

UNIVERSITY OF TOURISM AND MANAGEMENT

**The Third International Scientific
Congress - Biennale**

5th October, 2013



Skopje, Macedonia

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Congress - Biennale**

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**Collection of works of the Congress
on the theme**

ICON BEST 2013



English version

A blue, semi-transparent globe is positioned at the top center of the page, partially cut off by the top edge. It shows a map of the world with a focus on Europe and Africa. The globe has a grid of latitude and longitude lines. Below the globe, the page transitions into a white background.

Dear ladies and gentlemen,

*It is great honor and pleasure to welcome you at the Third International Congress, Biennale with the theme: **ICON BEST 2013**. The Congress is organized by the University of Tourism and Management in Skopje which permanently monitors the educational, scientific and economic trends in developed economies in Europe and worldwide in order to create and implement innovations which will bring us closer to the standards of the European Union.*

I am convinced that each and every one of us present will give an exceptionally high contribution to exchange information on the current scientific thought about tourism and sharing of ideas. At the congress the best practices about enhancing the business climate in the region and wider will be presented. At the same time you will have the opportunity to establish business contacts with prominent leaders in the field of tourism and management.

Thank you for your participation in the congress. I'll be especially pleased to see the next Congress.

Chancellor
Prof. Ph.D. Ace Milenkovski

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UNIVERSITY OF TOURISM AND MANAGEMENT IN SKOPJE

The University of Tourism and Management in Skopje is a private university accredited in 2006 by the Ministry of Education and Science in the Republic of Macedonia.

The University is managed by the Chancellor Prof. Ace Milenkovski PhD. The University has a competent teaching staff, the most sophisticated technical, material and spatial resources. The design of the mission and vision is compatible with the world trends to ensure total management quality.

University of Tourism and Management in Skopje organizes first cycle of Undergraduate studies, the second cycle of Master Studies while the third cycle of Doctoral studies is in process of accreditation. Within the University exist and function the Faculty of Tourism, the Faculty of International Marketing Management, Faculty of Human Resources Management, Faculty of Economics, Faculty of Public Relations, Faculty of Sports Tourism, and Faculty of Entrepreneurial Business. The lectures at the faculty are conducted according to the principles of Bologna declaration with the explicit application of the methodology of the European Credit Transfer System, supported by computer software that is aimed at efficient and effective communication of stakeholders, access to information and objectivity in measuring the quality of the teaching process and the final solutions. The priority in permanently monitoring, implementing and evaluating the process and results is the direction of the University to create an effective interaction of students and teachers in order to acquire competencies, i.e. applicable knowledge according to the standards of the universities in Europe and the world. The multidisciplinary approach is a sign of the teaching process for acquiring theoretical knowledge which are assessed through the mandatory realization of the internship in reputable institutions in the country and abroad. After completing the studies, the students are trained for the competitiveness in the labor market.

An integral part of the University is the FTS travel, travel agency, managed by graduates who are leaders in creating the internship. The scientific and research activity is noted by the intensive production of the university textbooks and scientific papers, publications and a magazine which is published annually.

International collaboration is accomplished through participation in scientific congresses, symposiums and signing collaboration memorandums with renowned universities in Europe and beyond.

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CONTENTS

CONTEMPORARY MANAGEMENT INTENTION > 3 - 68

Konstantin Petkovski, Ph.D Fanche Joshevska, MSc	ANALYSIS OF A MODEL OF TEAMWORK BY HILL	3
Rozalina Popova-Koskarova, PhD Arijana Koskarova,	EDUCATIONAL PRESUMPTIONS FOR SUCCESSFUL MANAGERS	9
Dr. Mimoza Serafimova Dr. Tanja Angelkova Petkova	ENTREPRENEURSHIP AS A MODERN MANAGING INTENTION IN A DIRECTION OF DEFINING QUALITY	13
Ivo Kuzmanov, PhD Konstantin Petkovski, PhD.	RESEARCH BASED ON THE PSYCHOLOGICAL ASPECTS ON THE ENTREPRENEURSHIP AS A PERSON AND ANALYSIS ON THE RESULTS FROM THE CONDUCTED RESEARCH BASED ON ENTREPRENEURSHIP PROGRAMS IN BITOLA'S REGION IN 2012	18
Sofija Petkovska Biljana Gjorgjeska	THE SIGNIFICANCE OF THE QUALITY MANAGEMENT SYSTEM IN MAKING MANAGEMENT DECISIONS	25
Jasna Teofilovska Ph.D.,	MOBBING AS DISCRIMINATION IN EMPLOYEE RELATIONS: TRENDS IN TOURISM	29
Aleksandra Stoilkovska, Ph.D. Violeta Milenkovska Ph.D. Gordana Serafimovic MSc	THE CORRELATION BETWEEN ORGANIZATIONAL CLIMATE AND EFFICIENCY OF TEAMS	38
STAMBOLISKI VASIL, M. Sc	IMPROVEMENT OF BODY SHOP MANAGING AS A PART OF VEHICLE IMPORTERS CENTER	46
Aleksandra Stoilkovska, Ph.D. Violeta Milenkovska Ph.D. Gordana Serafimovic MSc	THE INFLUENCE OF FAMILY RELATIONS ON DECISION MAKING IN FAMILY BUSINESS	54
Ace Milenkovski, Ph.D Aleksandra Stoilkovska, Ph.D	MANAGING ORGANIZATIONAL ETHICS AND SOCIAL RESPONSIBILITY IN TOURISM ORGANIZATIONS	61

HOSPITALITY MANAGEMENT > 69 – 106

Amelia Tomašević, PhD	HOTEL INDUSTRY TRENDS	71
TRAJKO MICESKI, Natasa Stojovska	IMPROVING THE QUALITY OF HUMAN RESOURCES MANAGEMENT IN TOURISTIC ORGANIZATIONS – KEY FACTOR FOR INCREASING THE SATISFACTION OF SERVICE USERS	76
Mr. Miško Radjenović	RECRUITMENT OF HUMAN RESOURCES IN THE PREPARATION OF SERVICE PROGRAM IN HOTEL COMPANIES	87
Ljerka Cerovic, Ph.D., Danijel Drpić, M.Sc., Vedran Milošević, M.A.,	THE POSSIBILITIES FOR REPOSITIONING OF THE OPATIJA RIVIERA'S TOURISM OFFER	99

PUBLIC RELATIONS AS A PRESUMPTION FOR CREATION OF COMPANY

IMAGE AND BRAND > 107 – 149

MSc Renata Stoilkovska	MANAGEMENT SKILLS OF EMPLOYEES FOR EFFECTIVE GUERRILLA MARKETING	109
Metodija Angjeleski PhD Nikolina Gaberova Ljupcho Tashevski	PUBLIC RELATIONS	114
Ilija Moric, MSc	SPECIFIC & NECESSITY OF PR IMPLEMENTATION IN RURAL TOURISM	120

