issues concerned to the young in depended state was the resolvment of the constitutional name issue, opened by Greece and the struggling state economy. This has influenced significantly on the broader social level and in the present days is reflecting in a much deeper social development, within the Macedonian society. Therefore, it is very important to emphasize the impact of the existence of the multicultural tradition and the challenges of the different ethnics and religion groups in the Republic of Macedonia. Nowadays when the whole civilization is struggling from the new challenges for the liberal democracy and social development, it is very important to take the serious precautions about the new risings of the older religion traditions.

Keywords: multiculturalism, Republic of Macedonia, Ohrid Framework Agreement, Muslims

## INTRODUCTION

The fall of the Berlin Wall has opened the democratization in the states of South-East Europe, including Republic of Macedonia. The states that were within the former so called Yugoslavian umbrella, at the beginning of the 90s of the last century, leaving the socialist concept of constitution, have oriented to the new democratic constitution, through the independence and the start of the transition following the south-east sample. For these reasons the socio-political transformation of the Republic of Macedonia is no exception to this rule. But at the same time in the last two decades, this process has led to new challenges, with which is facing the fragile Macedonian state-legal core internally and externally. To all this is inevitably the influence of the fast globalization development, that has contributed to the rise of new challenges which considerably teases in the issue of the new identities and old influences of the renewed religious factors, which are more present in all spheres of the social existence. Due to that if we connect the historical with the current events and we penetrate in their essence, it is inevitable to come to several very significant conclusions, deducted in this research.

Above all it is particularly significant the influence of the cultural-historical relationships with the former Byzantine imperial order, whose influence is still present in the Southeastern region. It is known that with the conjunction of the roman state form and the Christian religion was created the South Roman Empire i.e. Byzantine.

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Ostrogorski says that "these two events, the victory of the Christianity and the final relocation of the state seat, towards the Hellenized East, indicate the beginning of the new Byzantine era". <sup>46</sup>The main characteristic of this order that continue to pull through the era of the Ottomans, as well as during the entire XX century was the characteristically tight relationship between the state and the church; and the same has continued its influence in all vital ties of the cultural development of the future generations in the following historical stages.

The second very significant moment begins to develop its role in the period of the Byzantine victories over Persia, which in fact signifies the initial development phase of the so called Arabian era. While Iraklij fights down the Persians, Muhammad placed the foundations of the religious and political unification of the Arab world. From the very beginning, from socio-political aspect, the Muslim methods were considerably correlated to the traditional Islamic principles. The combining of the religious fanaticism with the political and military resources, is most adequately defined by Huntington with the differentiation of the Islamic concept of operating as follows: "the Muslims traditionally divide the world to Dar al-Islam and Dar al-Harb, the house of peace and house of war" - which figuratively signifies the operating principle of the Muslims, who were dividing their opponents in and out the battle field; with which in fact they were identifying those who wanted to accept the special peace conditions, and with that was decreased the appearance of bloody resistance. 48

Joined together, these two concepts lead to Byzantine Empire to become the wedge between the Islamic world and the Christian west, which conditioned its vulnerability<sup>49</sup>. This actual reality opened the way for the Ottoman conquests of the Byzantine Empire terrain, and basically raised culturally the importance of the coexistence, characteristically presented in the *millets* institution. In the capacity of the complex structure of the semi-autonomous communities, the millets were promoting the peaceful coexistence and the representation of the minorities in the judicature.

In the Ottoman state the Muslims were considered as full citizens and to be Muslim meant faster social and economic adjustment and progress in the state system, civil service jobs, serving in the army, lower taxes, higher positions in government etc. On the other hand, the Christians and the Jews were considered as "second class" citizens. They were paying higher taxes, and as "infidels" didn't have rights to perform state and military services, nor to testify against Muslims in court. In the everyday life they didn't have right to bear arms, to wear certain clothes, to go in *hammam* (Turkish bath) when the Muslims did. In such socio-economic conditions the "voluntary" conversion to Islam, for a great number of non-Muslims, was the only safe way to avoid the discrimination and to gain status as a full member of the society.

The colonization process of the Muslims in the Balkans takes place at the same time with the Ottoman conquests. The purpose of these organized migrations of people from

<sup>&</sup>lt;sup>46</sup> Острогорски, Г. 1969. Историја на Византија, Просвета, Београд (Ostrogorski, G. 1969. History of Byzantine. Prosveta. Belgrade)

<sup>&</sup>lt;sup>47</sup> Хантингтон, С. Ф. Судирот на цивилизациите, ЕвроБалкан Прес. Скопје (Huntington S. F. 1996. The Clash of Civilizations and the Remaking of World Order EvroBalkan Press. Skopje)

<sup>&</sup>lt;sup>48</sup> Shepard. J. 2008. The Cambridge History of Byzantine Empire, Cambridge University Press

<sup>49</sup> http://www.khouse.org/articles/2002/421/

Asia Minor was to establish the institutions of the new government and to organize the life in the conquered territories. The immigrants came with their families and brought with them their faith, customs, habits, cultural practices etc. In this way, in the social and cultural sphere of the Balkan peoples started to penetrate new elements. The colonization measures conducted by the Ottoman Empire in the Balkans were insufficient to strengthen the government in the newly conquered territories. For these reasons the state started to conduct politics of Islamisation – conversion to Islam of the non-Muslim population. <sup>50</sup>

This process continued during the entire period of the Ottoman domination, and reached its zenith in the second half of XVI century. Most intensively were occupied the territories of today's Bosnia and Herzegovina, Albania, Macedonia and Bulgaria.

During the period of the Tanzimat (reorganization), i.e. from 1839 to 1876, the Ottoman government introduces constitutional reforms in the Empire. In 1856 was promulgated the reformation act called Hatt-1 Humayun, according to which was promised national equality of all nationalities, freedom of religion and opinion, mixed courts, the rights of the Christians to perform state services and to serve in the Ottoman army, and to have their representatives in the State Council. It predicts church reforms, replacement of the natural taxes for the church aristocracy with cash, reorganization of the state administration, judicature, police and tax politics, introduction of regular budget of the state income and expenses, road reparation, promotion of the agriculture, trade and other. <sup>51</sup>

The period between XX and XXI century is of particular importance for the territory of Southeast Europe. It is a period characterized by military conflicts, territorial divisions, population resettlement, the formation and disappearance of numerous alliances and state forms.

Similar to these developments in the entire region are again actualized the questions for the Empires pasts, different variety colonialism within them, as well as the relationship between the imperial past and present. In the post-colonial criticism that arises as a result of the "crush of civilizations" in this period, emerged many theories of the post-colonialism which based on numerous disciplines made reference to the different theoretical perspectives such as feminism, post-structuralism, psychoanalysis, culture studies, history, comparativism and similar.

Edward Said analyzing the Orientalist dichotomy declares several notes determined as follows:

According to him, the public discourse for "the war against the terror" is loaded with orientalism. So:

<sup>&</sup>lt;sup>50</sup> Поповски, В. 2009. Танзиматските реформи и статусот на Македонскиот народ во Турската империја во втората половина на XIX и во почетокот на XX век. Годишен зборник на Правниот Факултет, Штип. Година І. Број 1. Стр. 220. (Popovski V, 2009. Tansimanian reforms and the status of the Macedonian people within the Turkish Empire in the second half of the 19<sup>th</sup> and the beginning of the 20<sup>th</sup> century. Annual Journal of the Faculty of Law, Stip. Vol.1 No.1. pp. 220

<sup>&</sup>lt;sup>51</sup> Barsoumian, H. The Eastern Question and the Tanzimat Era", in The Armenian People From Ancient to Modern Times. Volume 2: Foreign Dominion to Statehood: The Fifteenth Century to the Twentieth Century. Richard G. Hovannisian (ed.) New York: St. Martin's Press, Vol 2. pp 198.

- it is created the picture for "the righteous, Christian, western civilization, which is threatened by "crazy mullahs" coming from East and who are resistant to modernity and use violence in a way that violates the fundamental ethical protocols of the armed conflicts";
- the Orientalism subjects are reflected also in the interpretation of many other conflicts from the Crusades to the today's "humanitarian wars" against the "ethnical barbarians". So, in Vietnam "their" soldiers are "indecent and savages" and "our" are "rational and reserved". <sup>52</sup>

Besides the Orientalism, in the world appears perception for the Balkans so called Balkanism. According to Martin Coward the Balkanism is a discourse in the promotion of the pejorative and cultural stereotype for the Balkans. <sup>53</sup>

In this context are significant the opinions of Marija Todorova who speaks about the two century creation, of the term Balkanism (XVIII and XIX century) with different types of perception, followed by the period (after the Balkans wars and the First World War) in which is crystallized the specific discourse.

According to her: "the metaphor of the Balkan is that after the collapse of the Ottoman Empire, it becomes, more and more, a symbol for something aggressive, intolerant, barbarian, semi-developed, semi-civilized, semi-oriental and from there: "unlike the Orientalism which is a discourse for the imputed opposite, the Balkanism is a discourse for the imputed ambivalence". <sup>54</sup>

If we take a wider look at things, it is inevitable to conclude that in the Southeastern Europe region, from the end of the XX and the beginning of the XXI century; all armed conflicts are apparently with nationalistic facade, but in their essence they are carrying the discourse of the different religious groups' i.e. Orthodox-Catholics, Catholics-Muslims, Muslims-Orthodox. Taken in addition to the development of the extreme fundamentalism these factors significantly affect the development of the identity questions as well as to the development of the co-existence in the whole region, especially in the Republic of Macedonia.

An example of that is the Conflict from 2001 in Macedonia. It is considered that the military conflict from 2001 in the Republic of Macedonia was considerably sponsored with different means by Al Qaeda. There are reports claiming that the leader of Al Qaeda, Bin Laden, was situated in Northern Albania, which was place for training of the Albanian terrorists in the war against the Serbs in Kosovo.

The conflict was ended with the signing of the Ohrid framework agreement in Skopje on August 13<sup>th</sup>, 2001. This process leaded to full and unconditional abandonment of violence to achieve political goals. Framework Agreement brought peace, co-existence remains a vulnerable category that needs to be managed.

After the armed conflict has become more frequent the information's for the presence of radical Islam in Macedonia and the region. In 2002 the Ministry of interior of RM has prepared a report for the situations regarding the presence of Al Qaeda, which contains detailed information's for the relationships between the radical

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<sup>&</sup>lt;sup>53</sup> Coward M, 2008. The Eastern Question and the Tanzimat Era", in The Armenian People From Ancient to Modern Times, Volume Urbicide: The Politics of Urban Destruction..

Todorova M, 1997. Imagining the Balkans. Oxford University Press http://www.gla.ac.uk/0t4/crcees/files/summerschool11/ss11\_readinglist/Pavlovic.pdf

Islamists and the organization. According to this report, there are two Islamic units active in north-west Macedonia, composed of former mujahideen fighters from Saudi Arabia, Afghanistan, Bosnia, Chechnya and Kosovo. Scott Taylor investigating the role of the mujahideen fighters during the war in Kosovo, from the interview with Miroslav Todorovski, an official of the Macedonian intelligence, said: "The mujahideen fighters were the core of the KLA units, and they are the ones responsible for some of the bloodiest ambushes against the Macedonian police and army. One of the units of KLA called "Emri Elezi" (called mujahideen unit by the members of the KLA) is composed of foreign fighters and local radical Muslims". <sup>55</sup>

According to the Macedonian media, in Macedonia exist, three extremist groups: Tarikat, Red Rose and Wahabist. Still the region is most affected by the presence of the Wahabists. According to the reports, the activities of the radical Islamists have created a huge distrust between the ethnic Macedonians and Albanians in the region. <sup>56</sup>

The basic goals of the radical Islamists in Republic of Macedonia are:

- establishment of base, for formation of official Islamic society;
- expansion of the radical ideology and their view for the Islam;
- building mosques and creating new madrassas;
- expansion of the Islamic influence among the young people who would have a significant role in the future.

Another dangerous apparition in the region is the Greek extreme nationalism, beginning with the massive ethnic cleansing of the Macedonians from Aegean Macedonia, its foreign politics, the acting of organizations such as the paramilitary nationalistic "Ethniki Etaireia" and "Megali Idea"; to the training of the modern army, including explicit speech of hate, especially towards the Macedonians, Turks and Albanians. There is also the neo-Nazi and fascist Golden Dawn, whose members were fighting in the Bosnian War on the side of the Bosnian Serbs.

### CONCLUSION

After the wars that redesign the political map of the Balkan, appeared growing concern about the increased influence of the radical Islam in the region. From Bosnia to Kosovo, great amount of money were brought from Saudi Arabia and the states of the Persian Gulf, as well from the missionaries of the Wahabist Islam, targeting the young population stuck in poverty, unemployment and corruption. But the western intelligence sources are warning that the continuation of the economic and social instability can bring to increase of the extremism. One of the countries with greater risks is Kosovo where the unemployment is 45%.

That kind of challenges are especially directed as a threat for the all Southeastern region and they are very serious matter in the high priority agenda also in Republic of Macedonia, as a part of this transit region. This especially applied to the variety of the ethnics groups and the distance between the cultural societies inside the country. Analyzing the implementation of the Ohrid Framework agreement from 2001, we have

<sup>55</sup> Shay S, 2007. Islamic terror and the Balkans. Transaction Publisher

<sup>&</sup>lt;sup>56</sup> Таневски H, Радикалниот ислам: реална закана за безбедноста на Балканот, http://dl.fzf.ukim.edu.mk/index.php/sd/article/view/24/22 (Tanevski N, Radical Islam: Real treat for the security of the Balkans)

to take into consideration that Macedonian society is under very hard pressure of caused by the radical and extremist ideologies in the region of Southeast Europe.

However, this numerous increase of the fundamental tendencies in Southeastern Europe is evident. Their presence is a serious threat to the safety of the region, leaded by the developments in the world and the strong momentum of the extremist movements.

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# REGISTRY OF OFFICIALS – AN ESSENTIAL TOOL IN PREVENTING CORRUPTION

## Abstract

Corruption is a phenomenon that is contrary to the concept of a democratic society based on human rights, acting as a serious threat to the rule of law and democracy. As a social evil that undermines and threatens the vital values of the social system, corruption is a form of social pathology, which, if not prevented in a timely manner, it can spread like a social epidemic.

Corruption causes negative effects particularly on the economy, meaning, it is harmful because it leads the resources towards non-productive purposes, it deters the investors or it increases the costs for business, and it reduces productivity and economic growth. Corruption is not a problem discovered yesterday that will disappear tomorrow, it is a problem that knows no territorial or national borders, and the fight against corruption is not exhausted by a single act or within a certain period of time, but it is a long-term comprehensive process.

This means that the combat against corruption needs to be constant and permanent, in order to eliminate the reasons for its existence, rapid detection of the forms in which it appears, more efficient sanctioning acts conducted by relevant institutions in order to "close the valves" that threaten the vital values of the social system, such as democracy, human rights and freedoms, the rule of law, free markets, competition and competence, accountability in the exercise of public functions and the availability of public goods.

The prevention and control of public office holders requires a larger number of preventive tools, and one of them is the registry of officials.

**Key words:** corruption, economy, public authorities, registry of officials,

## 1. RECORDING AND MONITORING OF THE CONDITION OF ASSETS

From the etiological standpoint, since the earliest forms of social order until today and in most cases of illegal behavior, the acquisition of property through avoiding/evading/violating the legal norms is the fundamental objective of the offender.

Illegal property benefit is the magnet for penetration into the sphere of the culpable, starting from the impact of material possessions in the lifestyle of each person. Making no distinction between the various criminal acts in respect of the illegally acquired benefit, I would stress out that in this study the focus is directed on the offenders who gain illegal profit by misusing the public authority entrusted to them.

To be exact, it is necessary to monitor changes in the assets of public office holders from the very beginning of the performance of their duties until its completion, including a certain period after the end of their mandate.

The Macedonian legislation, in particular, the Law on Prevention of Corruption, states that any elected or appointed person, responsible person in public enterprise, public institution or other legal entity with state capital, is obliged upon election or

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appointment, and no later than 30 days from the date of election or appointment to complete a questionnaire with a detailed inventory of real estate, movable property of greater value, securities, claims and debts, as well as other property in their possession or ownership of his family, explaining the reasons for buying the declared property, and shall deposit a statement certified by a public notary for cancellation of bank secrecy protection regarding all accounts in domestic and foreign banks. He shall be obliged to this commitment even after cessation of his mandate, that is, he shall complete the questionnaire within 30 days after termination of office.

However, this is not a one-time commitment, but a continuous process, and in this respect, the public office holders have an obligation to report any change in assets or shall within 30 days notify any increase in assets or property of a member of his family, such as building a house or other buildings, the purchase of real estate, securities, automobiles or other movable items in the value exceeding twenty average net wages in the previous quarter.

The declaration of assets, notification of changes in assets and the statement for relinquishing bank secrecy shall be submitted to the State Commission for Prevention of Corruption (SCPC) and the Public Revenue Office (PRO).

The submitted data on their entry in the database will be published on the website of the SCPC and publicly available, except those protected by law. It is an activity precisely determined by internal procedures for a timely, accurate and complete disclosure of the information. It should be emphasized that after the termination of public office and submission of the questionnaire for cessation of the mandate, the information on that person shall remain in the database, however no longer publicly available, since he does not perform public office.

# 1.1. Problems in practice

The practical application of the Law on Corruption Prevention, in particular, the provisions for recording and monitoring of assets, showed the existence of certain difficulties, some of them noted as recommendations of GRECO - Group of States Against Corruption of the Council of Europe and presented in the Assessment Report on the Republic of Macedonia – the fourth round on the topic "Prevention of corruption among judges, prosecutors and parliamentarians ." Consequently, one of the topics that require precision is the definition of the family unit, or the family member. Namely, the questionnaire requires a listing of the persons who live in the family, and who own property. This is a crucial moment in the declaration of income because the person is still obliged to declare their assets, accounts receivable and payable only to persons listed as members of the family unit. In this regard, if there is any discrepancy between the reality and the declared situation, there would be difficulties in determining the real property.

In the area of anti-corruption policy, driving laws are the Law on Prevention of Corruption and the Law on Conflict of Interests, where each law regulates this area from its own perspective. Both laws set a different set of commitments, including the submission of the questionnaire and the statement of interest. Here we encountered a situation that is difficult to accept, to be precise, the failure to submit the questionnaire ensues a fine up to 1,000  $\mbox{\ensuremath{\mathfrak{C}}}$ , while failing to submit the statement of interest may be fined with 3,000 $\mbox{\ensuremath{\mathfrak{C}}}$ . Without prejudice to data covering, as well as their contents, at least it requires leveling the fines for failure to submit both applications.

According to the Law on Prevention of Corruption, if SCPC established that a public official did not submit a questionnaire or notice of change in assets, within the defined deadline and according the statutory limit, the penalty shall be an application for initiation of infringement proceedings before the competent court and a request for investigation of assets to the Public Revenue Office (PRO). Regarding the latter claim, if the investigation procedure of property and assets does not prove that the property acquired or increased as a result of income is reported and taxed, the IRS may bring a decision on taxation of income tax. The basis for calculating the tax is the difference between the value of the property at the time of acquisition and the corroborated amount of funds for its acquisition. The tax on undeclared income is calculated at the rate of 70%. It is a comprehensive process and it provides that the property was acquired from taxed income is that the procedure will be terminated. This means that in such a situation the PRO will not set off sanctions and it can be only expected from the Court to file a statement of assets/property or a notice of change in assets. In short, we could meet with a number of requests initiated to examine the assets to the PRO, but few solutions for sanctioning.

In connection with the above, it should be noted that perhaps it is time to think about some changes in sanctions unless it is proved that the increase in assets derives from income reported and taxed. In this respect, one option could be the loss of public office, as well as confiscation of the disputed property.

However, one of the major difficulties in the recording and monitoring of assets of public officials is the lack of a registry of officials.

By definition, the registry of officials or a registry of elected and appointed officials is a necessary tool for a timely, effective and comprehensive survey of public officials for an overall inspection of their assets, including: the points of entry, for the duration of and after the execution of public office.

The fact is that to this point, the authority responsible for recording and monitoring of assets never had and still has no such tool, which is one of the main obstacles for a comprehensive and high quality recording of assets. Therefore, the database of the SCPC is loaded with data published in the Official Gazette. Some support is the fact that this body is provided with statements of interests, which means that by the document it can be determined whether a person is exercising a public authority that is not reported in the questionnaire and thus processed.

In any case, this long course of action leaves room for losing the field of view on the individuals exercising public authority, but, failing to fulfill their legal obligation, but, fortunately, in some cases there is assistance from the media. This again is not exactly most positive about the competent authority, because someone from outside should be alert to determine whether a person has failed to fulfill his obligation and therefore should initiate appropriate measures.

Because of the above, and in order to overcome the last of the listed practical problems, a systematic solution is necessary that is, the creation of a registry of officials or a registry of elected and appointed officials.

## 1.2. Efforts to overcome

The best method to detect and to overcome problems is practice. Therefore, the SCPC in cooperation with the Ministry of Justice of the Republic of Macedonia in 2009 have prepared a project for strengthening the overall capacity of the combat against corruption, which later received international support, and today we have the IPA 2010 Twinning Project "Support for Effective Prevention and Combating Corruption", which implementation started in July 2014 and it should be completed in June 2016.

Structurally it contains eight components each relevant to a particular aspect of the issue, but of our interest is component number six or establishing a detailed review of the questionnaires and the statements of interests.

This is an especially important component because it should provide software solutions that will enable interconnection with the relevant databases and institutions and facilitate the exchange of information regarding the movement of assets of public officials; however, it is necessary to create a better methodology to verify the declarations of assets.

Combining the questionnaire and the statement of interests can only help as it will facilitate the control and continuous monitoring of the current situation. In the future it is better to go a step forward, or toward their unification into one single form that will be user friendly and comprehensive.

Developing a software solution for the interconnection of databases of several institutions with the SCPC system, to which I would include the IRS, the Agency for Real Estate Cadaster and others, is crucial for accurate recording and monitoring of assets. In fact, the system alone should alert if a person does not submit a questionnaire, a change in property, or a statement of interest, in short, the role of the human factor is minimized and the entire system known as the registry of officials is based upon unbiased criteria.

# 2. Registry of Officials

The process of creation and implementation of a registry of officials or a registry of elected and appointed officials is complex, because it involves a blend of legal norms and software solutions. It may be said that these two processes flow simultaneously, the same have been reached to some extent, but challenges still exist. Namely, the time of commencing the practical implementation shall be the test of implementation, and therefore all options should be duly taken into consideration.

In line with the above amendments to the Law on Prevention of Corruption in June 2015, a legal framework for the creation of a registry of officials or a registry of elected and appointed officials was established. The provisions for its implementation shall be postponed since they will be applicable after one year, which means it should be enough time to create an develop a software solution, interconnection and of course, to prepare for the proper handling of the system, for which, I would mention again, the idea is to reduce the involvement of the human factor.

According to the law, the registry is a unique database of elected and appointed officials, responsible persons in public enterprises, public institutions and other legal entities with state capital, and the authority to operate it is the SCPC. Undoubtedly, this decision is quite logical since in this institution the questionnaire and the statement of interests have to be submitted.

In addition to sending questionnaires by public office holders and the data published in the "Official Gazette of the Republic of Macedonia", in the future, the SCPC will be introduced a third method for the election or appointment of a public official. That is, according to the law, the management of the institutions and bodies for the election and appointment or persons authorized by them shall be obliged to submit information on public officials to the SCPC within 15 days of verification of the mandates, election, or appointment and termination of office or duty of elected or appointed persons. The breach of obligations by officials or persons authorized by them ensue a fine.

Through the commitment of the management of the institutions and bodies for election and appointment, or persons authorized by them, the intention is to provide an accurate picture of public officials (civil servants), elected officials, their discernibility, and thus, if a person does not submit the questionnaire within the specified period, to initiate appropriate proceedings in accordance with the law.

Finally, the introduction of the registry of elected officials will improve the mechanism of the system for data management of assets and conflicts of interest and thus, to implement the relevant recommendations of the European Commission

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It should be emphasized that the strengthening of preventive mechanisms in the combat against corruption, the creation and implementation of a registry of officials, or a registry of elected and appointed officials is of paramount importance, however, it is just one of the tools to achieve the goal.

Particularly remarkable is the IPA 2010 Twinning Project "Support for effective prevention and combating corruption" which provides extensive intervention and offers great opportunities to improve the complete legal and institutional framework for prevention and repression of corruption, involving more than a dozen of institutions, which in its own way will improve some of the existing tools or create entirely new ones that may need to respond to new challenges.

Considering the fact that, in the future, the questionnaire and statement of interest should be merged in a single document, it logically impels the idea of creating a single law - to prevent corruption and to prevent conflicts of interest. However, it is only the ideas that should be considered and serve as the basis for logical solutions.

### CONCLUSION

Corruption is a phenomenon that destroys the concept of the democratic rule of law and human rights and freedoms, acting as the gravest form of threat to the rule of law and democracy.

As a social evil that undermines and threatens vital values of the political and economic system, corruption is a form of social pathology that if not prevented in a timely manner, it is characterized by rapid expansion in the form of social epidemic. Corruption is not a problem of yesterday that will vanish tomorrow, it is a problem that knows no territorial, national and other boundaries, and the fight against corruption is not exhausted only by a single act or over a certain period of time, but it is a long and exhaustive process.

Corruption is harmful in economic terms, since it does not create new values, but it only redistributes the existing ones. It shrinks the volume of business, the fall in investments, reduces investments – foreign investors show no interest or they consider

leaving, productivity is declining, and generally speaking it contributes the business to be more expensive and less profitable.

All this means that the fight against corruption should be constant and permanent, focusing on the elimination of the causes that generate its occurrence, quickly revealing its emergent forms, more efficient treatment of institutions for the sanctions, in order to close the valve through which the vital values of the social system are threatened, such as democracy and human rights, the rule of law, freedom of the market, competition and competence, transparency and accountability in the execution of public works and the availability of public goods.

Each institution, in order to meet the challenges it faces, should have available the tools and instruments in the field; in this respect, the registry of officials, or the registry of elected and appointed officials is one of the instruments for preventing corruption, which is and shall be essential for improving the situation on the recording and monitoring of assets. However, this is not the only tool, to be exact, it is necessary to work on many fronts to create similar instruments that could improve the results in the area of prevention and repression of corruption.

It is undisputed that the contemporary strategy for the prevention of corruption is founded on several vital and basic principles. Primarily, this is a complex, international and national, preventive and repressive activity reaching several levels: legislative, institutional and the area of application of the law. Secondly, the application of criminal and legal norms should be presumed a developed legal system and third, the anti-corruption legal concept means anti-corruptive orientation of all factors in the society, who are called and obliged to create an atmosphere of a democratic legal state, that is, design conditions for application of the legal instruments in the fight against corruption.

To effectively combat this social evil equally important is the political will, the legal solutions, the institutional framework, effective law enforcement, institutional and personal capacity and integrity, as well as cooperation between institutions in the country and internationally.

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## THE ASPECTS OF THE SOCIO-POLITICAL ADAPTATION AND INTEGRATION OF IMMIGRANTS

Irina ChudoskaBlazevska<sup>58</sup> Kazime Sferifi

#### Abstract

The American Muslim community is characterized by a wide ethnic diversity. Each Muslim ethnic group has its own internal problems on one hand, and on the other, the Muslim community is in its entirety comprised of two types of communities-local and immigrant, according to the time lived in the United States. It would therefore be more appropriate to differentiate between the "old" and the "new" in the Muslim community based on their American experience, as opposed to the ethnic group they belong to. The new American Muslims are yet to become involved in the integration processes which are an integral part of the immigration itself, and are in a way still connected to the problems in their homeland and the members of their families who have remained in their country of origin. The older generation of Muslims is confronted with the issue of a new attitude towards the presence of non-Muslims in the family.

One of the fundamental issues of the American Muslim community is the fact that it is comprised not only of different ethnic groups, but of a large number of different cultures. Two more factors add to the negative image. The first one is the immense instability continuously attributed to Muslims in western countries, where a negative attitude towards Islam and the Muslims is common, especially after 11 September 2001. The second is the attitude of the Muslim immigrant towards life as a minority.

The new Muslim immigrants in the USA feel that, barring their economic integration, the main goal is to not be assimilated and submerged in the mutual "melting pot" like the ones who have moved to America before them. Consequently, the development of American society in the last 30 years can be divided into two stages-the first being the consolidation of the Islamic identity, and the second-the influence of Muslims on American society.

Key terms: migration, social and political adaptation, Muslim integration.

#### INTRODUTION

The American Muslims who came to the United States from all corners of the world and populated them had representatives of all philosophical, theological and political variation of Islam. Among them there were both Sunnis and Shias. There are traditional, as well as very modern Muslims. For those who had not been born Muslim but converted to this religion later on, life in a pluralistic society is far from simple,

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since these people were used to racial differences, but not to problematic religious relations.

The American Muslim community is characterized by a vast ethnic diversity. Each Muslim ethnic group has its own internal problems which create additional difficulties in the intercultural communication and the mutual participation in the common cultural space of American society. The researchers often differentiate between local and immigrant Muslim communities, although each of these groups is comprised of at least three generations with different opinions and all accept the American way of life differently. Therefore, it would be more suiting to make a distinction between the "old" and the "new" based on their American experience, and not according to the ethnic group to which they belong.

The new American Muslims are yet to be drawn into the integration processes which are an integral part of immigration itself. At the same time, many Muslim families have within them members born in the USA, but still living in their country of origin. While the new American Muslims are in touch with the problems of their country of origin and the members of their families who have remained there, the older generations of Muslims on the other hand, face the problem of a new attitude towards the non-Muslims in the family.

The new Muslims come from different parts of the world. Some are from countries where Islam is a minority religion, others from countries where it is an official state religion. Life as a minority or a majority people always affects the psychological being of a person with regard to their abilities to achieve success and influence.

The immigration policy of the USA supports the arrival of a qualified work force where professionals are preferred, thus prompting the representatives of certain classes of population to immigrate. More often than not, they consider themselves to be participants in a process in which the requirements of the country of origin meet the needs of their new place of residence.

One of the key issues of the American Muslim community is that it consists of not only different ethnic groups, but of a large number of different cultures. The Arabspeaking community for example may be comprised of as many as 20 differing cultures. In the USA this problem is overcome by having these cultures use Islam in order to learn about one another. Although there is a division in the class structure of the US, it is not severely apparent due to the functioning or the market-oriented capitalism. The issue of classes in the USA, as well as the rest of the world, is related to the ability to influence the management of the institutions by the Government and the mass media. The new American Muslims gain the experience of living together in the process of pursuing their aspirations so as to reach a certain status in society.

The traditional manner of shrinking the class differences between Muslims on an international level are the Friday prayer and the pilgrimage. The pluralistic society of the USA is experiencing a decrease in almost all differences since that is where all people find a place where they belong, regardless of their social status. The vast and diverse Muslim community is experiencing the same occurrence.

Many of the new American Muslims have taken the advantage of the possibility to receive an education, get a job and build a stable life in the USA, but remain interested in the ongoing social and political processes in their homelands. As a result, numerous humanitarian organizations have been established, assisting those who stayed in the immigrants' countries of origin, aiding earthquake victims, sponsoring construction projects etc. The desire to aid and sponsor motivates the new American Muslims to

continuously attempt to involve the US Government in providing financial assistance to the countries of their origin. Due to these attempts, as well as the insufficient knowledge of the American traditions, the new American Muslims basically ignore the social problems of the American community where they themselves live and which they are a part of. This lack of interest by the Muslim immigrants provokes a negative view of the American society towards them, which in turn creates tension.

Two more factors contribute to the negative image. The first-the significant instability which persistently follows Muslims in western countries where there is a negative attitude towards Islam and Muslims, especially after 11 September 2001. The second factor is the attitude of the Muslim immigrant towards life as a member of a minority.

Which of the cultural adaptations of Islam will determine the form of Islam in the USA? Will the Koran remain the most suitable thing for the Muslims? The requests to apply their own religion and have their own religious practice provoke concerns with the local American population regarding racism, a degrading treatment of women and even refusal to accept certain types of music and unforgiveness of sins if they are connected to alcohol and gambling. The arguments of the Muslims against such views of their religion are considered to be hypocritical by the large American public. Whatever the roots of these issues, the Muslims are aware of them and work to have them eradicated. With this in mind, many new Muslims intentionally visit local American communities during the Friday prayers, and the ethnic organizations are open to members of other ethnic groups. These are the initial steps towards the process of getting to know each other. But at the same time, the matter of authority amongst the Muslims themselves continue to be of the utmost importance. Thus, the American Muslims of Arab descent are considered to be experts in the field of Islam, which is explained by the fact that they are the bearers of the language in which the Koran is written. The South Asia representatives aspire to become leaders in the field of managing the mutual national Islamic organizations.

The older generations of American Muslim communities is also not uniform and consists of Africans, Europeans, Latin-Americans and Americans. While having the same nationality, they differ from one another in their understanding of Islam. Among them there are Sufists, Shias, Sunnis and representatives of other philosophical branches of the Muslim religion.

If we analyze the American Muslim community as a whole, we will see that in this respect completely different types of issues and problems arise. The Muslims living in the USA and actively identifying with the Muslim identity are faced with the dilemma of which community they belong to. They are not a part of the typical western population, but are also not a part of the socio-political society of Muslims: their place is on the divide between the western and the Islamic civilization. Should they start to view themselves as part of the citizens of the western countries, they begin to experience detachment, and if they present themselves as part of the Muslim world, they don't essentially live in the given country. This division will in a sense follow the American Muslims as long as they share their Muslim identity with other Muslims.

The American Muslims are involved in an interreligious, instead of an intercivilization debate. The main cause for this state is the fact that, unlike the Muslims living in the traditionally Islamic world, the American Muslims do not have a unified view of the West. They are better acquainted with the internal disparities of the American society which stem from fact that the Muslim immigrants find freedom and

dignity in the American society on one hand, and them sensing an adverse attitude on the other. Their attention is focused on finding a suitable place for themselves in the mosaic of American life, at the same time manifesting their Islamic identity as well.

The task to provide a dignified and thought-out collective existence in the USA has urged the Muslims to alter their perception of the US and of themselves. In the process of such redefining, they have formed not only a balanced view of the USA, but also a new identity-the identity of the American Muslim. This identity is not yet completely formed. It continues to be the subject of serious debate.

Undoubtedly, there are two types of United States in the minds of the Muslims-the USA as a democracy and the USA as a colonial state. The Muslims which direct their attention towards the interior policy of the country are thrilled and pleased by the political freedom available to all citizens. They understand and approve of the American economy, its culture, the ethics of competition and owning one's own business. But most of all, they are attracted to the freedom of religion and the cultural and political pluralism. To these Muslims, the freedom and the vaster possibilities to follow a religious cult and establish Islamic institutions are of greater importance than the autocratically organized Muslim world. These very possibilities are of the utmost importance. To them, the USA is a liberal, democratic, tolerant and multicultural country.

The other type of USA as seen in the minds of those Muslims to whom the foreign policy of the country is the most important, are those viewing the US as a colonial state that wishes to control the Muslim world and its resources, a country taking away their freedom and the right to self-declaration. Besides, a large portion of Muslims believe that the USA is against them and is striving to globalize its amoral culture. They see proof of such American aspirations in their support for Israel in the Israeli-Palestinian crisis. According to these Muslims, the complete destruction of Iraq is an additional proof of USA's ambition to take down and wipe out Islam. The American Muslims to whom the foreign policy is the most important cannot comprehend how the patient attitude towards Muslims in their interior policy in the US can coexist with the evil being brought upon Muslims with its foreign policy.

The first variant of the US-that of it being a democratic country, is embraced by Muslim organizations such as the Islamic Society of North America, the Islamic Circle of North America, Islamic political institutions such as the Council on American-Islamic relations, the American Muslim council, the American Muslim Alliance, as well as initiatives of Islamic intellectuals. These organizations and institutions have a good grasp of the US foreign policy and do a good job of following and criticizing it, often times expressing their dissatisfaction and protesting. Concentrating on fortifying Islam in the USA, they focus their attention on the interior, and not the foreign policy of the US. By defining the goals and interests of the Muslims in the country, these organizations and institutions boost the democracy in the USA.

The fundamental difference between these two types of USA is which country a Muslim feels is his home. Those for whom the country of their origin remains their homeland, view the US foreign policy with distrust, do not believe in the country and are offended by it. Those Muslims that, on the other hand, see the US as their home and the home of their descendants, are more involved in the fortification of the position of Islam in the country and look forward to the possibilities opening up in that field.

Part of the Muslim immigrants come to the USA in order to achieve a certain academic degree in the field of natural or human sciences and remain there, thus

forming a Muslim elite in the USA. In this sense, the immigration becomes a filter of sorts, allowing for the most educated representative of the Arabic world to come to the country. The rest of the Muslim elite is formed by the influx of Muslim professionals and scientists leaving their countries due to poverty and the poor economic state. The current Muslim elite is capable of formulating the interests of the Muslims and establishing long-term perspectives for Islam and Islamic values.

The new Muslim immigrants in the USA feel that besides their economic integration, the main goal is to not be assimilated and lost in the common "melting pot" like those who arrived there before them. The need to protect and strengthen the Muslim identity has become the main goal of the Muslim population in the USA. The Muslims should not be assimilated. They should be accepted as such. As a result, the development of the American society over the last 30 years can be dividend into two stages. The first one consists of a consolidation of the Islamic identity, and the second is the influence Muslims have on American society.

Around 2.000 Islamic centers and over 1.200 Islamic schools have been established in order to carry out the first stage over the last 30 years. A number of Islamic movements emerged, similar to the Islamic Society of North America, created in order to increase interest towards the Islamic religion, which would prevent the disintegration of the Islamic identity of the immigrant Muslim community.

The realization of the second stage consists of the Muslim intellectual elite taking over leading managerial positions, therefore providing an opportunity to affect the gradual change of the US, which went from being a melting pot to a multicultural society, as well as to influence the process of acceptance of Islam by Caucasians and African-Americans. Such effects on the American society create the conditions necessary to fortify the position of Islam in the USA.

When Italians, Greeks and representatives of other nationalities arrived in the US in large numbers, they too had to deal with the issue of assimilation and preserving their own identity. However, unlike the Muslim community with new members being added to it constantly, there were no Americans of Greek descent and African-Americans wising to join the Italian-Americans, nor have there been Anglo-Saxons wanting to join the Greek-Americans. Despite the fact that many have detached themselves from the Muslim community in the course of the integration process, the return to or the acceptance of Islam brought many back to that community, thus preserving its necessary critical quantity-large enough to fight the assimilation process.

The efforts of the American Muslims may be summed up in the following: protection of the identity of Muslims in the USA from the assimilation processes and increasing of the intellectual and political resources capable of significant social and political transformations in the Muslim world.

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## OVERCOMING THE PROBLEMS IN THE AREA OF DISCRIMINATION

Aleksandar Dashtevski<sup>59</sup>

### Abstract

The principle of non-discrimination is a fundamental rule in international law. This means that human rights apply to all people regardless of race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Non-discrimination protects individuals or groups in denying violation of their human rights.

The adoption of the law rather late is a sign that the discrimination in the country was not at high level. Law on Prevention and Protection against Discrimination was adopted at Parliament session held on 8 April in 2010, and entered into force in January 1, 2011. The law governs the selection and work of the Commission for protection of discrimination, which is an independent body. It is composed of seven members appointed by the Parliament for a term of five years and the right to one reelection. Members appoint the President for a term of one year.

Although great progress was achieved in that area, there are methods whose application can contribute to the improvement of its work and effective elimination of all forms of discriminations.

## INTRODUCTION

The discrimination issue has, up till present date, remained in the shadows in the Republic of Macedonia, but also in the wider Balkan region. It is clearly a new issue in our social political order; the current mentality of the population and the political elites was established contrary to the principles of the liberal capitalism, and the long transition further complicates this process. However, the raising of the overall potentials for advancement of this issue can drastically change things not only in the field of discrimination, but also in terms of advancement of the political culture and democracy in the society.

With the breakdown of socialism, as a social political system, in the nineties of the past century until present date, significant importance was attached to the respecting of human rights, especially of the individual and political rights, which were at a rather low level in that order. For example, the voting right, the right to elect and be elected, the judicial sphere rights, and the economic and social rights were advances, as well as significant part of the collective rights, such as rights of women, rights of children, ethnic rights, and so forth. It can be said that serious progress was achieved in the field of human rights in the last 25 years, which is also confirmed in the reports of the Council of Europe and the European Commission, having in mind that the Republic of Macedonia is a candidate country for EU accession. However, discrimination is at the

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highest level in the field of human rights, as the most important fundamental right encompassing all other rights; however, things are not that good in practice in that field.

If one enters deeper in the issues of this sphere, one can establish that there is almost no part of the social living which is not related to discrimination. During the refugee crisis resulting from the war-affected areas in the Middle East and affecting Macedonia, the United Nations and the European Union have posed the issues regarding their treatment on several occasions. That is, whether their rights are complied with in accordance with the international law or if they are violated. In that respect, controls were sent so as to check the level of discrimination at the border crossing with Greece.

This represents a single current issue; however, following the adoption of the Law on Protection Against Discrimination, not only that the Commission was entitled to resolve problems in this field, but also to refer the parties to initiate a procedure with the regular courts of the Republic of Macedonia. Furthermore, all other laws were harmonised with this Law. For example, the Law on Labour Relations, Law on Education, the Criminal Code, Law on Local Self-Government, Law on Protection of Women's Rights, Law on Protection of Children's Rights, etc.

The specific feature of this field refers to the fact that the new legislation has affected all citizens, as well as all layers of the society, including the system institutions which were to deal with those issues.

Accordingly, the need was imposed for wider social activity, change of the political culture, both of the citizens and of the political elites in the field of discrimination so as to achieve higher standards and to overcome the existing problems.

## IMPACT OF THE POLITICAL CULTURE ON THE DISCRIMINATION IN THE REPUBLIC OF MACEDONIA

In reference with the protection of human rights, states are obliged to take into consideration the importance of national and regional specifics, and of the various historical, cultural, and religious specifics, regardless of the political, economic, and cultural systems.

This means that anyone is entitled to protection of rights without discrimination of any type. The principle of non-discrimination is the main rule in the international law. It applies to all people regardless of the race, colour, gender, language, religion, political or other opinions, national or social origin, property, birth, or other status. Non-discrimination protects individuals or groups against denial and violation of their rights. Denying human rights on the basis of cultural differences construes a discriminatory relation. If the state shall reject the universal human rights on the basis of cultural relativism, certain rights shall be denied to people living under the authority of that state. Denial or abuse of rights is unjust.

The rhetoric of the political elites in the Southeast European countries intentionally emphasizes the cultural relativism so as to intimidate their own population that the cultural values shall be lost. In these countries, the conservative opinion of the socialist International Public Law are often predominating, which chooses higher respect of the state sovereignty. Part of that heritage shall remain in those countries following the entry in the Council of Europe.

Such situation contributes to the arbitrary behaviour of the authorities, where

common interests of a single group are frequently placed above the interests of other groups or the individual. It automatically means discrimination or denial of certain rights, of individuals or groups, in terms of race, colour, gender, language, religion, political or other opinion, national or social origin, property, birth, or other status.

Non-democratic elements in the traditional components of the dominant political cultures of Balkan nations and the excess of collective identity in them, as well as the most important actors of the democratic transition of the political systems, should evolve with the transformation of societies into liberal, or neoliberal and contemporary. The existing crisis of the political identity, of both the political elites and of the citizens in the transition processes, should also evolve in building political identities which are in accordance with the European values.

Such political culture creates arbitrary relations, which are contrary to the international standards and inevitably result into discrimination on various bases. As already explained, in accordance with Article 2 of UDHR, everyone is entitled to all the rights and freedoms without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. In addition, in accordance with the Article 7 of the Declaration, all are equal before the law and are entitled to equal protection against any discrimination in violation of the Declaration and against any incitement to such discrimination.

Consequently, discrimination can be defined as treatment of a single person or a group as individual, superior or inferior compared to others, based on arbitrary criteria, such as race, colour of skin, gender, language, religious belief, political belief, or national or social origin.

## ANALYSIS OF THE LAW ON PROTECTION AGAINST DISCRIMINATION OF THE REPUBLIC OF MACEDONIA

The relatively delayed adoption of the Law on Prevention and Protection against Discrimination, as a result of the reforms which are precondition for the Eurointegration processes, indicates to the fact that the conditions for implementation of this law have not matured in Macedonia.

The Law on Prevention and Protection against Discrimination was adopted by the Assembly of the Republic of Macedonia on its session held on 8 April 2010, and is applied as of 1 January 2011.

It contains all international standards required for the protection against discrimination; however, there are still problems regarding its implementation, and its modification is required, for the purposes of ensuring higher efficiency.

In addition to providing the basis for discrimination, any direct or indirect discrimination is prohibited. Regarding the application of the Law, it is defined that the Law shall be applied by all state authorities, the bodies of the local self-government units, the legal and natural entities in the field of: work and labour relations, education, science and sport, social security, including the social protection area, pension and disability insurance, health insurance and health protection, justice and administration, housing, public information and media, access to goods and services, membership and activities in unions and political parties, association of citizens and foundations, in the field of culture and other areas as prescribed by law. In addition to the defined prohibition for direct and indirect discrimination, the Law defines these terms. It is defined that any unfavourable behaviour, distinction, exclusion, or limitation, which

results or could result into withdrawal, violation or limitation of the equal recognition or enjoying of human rights and fundamental freedoms defined with the treatment existing or which could exist for the other person in same or similar conditions, represents direct discrimination. Whereas, any placing into an unfavorable position of a person or a group as compared to other persons, with the adoption of obviously neutral provisions, criteria, or by undertaking of certain practices, except when the same result from a justified cause, and the means for reaching that objective are appropriate and necessary, represents indirect discrimination. Discrimination and harassment of persons with mental and physical disorders is prohibited. In addition, the encouragement and incitement to discrimination, victimization, discrimination in provision of goods and services, and the more serious forms of discrimination is also prohibited.

The Commission for Protection against Discrimination is an independent and autonomous body. It consists of seven members appointed by the Assembly of the Republic of Macedonia with a five-year term, with right to one reelection. The president is appointed from the members with a one-year term.

The procedure for prevention of discrimination is conducted before the Commission. Persons lodging a petition to the Commission are exempted from payment of fees. The Commission proposes the manner for removal of the discrimination with its written opinion. A special provision defines that the Commission, in the performing of the activities of its own jurisdiction, shall cooperate with the Ombudsman on specific discrimination cases

In addition to the procedure conducted before the Commission, the person who believes that, due to discrimination, certain right was violated, shall be authorized to lodge an appeal with the competent court. The provisions of the Law on Litigation Procedure shall apply in the court procedure. The procedure is urgent.

## CERTAIN ISSUES IN THE FIGHT AGAINST DISCRIMINATION AND MANNERS FOR THEIR RESOLUTION

According to the public opinion, the discrimination exists in the Republic of Macedonia on all bases, and significant efforts are required to eliminate it up to manageable limits which represent the European standard.

The Commission for Prevention and Protection against Discrimination, as set forth in the Law, does not have sufficient possibilities for achieving better results. Namely, according to the Law, it does not have a supporting body, or any other personnel who shall assist in terms of more efficient management and execution of its works. Furthermore, according to the current information, courts have not adopted a single decision for protection against discrimination.

Regarding the behaviour of the public administration, the existence of poor behaviour of employees towards citizens is evident, that is, the attitude towards those poorly dressed is worse than towards those who wear better clothes. This is due to the level of culture and the level of education of employees in that administration. The bureaucratic behaviour is still rather expressed, although the country is striving towards EU admission.

More attention should be paid to education, not only of the citizens, but also of those who make decisions on their rights, and more trust and influence should be given to the non-governmental organizations whose main activity are the human rights. Education, which is a key issue, can also have an impact on the political will over time,

by changing the society awareness. It should be on all levels. In that manner, the citizens shall not only understand the meaning of their rights, but also the manner in which their rights can be protected. That education should commence as of the earliest age, and should end with their introduction to the higher education institutions. The state should also continuously educate through the public information means, so as to make it available to the entire population. And finally, the professional public should have continuous education in this field, so as to make it capable to assist the citizens who need support.

Certain mechanisms for protection against discrimination have already been established and were confirmed by the Council of Europe. For example, the Criminal Code prescribes that when pronouncing the sentence, the Criminal Court shall take into consideration whether the act was committed due to racism. The Academy for Training of Judges and Public Prosecutors includes modules for the fundamental human rights and for fight against discrimination. In that sphere, the police training was also strengthened. The position of the Ombudsman, who is competent for ensuring that the authorities are complying with the non-discrimination principle, was strengthened within the frames of the institutionalised system in the country.

It should not be forgotten that progress cannot happen over night, as in all other fields. The research has indicated that at least twenty years shall be required in each state for this to occur, provided that the things are moving in the right direction.

### CONCLUSION

Discrimination is a complex and the most important issue on the compliance of fundamental rights in each society. The level of civilization and development of each society depends on the level of discrimination compliance.

The principle of non-discrimination is the main rule in the international law. It applies to all people regardless of the race, colour, gender, language, religion, political or other opinion, national or social origin, property, birth or other status. Non-discrimination protects individuals or groups against denial and violation of their rights.

Arbitrary behaviour of authorities often places the common interests of a single group above the interests of other groups or the individual person. It automatically means discrimination or denial of certain rights, of individuals or groups. The political identity crisis of the political elites and of the citizens in the transition process should evolve in building political identities which are in accordance with the European values.

The relatively delayed adoption of the Law on Prevention and Protection against Discrimination, as a result of the reforms which are precondition for the Eurointegration processes, indicates to the fact that the conditions for implementation of this law have not matured in Macedonia.

The Law on Prevention and Protection against Discrimination was adopted by the Assembly of the Republic of Macedonia on its session held on 8 April 2010, and is applied as of 1 January 2011.

It contains all international standards required for the protection against discrimination; however, there are still problems regarding its implementation, and its modification is required, for the purposes of ensuring higher efficiency.

Discrimination exists in the Republic of Macedonia on all bases, and significant efforts shall be required to eliminate it up to manageable limits which represent the

European standard.

In order to overcome the problems in the field of discrimination, several measures can be undertaken. Some of them include: provision of more and improved conditions for the Commission for Prevention and Protection against Discrimination. In addition to the technical means and premises, provision of personnel, through supporting bodies, secretariat, and so forth, for the purposes of accelerated and more efficient resolution of cases.

Increase in the level of culture of behaviour of the public administration, from the employees towards the citizens, with education and introduction of a work system which shall contain controls and reprimands for poor behaviour.

More attention should be paid to education, not only of the citizens, but also of those who make decisions on their rights. It is necessary to give more reliance and influence to the non-governmental organisation whose main activity relates to human rights.

Education, which is a key issue, can also have an impact on the political will over time, by changing the society awareness. It should be on all levels. In that manner, the citizens shall not only understand the meaning of their rights, but also the manner in which their rights can be protected. That education should commence as of the earliest age, and should end with their introduction to the higher education institutions. The state should also continuously educate through the public information means, so as to make it available to the entire population. And finally, the professional public should also have continuous education in this field, so as to make it capable to assist the citizens who need support.

One should not forget the time factor, especially in the Republic of Macedonia and the region. Of course, change cannot occur over night. We already have achieved positive results and we are moving in a better direction; however, a longer period of time shall be required for achieving European results in this field.

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### TEACHER'S PROFESSIONAL DEVELOPMENT

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### Abstract

The world is changing faster and faster in all domains of life, education is changing to meet the needs of the 21st century, the world of the career of man changes. Changes in teaching contribute inevitable change of management in schools, as well as changes in the roles of student and teacher. It is followed by the appearance of certain problems in the teaching process that can be differentiated as dominant, the reluctance of teachers in terms of lack of challenge and motivation for continual personal and professional development. To that should be added the lack of opportunity in their career development or advancement in the vocation and the profession.

This problem has caused the research presented in this master thesis, which as a phenomenon is treated, is the provision of quality teaching through professional development of teachers. The subject of research is the level of preparedness of teachers for their professional development in order to overcome such adverse situation. Tendency within the development policy of education in our country is to raise the level of acquired education. In this context, it is important that the level of education be supported with adequate quality to answer the questions posed by the new era of modern educational technology.

The general hypothesis is that set and proven in this study refers to teachers in the context of their personal and professional development using all forms of education and are prepared for professional execution of their work, which leads to quality teaching. This statement should be developed further to set a career system and change and to develop awareness of teacher's professional development. In order to motivate the teacher, there must be progress in the career system and to overcome all the shortcomings that existed in previous systems. Career advancement must be defined with clear criteria and provide equal opportunities for the participation of every teacher.

**Keywords:** human resource management, forms of education, professional development, training.

### INTRODUCTION

The world today is socially and politically complex and the quality teaching with successful teachers is the key for learning and acquiring wide knowledge, learning skills in order to meet the challenges of the modern time. The education system must meet the economic and society challenges set by the new economic order, the free market, the globalization, the development of the entrepreneurship etc. All these changes dramatically affect to the knowledge, the skills and the values that will be needed by the young people.

To ensure quality in education means that should be improved the education in each sphere of its existence and to reach the educational goals effectively. The quality education puts emphasis on the learning and the student and then on the teaching. The

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changes in the teaching enable change of the role of teacher and lecturer in classic classroom with authority into role of modern teacher of the twenty-first century that coordinates in the classroom, sometimes he is mentor, and sometimes a presenter, trainer, coach and leader. It is inevitable the change of the role of student of the former traditional education as passive listener into active participant in the modern education.

But in every day practice appear certain problems and deficiencies from which can be differentiated as dominant the unwillingness of the teachers in terms of lack of challenge and motivation for continuous personal and professional improvement. To that should be added the non-existence of possibility for their personal career development i.e. advancement in the structure and the profession. A small number of teachers continue their formal education and they rarely accept the informal forms of education such as: seminars, trainings and courses, mainly for the certificates that will bring additional points for the teachers during the integrated evaluation and evaluation of the school; and not because of personal desire and motive for their professional development in accordance with the new modern trends and educational standards. The forms of informal education: reading books and literature, internet, watching programs of educational character, the dialog with the colleagues, etc. are not used by some teachers so the personal and initiated education of the teachers remains undeveloped, limited and the regular structural teaching is reduced only to teaching in classroom.

In order to be surpassed these unfavorable states emerges the need for research for the willingness of the teachers for professional improvement.

## Human resource management in education

The human resource management as a concise expression of the new philosophy and practice of the management is a result of the accelerated changes in the modern world and the importance given to the people and their potentials. The human potentials are the most important resource in one organization and we must pay attention and show interest for them. The people, their development, the possibilities and the motivation as well as the way to manage them are the determining factor of the competitive ability and the development of any kind of organization.

In the context of managing the human resources especially regarding the educational organization very often is mentioned the terms training and development of the employees. But should be paid attention that they are mutually conditioned but they have different meaning. That is best illustrated by the following chart

Chart 1: Development versus training (1)

	Training	Development
Focus	<ul> <li>learning, specific</li> <li>behavior and acting</li> <li>demonstrating</li> <li>techniques and processes</li> </ul>	<ul> <li>understanding of concepts</li> <li>and the context for informing</li> <li>judgment development</li> <li>expanding abilities for the</li> <li>tasks</li> </ul>
Time frame	Short-term	Long-term

Efficiency	
measures	

- evaluation of performances
- analysis of expenses and profits
  - passing exams
  - certification
- availability of qualified personnel if needed
  - opportunity for promotion
  - competitive advantage

based on the human resources

The purpose of the development of the human resources is to strengthen the abilities of the employees for successful taking the responsibilities of the organization. The development usually refers to improving the intellectual and socio-psychological abilities required for better accomplishment of the working tasks. This improvement can be realized with formal or informal means.