Mr.Elena Doneva	PUBLIC RELATIONS	127
Valentina Mucunska, Palevska PhD. Vera Boskovska, M.Sc, Ljupco Dimitrievski, M.Sc	THE FUNCTION OF PUBLIC RELATIONS IN PROMOTION AND BRANDING OF COMPANIES	133
SASKO GRAMATNIKOVSKI, PhD ZORAN STREZOVSKI, PhD VERA BOSKOVSKA. M.Sc	THE ROLE OF PUBLIC RELATIONS FOR CREATION BRAND OF THE FESTIVAL	144
IBRAIMI JAKUPI Z., MERDZANOVSKI S., TRIFUNOVSKA I.S	THE IMPACT ON HUMAN RESOURCES MANAGEMENT IN PUBLIC HEALTH INSTITUTIONS	150
VLADANKA DAVKOVSKA ,Ms.C	EMPLOYEE SATISFACTION IN HOTEL INDUSTRY - FUNDAMENTALS OF CUSTOMER SATISFACTION	162

SPORT TOURISM AS A BASE FOR TOURISM INCREASE SCOPE > 169 – 191

Krassimir Petkov, PhD, Valentine Panayoytov, PhD	ANALYSIS OF THE PERFORMANCE OF BULGARIAN COMPETITORS ON 2013 WORLD CADET FENCING CHAMPIONSHIP	171
Konstantin Angelovski, Ph.D Sashko Gramatnikovski, Ph.D Mainly ass. Dimitar Iliev	ORGANIZATION OF SPORTS COMPETITIONS AS A BASIS FOR THE DEVELOPMENT OF SPORTS TOURISM	177
IVA BULATOVIĆ, M.Sc. ANA TRIPKOVIĆ-MARKOVIĆ, PhD	STRATEGIES FOR SPORT TOURISM DEVELOPMENT (CASE: THE MUNICIPALITY OF BAR, MONTENEGRO)	181

STOCK EXCHANGE MARKETS AS ACCELERATOR OF ECONOMIC GROWTH



193 – 283

Nadica Ivanovska, Ph.D, Zoran Ivanovski, Ph.D,	FUNDAMENTAL ANALYSIS AND DISCOUNTED FREE CASH FLOW VALUATION OF STOCKS AT MACEDONIAN STOCK EXCHANGE	195
S.Kozuharov, Ph.D Z.Ivanovski, Ph.D M.Georgievski Ph.D	MANAGERIAL ECONOMICS IN CONTEMPORARY ECONOMIC CONDITION	206
Dr. Baki Koleci, Haxhi Zeka, Mr.sc.Violeta Koleci	QUALITY IN HIGH EDUCATION IN REPUBLIC OF KOSOVO	211
Zoran Ivanovski, Ph.D, Nadica Ivanovska, Ph.D,	STOCKS VALUATION AT MACEDONIAN STOCK EXCHANGE WITH DIVIDEND DISCOUNT MODEL: IS IT OBSOLETE OR STILL APPLICABLE IN PRACTICE	216
Tatijana Ashtalkoska, PhD Aleksandra Srbinovska-Donchevski, PhD	THE IMPACT OF MANAGEMENT STRUCTURES AND THE GLOBAL ECONOMIC CRISIS ON EMERGENCE OF NEW FORMS OF ECONOMIC CRIME	224
M-r Katerina Nikolovska Zoran Ivanovski, Ph.D Ace Milenkovski, Ph.D Nadica Ivanovska, Ph.D Saso Kozuharov, Ph.D	THE ROLE OF TNC IN ECONOMIC RELATIONS DEVELOPMENT AND IMPROVEMENT OF BUSINESS HIGHER EDUCATION THROUGH IMPLEMENTATION OF STUDENTS LEARNING OUTCOMES ASSESSMENT PLAN (SLOAP)	230
Suzana Baresa, M.Sc Sinisa Bogdan, M.Sc Zoran Ivanovic, Ph.D Zoran Ivanovic, Ph.D Sinisa Bogdan, M.Sc Suzana Baresa, M.Sc	STRATEGY OF STOCK VALUATION BY FUNDAMENTAL ANALYSIS	248
	FORECASTING CROATIAN STOCK MARKET INDEX: CROBEX	253

Suzana Baresa, M.Sc Sinisa Bogdan, M.Sc Zoran Ivanovic, Ph.D	FACTORING PERSPECTIVE: CROATIA VS EUROPEAN UNION	264
Ivo Županović, Ph.D	STRATEGIC ADJUSTMENT OF TOURISM DESTINATION MANAGEMENT - NEW TRENDS	283

URBAN TOURISM > 295 - 450

Lorena Peroš, BA	Affirmation of cultural identity tourism destination through city break travelling – Zadar city example	297
Zlatko Jakovlev, PhD. Cane Koteski Snezana Bardarova, M.Sc	ANIMATOR ROLES IN ENRICHING THE CONTENT OF TOURIST STAY	308
Mircea Mureșianu, PhD Eduard Schuster	BISTRITA URBAN AREA & ITS INTERNATIONAL TOURISTIC FLOWS	314
Danijel Drpić M.Sc.,	CULTURAL HERITAGE AS THE FACTOR OF GROWTH OF COMPETITIVE ADVANTAGES OF TOURISM IN THE REPUBLIC OF CROATIA	321
Sanja Pavlović, PhD, Snežana Štetić, PhD, Sara Stanić, M.Sc	CULTURAL INDICATORS OF SUSTAINABLE TOURISM IN URBAN AREAS IN SERBIA	330
Ana Vizjak, PhD Sanja Komadina, M.Sc Maja Vizjak, M.Sc	DEVELOPMENT OF TOURIST POLICY IN THE EUROPEAN UNION	338
Nikola Cuculeski, MBA Ilijana Petrovska, PhD.	Emerging trends in the tourism industry – the need of alternative forms of tourism	348
Hristina Dimeska M.Sc, Katerina Mijalova M.Sc	EVENTS AND THEIR IMPACT ON TOURISM - THE CASE OF SKOPJE	354
Biljana Petrevska, Ms.C	INNOVATIVE APPROACHES FOR PROMOTING TOURISM IN MACEDONIA	361
SnežanaŠtetić, PhD, Dario Šimičević M.Sc Saša Stevanović, M.Sc	MAJOR SPORTING EVENTS AND THEIR INFLUENCEON THE DEVELOPMENT OF TOURISM IN BELGRADE	367
Mijalce Gjorgievski, PhD Sashko Gramatnikovski, Ph.D Dejan Nakovski	Climatic features as a factor for development oftourism in the Republic of Macedonia	376
Risto MIJALOV PhD, Goran KITEVSKI	Regional and European Economic Relations of the Republic of Macedonia and economic integration of tourism as a factor for economic development	384
Ana Vizjak PhD, Maja Vizjak, MSc	SHOPPING TUORISM AND CONSUMER HABITS	389
Ilija Moric Đurđica Perović Tatjana Stanovčić Sanja Peković	The Role of Tangible and Intangible Elements in Tourist Satisfaction: The Empirical Evidence on Montenegrin Data	400
Dubravka Krivačić, M.Sc., Mateja Petračić, B.Sc., Davorka Rujevcān, B. A.	THE ROLE OF ENVIRONMENTAL ACCOUNTING IN THE HOTEL BUSINESS SUSTAINABILITY	406
Ivo Županović , PhD	STRATEGIC ADJUSTMENT OF TOURISM DESTINATION MANAGEMENT -- NEW TRENDS	416