It is required to meet certain conditions in order to enable successful development of the human resources. The purpose of the development of the human resources is not only to acquire specific skills but it also includes:

- forming attitudes for greater involvement of the employees
- improvement of the communication between employees
- pro-active attitude for innovative solutions

Whatever the purposes, the two key factors for development of the human resources are:

- management support and
- understanding the relation of the development of the human resources with the other activities

Every employee in the organization should constantly perceive the possibilities for their personal, professional and career development. The personal and professional development should be continuous care and conscious work of every organization or institution in order to provide qualification of the employees as a pre-condition for better accomplishment of the special tasks in working. In other words it is an organized and systematic attempt to adjust the individual needs of the employees as well as their personal interests, desires, expectations with the requirements set by the desired career on one side; and the needs, interests, values, expectations of the organization where working on the other side.

The ultimate goal of this continuous process is to qualify the employee for efficiently and effectively perform their duties which will enable quality and productive work. (2)

The human resource management is inserted in all activities so it is understandable that the educational organizations could not stay aside from accepting and application of this discipline especially now when the world is constantly changing. It is understandable that more and more is expressed the awareness of the need to take care of those who implement the national educational goals in this kind of organizations, primarily the teachers, educators and professional associates and lately also the principals of the schools. (3)

The successful manager in education must pay more attention to the formal, specific and symbolic aspects of the school as a non-profit organization. Running a school or a kindergarten is specific because provides services which are on a one-time basis and non-profitable and therefore are organizations with characteristic activity. Therefore the motivation, the professional qualification and the communication with the employees

are crucial for each educational organization. This is primarily due to the demands set to the schools and kindergartens today and refers to socially established and qualified members of the society for social and community service and is demanded maximum efficiency of the studying.

The human potential in the education is perceived through quantitative and qualitative indicators. The quantitative indicators refer to: their number, their qualifications, age, working experience etc. The qualitative indicators are focused on the quality relating to: knowledge, skills, abilities, creativity, motivation for working, readiness for improvement and professional development etc.

In the context of educational organizations, the human potential in the education can be inspected through two basic groups:

- the first group is the one that reaches the national goals for education through direct pedagogical work (the teachers) and
- the second group helps the first by providing conditions for reaching those goals (expert-developed, administrative, legislative, financial etc.) i.e. the directors, professional associates, administrative-technical personnel etc.

The professional development is a result of the interaction between the training and the experience so it includes formal education and informal education. The formal education is the one that takes place in different educational institutions and with which is acquired diploma and certain qualifications. The formal education in our country is realized through four levels or stages: pre-school education, primary education, secondary education and higher education.

The informal education takes place independently from the formal educational system and can be organized in the workplace through various activities of professional development by the authorized institutions (MES, BDE, Center for vocational training) or by various associations.

This learning is in fact learning or acquiring competencies outside the educational institutions and defines the personal and professional improvement of the person. The informal education includes educational processes realized through flexible or adjusted teaching programs and methodology in accordance with the needs and interests of the person, and they take place outside the formal system of education. The organized and planned contents realized through seminars, trainings and courses are also of great importance for the professional improvement of the person. These are activities supported with certificates.

The informal education which refers to the individual to develop certain competencies throughout the whole life whose source is the working and living environment (monitoring the professional literature, internet, educational programs etc.) self-evaluation and research of the educational activity. The informal education is unplanned, individual and personal education of the teachers/educators. The concept is not limited and includes formal and informal activities for development of the teacher/educator in roles of – leader, adviser, manager, trainer or mentor. (4)

The professional development cannot be reduced only to occasional seminars and professional meetings. It is a long-term process with which through learning, practical work and research activity the teacher/educator develops and improves the knowledge, skills and abilities. In that way he becomes practical person who according to his needs sets the goals of his professional development.

## Forms of professional development and professional improvement

The planning of the professional improvement should involve the inclusion of the employees in different forms of professional improvement. Each of the forms has its own specificity, positive characteristics and advantages, but also certain limitations. It is recommended to be included various forms of improvement. The choice should be made according to the needs of the individual and the institution taking into consideration the specificity of each form of professional improvement.

In addition are given some of the types of forms of professional improvement that are used most frequently:

- Congress/meeting: a sum of large number of participants (over 200), of scientific or professional character with different contents and forms. It consists of plenary session and mutual parallel forms with different subject. This type of form gives possibility to be presented the new publications, results of latest researches, exchange of information on actualities in the field and usually is held cultural manifestation (at the beginning or at the end). Usually it lasts two to four days.
- Symposium: is a series of presentations related to the same topic/area. One topic or area is processed by different standpoints. Also can be included results of some research related to the topic. The presentation of each participant is limited to 15-20 minutes. Can be determined time for discussion between individual presentations. The term "symposium" was once used as term for congress. Originally this term refers to smaller conference where the experts or participants discuss for certain issues on the basis of mutual equality.
- Conference: is an organizational form with number of participants from 70 to 150 (in some exceptional situations even more). The content of the conference is specific and topic-oriented. The main goal is to provide overview of relevant contents and discussions on certain topic. It usually lasts one to two days. As example it can be professional development conference with an introductory plenary presentation and then working in groups with summarizing and drawing conclusions.
- Seminar: is an organizational form that usually consists of group of 20 to 25 participants. The work is interactive. The purpose can be learning and usage of new discoveries. The content is specific. The seminar could refer to introduction of new literature, introduction of new trends in the profession. The characteristic of the seminar is that is organized for improvement of the knowledge, skills and abilities of the professionals. Regarding the duration of the seminar do not exist strictly determined rules. It can last one or more days, even few weeks. Some organizational forms of the professional improvement can be parts of other professional gatherings, but also independent entireties.
- Plenary lecture: the speaker usually addresses to the wider audience, whose role is to listen. The character of this communication is one-way. Sometimes there is possibility for short questions and answers at the end of the presentation. In the plenary lecture can be used various techniques (Power Point, video presentations etc.).
- Presentation with discussion: the speaker addresses to smaller number of participants. The number of the public conditions the discussion. Part of the time is used for presentation while the rest of the time is used for discussion and exchange of ideas. Here is very important the good leading of the discussion.
- Panel-discussion: is organized for larger number of participants which are experts in certain domain. It is discussed about the problem, the dilemmas, the different

attitudes and opinions are presented. There is significant interaction between the participants of the panel. Can be determined time for asking questions to the participants.

- Round table: the participants of the round table have equal chances for participation in the discussion. This form starts with very brief introduction in the problem or the topic. The other participants give their contribution and aspect of different ways and approaches to the solution of the problem or the elaboration of the given topic.
- Work in groups: is temporally and thematically limited entirety in which one working group works at most up to 2 hours. The participants are working together and are oriented to each other. One of the forms of this activity in the English-speaking countries is called "workshop".

Working in groups is based on the following activities

- Exchange of experiences, knowledge, beliefs and needs between the leader and the participants, as well between the participants
  - Connection with the personal experience and practice
  - > Collaboration and partnership

Characteristics of the working in groups are:

- ✓ Work on common topic
- ✓ Work in small groups
- ✓ Active participation of all participant
- ✓ Putting the participants in different situations with which is encouraged the communication (working in pairs, social games, discussions, dramatization, bunch of ideas etc.)

## Results of the research

The research is conducted to sample of 308 respondents from 33 schools, from which 33 principals, 53 professional associates and 222 teachers. For the research is used properly prepared instrument (scale of attitudes) and from the received answers of the respondents as more characteristic are separated the following 8, shown in the following chart:

## Chart 2: Results of the research

In the following chart are shown the answers of the respondents according to the frequency of occurrence of the five alternatives given in the instrument: 1- completely disagree 2 – disagree 3 – neutral 4 – agree and 5 – completely agree

	Statement	1	2	3	4	5	Rang
1	Today the teachers more often decide to enroll to postgraduate studies in other field different from their formal education – teaching faculty	8	37	119	102	42	3,4
2	The teachers completion of postgraduate studies in fields different from their faculty contributes to their professional improvement in different fields	11	42	86	130	39	3,5
3	Most teachers believe that the finances are reason for them not to enroll masters or PHD studies	7	24	38	124	115	4,0
4	The teachers should independently allocate certain means for their permanent professional improvement	50	89	76	70	23	2,8
5	The internal trainings increase the mutual collaboration between the teachers and contribute for exchange of their knowledge, skills	2	12	42	174	78	4,0

	and attitudes						
6	The internal training with external trainer is attended only with one purpose — obtaining certificate which is scored during the evaluation of the teacher	25	69	87	81	46	3,2
7	The non-using of professional literature by the teachers is a result of the insufficient equipped of the schools	20	58	103	95	32	3,2
8	The teachers should spend part of their free time for self-education and that means self-professional improvement through use of professional literature and internet	7	16	43	170	72	3,9

With the statement: "Today the teachers more often decide to enroll to postgraduate studies in other field different from their formal education – teaching faculty" agreed 47% of the respondents which is very important in terms of their willingness to acquire higher education level through the formal education. In context of this attitude are also the answers to the second statement where 55% of the respondents agreed, saying that in that way they can expand their knowledge in different areas, which gives them possibility to increase the quality of the teaching. Extremely indicative are the answers given in the third statement: "Most teachers believe that the finances are reason for them not to enroll masters or PHD studies". Namely completely agree with this attitude are 239 respondents or high 78% that leads to percentage or rang of importance of 4.0.

Quite indicative but at the same time very significant are the answers of the respondents given regarding the statement: "The teachers should independently allocate certain means for their permanent professional improvement". Only 93 respondents of 308 or 30% agree with this attitude. That is not good if we take into consideration the importance of the informal education for their professional development but it is also

expected and understandable taking into consideration their salaries. But it is not only the salary a decisive factor but it is a question of determined attitude from before i.e. it is about mentality. It is fact that the schools do not have great financial possibilities for that and the local government doesn't take this as a priority.

It is known in the world that the internal trainings as a part of the informal education have extremely large contribution to the professional development of the teachers. That is confirmed by the answers of the respondents for the statement: "The internal trainings increase the mutual collaboration between the teachers and contribute for exchange of their knowledge, skills and attitudes". In fact, 252 respondents or 82% of the respondents express complete agreement. The following statement: "The internal training with external trainer is attended only with one purpose – obtaining certificate which is scored during the evaluation of the teacher", reveals one inappropriate approach of some of the teachers, i.e. they accept this form of training because of the legal obligation or internal evaluation in the schools (almost 40% of the respondents confirm that with their answers).

The situation is similar with the informal education or self-education of the teachers. From the research are obtained information that "The non-using of professional literature by the teachers is a result of the insufficient equipped of the schools" which is attitude of 41% of the respondents, but also that there is not established habit or prevails the attitude that there is no need of that. In this context is also the following statement: "The teachers should spend part of their free time for self-education and that means self-professional improvement through use of professional literature and internet. High 79% of the respondents completely agree with this statement.

### CONCLUSION

The dominant interest of the respondents has shown that there was need for this type of research which referred to them, to the teachers, their work, providing quality in the teaching through professional improvement of the teachers. So the process of education as intellectual capital is a continuous process that develops critical relation towards the work, the good and the values of the world around. It is very important to be developed the awareness among teachers and to work continuously on raising their awareness for professional improvement in the context of the philosophy of lifelong learning. The main basis for social-economic development of our state is the development of the education i.e. raising the level of the achieved level of education. In this context is important the level of education to be supported by certain quality of the education. It is inevitable the change of the management in the schools, and the change of the role of the teacher and the student; changes that need to meet the economic and social challenges set by the new economic order, the free market, globalization, entrepreneurship etc.

The teacher knows and agrees that of great importance for professional improvement in the specific field or in other fields are the postgraduate studies that lead to improved quality of education of the student. So the higher level of education of the teaching staff – masters and PHD are condition for high quality of the entire educational system. If they have opportunity to enroll postgraduate studies in the same field as the finished faculty, with "yes" have answered 73,7% or 227 respondents of 308 in total. But the salaries of the teachers do not allow so that the teacher can allocate

financial means for further professional improvement. All this affects to the willingness of the teacher to continue with its own professional improvement. The teachers (93,5%) consider that is necessary the state to provide a sustainable system for financing the improvement of the teachers as one of the key conditions for their professional development, through allocation of certain percentage in the school budgets. The respondents have confirmed the accuracy of the hypothesis: "If the teacher individually acquires self-education or informal education, then he/she will improve professionally and will improve the quality of the teaching".

The teacher is considered as a researcher and producer of knowledge, who constantly introduces innovations in its work. In that way he creates future followerscitizens, socially educated, active and with positive attitudes, who accept the responsibilities that contribute for cohesion and strengthening of the state. It can be concluded that the state and the syndicate should care more about the position of the teacher in the society and to help financially for his professional improvement as one of the key factors for his professional development due to the poor material and social status of the teaching staff.

The role of the principals should be more active in the systematization and organization of the required conditions for creating assumptions for establishing a system for professional improvement of the teachers. It is necessary the schools to prepare annual plans for professional improvement of the teachers.

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## ADULTS AS LIFE-LONG LEARNERS: CREATED VALUES FOR THEMSELVES AND COMMUNITY

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### Abstract

Learning is a life-long process since it goes on as long as a person is alive. Every individual is thus faced with one learning situation or another throughout one's life time. This paper aims to discuss how life long learning policies affect the adults and what kind of results are created for themselves and society around them. To refresh and develop the knowledge and skills of the adults who are out of formal education institutions was ensured by adult education. Adult education means all the systematic and methodical training process which enables the adults to develop their abilities, to raise their knowledge, to improve their occupational qualifications. In this study the basic principles of adult education is lined up and it is touched on relations between life long learning. The activities of adult education must be planned, programmed and ongoing. During planning the activities about adult education in the first instance it is necessary to know who is the adult that compose the target group and what are their characteristics. In this context it is explicated physical, psychological and social characteristics of the adults who compose the target group of adult education.

Key words: Adult, Life-long learning, education, training,

### INTRODUCTION

Learning as a concept has been defined variously by social scientists and psychologists. For instance, the behaviorists and psychologists define learning as a product or outcome; a change in behavior that is relatively permanent through practice, training or experience (İhejirika, 2012). According to this sect of psychologists, temporary changes in behavior due to growth processes, effects of fatigue, illness, drug or alcohol are not considered as learning because such changes are ephemeral and not relatively permanent. On the other hand, the non-eductionists/cognitivists perceive learning as a process of change in cognitive structures; meaning that learning takes place as a result of reorganization of a number of perceptions and relationships in a given problem situation to enhance understanding. Dewey's definition of learning as the organization and reconstruction of experience, cited in Nzeneri (2008), suggests that learning is a continuous or lifelong process that involves construction and reconstruction of experiences which goes on as long as a person is alive. It is this process of reorganization of cognitive structures that enables learners, both in practical or theoretical learning, to perceive new relationships, solve new problems and gain a basic understanding of a subject area.

Learning therefore is conceived as a mental activity performed by an adult person to meet his or her learning/educational needs in order to achieve his/her desired goals. The goals and needs to be met go along way to serve as motivating factors that dictate the level of learning attainable by the individual learner. Another important strategy is for the instructor to make the adult learners aware of the enormous benefits of knowledge acquisition. With the knowledge of such benefits, the learners become encouraged and

motivated to overcome difficulties in their way to acquire the skills that can change their life for personal improvement and community development.

## **Life-long Learning**

Life-long learning is about the education of adults, which comprises formal and informal education. According to the European Communities Memorandum on Lifelong Learning, the aims of life-long education are to promote employability and active citizenship. Findings of the study conducted by Leung and Liu (2011) revealed that the patterns of study established a positive association with quality of life, but a negative correlation with respondents' psychosomatic complaints. This indicates that adult learners who were active in life-long education tended to achieve a better quality of life. However, it was also found that the more they enrolled in courses, the more somatic complaints they suffered. On the other hand, analysis indicate that the determinants of good quality of life in older adult learners were good self-efficacy and a continuation of further study. Despite the limitations in the cross-sectional study and use of self-report measures for assessing self-efficacy and quality of life, the findings of study shed light on our understanding of the different perspectives instrumental in achieving a good quality of life in Chinese adult learners. Findings of the study also demonstrated that a moderate level of participation in life-long learning can be an effective strategy to enhance adult learners' psychosocial well-being on such measures as quality of life and self-efficacy.

As education contributes life-long benefits for healthy ageing, the governments should put more effort and apply more resources to support the development of it. Lifelong education is reported to have various positive outcomes for adult learners and the society such as better health outcomes, social change, reduction of poverty, and domestic violence. Education can also be an enduring resource for older adults in achieving successful ageing (Meeks & Murrell, 2001, Liu, 2011). In addition to developmental learning that focuses on enhancing personal life and career, it has been observed that transformational learning, which promotes thinking, self-expression and actions, facilitates positive and in-depth changes in learners' quality of life. Therefore, it is suggested that whether the education is formal or informal, those who have received more education and achieved higher qualifications tend to enjoy a better quality of life, have more positive health outcomes, and show greater self-confidence and self-efficacy than their counterparts. Self-efficacy is an individual's belief in one's ability at organizing and utilizing internal and external resources to control situations that have significance for them (Bandura, 1997, Liu, 2011). It is usually mediated by their beliefs or expectations about their capacity to accomplish a task or demonstrate a specific behavior. As educational experiences have influences on psychological health, people who can successfully meet the challenges in the learning process can build up their positive self-esteem and self-efficacy.

It was found that working female adults had regained self-esteem after returning to the classroom. Hence, the process and outcome of learning can be beneficial to the health of learners regardless of their initial levels of quality of life (Hammond, 2004, Liu, 2011). In other words, education improves the learner's quality of life and self-efficacy. On the other hand, quality of life and self-efficacy also have great impact on the process and outcome of learning. Several researchs indicate that learners with poorly perceived health have a higher risk of low academic achievement, or they drop

out of study programs (Lasheras, Patterson, Casado, & Fernandez, 2001; Huurre, Aro, Rahkonen, & Komulainen, 2006, Liu, 2011). This shows that life-long education, quality of life, and self-efficacy are significantly interrelated. However, the mechanism of how these three domains influence each other in older adults has not been adequately explored.

At the current time, educational policy is being developed on a worldwide scale, with supranational organisations being key agencies for change. Some argue that core values in education, such as equality and autonomy, are increasingly displaced, or reinterpreted, through neo-liberal imperatives (e.g. Rizvi & Lingard, 2010). In this context, the idea of Life-long Learning is central to the conceptualisation and development of "adult numeracy". In international policy debates, Life-long Learning has been the focus of much disagreement and divergence, e.g. between "humanistic" and economistic" approaches (Evans, Wedege, & Yasukawa, 2013), but scientists focus on the view promoted by the OECD, which is the main sponsor of life-long learning programs. This view aims at promoting the development of knowledge and competencies enabling each citizen to actively participate in various spheres of globalised social and economic life. However, this view also holds individuals responsible for their own education (Ball, 2009). This idea further includes the following aspects: (Tsatsaroni & Evans, 2014) emphasis on the citizen's need to acquire and update a range of abilities, attitudes, knowledge and qualifications over the life-course change in the focus of learning "from what people know" to "what they can do" weakening of the distinction between formal and informal education, and their inclusion within a broad view of learning.

### Effects of Lifelong Learning Programs for Older Adults and the Society

Throughout history, education has focused on children, adolescents, and young adults; but in recent decades, education policies have broadened their view. The challenge now is to provide opportunities for all, especially for the most disadvantaged groups who most need learning, among them the elderly. The key idea is that education is essential not only for competitiveness and employability, but for promoting social inclusion, active citizenship, and personal development. Educational and leisure activities have a crucial role in making older people more active in their everyday life. Education is a significant factor influencing the well-being of an individual and a community; the influence of education is more dynamic in communities with more systematic development of educational activities. Thus, University Programs for Older Aults (Programas Universitarios para Mayores, PUMAs) have been developed across the world as innovative tools for Life Long Learning. These programs reflect a new policy promoting learning opportunities through adulthood to old age (European Commission, 1996; Field, 2006, Ferna'ndez-Ballesteros et all; 2013). At the same time, within the framework of the II International Plan of Action on Aging (MIPAA, UN, 2002), a new policy promoting Active Aging across the life span emerged. The MIPAA considers education as a crucial basis for an active and fulfilling life, considering that continuing education and training are essential to ensure the productivity of both individuals and nations. This policy has the goal of extending development into old age and increasing well-being (United Nations, 2002; World Health Organization, 2002). Finally, the MIPAA considers that a positive view of aging is an integral part of the plan. This is because all the goals for promoting active aging are threatened by cultural stereotypes

that consider older persons as unable to learn (Leopoldina National Academia, 2010; Ferna'ndez-Ballesteros, 1992, 2005) or incompetent (Cuddy, Norton, & Fiske, 2005; Ferna'ndez-Ballesteros et all; 2013).

Following both policies, universities across the world have to adapt their programs to Life-long Learning and Active Aging, or in other words, to the needs of a changing society. Agencies for the elderly are also financing policies for extending education into old age and active aging in general. In summary, the above mentioned programs aim to extend education, knowledge, and active life, and at the same time they promote well-being and a positive view of aging.

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<b>EXTERNAL</b>	<b>EVALUATION</b> A	AIMED A	T PROVIDING	QUALITY WITHIN
	T	HE EDUC	CATION	

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#### Abstract

Considering the fact that the schools are a base for the educational system as well as a starting point for the development of each country, especially of the countries where the process of transition has not been completed yet, it is clear that the changes should start and finish within the schools. One of the manners for transformation of the educational work, is measuring the quality of the work in the schools. By establishing proper and standardized indicators, for measuring the quality of the educational work within the schools, the efficiency of the work will improve and the quality of the work will be on a higher level. Thus, the evaluation of the work of the schools through direct inspection of the educational institutions, conducted by the State Education Inspectorate, has a key role. By external evaluation, the inspectors detect the strengths as well as the possible weaknesses of the schools and therefore give clear and proper recommendations in direction of removing the weaknesses and improving the results. By integral evaluation, the State Education Inspectors supervise the work of the schools and through it have a direct impact on improving the efficiency as well as the quality of the educational process.

**Key words:** external evaluation, State Education Inspectorate, quality education, school, educational process.

#### INTRODUCTION

In order to determine the real quality of the work in the schools through the established monitoring and evaluating systems within them, standardized instruments and criteria are prepared in advance. This contributes towards weakness identification and all the obtained results can contribute for improving the quality of the work of the schools during the education process.

After identifying the problems the schools are facing with, on one hand and the priorities on the other, adequate reforms have been suggested which shall contribute towards improvement of the entire work in the schools, something that can be achieved by conducting an integral external evaluation. The successful realization of the integral evaluation requires collaboration of all included participants in this process.

In order to obtain useful information after all indicators and adequate data sources, continuous collaboration and good communication of the participants in this project is needed, especially good communication between the schools and the State Education Inspectorate.

The role of the Ministry of Education and Science, the Bureau for education development, the Center for professional education and science, local self-government and other institutions should not be disregard.

In order to form a real picture for the state of all schools, preparation of proper standardized instruments for providing adequate data sources is needed. The prepared instruments are of a great importance and benefit for the schools as well as for the all interested structures.

In order to analyze the level of acceptance of the external evaluation by the teaching staff, a research in several schools has been conducted, aimed at detection of the weaknesses as well as of the advantages of the evaluation by what the directions and recommendations for further improvement of the evaluation and of the whole educational process quality are given.

## The school as a pedagogical - educational institution

The term pedagogical educational process is wider than the term teaching. The education process itself can be easily conducted even without the presence of a teacher. In the process of education, in some institutions in the education subsystems, the pedagogical component prevails, in other the educational one. This means that the educational institutions are educational system elements and defer between one other depending on the educational level.

In order to be successful, the pedagogical – educational system should be based on didactic principles which should be taken into consideration in every process phase:

- Principle of suitability
- Principle of active participation
- Principle of monitoring
- Principle of system and progressiveness
- Principle of connection (Theory and Practice)
- Principle of knowledge durability
- Principle for being capable for learning during the whole life (Authors' adaptation according to Petkovski, K., Lameva, B., Milenkovska, V., Integral Evaluation base for functional inspection, Europe 92, Kochani, 2004 page 14)

The pedagogical educational process is: dynamic, flexible, complicated, and complex and it is comprised of three processes: planning, articulation and verification or evaluation.

The successful working of a school is based on: school economy, curriculum, school surrounding, teachers and students.

Factors that contribute towards successfulness of the work within the schools are: quality of the teachers and students work, sense of belonging to the school, intellectual potential, management style, team work and communication quality within the school.

The working successfulness is provided by the school management. The management includes, directly or indirectly, many people and they shall work professionally, honestly and authentically.

A successful school appreciates its teaching staff and students, is a good host, and takes care about the discipline and the realization of the school curriculum; conducts regular and realistic evaluation of its students; properly and regularly runs the school evidence and administration.

## The external evaluation aimed at providing quality within the education

By saying evaluation it is actually meant estimation, and in this specific case estimation of the educational process quality within the schools. The self-evaluation, evaluation through inspection and external evaluation are the three mutually connected components whereupon continuous process of estimation of the school successfulness is being conducted. The external evaluation is conducted through inspection and national estimations through external exams and international studies (Authors' adaptation according to Ministry of Education and Science, National program for educational development in the Republic of Macedonia).

This type of evaluation aims at providing higher level of objectivity regarding the work and the achievements of the schools as well as of all subjects part of the educational process, which will contribute towards realizing the quality level of the educational process in our country.

The external estimations are public and available for everybody in order to provide: bringing decisions in the education, setting standards on a state level; improving the estimation within the schools; establishing equal estimation criteria; efficient resources distribution; good teacher-student relations and introducing new methods in the school work.

### Integral evaluation models

The integral evaluation, as an external estimation is conducted with a purpose to perceive all the working aspects, as well as the conditions in which the work in schools happens, and this evaluation is conducted by the State Education Inspectorate through its teams. The evaluation should give a real picture for the states of the schools in the Republic of Macedonia by evaluating the seven areas and the appropriate indicators comprised in each of them.

The external evaluation is conducted by a specialized independent authorized institution, which with a usage of proper standardized instruments and different techniques and methods provides higher level of objectivity regarding the schools' work and achievements. This evaluation enables the country, to provide the local governments and schools with a: valid information about the quality of the education on different levels of the educational system and knowledges about the facts related to the achievements.

One type of external estimation is the national estimation. The purpose of this estimation is to collect information for the students' achievements which shall serve for a further improvement of the educational process on a state level.

A national estimation (informal) was conducted for a first time in our country in the school year 1999/2000 for certain subjects and on the basis of the results standards for estimation for that subjects have been set by the Ministry of Education. The next year the main evaluation was conducted and the results from the current evaluation were compared with those from the previous one for the quality achieved and for the efficiency of the educational system. For the other evaluation aspects additional information are collected through surveys in order to collect more detailed information for better decision making direction in which the achievements in our education system are conditioned life (Authors' adaptation according to Law on Educational Inspection ,, Official Gazette of the Republic pf Macedonia /Latest changes 164/2013, article 22).

## Comparative analysis of the integral evaluation

Usually, the Integral evaluation is conducted by the Education Inspectorate, an organ that serves as an instrument through which the state undertake responsibilities for the quality of the education and its organization. Analyzing the integral evaluation systems in our country as well as in the other countries it can be concluded that the inspectors' tasks are different and include: inspecting the schools as a whole, inspecting the teachers' quality, thematic inspections, inspection in certain domains of study and research work, monitoring of the achievements, monitoring the teachers' work as well as the work of the professional services and so on. The inspection services are

organized on an institutional level under the state cover and there is a correlation with the administration.

The complete inspection is the integral evaluation most important segment through which are established: the final results, the process of studying and the process of research work, the management and context, by what the education system within a country is evaluated and on that basis further steps for its improvement are undertaken.

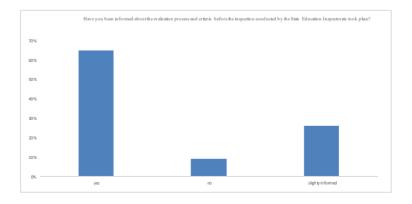
## Quantitative and qualitative analysis of the research results

## Quantitative analysis

In order to verify the hypothesis that if the external evaluation reports are properly analyzed and accepted by the main players in the educational process, better results and better quality of all educational levels can be achieved, an empiric research have been conducted with the purpose of strengthening the set thesis. The research included 100 participants in the educational process from multiple departments and teachers on different subjects from various primary schools, subject to external evaluation. By processing the data from the research the role of the State Education Inspectorate in the process of external evaluation will be seen, the guidelines for further researches will be determined and undertaking of precise steps for improvement of the educational quality will be enabled.

### Qualitative Analysis

Question 1: Have you been informed about the external evaluation process before the inspection conducted by the State Education Inspectorate's inspectors took place? The first question was answered POSITIVE by 65 respondents or 65%, NEGATIVE by 9 respondents or 9% and 26 respondents or 26% answered that they were SLIGHTY INFORMED.

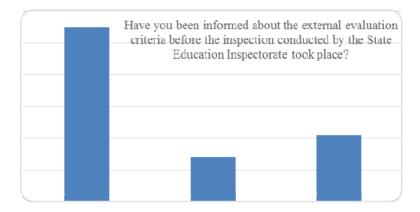


# 1. Graphic description for the teachers' opinion about the external evaluation process

From the given answers it can be concluded that participants in the external evaluation have been informed about the external evaluation process, but it cannot be said that this percentage is satisfying.

**Question 2:** Have you been informed about the external evaluation criteria before the inspection conducted by the State Education Inspectorate's inspectors took place?

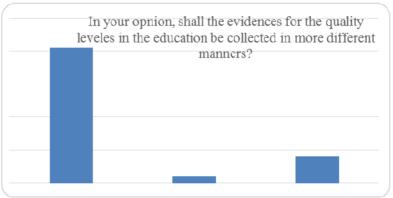
- This question was answered POSITIVE by 55% of the respondents, NEGATIVE by 14% of the respondents and 21% of the respondents answered that they were SLIGHTY INFORMED.



## 2. Graphic description for the teachers' opinion about the external evaluation criteria

**Question 3:** In your opinion, shall the evidences for the quality levels in the education be collected in more different manners?

- This question was answered POSITIVE by 82% of the respondents, NEGATIVE by 4% of the respondents, whether 16% of the respondents answered that they DO NOT KNOW.

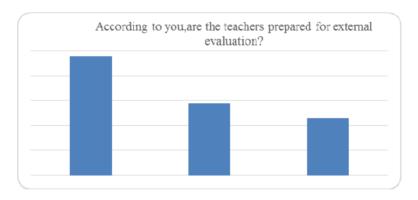


# 3. Graphic description for the teachers' opinion about the manners of collecting information about the external evaluation process

4.

From the respondents' answers it can be concluded that the external evaluation should be based on more sources and manners in order to get information about the quality in the education.

**Question 4:** According to you, are the teachers prepared for external evaluation?
- This question was answered POSITIVE by 48% of the respondents, NEGATIVE by 29% of the respondents, whether 23% of the respondents answered that they are SLIGHTY INFORMED.

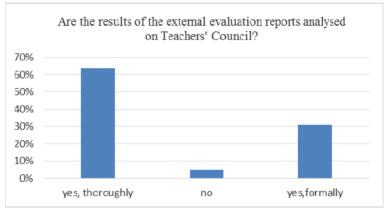


## 4. Graphic description for the teachers' opinion about their readiness for external evaluation

From the given answers it can be concluded that most of the respondents think that the teachers are prepared enough for external evaluation. Despite this, the percentage of those who think that the teachers are slightly or not informed at all for evaluation is still high, which directs to further research for the reasons for this opinion.

**Question 5:** Are the results of the State Education Inspectorate inspectors' report subject of analysis on the Teachers' Council?

- On the question about the State Education Inspectorate reports regarding the external evaluation, 64% of the respondents said YES thoroughly, 31 % said YES formally, and 5% of the respondents said NO.

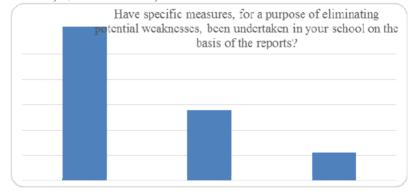


5. Graphic description for the teachers' opinion about their readiness for external evaluation

From the answers it can be concluded that reports are subject of analysis on the Teachers 'Councils and that proper attention has been paid to this reports. But the question about the manner on which errors, weaknesses and failures correction should be made as well as the question for affirmation of the good results from the work comprised in the reports needs further attention.

**Question 6:** Have specific measures, for a purpose of eliminating the potential weaknesses, been undertaken in your school on the basis of the reports?

- Asked about the undertaken measures regarding the State Education Inspectorate' reports related to the external evaluation, 61% of the respondents answered YES, 28% answered NO, and 11% of them answered PARTIALLY.

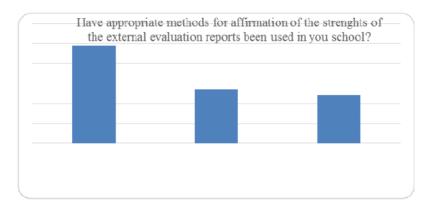


# 6. Graphic description for the teachers' opinion about the undertaken measures for eliminating the weaknesses detected in the reports

The respondents' answers lead to a conclusion that the external evaluation has an impact on the education quality improvement by undertaking precise measures for elimination of the weaknesses or results improvement.

**Question 7:** Have appropriate methods for affirmation of the strengths of the external evaluation reports been used in your school?

- On the question about the methods for affirmation of the strengths of the external evaluation reports, 49% of the respondents answered POSITIVE, 27% NEGATIVE, whether 24% of them answered SLIGHTLY.

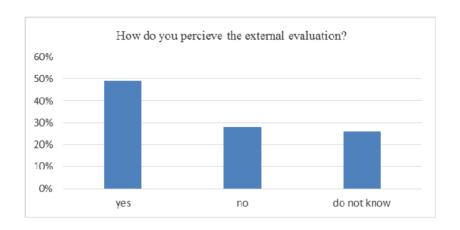


# 7. Graphic description for the teachers' opinion about the strengths affirmation

According to the results it can be concluded the Teachers' Council do not paid proper attention to the reports strengths.

**Question 8**: How do you perceive the external evaluation?

- Asked how they perceive the external evaluation 91% of the respondents answered that they perceive it as a pressure, 8% as a motive and 1% answered that it had no impact on them.



# 8. Graphic description for the acceptance of the external evaluation from the teachers

From the answers it can be concluded that alarmingly large number of the respondents perceive the evaluation as a pressure, while very small percentage perceive it as a motivation for work. This fact leads to a conclusion that a further research for the reasons about this perception is needed as well as recommendations for improvement of the external evaluation perception from those directly involved.

### CONCLUSION

The external evaluation provides a complete insight in the quality of the educational process in its whole, in accordance with the evaluation processes conducted in the countries which have an education of a better quality. From the response received, it can be concluded that for the evaluation process as well as for the evaluation criteria, the teachers are well informed but it cannot be said that this percentage is satisfying. It can be concluded that the participants in the external evaluation have same information for the process of external evaluation, but again this percentage is not sufficient. In the process of conducting external integral evaluation within an education, the evidences for the quality levels should be collected in different manners and several sources for relevant information gathering should be available. The further improvement of the education in the Republic of Macedonia should be monitored using proper instruments in accordance with all indicators, with a help of which clear, precise and unambiguous information will be gathered, and which will contribute in the preparation of the documents needed for the education regulation. The quality monitoring should not be only empirical but strictly professional and continuously. For the purpose of this the following recommendations can be given:

- Development of instruments after all indicators,
- Increasing the level of awareness about the benefits and the importance of the external integral evaluation
- Continuous upgrading and amending of the indicators aimed at following the modern world tendencies

- Active involvement of all interested subjects inside and outside the country and
- Appropriate adaptation of the laws.

It can be assumed that the teachers' felling of pressure in the role of direct participants in the external evaluation will be overcome, which is impediment for realization of the evaluation purposes and improving of the quality of the educational process.

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### CHANGES AND THE CONCEPT OF LIFELONG LEARNING

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#### Abstract:

Worldwide, over the last two or three decades, the education system are facing a multitude innovation caused by changes in the environment. On the one hand, there was a deep economic and social change, and on the other hand, technical technological development was experiencing unprecedented expansion to borders. Science is constantly looking for new solutions. Usable value of knowledge in some areas is so reduced that amount to only a few years. The speed of transmission of information constantly growing. Deepen the gap between developed and underdeveloped countries in the world, and between rich and poor in every country. The process of globalization is promoted in all spheres. In such Conditions there were changing systems of values, and also the lifestyle. People are with growing desire for a better quality of life and creating new wealth, greater individuality and independence. This context has led to the emergence of new challenges to access to education and the promotion of the concept of lifelong learning, learning philosophy for life as the key to dealing with all changes and acquire new knowledge and skills. Promotion of this approach requires the development of culture learning the individual and institutional level, in all spheres of public and private life.

**Keywords:** lifelong learning, lifelong education, knowledge society, changes.

### INTRODUCTION

The period in which we live is characterized by profound changes and radical socio-economic transformations that mark the transition from industrial to post-industrial era. Modern socio-economic events have led to significant technological, structural, economic, demographic, social and political changes represent a major challenge for all segments of society, especially the educational system. Together they influence the development of education and human resources that implies profound interdependence and their socio - economic development. The education system in such circumstances must necessarily adapt to contemporary changes and needs, but also certain that without adequate development of education and human resources will appropriate the social economic development.

Faced with change, many countries are dissatisfied with their educational systems in the process of requiring different ways for changing their routes, improvement and further development in order to raise their quality, efficiency and effectiveness. In order to overcome the traditional static and uniformity of their educational systems, they are increasingly talking about "learning societies", "societies based on knowledge", "informationsocieties" and so on. This, as never before, emphasizing the necessity lifelong learning which turn requires the educational process massive swing of the content and facts to the process or way of learning. Learning to learn is increasingly becoming an indispensable possible goal in modern life.

# 2. IMPACT OF CHANGES ON APPEARANCE THE CONCEPT OF LIFELONG LEARNING

Contemporary socio-economic events have led to significant technological, structural, economic, demographic, social and political change with profound implications for the educational system and the development of human resources. Among the most significant changes include, above all, technological change, the basis lie in the process of development and dissemination of new technologies, especially the development of biotechnology and the development of Information and communication technologies that transform the socio-intensive economic life. Advertised changes contributed existing knowledge, skills, values, attitudes and habits to expire very quickly. Therefore, it is necessary to learn a lifetime, not only in childhood and youth. The main reason for the emergence of the concept of lifelong learning is the development of modern information and communication technologies, globalization, the rapid accumulation of knowledge and changes in overall economic environment. This process requires an adjustment of educational systems, also changes in human learning and innovation of education goals that reflect on its physicochemical norms and realization. Learning does not mean only more formal school education, but formal education becomes the only basis for any further learning. In this sense, education It should be directed towards the acquisition of professional knowledge and relevant competencies (key and vocational) for successful operation, greater flexibility in overcoming changing demands of the labor market, greater labor mobility and lifelong education.

Permanent socio-economic changes, rapid scientific and technological development, particularly expansion of new technologies presuppose a competent workforce that is able to effectively participate in social processes and to use the available technology. Developed societies start to becoming societies that learn, societies that rely on knowledge societies in which education is a tool of overall social development. For these reasons, continuous changes Education in the context of lifelong learning become imperative and the assumption of total socio-economic, technological and individual development.

The occurrence, and even more to support the concept of lifelong learning and education adults, affecting the process of globalization. Education and adult learning can substantially contribute in the process of looking for the most suitable ways of connectivity, convergence and unification of nations and countries in the perception and practice of linking modernization and humanization of education. Today world is becoming more interdependent as a result of accumulating knowledge and continuous development, democratization of education and the availability of different content and information. If you follow this logic, it is clear that the interdependence can be positive effects only if you continue with the networking and cooperation in the field of education and constant questioning attitudes that hinder the development and continuous improvement.

# 5. OCCURRENCE AND DEVELOPMENT OF THE CONCEPT OF LIFELONG LEARNING

The phrase "lifelong learning" in recent years is more often used, as in expert discussions, and everyday speech. Although the beginnings of the idea of lifelong learning appeared in the work of Plato's "Republic" still human idea of the concept of lifelong learning emerged in the early decades of the last century in England, Germany, Sweden, Norway and Finland. The idea for the concept of lifelong learning in these

industrialized countries was triggered by then development and practice of adult education. The development of the idea of education adults comes to the fore especially after World War II. The title of Adult Education was accepted and promoted to international conferences on adult education held in 1960 and 1965 was organized by the UNESCO. Promoting and developing the concept of lifelong education significantly influenced the formation of the concept of lifelong learning (Jarvis, 1983.) from many authors in this period tried to explain the term lifelong learning, it seems it most successfully done Dave: "Lifelong learning requires education to be seen in his totality. It covers formal, non-formal and informal forms of education and tries to integrate and articulate all structures and stages of education and vertical horizontal line. It is also characterized by its flexibility when it comes of time, space, content and manner of learning and therefore requires self encourage learning, sharing your knowledge with others and accepting different styles and learning strategies "(Dave, 1976: 35-36). Later, in the interpretation of lifelong learning includes the inadvertent or accidental learning (Titmus, 1989: 548).

In order to provide guideline for activities in the area of education and training in 1995 The European Commission adopted a White Paper document in which affirmed one of the key principles of Modern Europe - compatibility between social integration, employment and personal development of each individual, and every school should participate in providing such compatibility and lead to building a society that learns. In the White Paper actually indicates that the efforts of the European countries that are made to achieve a reduction in unemployment not achieved the desired effects of education and training are seen as a last resort in the big string of procedures taken to resolve the problem of unemployment. Predominant factors influencing change in educational policies emphasize computerization, internationalization, clusters and new scientific and technological knowledge.

Phrase lifelong learning is internationally recognized in 1996 in the Paris conference of Ministers of Education from Western and Central Europe, Australia, the United States, Japan, Canada, Mexico and New Zealand. The conference decided paradigm "from education to learning" to become the primary objective of the reform of educational systems and the paradigm "lifelong learning all" the basic principle of future education policy.

The meaning and function of education in today's societies may have expressed beautifully authors The report Learning-hidden treasure (Learning-treasure within) the International Commission Education XXI-st century. In the introductory part of this document states that "humanity Education sees an important contribution to the tendency to come to an ideal of peace, freedom and social Justice. Education has a much deeper and more harmonious form of human development, and its purpose is poverty reduction and release of the communities from oppression and wars". Key terms in this document: lifelong education and lifelong learning. Lifelong education is seen as the education that goes far beyond raising the levels of education, additional education, retraining and so on. Education applies to all citizens and all their holes learning opportunities by offering all second or third chance, satisfying their desire for knowledge, the desire to surpass themselves and to deepen and broaden their education.

In the years following the adoption of the concept of lifelong learning it comes to intense Cooperation between modern democratic societies which incorporates a high degree of agreement around key goals and principles of lifelong learning, his role in individual and social development and about ways and means to realize the set goals.

Within the cooperation, LLL argue many international organizations (UNESKO, the European Council, World Bank, OECD) and other relevant institutions, organizations and foundations. Lifelong learning is becoming popular in all contemporary world events, because it recognizes the fundamental way to resolve the any problems that impose worn by the economic changes, rapid technological development, the need for democratization of the polarized and unequal development of countries in the world, and problems of political and social nature. As a result of all these activities is published large number of documents that have already been accepted and which are formulated basic notions, concepts, principles and attitudes pertaining to lifelong learning.

The role of lifelong learning in the educational policy of the European countries in 2000 is set Lisbon process in order to build the most dynamic and most competitive economic space world based on knowledge which will increase employment and living standards. Lisbon Strategy legally regulated lifelong learning and the benefits of it, and lifelong learning is defined as:

- all intentionally undertaken activities related to formal and non-formal learning in order to improve knowledge, skills and competencies of citizens and
- all activities in life related to learning in order to improve the knowledge, skills and competences of personal, civic and social perspective or from the perspective of employment.

In the Memorandum of lifelong learning of the European Commission from 2000 highlights employability and active citizenship as results to be achieved by the implementation of policy of lifelong learning. The construction of active citizenship is designated as an important task lifelong learning, which should help social cohesion, combating discrimination, exclusion, keeping the fundamental European values and human rights. With Copenhagen Declaration of 2002 seeks to develop concrete actions linking educational policies in the field of vocational education and training with lifelong learning because competitiveness of European industry. With the implementation of lifelong learning in Bologna process (politics of higher education), and finally it is placed at the heart of Europe Education Policy.

European policy of lifelong learning covers almost all areas of people's lives but context of economic prosperity and social cohesion. Today, lifelong learning is spoken in different areas and at different levels of cocoa, concept, philosophy, strategy, culture, education, vision, etc., but citizens is essential to becoming policy.

#### 4. FEATURES OF THE CONCEPT OF LIFELONG LEARNING

According to some projections, education will become one of the most significant areas in the global economy during the XXI- st century. It is predicted that in coming years the trend of constant innovation educational systems not only continue but will be intensified. Due challenges imposes dynamic society, lifelong education tends modern and dynamics society to turn into a society that taught in the framework of lifelong learning will become a cornerstone of survival and development of the individual and society. In this context, society is conceived as a society the knowledge society or learning (Burbules, 2000.: 18). To meet the challenges of new time (of knowledge), learning and perfecting the people will become imperative and represent a process that lasts throughout life. Today no one can expect to gain knowledge needed for life. Scientific and technological development requires continuous innovation of knowledge which It extends not only during the life of man, but throughout his life, and it's actually life learning. Therefore, lifelong learning as a concept and the basis for adjustment Permanent scientific and technological change. Lifelong learning may become "key XXI- st century" (Floric-Knezevic, 2008: 58).

The concept of lifelong learning is based on the idea to learn a lifetime due to the acquisition of new and modernization of existing knowledge and competencies needed for active participation in all spheres of social and economic life, while taking into account all forms of learning (formal, formal and informal education and learning). Under the concept of lifelong learning "is learning complex and living process that changes constantly with the individual, his needs and the world about it, and it's actually the whole point of learning." Learning is an adaptation that everyone is to successfully operate in a changing world. This means that lifelong learning is key factor to raise the level of knowledge and competence of different animals tasks for improvement the quality of life of every individual, ensuring equal opportunities and social inclusion and the successful development of economy and democracy. Lifelong learning largely depends on personal interests of the individual and his motivation for continuous upgrading of knowledge and skills. In this context "lifelong learning is a full development of the individual and personal responsibility over life and its essence has the learning process that takes place in all the structures in all animals situations and a total life experience ".

The concept of lifelong learning is broader than the concept of lifelong education because it includes education and informal learning. The process of lifelong learning begins with institutional education system and continues through all forms of formal, non-formal and informal education. To realize the concept should establish such an educational system at any time, every individual, regardless of his age and professional status will enable acquisition of new, diverse and useful knowledge. Thus, lifelong learning, as a concept for the development of human resources, it becomes necessary for the achievement of the development of modern society.

In recent years, the EU's Lifelong Learning aims to create a culture of learning to promote active citizenship and development of professional skills, which will allow easier adapting to the demands of the new knowledge society and full inclusion in social and economic life. The policies are designed to improve opportunities employment, personal fulfillment and social inclusion, with the people of Europe are They provide basic tools for their own development and further helps to have an active role in modern society, including the skills needed in the field of new technologies. Establishing a comprehensive framework of the concept of lifelong learning including the "formal". "Formal" and "informal" learning is promoted as an integral part of the European integration. In that context, usually distinguish between "formal," "informal" and 'Informal' learning. These concepts laid down in the Memorandum of the European Commission's Lifelong learning played a central role in the development of the EU in the field of education and training in recent years. Since definitions are reformulated and expanded, and the last part of the recommendation Council of 20 December 2012, concerning the validation of non-formal and informal learning, and laying down the following definitions:

- **Formal learning** means learning that takes place in an organized and structured environment, specifically oriented learning, which usually result in the award of a specific qualification, usually in form of a certificate or diploma; this includes systems of general education, initial vocational training and higher education;
- Unformal learning means learning that takes place through the planned activities (in terms of learning objectives, learning time) where there is some form of learning support (for example in relation disciple teacher); This may include programs to transfer skills at work, literacy adult basic education and for those who leave school prematurely; often cases Non-formal education means and internal training companies through which they build and improve the skills of their workers, such as ICT skills, structured learning Internet (eg, through the use of free educational resources) and courses organized civic associations for their members, their target audience or the public;
- Informal learning means learning koe e result of daily activities related to work, family or leisure and not organized and structured in a way to have a purpose, time or learning support; this can be done unintentionally by one learner; examples of results acquired through informal learning skills acquired through life and work experience, Project management skills or ICT skills acquired in the workplace, and taught languages intercultural skills acquired during a stay in another country, ICT skills acquired outside the work skills acquired through volunteering, cultural activities, sports, youth work and household activities (eg, child care).

The concept of lifelong learning is closely linked to the concept of "society that learns", is the concept of "knowledge society". Does a society will revive the concept of lifelong learning It depends on the extent to which society is developing in the direction of a society that learns. Road societies who opted for the concept of lifelong learning and society that learning is difficult and slow. For this purpose Science should be finding ways to overcome obstacles to their implementation. In society learn the most common way of explaining the processes that are lagging behind in a society scientific debates. These debates can explain phenomena , research , and other factors cause process changes .

# 5. THE CONCEPT OF LIFELONG LEARNING AS INDIVIDUAL AND MARKET NEEDS

In the last 20 years, secondary education, especially vocational education in most Western countries is currently under review and changes. The changes are the product of transformative developments in labor (the labor situation), the consequences on employment and working patterns technological and the production processes and so on.

Strengthening the reform of the qualification structure reflects the changes in the production process that in contemporary OECD's rhetoric seeking flexible workforce that can be quickly trained to new educational methods and techniques. Education and traditional apprenticeship occupations tended future workers and artisans in the process of vocational education and training to acquire skills for all working life, both in industry and in services. But industry and services today demand higher levels of education, raising the knowledge needed retraining. Importance is given basic skills: communication, information technology and solving problems etc.

The increased presence and use of information technology within the production processes changing roles of many jobs and tasks and leads to changes in employment patterns, caseluvajkji the number of employees in direct production and increasing staff in the service sector. Lately, the service sector is also subject to restructuring in employment. Along with this goes a growing demand for workers with technical competence. However, past experience shows that a significant number of people with relatively low skill levels will be still demanded of employment systems. This means that lack of skills while the existence of high levels of unemployment, is not uncommon.

As a consequence of that, in the systems of vocational education and training emerges:

- The need for much greater participation and levels of achievement to ensure wider division of labor based on professional qualifications;
- The need to ensure that the processes of vocational education and training relevant to demand of industry and service sectors;
- The need to develop systems that allow the establishment of lifelong learning which will meet the requiremnts for constant new knowledge and skills arising from new technologies and the changing labor market.

Most countries in Europe are facing the same (common) problems, and solutions for their dismissal may be different considering the social, cultural and political conditions. But despite It can be seen their common tendency in terms of: tracing the paths of development; the discovery of ways to accreditation; developing partnerships in vocational education and so on. Ensue and common core objectives and achievements of the various systems of secondary vocational education and training:

- Reform of the current qualifications should closely correspond to the demand integrated labor market;
- -Develop appropriate (flexible) forms of vocational training that will decide problems of young people leaving education (school) without significant qualifications;
- Enabling access (availability) to qualifications based on open roads promotion; horizontal and vertical mobility in the education system and training; creating bridging roads and equivalencies; reducing unnecessary barriers etc.;
- In Central and Eastern Europe, developing systems of vocational education and training inherent in the market economy.

Constant and unpredictable change in the employment system radically change schemes employment among the working population. It is increasingly recognized that

stable lifelong jobs phenomenon of the past and that people will have to adapt and / or change their profession (or their occupations) are more within their professional lives. This development certainly open to debate the nature of initial education or the education of young people and lead to understanding that. There is a need for fundamental learning. The significance of further education and the reobukata adults, acquires new attention, not only in its traditional meaning of a second chance education, but also as an inherited characteristic of normal professional careers. Hence arises the concept of lifelong learning.

"The world of labor, in the past modeled from the worker, turned his modeler creator. The foreground stressed the difficulty of the professional and psychological adaptation of workers and their compatibility with the changes, manifested primarily in their educational mobility and professional commitment. Ability to work, in this case, ceases to be a matter of phisical skills, talent and primordial instinct of man shifting in his intellectual, ie educational sphere. Proficiency becomes the primary quality in the working functionality, and knowledge - an indispensable tool for satisfying existential, social and cultural needs. This circlulous space becomes a frame in which manifests man - a worker, parent, spouse, friend. Understanding that education and professional qualifications of the employee enables easier and more successful placement of not only the labor market but also in the world of knowledge, world of constant educational engagement - in life , dominate the creation of educational policy in developed countries in the world in this period ."

Although the concept of lifelong learning has become generally dishonored, it is clear that most educational systems are still poorly designed and staffed to deliver the same. Increased rate Unemployment among graduates, combined with the changing nature of employment generally cause path from school to work to change its fundamental character. While previous periods normally there a direct link between vocational education and position at work place in the employment system, the road from the school to the work became more complicated and time longer. It is unusual for young people to "stay" a few years after the initial education, to go back and forth between different types of jobs and training before you fit in system of employment. The transition has become more unstable for most young people, and a number of Young did not fail .

In response to the prolonged period of transition between school and work , in most countries have developed a new infrastructure in order to help young people during this stage of their lives. The range of educational institutions ranging from vocational to introduce schemes temporary work, special measures for jobless school leavers and combined initiatives for development and employment. Develop target chain of innovative measures for "removed" and" Unsuccessful " youth in order to prevent prolonged transition period from school to work as a source of social exclusion and marginalization. It is characteristic of such measures that they deliberately combine social, education and the employment objectives. Often they are from different sources Funding (or departments) simultaneously.

#### 6. AFFIRMATION OF THE CONCEPT OF LIFELONG LEARNING

Promoting the concept of lifelong learning is a top priority for the following two equally important reasons:

- European countries seek to create societies and economies based on knowledge. Access to current information and knowledge, together with the motivation and skills to use these resources becomes the key to the global quality of life and work of the people;
- The world in which we live today is socially and politically complex and complicated. Most people want to plan their own lives, they are expected to actively contribute to society, so must learn to live with cultural, ethnic and linguistic differences. Education, in broadest sense, is the key to learning and understanding, in order to respond to these challenges. Aware of these challenges, the need to adjust the real diversity of societies and will remain subject to daily development of democratic communities.

These two features of contemporary social and economic change are interrelated. They emphasize two equally important goals of the philosophy of lifelong learning, and they are promoting the individual in society as active citizens, and promoting employment opportunities. Departing the foregoing, in the field of education to promote some new trends. One of them is the acquisition of new skills for all or universal and continuous access to the learning, in order to acquire and improve skills required for participation in the society in which knowledge is of great importance. These new basic skills include computer work, foreign languages, technological culture, entrepreneurship and social skills. Greater investment in human resources or visible learning for life. Worldwide, already shifts the paradigm: the learning society, in a society of knowledge. It is a society of proactive and citizens. In this context, lifelong Education gets a key role.

# 7. CONCLUSION

Contemporary socio- economic events have led to significant technological, structural, economic, demographic, social and political change with profound implications for the educational system and the development of human resources. Under the sway of these changes are changing and working, social and family relationships, so the individual is expected to continuously monitor these changes and be active participant in society. To be able to monitor changes to meet their needs and interests and an active member of society, the individual must continually learn and develop their knowledge and experience during their entire life. All this suggests that rapid wholegrain change in working and social environment ever imposed necessity lifelong learning concept which in turn requires the educational process of a massive swing content and facts to the process or method of learning. Learning to learn is increasingly becoming a condition without which it is impossible in modern life total. The concept of lifelong learning starts from the assumption that man is the greatest wealth of the society and therefore it should be invested.