<i>Nebojsa Cvetanovski, M.Sc.</i>	Management of Portfolio Instruments in Investment Funds	428
<i>Sasho Kozuharov PhD, Natasha Ristovska PhD</i>	FOREIGN DIRECT INVESTMENT IN THE BANKING SECTOR	433
<i>Petrusheva Nada Ph.D</i>	MACEDONIAN ECONOMY IN TERMS OF FOREIGN INVESTMENTS AND THEIR BENEFITS	443
<i>Kole PAVLOV, MSc Ace MILENKOVSKI, PhD Gjorgi PAVLOVSKI, PhD</i>	ANALYSIS OF GEOGRAPHICAL FACTORS IN FUNCTION OF THE DEVELOPMENT OF VINICULTURE AND WINE TOURISM IN THE TIKVESH VALLEY	450

Conclusions of the Congress



CONTEMPORARY MANAGEMENT INTENTION





ANALYSIS OF A MODEL OF TEAMWORK BY HILL

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Abstract

The contemporary management of the intellectual capital of an organization, as a major determinant for efficient and effective operation of the organization has access to the teamwork. Teamwork means quality leadership which is necessary for a successful team management.

In the theory and the practice are given a number of models for teamwork and team leadership, however, in this case the subject of this paperwork will be the analyzing of the model of team leadership according to Hill.

According to this model there are two functions of team leading established:

- Leading functions in the team;
- Leading functions out of the team;

In the first part, which refers to the functions of leadership in the team, are set two major categories: team leader's tasks and the built relationships and atmosphere in the team.

In terms of the functions of the leader out of the team, the model focuses on two categories, namely: the functions of leadership out of the team, but within the organization and leading functions of the team outside the organization.

Key words: *team, leadership, teamwork, efficiency and effectiveness.*

INTRODUCTION

The managing of human resources represents one of the main determinates about properly managing of the whole process of the organization, with which her efficiency and effectiveness are achieved. It is a need which represents necessity in all different spheres of the organizational functioning. Every organization, no matter if it belong to the public, obliging or economic sector, has a need of appositely managing of human resources. For that purpose, modern approach in managing impose the need of team working and hegemony. In theory, there are a lot of models which have one purpose-to give a complete picture and adequate directions of leading and functioning of the teams, like successful guidance of the team work. Common for all of them is the need of respect, developing and using the intellectual capital in the organization, which will give the expected results from the work in conditions resulting from effective team working.

TEAMS AND TEAM WORKING

People are social entities which have a need to be a part from some group. The group enables their communication exchanging ideas and opinions, and it alleviate common work. Working groups „represent certain number of people who are in a mutual interaction aware for each other as a group“.(1) This interaction is implemented through correlation in activities which are in role of achievement of the purposes in the organization. Their functioning is based on permanent moves which creates group dynamics. (2) With forming of the groups individuals achieving the common purpose. Going together on the way, fulfilled with number of needed activities, every member of the group develops feeling of security.

"The group represents the smallest social community in which the interaction is realized". (2) The number of its members should be more than two, with aim of realizing of interaction which impel the group dynamics. In the phase of forming the group, it could not function as a team, because there are different members with different directions. "What is missing here is directing of all those energies to one and only common purpose, to became one team."... (3) "The individual can work very hard, but his effort would not be transfer on the effort that the whole team can make. But when the team develops its adjust, there appears the common way for all. In the team there is a common purpose, common vision, when everybody can understand each other effort ...". (4) The team becomes a place where the personal visions represents fund for building common vision. The purpose achievement will be reached when all its members work together. The team is a place where the differences between the members are respected, which enables them in one and the same time to be flexible and to work effectively. That is enabled by the teams who have the sense of united differences. (5)

People are the main cages of the organizational system. Every individual and teams represent a base which have the responsibility about the quality during the working processes. Working together as a team is the only way for improvement of the working process and its re-designing. Teams give the possibility to achieve much more, than achievements that can be made by some individuals. According Adair, team work enable the complicated situations to be consider with common expertise and money resources, problems are subjected in front of knowledge and experience, common decisions are carried, which decisions enables building of morality and the possibilities for improvement are entirely considered. (6) Team working enables the successful communication in the organization and develops a culture in which the need for dependence of all its members in the process of reaching successful working predominates. It is based on a strategy which enable strait of ideas, knowledge and information. It produces possibilities for organizational and cultural development. Team working also enable separate achievements to be seen as one whole but not as a fragment part which create negative energy (2) which reflects with unsuccessful working of the team and the whole organization system. The positive energy is imperative for effective teams. "The more influence and power you give the others, during working together, the more they will stay with you." (7)

LEADING TEAMS

Scientific researches indicates on two existing factors which have a key role for effective and efficiency team working:

- Leader's expectations;
- Leader's mood;

In condition when the leader has great expectations, the results of team working are also great. In contrary, lower expectations brings lower results. In context with this is the mood of the leader, too. In case, his personality distinguish with positive mood, than the success will be easily reached. A big roll here takes the necessity of trust of the leader to the team. His trust represents positive expectation. Shindler and Thomas (8) qualify four dimensions of trust:

- Integrity which is build, educe and exist with respect and constantly using the honesty and actuality;
- Competence which found on the ability of prediction future conditions and good valuation during solving the problems which arise from different situations;
- Loyalty to the team and every individual in it. The leader should have a desire and need to protect every member of the team in situations when they are in situations with pressure from the work, the expectations, and also external environment.

Frankness which can be reached with creating conditions for work, in which the freedom of speech predominates, their own attitudes, their sharing and strait of information. The risk and vulnerability are connected with trust. The same can be exceed in case the leader has skills to establish reversible trust relation.

According Adair (8) trust is built upon the following principles:

- Demonstrate that you work for other interests so good as they are your own;
- Be a team player;
- Exercise frankness;
- Be fair;

- Analyze your feelings from time to time;
- Show persistence in basic parameters which lead you while bringing some decisions;
- Keeping up the trust;
- Demonstrate your skills constantly;

The opinion that the leader usually is on position which enable domination upon other members is often spoken. "The research connotes that people who dominates are not accepted from the others, except in public activities. Possessing physical power and size, dominant person and her desire for power over other people, it is not the true answer... in every other sphere where free and capable people have a need to collaborate, effective leadership is based on respect and trust, but not upon fear and subordination. Respect and trust helps upon devotion of the team, but fear and the feeling of subordination produces condescension." (3)

ANALYZE OF THE MODEL OF TEAM WORKING ACCORDING HILL

The purpose of this labour is to perform complete analyze of the model of team hegemony, according Hill, and to establish his role in the process of reaching entire organizational effectiveness and efficiency.