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### ASSESSING AND EVALUATING STUDENTS KNOWLEDGE

Elena Panova-Naumovska

#### Abstract

The assessment and evaluation of the students knowledge is one of the more complex problems, that a teacher encounters during everyday work. It is an integral part of the teaching process in which the independent teachers work comes to focus. The teacher's authority also greatly depends on this.

The purpose of the assessment is for the student to gain long term knowledge and skills, whilst the evaluation should encourage student's activity, desire to learn, to contribute in creating a god work environment and also creating right work attitudes.

Different teachers differently approach this issue and they differently perform the assessment and evaluation. Being a first-year teacher, at the beginning you only have theoretical knowledge about this issue. But further down the road you will get better, learning from your own mistakes.

The assessment and evaluation of students knowledge, increases the quality of teaching. For its fulfilment every teacher should use all forms of assessments, planed, organized and methodical work. This paper deals with organizing the assessments, monitoring the daily work of students, proper and subjective conditions for proper evaluation.

For these reasons the issue of assessing and evaluating the knowledge of students is chosen as the theme for this paper.

Key words: Students, knowledge, testing, evaluating

## INTRODUCTION

Although seemingly simple and easy, checking and evaluating the knowledge of students is one of the most complex problems the teacher encounters in everyday work. It is an integral part of the teaching process in which the independent teachers work comes to focus. The teacher's authority also greatly depends on this.

Checking the knowledge of the students is not just due to assessment, but it aims at gaining long term knowledge and skills, through their repetition and practice. The assessment should primarily act as tutoring for the students, which means you have to

encourage their activity, interest and desire to learn, to contribute in creating a working environment in class and develop the right attitude towards work.

Different teachers differently approach this issue and they differently perform the testing and evaluation. Being a first-year teacher, at the beginning you only have theoretical knowledge about this issue. But further down the road you will get better, learning from your own mistakes.

The evaluation should be an integral part of the work planning in the school.

For these reasons the issue of assessing and evaluating the knowledge of students is chosen as the theme for this paper.

### 1. ASSESSMENT

## 1.1. Definition and importance of assessment

The assessment is used to validate the achieved results in the classroom. This includes the extent of the acquired knowledge the students and the skills for their practical application. Assessment is of great importance for the teacher, students and parents.

By checking the knowledge, the teacher can see the quality of their work and the work of students. This should enable students who achieve poorer results to get help in being more successful, and for those who achieved better results than anticipated to allow further progress. The poor performance of the students can be a reflection of unprofessional work from the teacher. The teacher should point out the students weaknesses and should praise those who thrive. If required the teacher should make appropriate changes in their own operations or general teaching to overcome the deficiencies observed by the assessment.

Students through the assessment should perceive their advantages, which they further develop and nurture and also their weaknesses which they should overcome. With proper assessment , the students acquire habits for constant, persistent and independent work.

Assessment is of great importance for parents who perceived opportunities for their children. They may help them more, if necessary, in makeing the correct choice for their further education.

# 1.2. Features of proper testing

**Regularity** - With regular assessment the teacher, at any time, has a proper insight into the results achieved by students and the problems to be overcome. All errors and omissions are promptly disclosed, and thus can easily be removed and overcomed. Only regular assessments can positively affect students work.

**Objectivity** - The teacher should endeavor to accurately determine the extent of acquired knowledge by the students, their attitude to work and the way they progress.

Comprehensiveness - The assessment should engage all students. The student should be always ready and expect that at any moment he can be assessed by the teacher.

**Completeness** - The verification should cover all areas of the covered material.

**Individuality** - In the process of verification we should take into account the individual qualities and abilities of each student. Some students thrive easily and quickly, some very difficult, some learn by understanding and some superficial. With

the assessment the teacher should identify these strengths and weaknesses, and then he should devote appropriate attention to each student.

# 1.3. Assessment organization

Assessment is done in order to repeat and determine the acquired knowledge, skills and habits. Also it is used to connect the studied material with the new one, to apply the acquired knowledge and independently perform practical tasks. You can make them at the beginning and at the end of each class, after completion of a particular teaching subject, at the end of a trimester, midterm and at the end of the school year. There are several types of assessments that are used in schools:

- Oral assessment:
- Written assessment:
- Practical work;
- Combination of the aforementioned assessments;
- Monitoring the daily work of students;

# 1.3.1 Oral assessment

Oral questions are given at the start and at the end of every class. At the beginning of the class the questions are used to refer to the acquired knowledge and to correlate the old with the new study material. While using them at the end of the class we should see whether the students understood the material. On the other hand the teacher can also see how successful he was in explaining the new material. If an assessment needs more time, then it can be performed in special classes.

The answers of the students should be short, clear and complete. The biggest advantage of oral questions is direct contact between student-teacher, allowing the student with a little help from the teacher to properly express those thoughts that he alone could not fully or clearly enough formulate.

Assessment with oral questions can only be done individually, one student at a time. With this arises the problem of activating the other students. This can be solved in two ways. One way is to make the question and then choose a student that will answer it. This way all of the students are active and are preparing to answer the question. The other way to activate all of the students is the teacher will often require certain students to continue the presentation of his classmate or give an opinion about the given answer.

The assessment with oral questions can be arranged in another way: one of the students will be in the role of a teacher and will taught some of the already studied teaching units. This method causes great interest among students. They carefully follow the presentation of their classmate and then answer questions posed by the student from the teaching material that was exhibited in class. In this way the students develop verbal ability or ability to freely, independently and creatively address their own thoughts, which is of special importance to practical necessities of life.

### 1.3.2. Written assessment

In a well-organized written assessment the student works independently, he is completely concentrated on his knowledge and he acknowledges his own flaws. This type of assessment gives an opportunity for a solid response from those students that have the knowledge, but they lack oral expression. At the same time checking all the students and the results thus obtained are quite objective. Written assessment can be performed in several ways, depending on the content of the knowledge they need to assess and the age of the students.

One way is with a usage of instructional papers. With them we usually assess the students at the beginning of the lesson, in order to connect the previous with the new teaching unit and at the end of the lesson in order to verify the acquired knowledge of the new teaching unit. Finally the teacher presents the correct answers or the students themselves determine, with the help of the teacher, which of their answers is correct.

Today many use informal tests in determining the results of the teaching process, tests that are prepared by the teachers for their needs. The tests provide different kinds of tasks. Some of them are:

## Multiple choice questions:

<u>Example:</u> These valleys belong to the Eastern Vardar group of mountains and valleys (Place a circle on the number before the correct answer)

-	, ) · ( · · · · · · · · · · · · · · · · ·								
I	1. Polog	2. Pelagonija	3.	Strumicko-					
	_		Radoviska						
ĺ	4. Ohridsko-prespanska	5. Slaviska	6.	Gevgelisko-					
			valandovska						
	7. Malesevska	8. Skopska	9. Kocanska						

<ul><li>Fill in</li></ul>	the words	to get a	correct sta	itement
Example: Oases are				

# ■ Tasks containing two rows of the solution. The student recognizes and interconnects the corresponding rows.

<u>Example:</u> The left side contains capitol cities and the right one contains countries:

Rabat	þ	Algeria	
Tunis		Egypt	
Cairo	þ	Western Sahara	
Khartoum		☐ Tunisia	
Laayoune		Morocco	
Algiers		Sudan	

For each task in the test we should predict the exact number of points that the student receives for the correct solution also we should prepare a list with the correct solutions. In this way we determine the maximum number of points for correctly solving all assigned tasks. Based on the maximum number of points and the number of points won by each student we can draw conclusions about the level of achieved knowledge also we can make comparisons.

After each test we should analyze the solutions given by students. We can point out the most typical mistaken tasks that all students answered correctly or incorrectly and so on.

### 1.3.3 Practical work

Assessment can be performed with the practical work of the students. In geography the practical work for the students is of great importance, because through this students acquire habits and skills that enable them to practically apply the acquired knowledge. This assessment can be performed again with instructional papers containing practical tasks that students should perform (eg. Work with Google Earth). Another type of practical work is teaching in nature. Outside the classroom students are thought to orient themselves in nature, after previously studied examples of orientation. Then, when organizing field research, students get to use their knowledge to practically and visually perceive things.

While carrying out practical tasks the teacher monitors students' work and helps them if necessary, at the end asks them to explain the procedure of solving, to reconsider if there are other ways of doing it, which of them is the best and so on.

# 1.3.4 Combination of the aforementioned assessments

In the process of checking often combine the aforementioned ways. For example, the practical work often requires and oral presentation, and often written work. Written assessment is often combined with oral as a complement assessment. The combination of assessments depends on the content that is being assessed, at which point the assessment is being done and the purpose of the assessment. With this kind of assessment we can use instructional papers in which the students can write down the necessary answers, when they are done. Afterwards we explain how to perform the procedure and we compare and analyze the answers.

# 1.3.5 Monitoring the daily work of students

By monitoring the daily work of students we obtain a general impression of their participation in the work, their response to the teacher, attention, activity, diligence, interest in the subject, independent work, speed with which they understand the teaching material and their practical skills in computer work. Experience has shown that the general impression is favorable for open, lively and resourceful students but for students who are withdrawn, calmer and less resourceful we get an impression that they are weaker and not so god students. For these reasons, monitoring the daily work of students can not replace direct written and oral assessment, it can only contribute to the

overall impression subject.	of the	personality	of the	student	and 1	his	success	in	the	relevant	

### 2 Evaluation

## 2.1 Definition, objectives and the meaning of evaluation

The evaluation is a part of the assessment. In the process of assessment we evaluate what and how much the student has learned, how well did he understood the adopted teaching material, what is his ability to apply the knowledge and level of acquired skills and habits.

Main tasks of the evaluation are:

- Increasing the quality of knowledge and quality of work in the school;
- Classify the success and behavior of each student;
- Overcoming deficiencies that occur among students in the learning process;
- Develop criticism and self-criticism in the class;
- In the process of evaluating the teacher is able to detect any deficiencies in their work, in the way of teaching or the methods of assessments that he has to tray to overcome.

Whether it is good or poor, the grade should positively influence the students and it must not turn into a means of intimidation. It should empower them and encourage them to work harder and should also help in creating a working environment, discipline and interest in the subject. The grade encourages the student to follow order and it increases its persistence to overcome obstacles and to reach the goal, which are actually the most beautiful moral qualities that develop among students. In the hands of a good teacher the grade can become a powerful tool in the struggle to achieve the goals and objectives of the school.

# 2.2 Features of a proper evaluation

The evaluation should be:

- Universal, it must not be based on one unit, it must be based on almost the
  entire teaching material. The evaluation should also include other qualities of
  the individual student, as his diligence, discipline in work, perseverance in
  overcoming difficulties, activity and interest in the work and attitude towards
  the subject.
- Individual, meaning separately evaluate every students knowledge, success and difficulties in the work. Individual differences among students are great and they have to be determined and expressed through the evaluation.
- Real, it needs to match the students' knowledge and effort that hi invested in learning the subject matter.
- Objectivity, the teacher should base the grade on the acquired knowledge, skills and habits that can be accurately determined only with proper assessment and he should strive to eliminate subjective personal moments that could occur.

- Evaluation criteria, the teacher should have built standards for evaluating students. With proper and thorough job the evaluation criteria grows.
- Fair, the teacher should not deviate from the assessment criteria (established standards) and he should openly and firmly set his requirements.
- Public, every student should know how his work is assessed. The teacher should explain to the student why he received the grade, so in the future he'll know what his weaknesses are, how to improve them, etc. The student should be confident that the resulting grade is fair, proper and realistic so he can build the right attitude towards the grade and the results they achieved.

# 2.3 Subjective conditions for proper evaluation

The subjective factor in the assessment is the teacher who makes the assessment. This means that the assessment depends not only on the knowledge and abilities of the students, but also the teacher and his abilities to objectively and realistically assess.

The most important subjective conditions for proper evaluation can be distinguished as follows:

- Professional readiness and willingness for continuous professional upgrading of the teacher. It facilitates and enables objective evaluation of the quality and quantity of the acquired knowledge;
- Pedagogical-methodical preparedness good knowledge of their subject teaching methodology and methods of verification and assessment;
- **Knowledge of psihology** the evaluation process is refined psychological work. The teacher should reveal how much the student is hardworking and motivated and how the grade affects him inciting, or otherwise;
- Organizing the teaching process the teacher should thoroughly explain, should emphasize important moments, should connect the contents of the teaching material, should use all possible teaching aids;
- Ethical principles the teacher must already be a fully built moral person in order to properly evaluate. He should be conscientious, realistic, objective, fair, has to establish humane human relationships with the students. These features contribute students to respect the teacher and assessed;
- Work determination raises the authority of the teacher and the grade. The
  reluctance of the teachers while assessing has a negative influences among
  students. The teacher should decide the grade of the student without any
  outside influence and should not orient according to the students success in
  other subjects;
- Присебност и стрпливост наставникот не смее да дозволи моменталното расположение да влијае на неговото проценување и постапки при оценување; Calmness and patience the teacher can not allow the current mood to affect his assessment and evaluation;
- Awareness the teacher should be aware of the full responsibility for any assessment they gave.

### 3. CONCLUSION

The assessment and evaluation of the students knowledge as an integral part of the educational process is of paramount importance in increasing the quality of knowledge among students. For its proper implementation every teacher should use all possible forms of assessment, planned, organized and methodical work. The task of the teacher is not only to give students knowledge, but also to reinforce this knowledge with a thorough and regular (formative) assessment, which should use all the useful forms of teaching activities. It is the best way and mean for full and real assessment.

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### SELF EVALUATION AS A FACTOR FOR SCHOOL IMPROVEMENT

Merilin Stojchevska

#### Abstract

The school self-evaluation should be collaborative, inclusive. Effective school self-evaluation includes principals, vice principals, teachers, boards working together in an atmosphere of trust and respect, in consultation with parents and students, in order to improve the school, improving the educational development of students. Leadership is an important segment in the process of self-evaluation. The school self-evaluation must be continuous ongoing. Every step of the effective school self-evaluation is part of an ongoing cycle focused on improving the work of the school and students learning. The results from the evaluation affect the school plans and strategies whose impact and effects are evaluated successively. It must be taken into consideration that the school self-evaluation improves teaching. Effective school self-evaluation is focused on making a positive, measurable and significant difference in the quality of teaching in the school. The school self-evaluation is focused on making a positive, measurable and significant difference to student learning and work of the school.

**Keywords:** self-evaluation, director, teachers, effectiveness, school.

## INTRODUCTION

The main characteristic of every school, according its mission and the education politics, is to ensure high quality teaching and better students' results. To achieve this goal schools need continuously to improve their work, thereby, creating school environment that will lead to realization of a better education. Many schools subject, not just the teachers, actively take part in this process. Successful work of the schools is essential for quality education and it is founded on four pillars: School economics (building, equipment, finance), annual working program of the school, Surrounding of the school (state, local self-government, the parents of the students, the social partners), teachers and students. The schools should conduct self-evaluation of their work every two years, using the Indicators for school quality. Self-evaluation is conducted by teams which beside the teaching stuff include the students and their parents. The self-evaluation is used as a fundamental tool for assessment of the school quality. The schools still have a tendency to focus on highlighting the good aspects of their work while they lack more serious self-critic of indicating the bad ones. Therefore, it is necessary to improve the skills of the staff in collecting relevant information, through

developing appropriate instruments for gathering information, adequate data processing and analysis as well as including parents and students in the process.

The self-evaluation is a process of systematic and continuous monitoring, analyzing and valuating the achievements which will lead to improving and achieving high quality in the school work. In the process of self-evaluating there are three main questions to be answered:

- ► How successful is our school?
- ► How do we know it?
- What can we do to improve?

The answers to these questions must rely on objective and relevant data as well as real review in the functioning of the school.

School self-evaluation should be collaborative and inclusive. Also the school self-evaluation must be reflective. Effective school self-evaluation includes critical thinking of the schools about the aims and priorities of the school. School self-evaluation should be evidence based.

	Areas for assessment	Quality indicators
1	Teaching plans and programs	Realization of teaching plans and
		programs
		Quality of teaching plans and programs
		Extracurricular activities
2	Students' achievement	Students' achievement
		Retention / drop-out of students
		Repeating students
3	Learning and teaching	Teachers plans
		Teaching process
		Experience of pupils' learning
		Meeting the needs of students in the
		education
		Evaluation as a part of teaching
		Reporting on students progress
4	Students support	Overall care for students
		Health
		Consulting help
		Tracking the progress
5	School climate and relations	School climate and relations
		Promotion of achievements
		Equality and justice
		Partnership with parents and the local
		business community
6	Resources	Lodging and space capacities
		Teaching resources and materials
		Providing the necessary teaching staff
		Following the development needs of
		teachers
		Financial working in school
7	Management, leadership and	Managing the school

policy deve	elopment	Aims and creating the school procedures			
		Plan for development			

## **Empirical research**

One of the main subjects of this research will be determination of the self-evaluation as a factor for school improvement. The need for changes in school is in function of their future development that would result in school improvement. The progress is defined as an approach in the educational change which has a double aim: to improve the performance of the students and enforce the school capacity to manage the changes. School improvement is a systematic, supported effort directed towards the change in the studding conditions and other inter conditions in one or more schools with a clear intention more effectively performed educational aims and tasks. In order to improve its work the school should: bring clear decisions regarding school development, focus on the conditions inside the school, adapt to outer changes for inter aims, influence positively on all levels of the school, and the work results to become energy for its development.

This research has two goals one practical the other one is methodological. The practical aim of the research is to make analyses of the current situation of schools in Republic of Macedonia regarding the manner of conducting self-evaluation and its effects. That should be the basis for undertaking measures by each school, but at the same time and a good foundation for establishing a system for the implementation of self-evaluation. According to the previously mentioned the methodological goal is to establish a model template for functional implementation of the self-evaluation.

To achieve these goals set before this research, it is necessary to carry out several tasks:

- To explore the views and opinions of the school directors regarding self-evaluation
- To examine the views and opinions of school expert services for self-evaluation
- To investigate the attitudes and opinions of school teachers regarding self-evaluation

For the purpose of this research, aappropriate hypothetical framework is developed that defines general hypothesis. The general hypothesis is "If the school establishes a functional model to implement self-evaluation, then the school will identify the real problems and drawbacks that will enable to overcome them and lead to improved work."

Self-evaluation is based on questionnaire which was prepared to match all three groups' participants: principals, teachers and specialized school service. Moreover, the participants are expected to:

- > to evaluate the real situation in the school with regard to self-evaluation
- > to assess the importance and express their expectations of what they would like to become

In this way, an insight is gained into teachers, professional associates and principals believes about how their school contributes to self-evaluation and how they think it is important to contribute. If low evaluation is received about the current situation in the school, it is clear that the school will need to do something to change that.

The question "Self-evaluation is important for the school," has demonstrated the following summary results. The majority of interviewees 45.45% confirm the statement

that self-evaluation is important for the school work, 38.76% fully agree with it, while 13 88% partially confirm the statement, and 1.44% and 0.48% reject the statement.

0	1	2	3	4	5
0.00%	0.48%	1.44%	13.88%	45.45%	38.76%

The question "School principals are actively engaged in the process of self-evaluation," the summary results are illustrated below in the table. Most of the interviewees 46.41% confirm the proposition that principals are actively engaged in the process of self-evaluation, 29.19% fully confirm the same, while 19.62% partially agree with the statement, 3.83% and 0.96% completely reject the statement.

0	1	2	3	4	5
0.96%	0.00%	3.83%	19.62%	46.41%	29.19%

The question "There is an established system for implementation of self-evaluation," has demonstrated the following summary results. Most of the respondents 44.98% confirm the statement that the system for implementation of self-evaluation has been established in school, 30.62% partly confirm this, while 14.83% completely agree with the statement, and 8.61% disagree with the statement, while 0.48% completely reject the statement.

0	1	2	3	4	5
0.48%	0.48%	8.61%	30.62%	44.98%	14.83%

The question "A system for administration is established in schools" has shown the following summary results. Most participants 44.50% confirm the proposition that the school has an administration system, 31.10% partially confirm it, while 17.22% completely agree with the statement, and 5.74% disagree with the statement, while 0.96% completely reject the statement.

0	1	2	3	4	5
0.96%	0.48%	5.74%	31.10%	44.50%	17.22%

On the question "Self-evaluation is a theme of discussion on the school consul in your school", the results are the following most of the examinees 51,67% have absolutely agreed that self-evaluation is a theme of discussion, 22,01% have confirmed it, 19,14% partially confirmed the utterance, while 6,22% do not agree with the utterance and 0,96% completely reject the utterance.

0	1	2	3	4	5
0.96%	0.00%	6.22%	19.14%	51.67%	22.01%

From the evidence of the specific hypotheses follows the general hypotheses evidence: "If the school establishes a functional model to implement self-evaluation, then the school will identify the real problems and drawbacks that will enable to overcome them and lead to improvement."

#### Conclusion

Although self-evaluation is considered as an important factor for school work by most of the teachers, managers and professionals, if it was not a legal regulative then many schools would not do it. It is a prevention for integral evaluation of the school. The employees in the school are not well informed with the concept of self-evaluation and its indicators for quality. A system for self-evaluation implementation and administrative system is established in the schools. The teachers are familiar with the structure of creating and keeping a professional file, and the self-evaluation is a subject of discussion on the teacher's consul. Employees have the opportunity to give suggestions for school improvement and education improvement and they gladly want to be a part of the process of self-evaluation but there is a need of training course for the employees.

Self-Evaluation must have the following determinations:

- > Education must have the function of achieving success within reality limits and in accordance with external testing.
- > Building new standards of objective grading, highlighting formative and summative evaluation
  - Respecting the ethical codex of behavior
  - Continuous monitoring of students attendance and improving it
- > Creating optimal conditions for the progress of talented students, as well as providing support for the students with special needs and difficulties.
  - Continuous follow-up of all school projects by team
- > Dedicating more attention on didactic preparation for realization of the curriculum
  - Regular following of the e-diary
  - Realization of classroom observation
  - Equipment of the school with needed teaching tools
- > Better collaboration between the school and the parents and organizing meetings for parental guidance and advisory

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### SELF-EVALUATION AS A PROCESS IN SCHOOLS

Daniela Balalovska

#### Abstract

The world in which we live today is politically and socially complex and complicated. Almost all people want to plan their lives and actively contribute to society, so it is necessary to learn to live with cultural, linguistic and ethnic differences. Education is the key to learning and understanding and also a response to the challenges of a modern society. For greater efficiency in teaching, the school needs to use the human resources in the correct way and guide them towards achieving the goals that will increase the efficiency of the school itself. The director as a manager of human resources at the school should actively involve all the. The self-evaluation as a process is part of the changes that are undertaken in order to show whether the taken actions at the school level are effective. It is a process that gets a real image of a school and captures its advantages and disadvantages, where on the basis of the results the school undertakes activities will that contribute greater efficiency. In order to help improve the current situation in educational institutions, by the implementation of self-evaluation through internal and external forms of communication, the role of this master thesis is to capture the advantages and disadvantages in the working process of an educational institution.

Key words: Education, self-evaluation, communication, human resources

### INTRODUCTION

In modern society, one of the functions of an organization is the human resources management which helps to achieve things that are related with people. As a function includes conducting activities that provide attracting, developing, retaining valuable and talented workers who contribute to the implementation of the organization's goals, its objectives and strategies and thereby contribute to the progress of the organization itself. Therefore, Human Resources Management is a feature that provides highly qualified personnel in an organization which would be suitable for the working position.

However, neither organization nor a society can function without communication where success depends on the ability to effective management and using strategies and negotiation skills in communication. Communication as a process requires different skills such as skill of speaking, writing, listening, building interpersonal relationships that are clear indicators of whether a manager is successful in his job. Schools as organizations have a number of communicating entities, directly or indirectly affecting the building of the identity of the school.

The educational institution is an organization that affects all citizens of a country where its management and governance is available to many participants inside and outside of the educational process. Education as a process is necessary to enable the acquisition and expansion of knowledge, particularly scientific disciplines and practices that individuals apply.

The self-evaluation as a process is based on setting a questionnaire that is composed in a way where participants can give a response. Participants are expected to express

their views and opinions that later will contribute to the implementation of decisions and strategies that would help the quality management of the school.

The intention to explore the process of self-evaluation is due to lack of instruments in schools, in order to collect data on the relations between all entities in school and environment. Without such instruments there cannot be perceived the process of self-evaluation in the school.

## Managing human resources

The human resources are main feature nowadays, which are characterized by high stress and pressure, numerous turbulences, globalization and rapid development of technology. However, one has to adapt to this stressful and turbulent time in which the main point is the quality of the performed work, the high productivity in work as a result of human working, motivation to work etc. So, it is necessary to mention that the most important objective of the management of human resources is the effective and efficient performance of the work in an organization through the development of human capacities and their utilization. In an organization, knowledge should be directed toward the creation of capacities, policies, principles, strategies, models, methods, tools and procedures that will lead to successful development and management of human resources as a potential of any organization.

Human resource management is a term used to describe a formal system designed for managing people within an organization. The responsibilities of a manager of human resources belong into three main areas: recruitment, compensation and benefits to the employee and defining or designing work. Basically, the purpose of human resource management is to increase an organization's productivity by optimizing the performance of their employees. This authorization is unlikely to change in any fundamental way despite the constant increase in the pace of change in the business world.

Practice shows that the management of human resources is an extremely effective and efficient way of uniting the human resources with others in an organization in order to achieve its goals and to realize the mission of the organization. The objectives are highly dependent on people, their ability, quality, education, competence, knowledge, motivation, authority, behavior, satisfaction in work etc. The management of human resources is aimed at motivating people and their satisfaction in the work.

Simply, human resources are those who can create and develop other resources, where the importance and significance of the people in the organization can be highlighted. Human potential refines techniques, information, finance and materials in the required service or product. The development, success and survival of an organization depend on the capabilities of the people, their skills, behavior, creativity, commitment and professionalism. Management of human resources is a way where human resources in an organization unite with other resources in order to achieve its objectives, namely to realize the organization's mission and reach organizational vision.

### Communication

Communication is a skill that can be learned. However, while most people are born with physical ability to talk, not all can communicate well, unless making a special effort to develop and sharpen the skill further. Very often, people communicate with each other with ease that sometimes they forget how complex the communication process actually is.

Communication as a process is interactive by nature. The importance and meaning of communication is related to the fact that the receivers and senders of messages are linked across space and time. The process itself has two participants, the message sender and recipient. When these messages are transmitted, they activate the personality whose response is the goal of communication. Communication requires citation, sender, message and recipient. Human beings are mainly related to the study of communication. However, this process is present in all living things and is fundamental and universal. Communication affects the activities of the human community as a whole. Social development is a prominent feature of effective communication techniques, and is necessary to maintain growth and development.

Communication as a field includes several different forms of communication but basically there are two forms:

- Verbal communication
- Non-verbal communication.

Verbal communication uses speech to exchange information with others. Usually, the communication is verbal, face-to-face. Verbal communication is present in meetings, interviews, conferences, speeches and various phone calls. Verbal communication contains two forms: verbal communication and written communication.

Nonverbal communication is characteristic for symbols such as facial expressions gestures (body movements), the voice variations (intensity and quality, height, accent, pauses in speech). When people express feelings they use nonverbal communication which is popular nowadays and is called "Body Language".

Internal communication is communication within a company. This type of communication is of crucial importance. There are four significant areas of internal communication: business communication, communication management, corporate communication and organizational communication. All of these forms can be used as one term - internal communication. Internal communication can be achieved through: meetings, discussions and formal gatherings, spontaneous discussions, face-to-face conversations and oral reports, memos, newsletters, circulars and written reports, anniversaries, trips and tournaments, list of internal correspondence of active personnel, internal magazines, training courses, trainings for communication, team-building sessions and boxes for suggestions.