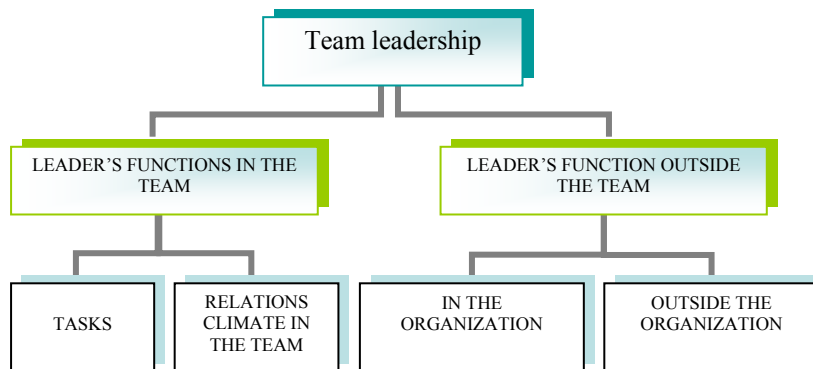


Figure 1. Model of team working according Hill

This model put the accent of team hegemony on the leader function respectively the agency as charge element of hegemony. The agency means relief or establishment of relations and connections which enable simplification and precise transaction of the

working tasks. That is implemented in all levels of hierarchical designation. In situation when the manager exert amplification of already existing actions of the organization the leader with his agency enable realization of the idea and impel the process of its pursuance. The agency is the main tool which helps the development of the organization with recognition and instigation future potentials which may be creative used. It is a process which is realized on all levels of the organizational designation. Abreast of the inside agency there is a need of agency with the outside environment, which represents un imperative about reaching the complete efficiency of organization. These relations enables a process of innovating which represents one of the key characteristics of good leader.

This skills originate from building conditions in the team and in the organization about acceptance of innovation and the changes as impelling force about development, which in the past represented a cause for reaction of the personnel, and to some parts of management structures.

Upon the fund of this accrue functions which are need to every leader:

- Functions in the team;
- Functions outside the team;

Functions of the leader inside the team impose the need of qualification of tasks, also and forming and developing relations in the team.

When the process of qualification of the tasks is realized the future activities and actions of the members in the team, accrue, the need for qualification is imposed about numbered precondition. One of them is illustration of aims. When we are talking about the aims, before their explanations and with that to be chosen and accepted from the team members, the same should satisfy some characteristics. Like first, they should be, well devised and to give a chance to perceive of the wanted. The aims should be clearly formulated which will enable their understanding from all of the team members. Other characteristic is their realizing which impel the morality and motivation of her performers. During this process, it should be consider about the common between already brought purposes, concerning, the same represent a part from one coherent whole. Their defining means precisely qualification of time frame. Their right qualification should impel the feeling of challenge in every team member. The characteristics which

enable their part in the process of achievement of common views in the team, mission and strategies which are in connection, and from here the responsibilities and skills for their achievement.

One of the leader's tasks is the organization of the work in the team. Organization means creating organizational presumptions about effectively and efficiency reaching of the purposes of the team. Establishment of the organization means correct forming of the team with members who in fullness will conform the demands which originate from the given purposes. While forming the organization it is very important that every individual should be on the right working position. The manager must hold on the principle that the teams should distinguish with character differences, their abilities, knowledge, and specialized proficiency.

Elementary conditions for team success are created. The role of the manager in situations as these, is to make integration and coordination, which will enable the team to be one whole.

Making decisions is a need of every manager. The changes are eminence of team work, and the same are excepted as a challenge from managers' side. That changes, objectively creates a space, in case of problems, which necessarily must be well managed. Managing means making decisions, and realization on the same. The most effective way for making decisions, is forming complementary teams, which contain the rules of (P) manufacturer, (I) integrator, (E) entrepreneur and (A) administrator. The part of the manufacturer enables making an effective decision, which satisfy the needs, which were the reason for its making. Thereby, it is achieved short range efficiency of the teams, which reflects on whole organization. The role of administrator enables making decisions which are going into enclosure of the system, and programming the activities which are realized with minimal undertaking of the available resources. Hereby, short range efficiency is accomplished. The role of entrepreneur enables making decisions about the working topics in near future. This situation creates possibility about getting eminence of pro-activity, bringing these solutions, they have long-range efficiency. The role of integrator enables creating a culture for during working, which is based on the principles for independence, accommodation ability, high stage of collaboration, changing information and attitudes, and developing of the synergy as basic aim due to the forming the teams. A role like this enables achievement of long-range efficiency in one team.

With purpose of properly transaction of more complex tasks, where the need about higher degree of specialization of capabilities and knowledge comes from, There comes the need for adequate training of the team members.

"Contemporary access to managing indicates to a fact, that organizations have that value, as the value of their capital." (9) This indicates the requirement for permanent accomplishment of the personnel, and the members of the team, too, who will enable developing of some specialized skills, which will bring new tasks, accepted as a challenge.

Every working process is dispatched with requirement for control. First phase of its introduction, is set appointing for work. Standards represented precisely definite levels of quality and quantity of the work. With other words, those are measurable aims, which are used to compare the results, whereupon degree of effectiveness and efficiency of working processes is perceived. Standards are set on the beginning, when the teams are made, and the manager can choose appositely equip. So, the choice of the team members should be made over standards which will enable contentment of the quests about expert dullness and protection of needed roles, which are from necessary importance for every successful team. During forming of a team there are requirements about qualification of standards which refer to activities realized about team work. That enables keeping up the working direction and ability for amendatory actions by the manager if there is a deviant behavior during realization of the activities.

The inside functions of the manager of the team also refers to establish relations between the members of the team. In condition when one team is in its forming phase, but its members do not have experience for team working, it appears a necessity for commands. This kind of teams are usually made by young enthusiasts who have a motivation, but their lack of knowledge can be fulfilled with direct influence of the manager in the role of mentor. Contrary these teams, there are other teams where the members have bigger experience, but are not fulfilled with motivation and belonging. These conditions impose the necessity of learning, whereupon the manager should accommodate his style of leading towards the situation.

Good atmosphere in one team means developing collaboration, which should be made between all of the members in the team, as well as collaboration between the members and manager. Collaboration means exchanging ideas, attitudes and opinions. Its results are going to attach interdependence, which is a pre-condition about efficient functioning of the team. Collaboration is built on honesty and responsibility.

Complementary teams represent “a sum of individuals and cultures, who think and behave with different manners. That makes a conflict, which is provided if it is functional, and it is functional if it is found of common respect.” (5) Team’s hegemony means ruling the teams made by individual who have different styles. Successful manager has one purpose, which is to create conditions, the differences in opinion to become common. Team hegemony means ruling the teams made by individual who has different styles. Successful manager has one purpose, which is to create conditions and the differences in opinion becomes common. When it is added different interest of individual, on case like this is, the conflict in the team is inevitable. But, as it is said before, in case if the manager succeed to make it functional, the conflict will reach its own constructive dimension, which is fund of creating synergy as eminence of successful teams, like the process of managing conflicts, as well.

Other part of making relations, as inside function of the manager of the team, it is building relationships. The elementary way about this activity is successful communication. It enables achievement of information which are necessary about implementation of working processes in the team, but in the same time enables understanding the differences between every individual and attempts those differences to be used in positive direction. Every individual with his beginnings in team work, he brings his own and different interests. With building common relations and constructive collaboration and communication, individual interests becomes a part from common interests in the team, respectively, individual needs becomes common needs.