The external communication with customers, agents, suppliers, competition, mass media and the public in general is vital to the organization and internal communication. In addition, it must be highly integrated. Although external communication is linked to sectors such as public relations and the press, marketing, market research and corporate communication, all members of the organization can perform the functions of external communication and the spread of the image of the organization.

### Communication in schools

In almost all school activities, communication plays an important role. As the goals of education are understood, they need to become prerequisites for which activities and perspectives are valued and lead to further action. This means that communication can be a way to analyze and understand the processes in schools and a process that will affect the activities and understanding of others. An ordinary working day for principals and teachers contains a lot of meetings, interactions and conversations.

The effective interaction in a classroom has two implications. The first refers to the pleasant atmosphere in the classroom with friendly relations between participants in the learning process and the latter encourages students to become effective communicators. This can be achieved through various ways: by implementing different roles for students and teachers, for example, inclusion of students in different organizational skills in the classroom, giving a variety of activities, helping them to express themselves and the other way is to encourage their use of communication strategies. If both implications merge, get a pleasant atmosphere in the classroom in which the students are trying to communicate.

The flow of communication in the school should strengthen relations between teachers, students and parents. For example, effective communication will help members of different groups to realize that their work is meaningful and important. The school principals should state that through openness between people, mutual trust and cooperation, managers become equal reviewers of development and improvement of the condition of school vocational programs. The ability to establish a personal relationship with all members of the school community is central to the work of the school principal.

The success of an educational institution can greatly depend on what attitude managers treat with employees during communication. In order to achieve successful communication, managers have to send clear and precise messages to employees, but also they should be skilled enough when they receive the message back and how they understand it. Managers should be aware that they need to adapt messages in order to understand and remove all sources that can contribute to some misunderstanding or confusion. The message must be clear and precise for the recipient to be able to interpret and understand. The time for communication may be a requirement for many barriers, particularly for communications that take place quickly, without some preparation ahead of time. These types of communications very often give poor results. Sometimes, some important information may not be transferred in time and then become irrelevant. The time provided for the communication must be pre-planned and thought out. There should not be important conversations without preparation when it comes to urgent matters.

# **Educational management**

Educational management is a scientific field that deals with exploration of work in educational organizations and their management. There is no generally accepted definition of the subject of educational management, since the development of education management is firmly connected to multiple disciplines such as sociology, political science, economics, general management and ethics. Therefore, there are different interpretations of the subject of educational management.

Management in educational institutions requires the participation and support of the staff and the wider community and therefore involves a number of people. Management must be on a professional level, meeting the needs permanently and completely. Here can be mentioned some elements of such a strategy: responsible management of the school, innovative or entrepreneurial management, management through communicating and motivating.

The process of educating man regarding his education and upbringing is the acquisition of knowledge, skills, abilities and learning ways to satisfy their needs, living and working experiences, forming attitudes, and developing a critical attitude to work. Without education and upbringing, the man will not survive and there will be no opportunity for development of technology and science. Education as a process can be done through formal and informal institutional arrangements, such as educational institutions. The educational process that is performed according to accepted scientific knowledge and methods is known as instruction.

A successful school should always appreciate its employees, teachers and students should always take care of: the maintenance of the school building, the order and discipline of the implementation of the school curriculum, the regular assessment, administration and the successful implementation of self-evaluation. Managers in educational institutions should establish mutual relationship with internal and external side in managing their organization. When talking about the human factor in the school that does not include only teachers but also the students, principal and parents. They influence the work of the school.

Macedonian society has always tended to be closer to Europe, and that is possible only through the establishment of an educational system which is compatible to European which requires education policy to be focused on creating educational system appropriate for European citizens. Macedonia adopted European principles as a guide and incentive to develop policies in the field of teacher education and to obtain continuing professional development that would allow school organization to function effectively. The success of the policy depends on the work of human resources management in school organization and thus can be clearly seen how important the management activities are in the process of planning, selection, recruitment and management of human resources.

The director of an educational institution is a leader and manager of the school who should have experience and knowledge to differentiate from others. Successful is the manager who is certainly an educated person capable of planning, motivating, controlling, coordinating, building good relations between people, it is a person who holds the responsibility for the work, and is competent and tolerant. He also possesses stability, perseverance, ambition, cleverness, independence, ability for quick and correct decision, owns a number of ideas and courage in research and valuations.

The manager has two types of activities: activities for decision-making and communication activities. With its share in the activities, managers need to create a pleasant atmosphere that will motivate and encourage staff of the organization to strive in the performance of goals. According to some research, successful managers devote much of their time communicating with employees as well as to their monitoring, planning and coordination activities. They have a responsible work in the institution, because a successful manager needs to decide, think, observe, implement and oversee the implementation of employees.

Essential to the educational system is a modern management which will introduce modern forms and methods of managing the educational process hence the need for training of personnel who will perform this complex, dynamic and responsible job. All educational organizations should be looking for managers who are trained for leadership and management processes in education.

Working with people is always the most difficult task in managing organization. The results of a school depend on the work, skills, activities and recruitment of teachers. Therefore, the director must employ staff who will be of high quality to perform the job better. But not only teachers, the director also should possess qualities that characterize him as a person. Some of these qualities and abilities are: intelligence, knowledge in working, understanding people, openness to new experiences, honesty and perseverance.

At the working place, the task of the director is to see at what level the institution is, where it should be, which the best ways to solve problems are and what kind of actions should be taken for successful implementation of plans. All these activities and tasks, the director should direct towards the effective management of the school, corresponding to his needs and changes.

#### **Public relations**

The department for public relations is important to review the achievements of the organization, for correction of organization's activities, obtaining feedback, improving the work organization, seeing things from another point of view and using the complaints and criticisms in order to provide better services.

Public relations can be treated as a circular process. Therefore, as a special department can recognize the problem, identify it and ultimately resolve it. As a process or chain, they contain three parts: management, communications and publicity. Management is committed to administering the public opinions and evaluating the efficiency of public relations. Open communication is characteristic for several methods: communication eye to eye, printed material, audiovisual material, publicity, advertising and some special events. The public is a set of stakeholders for what a subject of interest is.

Public relations in educational institutions include the development or collection of funds and increase the reputation of the institutions. The Office of Development and Public Relations can arrange meetings, publish information bulletins and organize visits. The audience to which are intended these types of communications include former and current students, potential and future students, teachers, administrative workers, the government and general public.

# Self-evaluation as a process in schools

The quality of education is of great importance for the development of each individual. Therefore, each state must invest in creating a quality education which will be very important for future generations in helping the management of the state.

The process of self-evaluation is of enormous importance to the educational process. The self-evaluation should answer whether the results are in accordance to previous targets. This process plays a role of great importance, because without information about the level of fulfillment of the previously set objectives, there will be

no corrective measures where is necessary and it can be obtained a result that does not match the one that is provided. Then it will be too late to act because there will be many unproductive expenses which will decrease the positive results for a long time. Self-evaluation is implemented in a process that deviates from the anticipated trajectories and tells where to act.

Self-evaluation is the perfect kind of evaluation that can answer many questions such as: Are the expected results achieved? What is the interaction? Is the distribution of tasks clear enough? What processes of change are taken of the particular project? Human resources in the process of self evaluation assess their work, results, personal performance, processes involving and interaction. Evolved and the evaluator are identical. The person in the process of self-evaluation can be subject and object of evaluation.

In order to realize the process of self-evaluation there should be established a team for self-evaluation, to apply appropriate indicators, tools and methods, to collect data about the condition of the school, to analyze the situation, to get a report of self-evaluation and prepare a school development plan. Basically, self-evaluation is voluntary and cannot be implemented by force. It is based on the desire to take an active role in the process, even though all members are not equally involved and have not equal enthusiasm. The initiators should show interest and indicate the values of self-evaluation, which will contribute to convincing the stakeholders to accept the process.

The objectives of self-evaluation should not be confused with the project objectives. If the purpose of self-evaluation is to consider the results of the project, it is important to perceive the level of responsibility of the participants. One of the aims of selfevaluation can be: structuring of an internal system for monitoring, evaluating and improving the working, effective and efficient working of the school director and involvement of all entities in the development process of the school. It is known that the process of self-evaluation is complex and consists of several phases and activities using different methods and techniques in order to create unique criteria. Selfevaluation requires specific methods and instruments to achieve these objectives. Some of the methods and tools are the same as those used in external evaluation, particularly when evaluating the results of the activities, for example, for the objectives of the training for self-evaluation, the examination can be taken or testing the scientific skills - it is the method which should be used. In order to carry out the exploration, it is required questionnaire or interview - it is the instrument that should be used. Discussion is necessary for the purposes of self-evaluation results. Thus anyone can give his opinion. SWOT is a very useful tool.

There is always a need for change in schools that are undertaken in order to improve their work. Therefore, each school should perform self-evaluation and take into account the results of the overall evaluation of the school as well as other types of external tests and evaluations which were carried out by competent and responsible institutions.

As a process, self-evaluation indicates whether the actions taken at the school level are effective and based on the assessment of individual or group activities, whose efficiency depends on them. Self-evaluation is the foundation of school autonomy in organizing, planning and realization of new priority activities because it allows getting a real image of the school by analyzing the situation.

Self-evaluation in educational institutions is a process that provides opportunities for: assessment of the implementation of tasks, independent assessment of the assignments, better preparation for inspection and external evaluation, setting real goals, objectives and priorities, and identifying the pros and cons in working of the educational institution. Self-evaluation, as the term suggests, means that students can assess their own achievements and learning as well as decide which actions to be taken in order to achieve further progress in learning.

The famous SWOT analysis has a great importance as a tool in the process of self-evaluation. It can be met as a TOWS analysis. It is about fundamental change in approach, not only for formal permutation of letters. First, there come the threats that can launch an initiative for change and action to put the creative energy of the intellectual potential available within the school.

Among the good sides, each school has its own weaknesses such as: dysfunctional human relationships, working in two shifts, lack of cooperation with parents, traditional teaching, and insufficient equipment of the school with teaching materials, failure of professional asset, lack of sports fields and lack of motivation among employees.

How the self-evaluation is conducted and managed as a process is vital to the success of an educational institution. Leadership and implementation will likely specify how the staff sees the process, how they deal with the process and how affect the action and results of the process. The key challenge for leaders is to manage expectations and observations of the staff. If this can be achieved successfully, the implementation and the results will probably be inevitable. The successful management expectations and observations depend largely on the establishment of strong professional relations in confidence where risk-taking and collaboration support a culture of openness at all levels within the educational organization. When the necessary analysis in an educational institution will conduct then will determine the needs for change and priorities of the educational institution, which will be a good basis for planning and problem solving.

#### Research Methodology

# Appearance problem and the subject of research

In this thesis, as an occurrence that will be investigated is the management of human resources in schools. The modern management of human resources is extremely effective and useful way to unite human resources with other resources in the school organization to achieve its objectives.

As a problem of this research occurs the lack of instruments at school level for collecting data for the relations between all entities in the school and the surrounding and therefore it cannot be seen the current situation in the process of self-evaluation of school. The process of self-evaluation of school captures the advantages and disadvantages of school. For these reasons self-evaluation of the school is required.

Hence the focus of this research will be placed on designing tools for collecting data for internal and external communication in the school in order to perceive the current situation in the process of self-evaluation of school. This actually is the subject of this research.

# Research objectives

Thus conceived research predominantly has two purposes: methodological and practical. Methodological goal of this research is to verify the applicability and suitability of tools designed for the process of self-evaluation of the school relative to internal and external forms of communication. By verification of applicability and suitability of tools designed to determine the level of quality of learning and teaching in school.

The practical goal of this research is that it will review the existing situation in schools in terms to the existence of tools in order to implement the process of self-evaluation of the school, in terms of internal and external forms of communication that will contribute to capture the advantages and disadvantages of school work.

#### Hypothetical framework

**General hypothesis:** If in the school there are designed tools to determine the situation in terms of internal and external forms of communication then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented.

**Special hypothesis 1:** If in the school there are designed tools for determining the situation in terms of communications at school, then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented.

**Special hypothesis 2:** If in the school there are designed tools for determining the situation in terms of communications at the classroom level, then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented.

**Special hypothesis 3:** If in the school there are designed tools to determine the situation in terms of communication with the environment of the school then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented.

# Used methods, techniques and tools in research and survey sample

During the research the following methods were used for the research: a method of analysis and synthesis, method of generalization and specialization, method of abstraction and concretization, method of proof and denial, a classification method, descriptive method, comparative method and method of vetting.

In conducting the research the main research techniques were used: vetting and scaling. For this purpose, the following research instruments were used:

- Questionnaire for directors and employees of the school organizations,
- Questionnaire for students and parents,
- Questionnaire for the local community and central government about school organizations,

The sample for the survey was consisted of:

- 80 employees in school organizations (questionnaire)
- 30 students and 20 parents (questionnaire)
- 20 participants from the local community and central government (questionnaire)

• 20 directors and deputy directors of school organizations (questionnaire)

#### Implementing the questionnaire

The survey was conducted in educational institutions mainly in the Prespa region, where it covered 1 high school and five primary schools. Later, it expanded in Ohrid and Bitola region which included another 2 high and 4 secondary schools in order to get a larger number of opinions from several regions.

It was surveyed 170 respondents including: school principals, teachers, students, parents, associates, administrative officials and representatives of local government. The survey was conducted in the school year 2015. The questionnaire contained 10 closed questions and was anonymous in order to gather reliable data. The collected data is analyzed and conclusions are summarized. The survey was conducted on a random selection of respondents who were employed in institutions where they were assigned a copy of the questionnaire.

The questions that follow are an integral part of the questionnaire containing a total of 10 issues about: communications at school, at the level of classroom and with the school environment that will capture what is the situation at least in a few schools. For the performed research for development of tools was used Likert type scale of views. In the scaling were set 4 possible opinions: 4 - completely agree to 1 - strongly disagree.

In terms of statement number 1: "There should be open and effective communication between the director and teachers", 98% of respondents emphasize that it is particularly important. A small number of those who partially agree is 2%. The average is 3.98 which means that at the level of school, the director and teachers have successful communication.

Regarding the statement number 2: "The communication at school level is necessary to be free, the employees must have complete information and an opportunity to discuss freely for each issue" the majority of respondents 42% said they completely agree, 40% partly agree, 15% of respondents disagree and 3% strongly disagree. The average is 3.2 which means that the employees in surveyed schools are not informed enough and that they cannot talk openly about any problem.

In terms of statement number 3: "The Director should motivate employees in the performance of their tasks and to take care of their interests", 60% of respondents stated that they completely agree, 30% partly agree, 7% of respondents disagree and 2% strongly disagree. The average is 3.5 which means that the motivation by the directors is at a very high level in the surveyed schools.

Regarding the statement number 4: "Teachers are necessary to exchange views and help each other in order to improve teaching in class", 57% of respondents said that they completely agree, 31% partly agree, 7% disagree and 5% totally disagree. The average is 3:40 which means that there is a solid cooperation between teachers at school level.

In terms of statement number 5: "Teachers should always be available to talk to parents of students in their reception days", 65% of respondents said that they partly agree, 18% said they fully agree, 5% disagree and 2% totally disagree. The average is 2.99 which means that there is not a full support of respondents in terms of this statement. In percentages, at the level of school, it can be seen that teachers are not always available to communicate with parents of the students, which can reflect on success, behavior and absences among students.

Regarding the statement number 6: "There should be a cooperation among the students in learning the certain educational content", 55% of respondents said that they completely agree, 32% partly agree, 10% disagree and 3% strongly disagree. The average is 3:39 which means that cooperation among students during and outside of teaching has a bit to improve in order to improve their success.

Regarding the statement number 7: "Teachers need to apply teaching forms and methods for developing the individual skills of each student", 60% of respondents said that they fully agree, 28% partly agree, 8% disagree and 4% strongly disagree. The average is 3:44 which means that teachers in the surveyed schools apply teaching methods and forms that will contribute to develop the skills of students, although this percentage can be improved in future, in order the success of students be higher.

Regarding the statement number 8: "Teachers should respect different opinions and attitudes among students", 71% of respondents said that they totally agree, 17% partly agree, 9% disagree and 3% strongly disagree. The average is 3:49 which means that teachers respect different opinions among their students that leads to greater freedom of expression among them.

Regarding the statement number 9: "The communication between school and public institutions should be achieved through projects that are important for improving the working conditions of the school", 60% of the respondents said that they fully agree, 20% partly agree, 14% said that they disagree and 6% that strongly disagree. The average is 3:34 which means that schools have successful communication with public institutions, which is based on significant projects for improving their work.

In terms of the statement number 10: "The school should have signed a Memorandum of cooperation and mutual activities with other schools in order to exchange more opinions and improve the quality of teaching" the majority of respondents 52% totally agree, 22% partly agree, 14% disagree and 12% strongly disagree. The average is 3:14 which means that all the surveyed schools have not signed Memorandum for cooperation with other schools. The Memorandums of cooperation are important in terms of improving teaching, where employees can collaborate and exchange ideas and tactics at the level of more schools.

The questionnaire is used in order to prove the general hypothesis according to which the process of self-evaluation of school will be effectively implemented if there are tools designed to determine the situation regarding the internal and external forms of communication. Also, the questionnaire is used to see how the communication works out at the school level, classroom level and with the surrounding of the school.

The school as an educational institution is a complex organizational system that requires a great commitment and effort by all who work in it. In order to have a good organizational climate, the communication at school level it is necessary to take place at a high level, also there should be respect and trust among employees, director as a manager should successfully collaborate with employees, motivate them and cooperate with them. Teachers need to cooperate, to exchange experiences and knowledge that will contribute to improving the teaching practice and achieve better results. All subjects at school level need to successfully communicate with each other in order to implement the school plans. When planning an activity at school, each employee should have the freedom to express its opinion without fear of being ridiculed or underestimated. Free and successful communication is important for all staff at a school have equal rights and freedom in carrying out their duties. Hence, it can be concluded

that the **Special hypothesis 1**: If in the school there are designed tools for determining the situation in terms of communications at school, then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented, is confirmed.

The process of changes in education is directed towards achieving a greater quality and efficiency in the teaching process. In the classroom, the teacher's personality is affirmed as a carrier, implementer and coordinator of the learning process. Effectiveness in the classroom is expressed by teaching and the way students learn. The teacher with its abilities and skills should lead a successful communication in the classroom and help students understand how to learn, how to get knowledge and information, should help in the way students think, to encourage the various discussions and debates, should encourage them more to communicate and explore. All of this would not be possible if there is not a successful and effective communication at the level of classroom where there should be a mutual respect and understanding by teachers and students. Among students there should be teamwork to get higher performance and learn easier, also teachers as colleagues should cooperate with each other as a team in order to improve the methods in the classroom. Also, to this analysis can be added my personal experiences and insights moreover the knowledge of school employees, showing that communications at the level of classroom need to be improved in order to have a better working atmosphere, teachers need to successfully implement the curriculum and there should be mutual respect between teachers and students. Therefore, it can be concluded that the Special hypothesis 2: If in the school there are designed tools for determining the situation in terms of communications at the classroom level, then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented is confirmed.

The cooperation of schools with other educational institutions, institutions of local government, municipality council, public institutions, civil society organizations, donors and parents of students, should take place on a high level where crucial is the effective and successful communication. For schools is necessary to actively communicate with parents through parental meetings, whether they are individual or collective, there should be organized visits out of school, there should be a Council of parents, there should be workshops where can be organizing works on different projects and adopting decisions concerning the activities of the school.

Collaborations with other institutions can be through the implementation of projects that would contribute to improve the working conditions of the school. For a school it is necessary to establish good cooperation with organizations and associations of the NGO sector because of the implementation of common projects that would contribute to a quality education process in the schools. In order the implementation of communication with other public institutions be successful, in the school should exist departments of public relations with their own superiors who would contribute to the successful cooperation and communication with other educational institutions and public institutions. Therefore, it can be concluded that the **Special hypothesis 3:** If in the school there are designed tools to determine the situation in terms of communication with the environment of the school then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented is confirmed.

With the confirmation of the all special hypothesis, actually the General hypothesis is confirmed: If in the school there are designed tools to determine the

situation in terms of internal and external forms of communication then the process of self-evaluation of the school related to indicator of quality of work of the school will be effectively implemented.

#### CONCLUSION

Education is very important and significant historical and civilization phenomenon. It is a natural and essential feature of man that follows continuously throughout its civilization development. School as educational institution in which the educational system is implemented is essential to ensure a quality education. All the solutions, strategic and curriculum should be implemented in an efficient and productive manner.

A successful school is one which continuously improves its work so it gets better educational results. This means that the school owns a successful working climate and modern school culture that contribute to achieving better results from students. Several authors point out that the main generator of success of an organization, are the changes that occur continuously. In terms of organization, in this case the school, changes are those that provide the necessary vitality and represent the motive that encourages its development.

The changes that a school will take should be a result of a based need for such changes. The goal of all changes is to improve the performance of the school. Therefore each school is necessary to carry out a process of self-evaluation. The self-evaluation as a process indicates whether the actions taken at the school level produce results and is based on estimates of individual or group where the actions are taken. As a process, the self-evaluation represents a foundation of the autonomy of the school in its planning, organization and implementation of new activities in order to give a true image of the school by analyzing the situation. Its purpose is to establish a system for continuous monitoring and evaluation in order to improve quality of work and teaching of the school.

Based on the results of the research in this paper, it can be concluded that schools where the study was conducted have capable and competent staff that is generally qualified to apply active methods in teaching, there is an equal treatment of all students regardless of gender or religious affiliation, directors as managers of the schools contribute to a better working climate in schools, motivate employees in order to have a better quality working environment and schools collaborate with other educational institutions in order to exchange different opinions and actions to improve the quality of teaching.

However, inferior parts that resulted from the research are insufficient cooperation between teachers and parents, where teachers should offer individual consultations with the parents. The parents of students should have access to E-journals and communicate with the psychological service in order to get more information about the success of their children. Also, there is a lack of communication between the directors and employees who should always be informed about the procedures and activities that are undertaken by the director at the school level, teachers should help each other in order to exchange more ideas and more creative activities in teaching, students should have a mutual relationship of tolerance and respect, as well as to help each other. Moreover, it came to the result that schools are not cooperating enough with non-governmental organizations and donor institutions in order to contribute a higher quality in teaching.

Finally, to summarize that self-evaluation as a process is valuable because it conveys the real image in schools and should be conducted every two years in order to capture the advantages and disadvantages of school and therefore to take appropriate measures to improve the inferior parts.

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# TEACHERS' PROFESSIONAL DEVELOPMENT – CONDITION FOR OUALITY OF EDUCATION IN FUTURE

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#### Abstract

Considering the fact that one of the key factors that will cause creating higher quality in education in future are teachers, the purpose of this article is to pay attention to the professional development, as one of the areas of the basic professional competences of teachers. Starting from the orientation of the competences for professional development, given in the appropriate regulations of our country, we are going to analyze two key aspects of these competencies: understanding the necessity of life-long learning and building own philosophy of teaching profession. Life-long learning is an imperative of present time, which regarding to teaching career receives even more impotant meaning. In the same basis of life-long learning is the necessity of continuous knowledge upgrade, and its essence is given in identification of individual educational needs, in favour of creating personal plan for professional development. This becomes even more important when we know that it refers to teachers.

Building own philosophy of teaching profession is given as extremely important question, which primarly involves responsibility of the teacher and understanding its complexity. The connection between these two aspects can be seen through learning for personal development on individual level, which provides higher quality in education and beyond, to some higher social level.

With the implementation of the method of comparative analysis we will discuss about the present situation of teachers professional development, in order to state if there is a difference in the approach towards teachers' professional development in Macedonia and some other European countries, and all this in favor of reaching a higher quality of education.

**Key words**: competences for professional development, teaching profession, life-long learning, responsibility.

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#### INTRODUCTION

Contemporary society is a society of changes which happen in all segments of human living. Changes in global economy, constant use of IT technology- a necessity for people and society, without which they are unable to function in a normal way, changes in society expressed by demands for creating peace, democracy, social justice and equality, all these are changes which are conditioned by one another and together create a new way of existing and living of people in contemporary conditions.

Therefore, it is inevitable that this changes reflect in educational system as well, because it is not a system that is isolated, but an open one affected by changes. Changes, on the other hand, are in favour of adaptation to the new conditions, but there is another side more important and can be seen in the fact that education with its quality is a progressive force leading to bigger social development and improvement.

The importance of education comes from its basic and primary role - building students into personalities who possess knowledge, skills and abilities needed to be competentive on the labor market, to successfully live and work in society, and be a represent of human values and as citizens to practice and fight for the most important social values -peace, democracy and social justice.

Considering this importance and meaning, there is one question that has a special attention and that is the question of the quality of education. This is a starting point, since there is a commonly accepted attitude towards that quality of eduction worldwide provides quality of overall social life.

Since quality of education depends primarly on teachers, in the past period in all the strategic documents for development of the European countries, as a key and most important factor in the process of bulding of "Europe of knowledge" are teachers. Therefore the main priority and tendency in education are pointed towards creating of highly professional teachers.

There is a need for this complex and long-term process to be monitored through the prizma of continuity between initial education and continued professional development and improvment of teachers. This is a result of the fact that during their initial education, future teachers receive the appropriate knowledge, skills and competences essencial for a teaching career, but still, considering the fact that conditions change, these skills and competences are not sufficient for the teacher to accomplish his or her duties and responsibilities for a long-term period and to provide fullfilment of the general cause of education.

From this point, very often arises the question of continuous professional development of teachers, which should provide them constant upgrade of their previous knowledge, skills and competencies and their enrichment with new, and this new skills and competences are according to the current social conditions.

Therefore our interest in this article is fully pointed towards teachers' professional development, from the aspect of the essencial competences that every teacher should possess and which directly provide quality in education.

# 1. Teacher competences

The question of teacher competences is very popular in the past few years. Its importance arises from the need for creating a higher quality in education, because through establishment of teacher competences, clear criteria is established for every teacher, and which criteria are in function of accomplishing the goals of the teacher profession.

Competencies are defined as "dynamic set of cognitive and meta-cognitive skills, knowledge and understanding, interpersonal, intellectual, practical skills and ethical values." (Tuning project 2009, crp 11)

Establishment of teacher's competencies is defined with several documents. European countries have created the document *Common European principles for teacher competences and qualifications*, where principles are established as fundations for building of educational policies, which will provide higher quality and efficiency in education. These are some of them:

- ✓ Teaching profession should be well-qualified profession, which understands that all teachers should possess knowledge of a certain professional area and should have appropriate pedagogical knowledge;
- ✓ Teaching profession given in the context of life-long learning. This principle is closely connected with professional development. Deep in its basis is the need of continuous upgrade and learning new skills, which will provide teachers to follow changes of contemporary society of knowledge;
- ✓ Mobile profession, where mobility is in function of professional development, through expanding of experience and
- ✓ Profession based on partnerships which involve all stakeholders in educational process.

According to this, competencies of teachers are spread in three areas:

- Work with others primarily, activities with students, where accent is given to
  developing their potencials and support in building them into active and useful
  members of society.
- Work with knowledge and technology with using of different approaches, technology and knowledge resources, to see learning as a lifelong process.
- Work with and in society here especially important is the role of teachers in preparing the students to be responsible citizens in their society, who will encourage life based on respect to the common values like muliculturalism, tolerance, social cohesion and ethical behaviour. (Commission of the European Communities 2005, 2-3)

Through action in these areas we notice the complexity of the teaching profession, its wide domain of action, and teachers' responsibilities. Besides creating positive and encouraging atmosphere, and providing conditions for developing of highest potentials of each student, teacher also has a great obligation to be involved in creating general values of education and learning, which in wider range affect wellbeing of society.