The role which manager has, in this situation is perceiving and satisfying the necessities. Relations in the teams will be constructive with element of creativity and innovation, also in case if they are based on previous embossed principles. It enables common building of concert, which means pre-condition about functioning of the teams. In case the whole work is based on effectively communication, then this principle is enclosure of the effectively of team working. Embossed principles should enable permanence of team aims, developing, positive attitude building feeling of expect on every member in the team, and also his opinions, attitudes and ideas, and bringing decisions upon facts. (3)

The function of the manager is not referring just to the inside functioning of the team. Successful managing means establishment of the relations with outside environment, too. One task that the manager has during building these relations is promoting. The manager makes introducing of the team in front of other teams in the organization. He promotes the purpose of forming and functioning of the team, which is in assembly of common vision and mission of the organization and as role in implementation of strategies. Promoting the team can be made in level on all organization and out of its ranges, all steiholders who are directly or indirectly involved with totally organizational activities.

Successful determination of conflicts imposes the necessity of skills foe negotiation, which are fund for effectively and efficiency hegemony. Negotiation means “Confer with other person, with desire to make a compromise to organize or something to be done.” (3) Negotiation is implemented like in a team, and its surrounding, too. It means creating condition in which the sense of collaboration will predominate. Established skills that the manager possesses, enables negotiation upon fund of previous appointed interests, instigation of new ideas, and even critics of the interests, common creating of objective criterions and priorities about deciding during negotiation and as entirely passing of own interests, which should be transformed into team interests as a part from organization.

In case like this, very often the members of the team are involved and the team itself. It makes stress and frustrated behavior of every member in the team. Very often that revolt becomes from the fact, that teams are carriers of some changes which refers to the whole organization, but there are consequences to the outside world, too. Changes brings conflicts. The manager’s skills in these situations are to protect members from all unpleasant influences from outside.

Assessment of the conditions in the rest of the teams or all organization are fund for building relations. Assessment means “to be seen” and “to be heard”, the reality and perceive all resemblances and necessities, which are its characteristics. In case the real picture, about momentary function and about future condition also, then conditions for functioning on time is made.

Communication represents a tool for building connections in the team and in the same time it is necessity and for building connection outside team, in a way of widening information. Team’s functioning depends on the functioning depends on the functioning from everything that happens around them. So, the need of informing on time, for aims and activities of their work represents a factor about successful functioning on the rest of the teams and whole organization. Entirely and spreading the information on time should be

achieved in all organization and to all stakeholders, too. But, it must not be forgotten the fact of successful communication and persecution of information from outside surrounding to every member of the team. In this way the teams reaches its own maximal effectively, which distinguishes with: common devotion, good communication, mutual trust, ethical hegemony, inside and outside support, negotiating skill, and clearly built aims and purposes.

CONCLUSION

The advantage of this model is that it is analytic general, practical, useful and represents a guide for work of every team. Its elements and their practical use enable appositely leading of a team and improvement of its effectiveness and efficiency. Built teams as these creates conditions for accomplishment on time all of the given tasks and better working climate. They represent a place and a condition where every member of the team knows his own role and gives the best of him. Every member develops a feeling of devotion. These teams distinguish with common trust and respect, and also good communication which may be constructive and open.

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EDUCATIONAL PRESUMPTIONS FOR SUCCESSFUL MANAGERS

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Abstract:

This work focuses on the education that is managers need to possess in order to be successful. In other words, what kind of education and competences are needed for successful leadership and management? In this context, our thoughts are directed towards possessing of competences which are prescribed by the European Council of 2006 (communication, critical thinking, initiative and entrepreneurship etc.). The leading world universities, in their departments of marketing and management, pay special attention on a number of important aspects of the student education. At the same time, the type of leadership and communication play important roles.

Key words: *education, knowledge, competences, managers, universities.*

INTRODUCTION

Education is a defining characteristic for every person. Back in history, a great attention was placed on a good and solid education, and upon that basis people were divided. It was common for the members of the upper classes to be educated in elite schools, which then meant an open door towards a substantial career in various aspects of social life, politics, economy, law etc. Therefore, it is not accidental that the world's most elite universities are at the same time the most expensive; it is because of what they have to offer, not only in regards to education, but also in regards to achieving top professional careers. The world leaders in this are the USA, where the largest companies are managed by the people who have achieved prestige education at some of the elite American universities. The motto is to constantly work on one's own education, because the acquired knowledge quickly become obsolete. In the words of the famous Harvard professor Howard Gardner, business people in the US have become increasingly interested in the quality of the education, expressing concerns that the people, who will take important positions and will lead corporations and companies in the future, may not be appropriately prepared. (Gardner, H, 2005:230).

ELITE UNIVERSITY EDUCATION

In the United States, there are several elite universities, which are among the world's best. They are the highest ranking universities according to the Shanghai List: Harvard, Yale, Stanford, Princeton and Columbia.

For example, at Princeton University in the USA, the future managers, lawyers, solicitors, politicologists etc. are being trained in such an educational system which offers not a mass, but an elite education. In other words, instead of educating on a massive scale, Princeton University is ruled by exclusivity. To illustrate this, let us point out that at this university one docent works with 5 students; the tutorship teaching system is consistently administered; the rich library offers a pleasant environment for acquiring

knowledge; and professors and students often fellowship over coffee and cookies. The debate evenings which take place on Campus Grounds and are a joint event for both teaching personnel and students, are also a characteristic of elite Universities, such as Oxford and Cambridge in the UK. All of this guides are sufficient indicators for concluding that the great names which today are leading managers of world famous companies, have been a part of such a type of education. That means that the education can represent a crucial prerequisite for successful managing of world famous companies.

KEY EDUCATIONAL COMPETENCES ON A EUROPEAN LEVEL

A successful profile is built both through an adequate education, further practices, i.e. work experience, as well as through life-long learning. In that context, several significant competences are necessary, which cover various scientific fields. In 2004, the European Committee drew up a document on Key European Competences, which in essence are based upon the needs of the knowledge based society. In 2006, a framework was drawn up of the Key European Competences for life-long learning, which identify and define the key competences needed by anyone seeking employment, personal satisfaction and fulfillment, social integration and active partaking as a citizen in a knowledge-driven world. The initial education and training system in the EU supports the development of such competences for all young people, but also for the adults who need an opportunity for mastering skills and competences, which are a part of the learning abilities of the 21 century. (Ključne Europske kompetencije, 2004)

In context, the key competences should have developed by the end of the compulsory education. As such, they represent a basis for further education, as a part of the life-long learning. Additionally, the key competences are a prerequisite for an adequate personal success in life, work and further development.

The key competences are of particular importance in three aspects of life:

A) Personal realization and development throughout the whole life (cultural assets) – in that context, the key competences should enable the individual to fulfill their personal individual goals, imposed by their personal interests, aspirations and a desire to continue their learning throughout their life. Of a particular importance here, is to have an initiative and entrepreneurship.

B) Active civil awareness and involvement (social assets) – in this context, the key competences should enable every individual to take an active part in society, as well as in social justice and responsibility.

C) Employability (human assets) – capacity for appropriate employment of every individual at the labour market.

The Key European Competences refer to eight areas: native tongue communication, foreign language communication, mathematical literacy and basic knowledge in science and technology, informatics competence, competence of knowing how to learn, interpersonal and civil competence, adjustability and responsibility, and culture of speech. (Ključne Europske kompetencije, 2004)

SEVEN SECRETS FOR SUCCESSFUL MANAGEMENT IN RELATION TO EDUCATION

The author Pavao Brajsa in his book “Seven Secrets of Successful Management” (“7 Tajni uspješnog menadžementa”), lists seven very important prerequisites that a successful manager needs to possess. According to him, they are: anthropocentrism, love, intellect, motivation, democratic leadership and of course, communication. (Brajsa, 1995:7)

It is a common comparison between the management of a company, or corporation, and the leading of a grade or a class, meaning that both structures contain common elements: leading people, nurturing them, and supporting them towards achieving success.

The first characteristic – possessing anthropocentrism, means to respect and to care for the employees, in the same way that the teacher ought to respect and care for his/her pupils. Without such characteristic, no manager can be fully successful. A successful manager is one that looks after his/her employees, i.e. the human resources. Such care is manifested, among other things, through permanent team building, as well as attending various other appropriate forms of permanent, (i.e. life-long) education.

Closely related to the first characteristic, is the second one – love, because no anthropocentric orientation can be built without the most universal emotion – the love.

An active brain or an intellect is another important characteristic, according to Brajsa. No computer can replace it.

Motivation is also a very important driving force for successful management. The motivation for self-fulfillment is the most expressed with managers, because of the need of continual self-assertion. However, the stimulating motive for successful business should embrace all human resources.

Successful directing of any institution needs an appropriate type of leadership. Here, some aspects of the leadership depend upon a specific situation, while other aspects are universal. Leadership style is always an important prerequisite for successful management.

The authoritative leadership style is dominated by a concern for productivity, but not for the co-workers and employees. This leadership style is also known as imperative leadership, which is characterized by determining the ways for problem solving. Such leadership is mostly directive-dominant and produces satisfactory results (Brajša, 1995: 111).

Another leadership style is the so-called normal leadership (regulative leadership), which compromises between the concern for the co-workers and that of the work load, at the same time pointing out various problem solving possibilities.

Yet another leadership style is the participative leadership, where every party is given an equal opportunity for involvement in the problem solving. There is a concern for the co-workers and their socio-emotional wellbeing. This leadership style is also known as cooperative – participative leadership, and is considered to be producing greatest results.

Further, the so-called humanist leadership style is one that tries to create a positive problem solving climate through two-way constructive communication.

The last leadership style is the well-known laissez faire, in which there is no concern for either the productivity, or the human potential, i.e. the co-workers. This leadership style achieves the least results.

With the exclusion of the last, all above listed leadership styles have their strengths and weaknesses. A good manager is expected to know which style should be applied in which situation. Matching the leadership style to the given situation is of utmost importance.

For this reason, the education of a good manager should also cover this area.

Communication features as a very important aspect of good management. Our analysis of the study programmes of certain elite universities have shown that a common factor for all of them is the existence of a study programme which centres around communication. For example, the MBA Luxury Brand Marketing studies programme at the University of Monaco, includes the Luxury Communication & Media Planning course module. At Stanford University, General Management direction course, the following modules are compulsory: Critical Analytical Thinking; Leadership Labs; Managing Groups & Teams; and Communication.

Managing assumes having an initiative to change the institutional culture, which in turn assumes a continual professional development for dealing with changes. In that context, H. Gardner stresses: Companies require creative individuals, who are able not only to solve the problems, but to foresee them, as well as to work on their overcoming, through team-work and co-operativeness. Such "forward-looking" companies include Microsoft, Merck and Monsanto, which pay special attention on the education of their employees, striving towards "knowledge-equipped employees" (Gardner, 2005: 230).

SHOULD EDUCATION BE CONFINED TO UNIVERSITY?

The idea that the universities should not be the only places for formal education of young people is not new. This refers to efforts made by some companies, corporations and factories to participate in the education of those interested, as a substitute of a formal University Degree.

We find such examples in Germany, France, and the well-known example of the University of Phoenix in the USA. This university was started towards the end of the last century, and although it is called a University, it differs from the other American universities in many elements: there are no full-time teachers, no campus, no bookstores, but it still hosts 40000 students. In fact, it is a case of an alternative university-factory, where the skills gained are above all practical (there is no theory), passed on by people who are not university professors, but instead have a great and enviable practical experience in the required field of interest. Therefore, Phoenix offers training in professional skills and competences that are required in some particular field, while the classes are held in the evenings and late afternoons (Gardner, 2005). The skills offered are in fact very pragmatic and utilitaristic, very useful for the career advancement. Many managers of successful companies consider Phoenix to be a good opportunity for their own career advancement and successful business management.

The faculties and universities meet their competition in the so-called on-line courses, which usually last four to six months. Their lectures are pre-recorded, and in general, they offer a possibility to gain quality education for a fraction of the price. What they lack are test, essays, project, oral exams; but this can be counteracted by stating that even in universities, not all professors are of the same quality.

On-line courses are in opposition to expensive university education and in a certain way they contribute towards the improvement of the quality of education, by creating competition.

CONCLUSION

As a final reflection on this topic, we ask the question: Can one become a good manager without going to university? It is not a secret that many successful business people do not have a formal university education, however, the advantage of a formal university education is that it leads towards a degree, unlike the non-formal and informal courses.

A formal degree is still considered to be a key prerequisite for employment. Managers are not an exception in this. Good management assumes quality education, achieved at university level, followed by further non-formal additional training and team building.

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ENTREPRENEURSHIP AS A MODERN MANAGING INTENTION IN A DIRECTION OF DEFINING QUALITY

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Abstract

The corporate entrepreneurship, the individual entrepreneurship viewed from the aspect of the contemporary management intentions, by practicing entrepreneurial behavior within the existing institution, the so called entrepreneur management, serves as a link between the management and entrepreneurial thinking and acting of the company's management. This article reviews the practice of comprehensive entrepreneurial philosophy for the purpose of initializing the behavior within the existing organization in the direction of their working motivation, creative thinking, innovative acting, recognizing possibilities, being proactive and taking a moderate risk in the line of work, which would result in overcoming the obstacles as lack of strategy of continuous education of the employees and sustainability by expert help from the appropriate body, the lack of product and services quality adjustments respective to the needs of the environment and the labor market.

Our research confirmed the lack of defined coordination between the layers in the management system and the workers and a lack of quality communication between all the significant factors for the process. The result is institutional policy of efficient corporate management as well as clear position and opinion of all involved for the future need of changes and implementation of a system for standards which would include:

Defining strategies and standards for quality of the given institution, organizing a quality ensuring system, responsibility of the organization units and individuals in regards of providing suiting quality as well as a way of implementation, surveillance and revision of the institutional working policy.

Key words: *entrepreneurship, quality standards, employees, quality recognition*

INTRODUCTION

Every institution has the need of establishing their own individual quality system in accordance with its internal structure and dynamics using concepts and standards set by its unique philosophy and structure of individual and professional structures of managers and employees.

Lolwana (2006:359) points out that new approaches to quality assurance adopted the EQF (European Qualifications Framework) as a model, only confirm the need for public criteria, in the sense that the progress of the institutions can be assessed in the form of Quality Management System (QMS). That, in turn, leads to the question whether this is enough to evaluate quality improvements of a single institution, if you go by the fact that most approaches to quality assurance through process management, tend not to seek the answer to 2 significant issues.

- In what way can the management processes be improved?
- In which of the processes problems are encountered?