According to these principles, teacher should own competences which will allow to be up-to-date and to be able to respond to the chalenges which come from global social changes. These competences are determined by the European Net of Teacher Educational Policies (ENTEP), and we point those which reffer to our subject of interest. They reffer to:

• Developing competencies for life-long learning at teachers in prospective and

 Taking greater responsibility for investing in themselves and their professional development, which comes from the changes and challenges standing in front the teaching profession.

A very important document in which competences are established is *Reference Points for the Design and Delivery of Degree Programmes in Education*:

In this document are given competences that every teacher should possess, but still special attention is given to the fact that, despite the competences which teachers gain during their initial education, they should update those competences during their career continuously through professional development.

Competences are divided in two groups:generic and subject-specific.

Generic competences cover instrumental, interpersonal and systematic competences, which reffer to cognitive abilities, abilities for organizing already gained knowledge in a whole, and abilities for establishing social interaction. They cover a range of competences like: ability for abstract thinking, application of knowledge, application of information and IT technologies, ability for interaction and team working, ability for critical thinking and self-criticism, ethical judgement, ability for decision-making, for right and ethical actions, social responsibility etc.

Subject-specific competences are those which are strongly connected with the teacher's work. These competences include: ability to see the difference between theory and practice, critical thinking, ability to provide education in values, citizenship and democracy, ability to promote values of society, like citizenship and democracy, ability to respond to the diversity of learners, ability to do educational research, ability to manage educational projects, ability to understand process of development and change in the community, to understand trends in education, ability to improve the teaching and learning environment, (Tuning project 2009, 39-43)

From the above mentioned competences it can be noticed that many of them are closely related to the teachers' professional development. We will especially point toward the ability for self-criticism which is a precondition which provides teacher to establish the areas where he or she has disadvantages and a greater need for upgrading of knowledge; the ability for understanding the process of development and change in the society, where connection can be seen in the direction towards development, where through personal development, teacher contributes to achievement of higher quality in teaching, in the teaching process and beyond that, for the development of society in general. In this direction goes the ability for promotion of values of society like citizenship and democracy.

#### 1.1. Establishment of teacher competencies in Republic of Macedonia

The given documents that were disscused previously are generally accepted within the frames of European countries, represent fundations on which competencies are based in each country separately.

The question of determination of teacher competences has been highlighted in our country for a very long time. Teacher competences were firstly established in the National Programme for Development of Education 2005-2015. In this programme, there is a list of 20 competencies that every teacher should possess. We will extract only those that refer to teachers' professional development:

- Striving for personal profesional development, which comes from profesional self-inspection and self-evaluation of its own professional practice and those of the others;
  - Integration of the principles of lifelong learning in teaching and learning;
- Appropriate behaviour as a professional in development. (National Programme 2006, 337-338)

In this context, the National Programme states that there is a real need for creating a system for professional development, which later is implemented by the Teacher Professional and Career Development Project.

This project establishes the current situation regarding teacher professional development and gives directions for future upgrade and improvement of the system of professional and career development. Many documents are created for this purpose (competencies and standards for teachers, instructions for following and planning teacher professional development, proposal for process of realisation, appropriate legal legislative) through which this area of teachers work can be fully covered.

Within its frames there is a Proposal for process of realisation of professional development on school level, which points how to run this process and which subjects should be involved within it. Each teacher creates personal plan for professional development and, in accordance with it, a plan for professional development of the school is developed. These are the forms for running this plan:

- Individual learning of each teacher separately (using professional literature, making action researches, on-line trainings etc.)
  - Organising internal trainings/disseminations
  - Mentoring and support from the co-workers (Bilten 2, 7)

Besides school, other institutions should be involved appropriately in teacher professional development, with its own responsibilities and areas of action. They are:

- Bureau for Development of Education and the Centre for Vocational Education and Training, which provide support of teachers and organize trainings related to teaching plans and curriculum.
- Accredited training providers, NGO and international organisations, which are involved in trainings providing.

What is especially important is that, besides the involvement of third parties in the process of professional development, the responsibility for development and career improvement lies on teachers. During this process, school has the responsibility to provide support for teachers, but the teacher is responsible for the achievements and career improvement. Each teacher is obligated to create individual plan for professional development, based on self-evaluation. The essence of self-evaluation of teacher is to establish personal needs for development and according to them, to make efforts for self-improvement.

This means that every teacher as a person should own highly developed self-consciousness, ability for critical evaluation, and ability for building vision for himself or herself as a professional in future. Since we discuss about the teaching profession, which is one of the most important in society, these projections should be in accordance with general, global aims and tendencies for development of education. In order for this to be achieved, precondition is that every teacher should have built its own phylosophy for teaching profession, phylosophy that unites personal attitudes, values and general goals and efforts. Here we see the connection between personal, individual and social.

At the end of this chapter of the Teacher Professional and Career Development Project, we will make a review to one of the achieved goals, and that is prepared Regulation for Basic Professional Competences of Teachers in Primary and Secondary Schools.

This Regulation is officially acknowledged by the Ministry of Education and should start its implementation from 2015/2016.

It establishes the competences that each teacher should posses. It is said that competencies ,,include basic knowledge, abilities and skills that the teacher has, in order to provide quality in teaching profession."(Article 2)

There are established six key areas of teacher competences:

- 1) Knowledge of the subject they teach and for the educational system;
- 2) Teaching and education;
- 3) Creating stimulative environment for learning;
- 4) Social and educational inclusion;
- 5) Communication and cooperation with parents and community and
- 6) Professional development and professional cooperation. (Article 2)

Our attention is fully pointed towards the sixth area which consists of two subareas. Specifically the sub-area professional development refers to:

- ✓ Knowledge of the teacher competences, effective models and opportunities for professional development in advancing in teacher career and making a individual plan for professional development and
- ✓ Developing personal phylosophy of the teaching profession, its complexity, responsibility and need for continuous education. (Article 8)

As we appointed, the essencial questions that attracts our attention and are part of the professional development are lifelong learning and building personal phylosophy of the teaching profession.

#### 1.1.1. Life-long learning

The past period is a period of fast and dynamic development, followed by a range of changes, which can be clearly seen through globalisation, mass technology and its use, giant leap and advancement in the fields of science. As a result of all that, knowledge that we have ages and skills and competences should constantly be upgraded and enriched. Therefore arises the need for learning during life or lifelong learning.

Lifelong learning is defined as "it consists of all the activities of learning, done during life, in order to improve knowledge, skills and competences within the frames of personal, social, citizen and work perspectives." (European report on quality indicators of life-long learning 2002, 7)

Life-long learning provides the individual a continuous enrichment of knowledge, skills and competences. On one hand it affects the enrichment of personality and his or her upgrade, which is a precondition for greater possibilities for work and more employability at the labour market. A job through which human provides his material needs and life conditions, is a basis of independancy, self-respect and welfare. Under these circumstances, the human takes care of his own, and the welfare of his environment, manifested by active citizenship. It means that fullfillment of obligations and taking responsibility for own actions, an individual cotributes to wellbeing of the environment where he or she lives.

This shows that lifelong learning as a concept is not only about knowledge, but has a greater meaning in function of achieving social and human dimension. According to this, UNESCO defines life-long learning is closely connected to competitivness, cooperation and solidarity.

In this way, the concept of lifelong learning is not a request but a standard in contemporary society. It is a standard for all the members of society and all the categories of citizens. Taking into consideration the fact that the role of teachers is to prepare youth for future chalenges, it is clear that life-long learning is strongly connected to teaching profession.

All this leads to the strong connection between life-long learning and professional development, where professional development is and should be understand as part of a more general lifelong learning.

In this sense, if basic professional knowledge, skills and competences is gained through initial education, they should continue to be upgrated during entire career, through teachers' professional development and in context to lifelong learning.

# 1.1.2. Philosophy of the teaching profession

The question about building own philosophy of the teaching profession is one of the most complex question connected to teacher. This comes, on one hand from the essence, role and importance of the teaching profession in a more general social aspect, and on the other hand personal perception and building of own point of view of teacher as an individual, but also as professional and realizing own part and ability to make contribution in a more general social aspects. Actually, in the philosophy of teaching there is a very strong connection between individual and social.

Building personal philosophy is a long-term process in which are involved many subjective and objective factors. Regarding teaching profession, it is a process which starts during initial education of teachers, where still students, future teachers build their own perceptions and attitudes towards their future career. Still, personal philosophy is not something that is once given and can't be changed - it is something that continually changes, develops and grows, parallel with the personal development. Here we can see the connection between initial teacher education and professional development in the process of building personal philosophy of the teaching profession.

There is a very complex question about, whether in the system of initial teacher education in Republic of Macedonia, as it is now, is given appropriate amount of attention as it deserves to be given.

The beginnings of this question, that arises in teacher for his or her part in the educational process and the ability for individual contribution for reaching a higher level of quality in education, are in the initial education which gives foundation for further development when the individual is already mature enough as a teacher, to expand his or her horizons for teaching career and the ability for personal contribution. And the only way to that is, dedication, expressed by constant investment in themselves and continuous professional development.

Teaching profession carries in itself a great responsibility, towards students and towards society. The significance and responsibility brings certain demands which every teacher should fulfill. Those demands according to Niemi & Sihvonen (2009) are ethics in profession and possessing certain moral and social code. Ethical approach to profession is about the teacher's obligation to help students in achieving their highest

potentials, through making them capable of dealing with changes in environment in an easier way, and challenges they face on a global level.

Social and moral code in the teaching profession is very closely connected with, on one hand the environment where he or she works (students at a certain age, available resources, social and cultural environment etc.), and on the other hand with the goals set on national level. Teacher's obligation is to provide a close relation to all of them for achieving the final result. In this process, teacher is the key factor that should contribute to their achievement, and at the end, promotion of positive values and human ideals.

All this, points to the need of teachers being careful with promoting culture, values in society, certain moral dilemmas and questions, which should be put very high in the list of priorities, with a unique goal-achieving of certain and general cause of education, and in direction of reaching a higher quality in education.

At the end there is the conclusion which according to Carr and Hartnett (1996) that teachers professional development should be based on and respond to the following needs:

- ✓ To be closely related to the most significant social and political questions, as social justice, democracy and equality as leading goals in education;
- ✓ Teachers' development is conditioned by the appropriate educational, historic and political context, since teachers react in a certain social environment.

In a study conducted by the Finnish Institute for Educational Research, University of Jyväskylä, exactly these two question are pointed as part of the challenges in teaching profession. It is said that "in future life-long learning aspects and understanding the teaching profession as a continuum, will be important in future...where future teachers should possess competences for taking responsibility for own learning and to be prepared for constant reevaluation of their own practice and action"(Teacher Education Curricula in the EU 2009, 84)

# 2. Practices of teachers professional development

#### 2.1. Practices in the European countries

Most complete information regarding the question of teachers' professional development in the European countries are given in the publication of *Eurydice*, 2015, *The Teaching Profession in Europe: Practices, Perceptions, and Policies*.

There it is pointed that teachers' professional development ,,is the heart of the European strategy for improvement the quality of education. Providing high quality of professional development secures the teachers with the appropriate competencies in order to achieve work efficiency." (Eurydice 2015, 55)

Main questions connected with the teachers' professional development are mainly about the status of professional development, obligatory criteria that should be completed and determination of the needs for professional development. In European frames, regarding these questions are established next practices.

- From the aspect of the status, professional development can be established as:
  - 1) obligatory assignment of teachers;
  - 2) condition for advancement in career;
  - 3) obligation and condition for advancement or
  - 4) non-obligatory activity

In 29 countries professional development is an obligation, which is regulated with a certain laws and regulations. Still, there are variations regarding certain points, for what is considered as a required minimum for teachers. That can be established by the number of days or hours that teachers should invest in professional development, or topics for which they should visit certain training.

- Regarding the question of who takes part in establishing the needs of teachers for professional development the responsibility can be given to:
- 1) Certain public institutions determine the priorities for professional development (Greece), by giving general frame with directions or giving obligatory trainings;
- 2) Educational authorities at local level or schools (Belgium, Czech Republic, Denmark, Germany, The Netherlands, Poland, Slovakia, Finland, Sweden) which usually take into consideration the needs of teachers when they plan professional development
  - 3) Teachers (Luxemburg and Scotland)

Besides these examples, state authorities, local institution, schools and teachers are involved together in establishing priorities in professional development. That's the case in our country, France, Croatia, Italy, Austria and Norway.

Here are some other important information and conclusions regarding professional development:

- ✓ The general image is that teachers are engaged and take part in activities referring to their professional development. As factors influencing on the degree of involvement are financial aspects, motivation for participating and difficulties that come from workload and work schedule.
- ✓ In most of the European countries a middle or high level is established, regarding to appointing the needs for professional development.
- ✓ According to the age of the teachers, needs for professional development are at a lower level at youngest and oldest teachers, and are higher at those aged 40-49.
- ✓ The situation is the same regarding work experience of teachers, but those with bigger work experience have lack of interest for professional development, due to lack of motivation and not as an objective evaluation of needs.
- ✓ Mostly the needs are for improvement of the abilities to work with students with special needs, application of IT technology in classroom, learning different individual approaches, developing cross-curriculum skills and rarely improving skills for classroom management. As a conclusion, it is said that teachers are oriented mostly towards learning professional skills regarding teaching students to take responsibilities for personal learning and care for teachers and satisfying individual needs of students, through taking care of students' individual needs, by using contemporary teaching methods and techniques.
- ✓ Still, analysis have shown that not always there is an agreement between priorities determined by the teachers and those of the state authorities, which shows that the approach down-upwards is not always the most appropriate one. This refers to the need of putting a bigger accent to individual orientation of the needs of teachers.
- ✓ Regarding the forms which are used, organizing different trainings, seminars and workshops is present, but a bigger accent is given to the approaches that encourage exchange of experience and collaboration.
- ✓ Time invested in professional development is closely connected to career development. Countries, where professional development is not a condition for career

promotion, the time spent in career development is bellow that from the European frame, and where it is obligatory the time spent in professional development is much bigger. (Eurydice, 2015)

# 2.2. Teachers' professional development in Republic of Macedonia

The most important questions regarding teachers' professional development in our country are regulated with the Law for teachers in primary and secondary schools. There it is stated that teacher are obliged to continuously improve professionally, according to the Annual programme for trainings for professional development in primary and secondary schools, regulated by the Ministry of Education, and suggested by other public institution (Bureau for Development of Education, Centre for Vocational Education and Development) (Article.19)

This obligation is established with number of hours spent in professional development, or the teachers should spent at least 60 hours during 3 years, where 40 hours are spent at accredited training programmes, 10 hours for priority programmes given by MOE and financed by BDE and 10 hours spent in trainings for personal development, financed by the teacher (Article.21)

Each teacher has an obligation to create personal developmental plan which is based on self-evaluation and the results from other forms of evaluation teachers' work. This plan should be approved by a special team for professional development within the school. (чл. 22)

These regulations show that the accomplishment of the professional development of teacher is clearly defined by a special laws and regulations.

Relevant information about the questions referred to the teachers' professional development in Republic of Macedonia can be found within the frames of the Teacher Professional and Career Development, through the analysis of the current practice, made by Macedonian Civic Education Center (2013). These are the main facts:

- ✓ There are three ways for establishing the needs for professional development, by the state institutions in relation with reforms and changes in programmes, needs determined by the school authorities and individually.
- ✓ Generally trainings are provided by the Ministry of Education and the Bureau for Development of Education, and they aren't always in coordination with the individual needs of teachers.
- ✓ Regarding the forms for professional development, internal professional improvement is the main form that is practiced, by disseminations, internal trainings etc.
- ✓ Professional development is recorded in professional file, and is valued by Educational Inspectorate within the frames of integral evaluation of the school. (MCGO, 2013)

# 2.3. Comparative review of the practices in achieving teachers professional development

In the following lines we will show a short review of practices related to professional development of teachers in several foreign countries, including Macedonia. The following questions are covered: the status of professional development, obligatory criteria for realization and subjects in charge defining the needs is obligatory for establishing the needs.

Countries that are shown in this review are Finland, France and Germany because of their long tradition and quality of educational systems, specially Finland which is considered as a country with high quality education, Serbia as an example of the region and Macedonia.

	Macedonia	Finland	France	Germany	Serbia
Status of	Obligatory	Obligatory	Optional *	Obligatory	Obligatory
professional					
development					
Obligatory	60 hours	3 days	20 hours	Not	At least 68
criteria	per 3 years			specified	hours
Institution	Ministry of	School	Ministry	School	Ministry of
that	education		and other		Education
establishes the	School		state		School
need for	Teachers		institutions		Teachers
professional			School		
development					

<sup>\*</sup>In France professional development is optional, it is not included in state regulations and is a right of the teacher.

The Eurydice Network: http://eacea.ec.europa.eu/education/eurydice/index\_en.php accessed 06.10.2015

This short comparative review and the previous given information, show that all European countries give special attention to professional development. There are different approaches regarding different questions from this area, and depend on different practices in countries, because every educational system has its own characteristics and challenges, and also these questions are determined by the current social, economic and political conditions in each country.

The most common differences are seen in the criteria and time that the teacher should spend for professional development. Besides the different practices in every country, accent is always given to the teacher, so it is very clear that responsibility for professional development is individual, arises from the very essence and basis of professional development and is closely related to the personal development and the need of the individual to improves and upgrade as a person and as a professional.

#### CONCLUSION

One of the questions that is very important in the process of improvement and promotion of quality of education is the quality of teaching staff. Today there are tendencies that are pointed towards providing high quality of initial teacher education and their continuous professional development.

The question of teachers' professional development, according to the comparative review, is very popular in all European countries, with certain differences in the implementation through certain regulations and the approach in establishing the needs of teachers, but in general they are all faced with the same challenges.

<sup>\*\*</sup> Source: Eurydice 2015. The Teaching Profession in Europe: Practices, Perceptions, and Policies

In the past period, in our educational system arises the necessity of continuous professional development of teachers. In this direction number of actions are made in order to establish clear regulations for teaching profession, and also establishing clear demands and criteria to satisfy teacher's professional needs in this area, and establishing teaching competences.

Regarding competences in the area of professional development, in this article we referred to the need of life-long learning and building personal philosophy of the teaching profession, and we consider that these two questions are closely related to the teacher as an individual. Those are the areas in which the teacher himself can intervene and act, without being determined by any other external factor, and whose actions will provide long-term growth as a personality and as a teacher. In other words, each teacher gives his contribution towards creation of higher quality in education on one hand, and building better society on the other, which priorities are the highest human values.

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# THE HEAD MASTER AS A LEADER AND MOTIVATING FACTOR IN THE SCHOOL

Biljana Gligorova

#### INTRODUCTION

"Motivation – one of the most controversial concepts in the psychology. Motivation enables the success of the individual, group and collective, from idea to the final result and the motives may have different dimension: political, social, economic, cultural, sports, and the most important for us, motives in improvement of the educational functions and elements which comprise the educational process.

All people have their own instigators, or motives which duly form their experiences and characteristics. The motivating in the upbringing-educational institutions is a motivation for creation, projection, execution and maintenance of the upbringing-educational forms, methods and the organizational processes. Only the motivated teacher can fully come up with the needs and challenges of the modern era, in the successful realization of the teaching process, as well as with the programme which is out of school establishment.

The work with the youth and the work for youths always contain a huge responsibility, as well as a great possibility for modeling the future through establishing ultimate habits for all subjects involved in the upbringing and educational process.

For the purpose of that, it is essential to choose the best ways for motivating the personnel, which will lead to providing qualitative education. For those reasons, I decided to choose the subject "How to recognize what motivates your personnel", and in order to find ways and take steps how to motivate the personnel for achieving the vision and the realization of the mission of the school, as well as achieving the expected work qualities.

# MOTIVATION AND MOTIVATING

Motivation as a function of the educational organization, through the completeness of the upbringing-educational process, affects and is manifested, in general, in achieving a successful development of the youth generation, through the process of achieving qualitative knowledge, developing capabilities, achieving skills and habits, characters, which are very important for involvement in the economic and social structures in the society and the life in general.

In our educational system two kinds of motivating are distinguished.

Internal; It is considered that what is being achieved, principally organizational and organized, in the educational institution, regulated with internal acts, for example, pupil – leader of the generation, the most loved teacher, the best sport player, the best class, etc.

External; it may be that what is accomplished in the frames of the upbringingeducational activity on the global state level, for example, professional vocations or the supreme acknowledgment, the prize "St. Kliment", as an individual and institutional – collective motivation, as well as other prizes, acknowledgments, tributes, gratitude, certificates, benefits, honours, stimulations and privileges.

Motivators are factors which stimulate the person to activity and influence the individual behavior. Motivators are prizes or laudatory words which bigger the wish for satisfying a certain wish.

The creative motivating tools, courses, trainings, workshops, study travellings, are also a form which contains a developing component and are very useful for the whole process of motivating the system.

#### HOW TO RECOGNIZE WHAT MOTIVATES THE PERSONNEL

The motivation of each teacher is especially important for a qualitative education. For that purpose, it is good to know what is that which motivates them, which teaching style predominates, what does that teacher expect from his/her work, how can he/she make progress, if we want to plan their professional development.

When those who lead the school will enable conditions for all, or at least a bigger number of the personnel to be involved in all processes in the school, then, they feel that everything they work is a part of them, and a sense of pride is made where all the personnel will be included in all activities which lead to qualitative teaching, not only the pupils, but as well as themselves, led by inside. What to be undertaken and how to use those recognitions for achieving better results are the questions which ask full and relevant answer.

There are five easy steps for motivation.

# Different types of personality

This is one of the biggest questions which should be considered. One thing should be clear, all people are different. We all have different characters and caprices. We will not come to an agreement if we sit all day in a closed office, together. It is simply impossible. It is not the way we are created. If one person considers one thing to be a constructive criticism, the other may think that person behaves in a "bossy" manner. One person may think himself/herself to be productive, but the person next to him/her may think that he/she is lazy. Simply, that is the way in which people think differently. In order to be able to accomplish the work successfully, the head master have to understand the differences between the personnel and learn how to handle those issues. It is essential for the manager, through a process of individual communication with each employee, to establish a direct communication first, and then, to create a friend collaborator, and the result to be an open communication, sincere mutual relationship and direction to achieving high values. After this is fulfilled, the total way of work is accelerated and the cooperation is developed in one natural, positive way. The saying is "The best politics is building good interpersonal relationships,, and is adequate for this case, too.

#### **Prizes**

The key for motivation are the targets. If the motivation on the working place is something which is wanted, in that case, the prizes for the teachers are a necessity.

They have to be motivated for accomplishing an excellent work. It may be simply words of confirmation for a good work done, or a concrete material prize, it should be estimated, because the evaluation of each success is essential.

# Working environment

The work place must be enjoyable and comfortable place where there will be enjoyment in the task accomplishment. Each teacher spends approximately 8 hours in that place. If it is not enjoyable and comfortable, then, the motivation cannot be achieved. The teachers can work, socialize, and smile at the same time! It can be achieved only with a creative approach of the manager, in the direction of building a synergy and an atmosphere of positive competition, in order to achieve supreme goals.

#### Independence

The teachers must be capable to think by themselves. Nobody wants to be told what to do and when and how, each minute of the day. The employee must know what his /her expectations are and to be let achieve them. They will be proud if the accomplishment is their idea and a manner of accomplishing the tasks. The balance between imposed obligations and time frames and personal freedom and creation, is the most important.

#### A space for making a mistake

On many occasions, the school head master does not consider the mistakes. In a case where a mistake comes out, nobody knows what to do in order to correct it. The head master's task is to prepare a plan B, in a case, something goes wrong. And always something goes wrong! In order this to be always implemented, the head master should obligatorily have an insight in all segments of the school work, follow the conditions and think permanently for additional options, new possibilities and innovative approaches. Only the head master who is "open minded", can manage the school in which the creativity is constantly developed and the free thought, as a basic instigator of the education and the pupils' success in life.

#### THE HEAD MASTER AS A MOTIVATING FACTOR IN THE SCHOOL

From the gained acknowledgments, the head master will estimate what is good and where he/she should improve in order the personnel motivation to give the expected results.

In the educational organization as motivating factors are the following elements:

- School equipment with didactical materials;
- Influence in the improving and the preparation of the curriculum;
- Influence on the establishing specific goals;
- Delegating authorities and responsibilities;
- Taking part in the realization of innovations;
- Cooperation with other schools and institutions in the country
- Effectuated international cooperation
- Taking part in the process of the teaching

In the educational institution, the head master can be a powerful motivating factor, if he/she keeps to some principles which will create a symbol of responsibility, honesty, communication, and transparency from his/her persona.

- I, as a head master try to be a motivating factor, keeping to the following principles:
  - 3. Creating a feeling of belonging.
  - **4.** I live according to the highest standards of honesty and community.
- 5. I inform the personnel and I communicate with them openly and with pleasure.
  - **6.** I constantly learn and improve myself.
  - 7. I insist on perfection.
- **8.** I care for supreme interpersonal relationships and building a synergy among the personnel, pupils and all employees in the school.

I try to get the utmost out of the personnel, stimulating them to achieve that which they think is impossible.

- **9.** I give an example which the others follow.
- 10. I demand a responsibility from the personnel.
- 11. I do not "manage", but I "lead" and I am always ahead in the processes which we undertake and the projects we accomplish.

I encourage succeeding in their goals and tasks which should be accomplished, but I also demand responsibilities from them.

- 12. I trust the personnel.
- 13. I am ready to undertake a risk.
- 14. I have a feeling for importance and urgency in the working process.
- 15. I consider the time management.

Time is the most precious resource, which, if is not practically used, will be of interest for increasing the rating of the school and that only in that way the competition of the neighbouring schools can be won.

**16.** I acquire the loyalty of the personnel.

I listen to the personnel.

17. I am always available for the personnel.

I think that the head master with his/her behaviour, communication, working and activity, is an important motivating factor in the educational institution.

#### CONCLUSION

The head master, as a pedagogical manager-leader of the school, must possess capabilities and vision for the future. But, that does not mean that only he/she knows to establish very high, and sometimes unreal goal, which will result in punishing him/herself and the personnel.

With the personal example, but only if it is for the sake of the promoting the working climate, creating strong interpersonal relationships, achieving higher qualities in each segment in the educational organization, the head master is a strong motivating factor for his/her personnel, as well as for the pupils and parents.

What is missing, not only to our leaders, but generally to the managers in many profitable businesses, is the knowledge for the power of the motivation and the influence on the profit – small investment, big profit. As an imperfection of our leaders

in the educational institutions, is exactly the motivation. Many of our head masters are not aware for the acquisitions and possibilities which are on their disposal and which can improve the working life of the personnel, pupils, as well as the results from the teachers' work.

The head master should constantly research and find out what is that which motivates the personnel, and insist to satisfy all those motives which lead to higher motivation of the personnel, and in that way he/she will accomplish not only the personal goals, but also the school goals in general.

For that reason the head masters' training in the direction of motivating their personnel, to become capable to use the power of motivation, is one of the preconditions for achieving higher results, and that does not ask for revolution, but simply evolution, development for stimulating their personnel – motivation.

The education and upbringing are the basic tools and basic phenomena of the success and prosperity of the human kind.

"The success as a choice, not a success as a chance".

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# THE ROLE OF EDUCATION IN THE DEVELOPMENT OF THE HUMAN POTENTIAL IN THE PUBLIC SECTOR

Snezana Petreska

#### Abstract

Enhancing of the performances and the results of the enterprises from the public sector is one of the main priorities of the Government of the most of the countries throughout the globe. If, we analyze the budgets of some countries, it becomes clear the Governments do not tolerate the poor performances of the public enterprises. The poor performances of the public enterprises are not due to "immanent" poor effectiveness of the managers of the public enterprises, but in the inadequate competences, insufficient training and the right selection of employees. These obstacles can be achieved through developing an effective system of education particularly for the employees of the public sector. The implementation of the education in the enterprises is a complex activity and task which is developed and executed in the internal segment of the management of the human potential and it is one of its most important subheadings.