Haynes, P. (2003:64) defines the quality management process as " systematic management procedures adopted to ensure achievement of specified quality or improvements in quality that will enable the key

stakeholders' confidence in the management of quality and in the achieved results."

The quality of process assurance has the following main objectives:

- Accurately and comprehensively identifying, defining and describing the expectations and needs of customers.
- Independent audit and quality monitoring ,providing information to those who implement , manage or otherwise contribute to improving the quality
- Provide measurable criteria for all involved in the process to have a clear, comprehensive and accurate understanding of the quality standards of the organizational processes.
- Provide resources and systems that can achieve the required quality.
- Ensure that those who implement workflow have the skills, knowledge and motivation to make or deliver adequate quality.
- Ensure that those who manage workflow have the means and skills to monitor the quality and ability to communicate and modify criteria to better meet required standards (Department of Education, 2004

DEVELOPING ENTRAPRENEURING COMPETENCES OF EMPLOYEES AS CONTEMPORARY MANAGEMENT INTENTION

From the above, the conclusion that there is a real need for increased quality in work practices recognized by improving personal skills of managers to develop a working environment in which employees will be motivated for personal development of their competence and ability to participate in the management of working process, which would increase the target orientation effectively meeting the needs of the participants in the work process and the environment.

This is exactly what determines the subject of this research - the need for establishing a model of integrative corporate - entrepreneurship leadership as an important factor for improving the performance of organizations.

Starting from the fact that the management in organizations is realized in the absence of functional system of quality standards that is to ensure continuous improvement and adjustment of process management and the actual competencies of employees whose improvements in the management and integration of processes will result in the development of Entrapreneurship as a function of individual and institutional aspects of organizations.

Data collection was aimed at the following aspects:

- Realistic awareness of employees for the **existence** of important aspects of the quality of work processes in organizations.
- The level of **active involvement** of employees in the management of organizations.
- The contribution of managers for **improvements in individual job performance**
- The need for **continuous education of employees** as part of the strategic management of organizations.

This research has demonstrated the attitude towards change through actions and work towards :

Institutional changes that relate to recognizing the need for change in the existing system, which will improve the institutional and social levels. The focus is directed towards integrating the managers and employees, which would contribute to increased quality of work and improve results for all users as an aspect of overall institutional and socio - economic development.

Individual changes related to changes in each organization individually, which would be recognized in the more effective access of the employees in the work process . This improvement would be manifested into bigger and better team collaboration , mutual respect , exchange of experiences , positive criticism and self-criticism , and motivation for permanent internal and external education and would significantly reduce the social " friction" in both the vertical and the horizontal base .

Sample of research include:

- sample of organizations that perform service activities (8)
- sample of organizations performing production activities (16)
- sample managers / from all levels (24)
- sample employees (267)

The requested views and opinions were aimed at:

- Evaluation of existing practice by monitoring the attitudes and opinions of awareness about existing aspects of management, involvement of staff and adequacy of existing management processes ;
- Suggestions to increase the efficiency of individual employees , the need for new management intentions to managers and suggestions for future improvements of the management process

The analysis of the data in terms of existing management process imposed two general conclusions:

- a. There is no defined coordination between the levels of the management system (horizontal and vertical) and employees ;
- b. Lack of good communication between all factors important in this process ;

In order to ensure high quality, transparent and easier to understand management process for all involved , defining the strategic objectives of HR function of the organization is required, which will be measured by :

STANDARD: MANAGEMENT OF THE HUMAN RESOURCES FUNCTION OF THE ORGANIZATION

Parameter : managers in organizations should practice systematic directing in order to facilitate the development and practice of key competencies for staff - programs that provide mission and strategy to meet their professional needs .

Indicators :

- Adopting policies to develop the competencies of the employees.
- Setting criteria for employment and practicing the process of defining them.
- Systematic identification of needs and planning sustainable development of competencies
- Existence of continuous professional development, training and lectures .
- Establishing a process of organizational learning relevant skills and qualifications
- Developing skills in methodical - mentoring in the areas of future work introducing new employees.

In addition, defining of documented sources of evidence for the application of those standards is needed :

- Existence of functional diagram of the organizational structure for the purpose of descriptions and responsibilities of the established levels of operational management.
- Adaptation of the appropriate changes and innovations in effective process: adaptation processes for new things, evidence of adaptation processes, lectures and regular feedback on their performance.
- Results of reports on performance monitoring.
- Results of the assessment reports of the process provided by all stakeholders

Strategy of planning and forecasting unfavorable situations and adopting corrective measures to comply through actions for improvement can be expressed in two basic forms :

- a. Strategic options – forecasting the maximum and minimum of the expected fulfillment
- The application of this type of improvement will be measured by:

STANDARD: EXISTENCE OF ACTIONS FOR THE PLANNING AND IMPROVEMENT PROCESS

Parameter : Organizations aim for sustainable improvement in key indicators based on systematic evaluation of the effectiveness of the business processes , resources and feedback from our customers .

Indicators :

- Using system development tools that enable quality feedback to stakeholders
- Permanent external assessment process (for performance monitoring)

- Setting identifiable indicators of the objectives of the process.
- The process of constant self-monitoring of internal indicators.
- Provide activities for benchmarking comparisons.
- Transparency of planned actions for improvements related to organizational strategy
- Continuation of the process of developing professional competencies and assessment of its performance (teaching staff) .

Documented sources of evidence for the application of this standard

- The concept of evaluation includes setting indicators and analysis.
 - Conducting secondary measurement - internal evaluation of changes in the processes of the organization .
 - Usage of comparative statements as a benchmark for external comparisons.
 - Internal evaluation of achieved annual activities.
 - Internal evaluation of assessment in accordance with the criteria of scoring at the state level, including trend indicators from previous evaluations.
- b. ***Strategic alternatives*** - the success of the process of developing specific scenario for each supervisor circumstances for a specific period of time , will be followed by :

STANDARD: MEASUREMENT OF KEY RESULTS

Parameter : Institutional measurement of results on key components of the strategy in the long run about customer satisfaction .

Indicators :

During the selection of indicators , it is necessary to find answers to the following questions :

- Are the stakeholders satisfied?
- Are the employers satisfied with the achieved knowledge and skills that apply to employees in the workplace?
- What kind of results are obtained knowledge of the participants in the evaluation process?
- What part of the process makes them successful in the employment market?
- How does the picture of the overall operation of the educational institution look like?
- How successful has the program been related to the requirements of the customers?
- How successful is the achievement of financial goals ?

Documented sources of evidence for the application of this standard

- Number of participants in work programs
- Turnover or amount of educational services provided in further professional education
- Regular measurement of customer satisfaction
- Results of measuring customer satisfaction
- Analysis of responses of satisfaction
- Review and analysis of the number of complaints and their approval

In the development of organizational strategy two groups of activities are need:

• **Analytical activities** - collecting and processing different data about the organization and the environment by analytical teams

• **synthetic activity** - establishing criteria , strategic goals and strategic scenarios that are implemented by the development team ;

All these listed segments are to enable efficient and effective quality improvement process management, which will enable growth and development based on :

- integration of the change in the existing situation
- Transfer of change

- Spiral connection with previous and next state

In addition, all steps need to be documented and submitted on time to the management team and to all employees for monitoring the achievements and further implementation of the results in the development and planning of the local business community in terms of planning future staff resources and to monitor the quality needs of the labor market which operates in the immediate and wider environment, which directly affect the quality of the companies and thus the community development. This approach to the stated problem will allow participation and personal development of all participants in both the work and control processes and thus contribute to effective organizational learning and enhanced organizational responsibility.