Key words: education, results, development, managers, public sector

# INRODUCTION

The main reason of the poor results of the public enterprises is due to the inability of controlling their own agents – the public enterprises. In order to overcome of such a problem, the governments have to create an appropriate criteria for monitoring the performances and effectove institutional plan for implementation of the system and assessment of the results. Nevertheless, it is highly important for the public enterprises to apply the best practices in the business sector, in order to improve the work efficiency.

As a result of the governing position of the national economy, the governments create various types of public enterprises which are different in terms of the legal segment of organization, type of title and their appointed regions. Furthermore, according to the last criteria the enterprises can be divided between federal, public and local (municipal) public enterprises while according to function there is a division of financial and non-financial public enterprises that usually follow a different legal regulation (namely, a different regulation is adopted to the banking work and the work of the other financial organizations).

Today's substitence farms can be assessed as successful only as consistent articulation of the private sector that follows the logics of the enterprise interest for rapid and higher increase of the capital, while the public sector is in charge of satisfying the public needs though securing public goods and services, investing in the strategic sectors in the econom or investments in the sectors which require a larger centralication of the capital. The state does not only have an influence in the public

sectore, but it has a huge impact in terms of creating the business environment and working conditions for the private sector. (Ivanovski Z. 2001)

The role of the government (state) in shaping the economic environment, organization and support of the economic activities is widely acknowledged not only in the economic theory, but also is the most developed practice of the market economies from the Western Hemisphere. However, the assessments of the necessity and effectiveness of the state intervention vary from state to state.

There are three basic prerequisites for enhancing the results of the public sector.

The first prerequsite resquire the existance of appropriate criteria for assessment of the results of the public institutions.

The second prerequisite requires development of appropriate stimulating system that will constantly encourage the managers in the publics enterprises to strive to accomplish better results.

Third, the utilization of the best practices from the business sector has to be applied in order of enhancing the effectiveness of the public sector.

The results of the public enterprises in the developing countries became a top priority of the politicians on a global scale. That is not only a domestic issue, but also an international one. However, the key segment is the issue of developing an adequate criteria for assessment.

A successful high-profit company and a high rate of motivation among the employees becomes a desire of any company owner, respectively on the top-management of the particular company. The traditional access of success of the companies – products and technology, access to financial incentives etc., creates a competitive advantage, but not as nearly the same like it used to be approximately 20 years ago. The differences between the competitive companies are highly decreasing, their offered products have similar outlook and design, the difference between the functionality of the products (if there is any) has been highly decreasing and the exterior of the sales premises are more and more similar. The companies only differ by their behaviour towards their customers, responding in timely manner, ways of resolving complex issues, the level of motivation and result-oriented towards achieving outcomes, learning ability and competence and of course the skills and the quality of their employees.

The enhancement of the public enterprises will be implemented by applying the findings and details of the management of the human capital which will elaborated in the study.

# **Process of Education in the Enterprises**

The implementation of the education in the enterprises is a complex activity and task that is developed and executed in the internal segment of the management of the human potential and it is one of its main subheadings.

The theory and practice of education and training of the employees identifies different terms which are difficult to be compared. For instance, some of those terms may be learning, training, education and development.

Learning means achieving of skills and knowledge which are the result of the permanent changes in our behavior.

The training is defined as an organized program of practicing our physical or intellectual activities (Petz B. 1992).

Education defines the total knowledge, skills and abilities of a person for qualifying to self-decision making and interacting in different situation, while the development is related with achieving new knowledge, skills and abilities that will enable the individual to overtake complex activities for the future challenges.

Today's enterprises are more and more investing in the education and they offer their employees different programs for acquisition of diverse skills and knowledge. The education is not anymore an obligation and a privilege to the high-level management, but it is a requirement for the rest employees of the enterprise. The education and development of the employees have various effects for the whole enterprise in all operating levels. Some of those effects are: (Goldstein, J.L., and Gilliam, P., 1990)

- increasing the knowledge of the employees with the foreign competitors and cultures that is of a crucial importance for success of the foreign markets;
- securing fundamental knowledge and skills for the employees that is essential for working with the new technology;
- to assist the employees to comprehend how to sucefully work as a team in order to contribute quality products and services;
- - to secure the organizational culture which is highlighted by innovations, creativity and learning;
  - to prepare the employees for a better cooperation and mutual acceptance;

The development of the internal structure of human resources in today's large enterprises derives special education units. The quality process and organization of the educational system requests specialists who are particularly associated in the process that is related with other structure of human resources, planning, selection, development etc.

#### **Objectives of the Education**

The process of education is also based on particular objective that has to be achieved by education and training. These objectives contain conception of educational programs, but also a base for approving the criteria for assessing its success. In general, there are some basic objectives and specific objectives of the education.

Some of the basic objectives of the education as listed below: (Carrell, M. R., Elbert, N.F., Hatfield, R. D., 1995)

- Raising the competitive capability of the enterprise;
- Improving of the working effectiveness;
- Actualization of the knowledge and skills of the employees;
- Avoiding the managerial obsolescence;
- Resolving the organizational problems;
- Guiding the new employees;

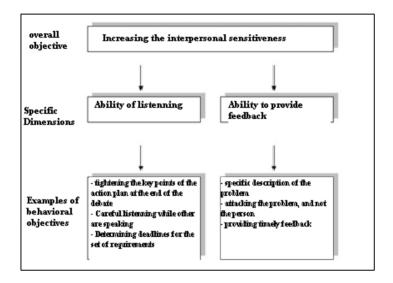
Satisfying the individual need for development.

Every educational program is directed towards some specific objective and points out the exact required knowledge that each individual has to possess or how to behave in order to not only have a precise idea of the objective but also realistic and measurable.

For all different educational needs, there have to be a development of new programs and groups. Those can be behavioural and operational, respectively defined in terms of behaviour or the expected outcomes. The behavioural objectives are oriented towards the cautious and moderate activities or behaviours. (Cascio, W.F., 1987)

Each objective should be described as: desirable behavior, under what circumstances the behavior should take place, criteria of success according to the estimations of the trained person.

Picture 2 provides an example of how the educational objective as a whole can be broken down in dimension, or specific behavioral objectives.



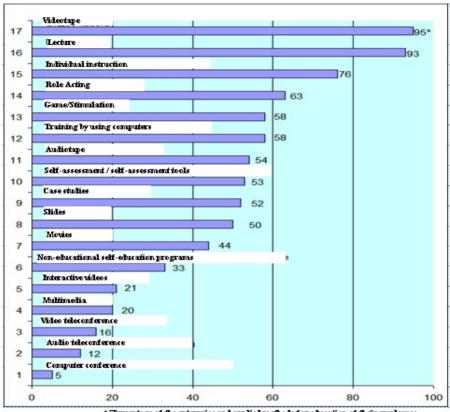
Picture 2. Example of the development of behavioral objectives of the education

We can develop specific objective for each category of the educational needs that are operationalized by the way of behavior and expected results after the completion of the educational program.

Setting precise and measurable goals is a prerequisite for measuring of their achievement, or the evaluation of the educational effects.

# Methods and techniques of the education

Today's enterprises apply numerous methods in the education and training of their employees. The numbers and the popularity is shown in the graph below:



\* "Percentage of the enterprise and applied methods for education of their employees Graph 1. Popularity of various educational methods in the enterprises

- - -

# Methods for Training the Employees at their Workplaces

The big assets that are spent by the companies today in the training of the workers, explain the importance of the education in the workplace. It is also a crucial learning tool for the new employees, but also for the more experienced employees while the technology is changing, working procedures and standards, calculation and promotion of new job positions etc.

There are different types of work trainings, but also there are various dilemmas in regards of when and how they should be used. It is used in the following situations:

- The trained individual is required to immediately and actively participate in the learning;
  - A necessity of one-to-one training;
  - A necessity of training for up to five individuals;
- The objective of the separation of the employees to the working environment is for training purposes;
  - The instructions that are not work-related are not adequate;

- The limited security and equipment defines the other methods as ineffective;
- The frequent changes of the standards in the working procedures leave a little time for training;
  - The requested training task has been rarely accomplished;
  - There is a need of immediate changes for fulfilling the new secure requests;
- The author suggests checking the level of expertise for performing the task in order to issue the diploma and qualification.

The enterprises that apply that particular type of training have to clarify and define the policy, but also to precise who has to implement it, and to point a person who will be responsible for its performance. If the tasks of the manager include that segment of managing, then he has to involve himself in estimating his performance.

*Individual instructions* – this method is implemented under supervision of instructor. It does not require any special fees, equipment or material because the training is directly related with the work.

Job rotation – enable the employees to gain experience in performing their specific tasks. It is often used for preparation and development of the managers who rotate on various affair units.

Apprenticeship – is a specific type of training which is practiced in our country as well (unfortunately, it is only a form of formality). It is the period when the new employees (usually those with a college education) are introduced to their specific tasks and day-to-day work.

There are other famous educational methods at work, such as: mentorship, study internship, professional practice etc.

# Methods of external training

There are also different types of training that are not in the workplace. In addition, we will briefly mention some of them:

Lecturing – This method is recognized as the most popular method of transferring the knowledge and education. The main reason for its popularity is the effectiveness of transferring a large amount of information to a bigger group of individuals. This is the fastest method and the verbal presentation of the information is simplified.

*Program study* – regardless of whether the learning tool is manual or rule, the program study always contains three parts: :(Dessler, G., 1991).

Learning through the usage of computers – the modern information technology enables new forms and techniques for education and learning. Today's educational system in the enterprises is more and more oriented towards the computer study. Certain educational programs are distributed to the beginners and then these are independently used with assistance of personal computers.

Case study method – this method is mostly used for complex and professional activities. The participants are required to identify and analyze the specific problems, to develop alternative solution and to recommend better solution for the concrete problem. It can be used in a group and individual manner. This method is often directed toward enhancing the abilities and solving the problems of group-decision making.

There are many other methods for education, outside of the work and some of them as follow.

#### CONCLUSION

Enhancing the performances and the results of the public enterprises is one of the main priorities of the Governments of the most countries throughout the globe. If we analyze the state budgets of few countries (i.e. India, where one third of the budget is filled up with the public enterprises), it is sufficiently clear that the governments would not accept the tolerrance of weak outcomes of the public enterprises. The week outcomes do not result as a consequence of the ''innate'' weak effectiveness of the managers in those public enterprises (there is a proof of this in.

The main reason of the poor results within the public enterprises is due to the failure of the Government to control its own agents – the public enterprises. In order to overcome such a problem, the governments have to create an appropriate criteria for monitoring the performances and effective institutional plan for implementation of the system and assessment of the results.

As a result of its position of governing with the national economy, the governments create various fourms of public enterprises which will differ in terms of the legal ssegment of organization, the performed function and their performing region. Therfore, according to the last criteria, there are the trype of public enterprises: federal, state and local (municipal). On the other hand, according to the purpose of their existance there is a division of financial and non-financial public enterprises, that usually follow differen legal regulation (namely, there is a different regulation which cover the banking sectore and the work of other financial organizations).

There are two basic prerequisites for accomplishing better results within the public sector. The first requisite requires the existance of appropriate criteria for the assessment of thier results. Second, it is neccessary to develop an adequate system for stimulation, so the managers of the public enterprises would constanty strive to achieve better accomplishments.

The results of the public enterprises in the developing countries became a top priority of the worldwide politicians. This is not only issue in the domestic policy, but it is also became an international issue. However, the key point is the issue of development of adequate assessment criteria.

A successful high-profit company with a high rate of motivation among the employees becomes a desire for any company-owner, or any top-management which manages the certain companies. The traditional approach for the success of the companies — products and technology, access to financial incentives etc., causes competitive advantage, but much less than 20 years ago. The differences between the competitive companies have been constantly reducing; the offered products look similar and have similar design, the difference in the structure of the products has been constantly minimizing, the exterior of the sales premises is more and more similar. The only thing that a company differs from another company is the behavior towards their customers, responding in timely manner, ways of resolving complex issues, motivation and the orientation towards accomplishing outcomes, ability to learn and competence, and of course its employees.

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#### VITRUAL AND REAL IDENTITY

Connection between virtual and real identity on social network Facebook at eighth grade pupils

Lela Nikolovska<sup>6</sup>

#### Abstract

Young people in the contemporary trends of his life use many ways of self-presentation, using the possibilities of the internet. The individual has space to change his identity, as changing his age, physical appearance ,sex (gender), every day activities, occupation etc. One of the specifics of self-presenting is identity. An individual can create his own virtual identity, where he can present his hidden positive and negative characteristics. Usually young people use social networks like places for communication. The most used social network is Facebook. That is the place which is used by the majority of the individuals as an instrument for building real and virtual identity. Building of the identity is a complex process, which depends on existing situations such as feedbacks, tags, perception of social hierarchy in the real life and efficiency of expressing in the online world (Dixon, 2008).

*Key words: Identity, real identity, virtual identity, social network.* 

#### BACKGROUND

The term network society depicts few different phenomena related to the social, political, economic and cultural changes, caused by the expansion of network, digital information and communications technologies. Many scientists get credit by interpreting the term of the 90s.

Van Dijk defines network society as a society with combination of social and medium networks that create the organization and the other structures in every level (individual, organizational and social).

Barry Wellman, Hiltz and Turov researched this term as well: network society and Wellman studied the network society as a sociologist at the Toronto University. His first formal job, "Network city", was in 1973. Recently, Wellman contributes in interpreting about society, explaining it as a individualized network, also known as "network individualism" (Wellman, Barry 2001). In his researches, Wellman is focused on three major points of the network society through: community, business and organizations. He says that with the latest technological achievements, the community and the individual can be social and spacious directed. Oorganizations also have benefit from widening the networks, in which they have connections with members of other different organizations that can help them with the problems through particular questions.

New media is a concept which brought new methods of communication in the digital world. Allowed smaller groups of people to gather on the internet and to make trade shares, sell and exchange goods and information. It allows many people to have

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the right to say what they want in their community and in the world. New media have totally different characteristics. The most important structures of the new media are integration of telecommunication, sublimating the data of one media. Because of this reason, new media are often called multimedia. Second element of the new media is the characteristic of current communication revolution, upswing of the interactive media.

With little exaggeration 21<sup>st</sup> century is called a period of computer and network society. Network information by digital way are becoming nervous system of our society. It can be expected this infrastructure to have bigger influence on our social and personal life, than building roads for transportation goods and people, like in the past. Therefore, when new means arrived in 1980 some people called them ''pollutants''of our social environment which penetrated in our private life. According to them, new means decreased, and even destroyed face to face communication, and made relationships at work more formal .This will result in decreasing of privacy and total control from the superiors. In the 1990s this phenomenon got new dimension, new media significantly influenced the improvement of quality of life and communication. (Van Dijk, 2006).

Using of the internet social network exploded in popularity in the last few years, as means, mainly in the hands of younger population, to present some information and to communicate with the others. One of the most popular sites is Facebook, which was at first a forum of students, and today is used by people of all ages through the world. Its popularity in the beginning was supported by the perceptions of the students and other young people that it is something' private' forum with limited access to those who are on college or at university. So users of this site were felt free to publish personal information about themselves and about their own social lives seeing this as a mean to attract and develop relationships with their peers. However, very quickly after its creation, the look and the function of Facebook were changed. Questions have been asked about the use and suitability of the data about the location of other people who aren't students, and how this use will bring decisions which will have negative influence on students

Identity is a relatively complex term and is defined differently in different disciplines. Maybe it is the best to adjust the Mosham's definition, which summarize the elements emphasized in the most important theories, and which offers frame to study the identity in the period of adolescence identity is at least partly explicit theory of yourself as a person "(Mosham, 2005 year). According to this point of view, some identity is sophisticated concept of personality, something that should help to answer the questions like Who am I?, Where do I belong? And where do I go?

Erikson, who first turned his attention to term identity (Kroger, 2006) described adolescence as a period when a person should build his own identity. Creating of identity represent integration of accumulated experiences, skills, talent, and possibilities which are offered by different social roles in one compact and complex identity of the person. For Erikson, questions about vocational decision, ideological values and sexual identity are the foundations of the identity (Erixon & Stone, 1959; Erixon, 1968, 1980).

Identity is multi-dimensional structure and scientists distinguish different aspects of identity such as personal social, sexual and ethnic identity, personal identity is based on self-assessment and self-reflection (for example, "who am I", "I am me"), and social identity which is connected with the feeling of inclusion or affiliation in one social context (for example, "where they belong", "what I am part of"). **Sex is** important period of adolescence and accelerated maturity (Arnett, 2004); man and women often

have different social roles and the process of creating the identity may vary depending on these social roles. Ethnic identity is also built in the period of adolescence and it is defined as constant fundamental aspect of himself which includes feeling that he is a member of one ethnic group and attitudes and feelings connected with this membership. Therefore digital context san support young people to build his own personal, social, sexual, and ethnic identity (Manago et al., 2008; Tins, Giang, & Tomson, 2008; Tomson, Raynolds, & Greenfield, 2004).

In some online applications like virtual rooms for talking, forum for discussion, or text online game, often the identity is established through:

- Nickname or user name, which can convey information about sex of the user (for example, pretty girl 245), sexual identity (straight angel), and some special interests (soccer chick),
- A/S/L code young internet users try to share basic facts about their identity on the internet and they came out with creative strategies. One of the strategies which can be find in online researches about teenager's virtual rooms for chatting "A/S/L" (Age/ Sex/ location),
- Avatars In the framework of computer games (for example, MMORPGs) and complex virtual worlds (for example, Second Life), identities of the online players or persons are avatars that are adjustable. Depending on online space, avatars can be presented in different shapes, starting with the man until fantastic creatures, and usually in 3D animations.
- **Pictures and video clips** Photographs and videos can be used for online self-presentation, they are easy to attach on blogs, socially networked profiles, like other similar user generated sites.

Individuals in a state of diffusion, they are easily influenced by their peers, and they very often change their attitudes and behaviour, and they have low self-confidence and problems in interpersonal relationships. It is speculated that for adolescents with diffuse identity, on line environment can become a shelter, space where they can teach to express their attitudes, young people to communicate with other people, and violates norms, without fear of sanctions. Diffuse identity is difficult to measure with a questionnaire.

Online tools such as graphic figures (avatars) and nick names, also have the role in building virtual identity or online personalities, who are different from online self-presentation previously described. According to Tomas, virtual identity, is also built up through the sense of belonging to virtual group, communication with the help of jargon, and getting technical knowledge. Skills ,such as possibilities to use certain softwares, to control chat rooms, or searching new software, are becoming integral part of self-evaluation; these digital skills are very appreciated and '' belong'' to virtual identity of the adolescent.

#### METHODOLOGY OF RESEARCH

# Purpose of the research

The purpose of this research is to elucidate relationship between how pupils from the eighth grade—see themselves in the reality and representing themselves in a virtual world such as Facebook, thus made a step in elucidating of many questions connected with mystification of the virtual space, and questions connected with the relationship

reality and virtual world and identity; it will enable to see the needs for using and the ways of using social networks, and elucidate the ways pupils from the eighth grade see themselves.

#### Sample research

Research samples in this survey are pupils from the eighth grade in Dimo Hadzi Dimov primary school. Total number of questionnaires is 150,but completely filled are 104,(52 boys and 52 girls)at the age of 13.5 to 14,5 years old.

#### **Research instruments**

For the purpose of this research a survey was organized, and as instruments for collecting data were used questionnaire and attitude scale. A questionnaire was designed in context of research purposes and hypotheses and had sets of questions (the whole version of the questionnaire see Appendix X):

- Usual activities of pupils from the eighth grade on Facebook (playing games, using social networks, downloading/listening/watching films, music....
- Profiles of the pupils from the eighth grade made on Facebook presence and type of photograph, time spent on editing, reasons for creating the profile....
- Facebook friendships number of friends, types of friends (known/unknown, from the same sex/from the opposite sex...., types of comments that are written, types of comments which are getting...
- Cyber culture- good/bad behavior, way of expressing on Facebook (using praise /or threats, insults)

Attitude scale (Hadley MA et all, 2008) is a scale for estimating of self-concept of adolescent and it is constructed to contain following aspects:

- Estimating of school competence
- Estimating of sports competence
- Estimating of social competence (social contacts- acceptance by friends)
- Estimating of physical appearance
- Estimating of moral competence (moral behavior)

Cronbach Alpha for the mentioned different subscales is from 0, 51 to 0, 77.By its character this research is exploratory(preliminary) since the lack of data about topics like this in our country. Questionnaire and the scale were given reusable during one school class. Data were processed in SPSS v13, and presented in tables and graphs.

#### General hypothesis

There is connection between real identity (real self-concept) and virtual identity (presenting on Facebook)

# Special hypothesis

Physical real identity (real self- concept) is connected with the profile on Facebook (the way that pupils from eighth grade represent themselves on Facebook), and with:

- whether the profile on Facebook is represented with his own photography/picture or not,
- whether the profile on Facebook is represented with his own name/surname or not,

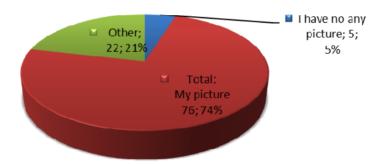
- whether rarely or often changes the photography/picture which represents them.
- what are the reasons for choosing the photography that represents them on Facebook.
- how much time do they spend editing their profile,
- Whether they represent themselves with their own sex.

# **Analysis of the survey results**

To analyze received data we start from the description of the respondents behavior on the Internet; then it was presented virtual identity of the pupils from the eighth grade through answers of a series of questions; followed the analysis of the real self-concept, or real identity of the the pupils from the eighth grade and to be finished with the relation real-virtual identity, which in fact meant the answer to the question to prove research hypotheses.

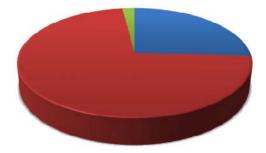
Adolescents, in the context of the whole look of the profile that they created on Facebook, were asked what kind of photography /picture they have put that represents their own profile,how often do they change that profile picture and what they want to achieve with that.Results from the received data show that:

❖ Most of them have been used their own picture to set the profile. There is no picture/My picture/Something else



**Picture no.1** Percent of the respondents answered the question: if you have profile on Facebook, what kind of profile –picture you have put now?

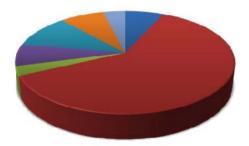
♦ Most of them change the profile-picture once a week. Yes/No /Without answer



**Picture no 2.** Frequency of responses to the question: Do you often(at least once a week)change your profile –picture on your profile?

As you can see from the answers, to the question, : do you often change the picture on your profile, 26% answered positively, 72% answered negative, and 2% no answer.

❖ Most of them as a reason for putting specific profile picture cites the wish to present themselves as they are in the real world. To be more attractive/To show myself as I am/To be more interesting/To be more funny/To do that for a joke/ I wanted to achieve something else



**Picture no 3.** Frequency of responses to the question: What do you want to achieve with the profile-picture that you have used?

As regards the findings getting from the question: what do I want to achieve with the picture I have placed on my profile- 7% of the respondents answered: "to be more attractive", 61% of them want to represent themselves as they are , 3% to be more interesting, 7% to be more funny, 10% answered that they do that for joke, 8% want to achieve something else, while 4% of the respondents didn't give any answer to this question .

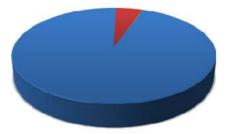
Except for the profile picture, the respondents were asked what kind of name do they use to represent themselves in the virtual space, whether they clearly denote their sex, how much time do they spend editing their own profile, at the end of this section concerning the profile look, they were asked who can see their profile. Results of the answers show that:

\* Respondents most often they represent themselves with their name and surname Your personal name and surname(or with one or the other)/ with your nickname/You have used other name to represent yourself/no answer

**Picture no 4.** Frequency of the responses to the question: How do you represent yourself on your profile?

In connection with your presentation, on the profile 85% are presented themselves with their personal name and surname, 10% with their nick name, 3% have used other name, 2% are without an answer to this question..

\* Respondents usually represent themselves with their own sex-Yes/No/I have written that I belong to opposite sex



**Picture no 5.** Frequency of the responses to the question: Have you written which sex do you belong to?

Further on,

\* Respondents are' dealing' with their profile differently-I don't edit my profile/Once or twice a month/Once or twice a week/Almost every day I add something to my profile/No answer



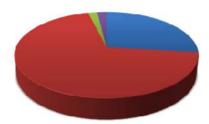
**Picture no 6.** Frequency of responses to the question: How much time do you spend editing your profile on Facebook?

Results show that the groups of respondents who spend different time (and more rarely and more often) are equal, so to the question 20% are going to answer that they

don't edit, 25% they do that once or twice a month, 28% once or twice a week, 24% almost every day they add something to their profile, a 3% they won't give any answer.

At the end of this part regarding the look of the profile, eighth graders were asked who can see their profile so we will conclude, for the majority of the respondents, little above 69%, the profile can be seen only by their friends

All/Only my friends/Some of my friends/Didn1t answer



Picture no 7. Frequency of responses to the question: Who can see your profile? If we want briefly to interpret this part regarding virtual profile of examined eighth graders, we will say that the most of them represent themselves as they are in the reality—with their own picture, with their own name and surname they clearly expresses their gender, although they rarely change their picture which represent them, they have different habits about the time they spend completely editing the profile. Or briefly, virtual identity is almost the same as their real identity.

# Conclusion

It was calculated the significance of  $X^2$  and the correlation coefficient r for the predicted relations,and the results are shown in the following table .

**Table no.**9  $X^2$  and the significance of  $X^2$  for the relationship **physical real identity** and the profile look of virtual identity on Facebook

Relationship physical real identity(grouped) with the	$X^2$		
profile look of virtual identity	$\Lambda^{z}$	p	
Physical real identity/ whether profile is represented		p	>
with their own photograph/picture or		0,05	
Physical real identity/ whether the profile is	4,208	p	>
represented with their own name/surname or		0,05	
Physical real identity/ whether they often or rarely	2,869	p	>
change the photograph /picture they represent		0,05	
themselves			
Physical real identity/ what are the reasons of	10,587	p	>
choosing photograph on Facebook which represent them		0,05	
Physical real identity/ how much time they sped	4,422	p	>
editing their profile		0,05	
Physical real identity/ whether they have written	2,383	p	>
which gender do they belong to		0,05	

**Table no.**10 r and meaning of r for the relationship **physical real identity** and the look of the profile of the virtual identity on Facebook

Relationship Physical Real identity (not grouped) with			
the look of the profile of Virtual identity	r	p	
Physical real identity/ whether profile on Facebook is	0,044	p	>
represented with their own photography/picture or not*		0,05	
Physical real identity/ whether profile on Facebook	0,049	p	>
is represented with their own name/surname or not**		0,05	
Physical real identity/whether they change their	0,042	p	>
picture rarely or often/picture they represent themselves		0.05	
Physical real identity/ what are the reasons for the	0,061	p	>
choice of the photograph that represent them on		0,05	
Facebook ***			
Physical real identity/ how much time do they spend	0,003	p	>
editing their profile		0.05	

Tables clearly show statistically appointed  $X^2$  and r between physical real identity and, all aspects of virtual identity, more precisely all those aspects that define the look of the profile which eighth graders construct for themselves on the social network Facebook. Tthat means that there is no difference between respondents who have more positive or more negative self-concept about their own physical appearance in terms of how they represent themselves on Facebook . Namely, and those with really positive and those with less positive self-concept regarding physical appearance use their own picture to represent themselves, use their own name and surname, the main reason why do they represent themselves like that is because they want to represent themselves as they are in reality, rarely (more rarely than once a month)they change their profile picture and publicly an accurately express their own gender.

First hypothesis assumed that there is a connection between physical and real identity and the look (appearance) of virtual identity, and the received data showed that questioned eighth graders have positive self-concept regarding their physical appearance and they all have and 'positive' virtual identity, if representing with their own photography, own name and surname, and open expressing their own gender and rarely changing the picture that represent themselves on Facebook-expresses positiveness in a way. Thence statistically speaking we can say that there is no connection between physical and real identity and the appearance of virtual identity, so THE FIRST HYPOTHESIS IS NOT PROVED.

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