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RESEARCH BASED ON THE PSYCHOLOGICAL ASPECTS ON THE ENTREPRENEURSHIP AS A PERSON AND ANALYSIS ON THE RESULTS FROM THE CONDUCTED RESEARCH BASED ON ENTREPRENEURSHIP PROGRAMS IN BITOLA'S REGION IN 2012

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Abstract

The basic aim of the paper is to represent the results from the research conducted based on the psychological aspects on the entrepreneur as a person and the results from the research conducted on the entrepreneurship programs into Bitola's region in 2012. For the aim of the research based on the psychological aspects on the entrepreneur as a person, a proper questioner was created. The same one was given to a specific target group, created by people from various segments of social life such as: entrepreneur people, people included into the educational processes (teachers and professors) and students. This kind of a research was done with an aim to get proper information's about the entrepreneur as a person. On the other hand the second part from the research was dedicated to the processes of utilization of the entrepreneurship programs into Bitola's region in 2012, as a way for creating new work places.

Key words: *Entrepreneurship, Psychological aspect of the entrepreneur as a person, programs for utilization of the entrepreneurship*

INTRODUCTION

Taking into consideration that the entrepreneurship and the entrepreneurship approach in today's world are the basics for economical growth and development, no ether the region and the environment, this thematic are more than actual and it's a source for continuous research. Although the entrepreneur process, as defined into literature, includes a numerous interrelated processes such as: opportunity recognition, decision making, resource collection, starting, building success and processes of the so called harvesting of the labour, an detail analysis of the methodological approach on such defined process is more than necessary. [1]

So that the entrepreneurship processes could be recognized as a process or an activity done by a person with a visionary view on things, several key factors should be taken into consideration such as [1]:

- Economical, technological and social conditions where opportunity is spotted
- The human factor (the entrepreneur as a person)
- The business techniques and the law structures which are used during the processes of opportunity developing
- The economic and social factors as a result of defined development

Taking into consideration the defined processes, the main conclusion is that the same one is an uninterrupted cycle where the key element is the human as a main factor (the entrepreneur). It's also normally that society and the business conditions into the environment has more influence on the entrepreneurship as a process, but the key element is the human factor and it's ability for opportunity recognition in the right moment. From this aspect, and considering numerous authors, the entrepreneur as a person could be defined as a human that recognizes the market opportunity and has the desire and courage to prepare the necessary resources for taking the opportunity with an aim for long term personal and financial benefits. From one hand the entrepreneur is a person which starts with numerous new things and has an extra ordinal characteristics which defines him as different from the others, but from the other hand every one that has an courage and desire to create work places for himself and others could be defined as an entrepreneur.

If the global way of working is taken into consideration, and the way that things changes in world frames, but taking into consideration the organizations that has numerous employees today, has started as an idea, it can be concluded that the entrepreneurship is an discipline which is a key element of social and economical development and growth. On other hand if the momentarily situation considering the process of entrepreneurship into Republic Macedonia is taken into consideration, and especially in Bitola's region from an entrepreneurship point of view and from the possibility for job creation, the conclusion is that the entrepreneurship as a subject (in universities) and as a process is a key element for further growth and a key basis for the processes of new job creations. That is why the basic aim of this paper is to represent a long term study considering the psychological aspect of the entrepreneurship as a person, and from a point of view of usage of numerous programs for creation of SME's into Bitola's region in 2012.

For that purpose, the research is divided into the following parts:

- The first one that represents the results from the conducted research done with 186 people, from the business sector (successful entrepreneurs), teachers and people from the educational sector and students, with an aim to get the psychological code of the entrepreneur as a person and,
- The second one which represents the data from several programs for backup of entrepreneurship ideas and SME's in initial phases into Bitola's region in 2012.

PRESENTING THE RESULTS FROM THE CONDUCTED RESEARCH

Presenting the results from the research base on the definition of the psychological code of the entrepreneur as a person

Starting from the point of view where the most of the people in the business world hasn't an developed entrepreneurship spirit, but at the same time has an lack of initiative, innovation, creativity and the capability for opportunity perception, the aim of the research is to get an idea for the momentarily situation considering the entrepreneur as a process in Bitola's region, and at the same time with usage of an comparative analyses considering the results, to precise what are the key characteristics (psychological aspects) that makes the humans great entrepreneurs. An key factor that was an initial point while creating the research was the momentarily situation into R. Macedonia where young people hasn't any kind of an interest for creating business after the process of education and getting their bachelors diplomas. On the other hand another key element that justifies the necessarily for this kind of a research is the momentarily educational process where teachers and professors doesn't have an entrepreneurship characteristics and does not use such techniques. Maybe that is the reason why young people doesn't have an entrepreneur characteristics and such a spirit, but also doesn't have the ability for taking the risk.

Also a criterion that should be taken into consideration is the dilemma among author and researchers about the entrepreneurship and the entrepreneur as a person. A part of them consider that the entrepreneurship is an art and as such the same one is a part of the entrepreneur as a person as a born characteristics. On the other hand the other part on the entrepreneurship sees as discipline that could be learned and used. Also several dilemmas are about the gender of the person. Most of the authors and researchers see the male figure as a superior in the field of entrepreneurship. These dilemmas and criteria's and several others are taken into consideration during the processes of research.

Explaining the research part considering the entrepreneur psychological aspects

Having in mind that the basic aim of the paper is more that actual world wide as well and in R. Macedonia, but on the other hand taking into consideration the numerous benefits from the society and the government in R. Macedonia (starting a new company for one day, zero expenses for on line business registration, numerous entrepreneurship programs and grants, worldwide foundations that helps worldwide ideas financially etc.), the basic aim of the research were 186 people taken into the research. There were three main categories of people such as:

- Successful entrepreneurs (50 people)
- Teachers and professors (100 people)
- Students (36 people)

Seeing the three main categories of people taken into research, the target group is a mix of the three main categories of people that are the most concerned with the entrepreneurship problems considering business leading (successful entrepreneurs), the problems and potentials for further curriculum improvements into the educational processes (teachers and professors) and about the challenge for future employment (students)

For the aim of the research a questioner was developed with total number of questions 60. During the process of making the questioner several criteria's for future entrepreneurship success were taken in mind, such as:

- Possession of the so-called "entrepreneurial abilities", despite the appropriate expertise and competences
- Possession of entrepreneurial skills (which helps them to be more and more successful in carrying out their work tasks)
- Possession of the so-called "developed sense for business" among successfully entrepreneurs (compared with the ones employed into public sectors and into educational system)

During the process of research every single person has answered and responded specifically about the questioner. Later the gathered data were analyzed in two ways: as summarized gathered data, and as well as comparative analysis of the summary results to those obtained from the business sector.

Presenting the results from the research based on the psychological profile of the entrepreneur as an individual

Taking in consideration that 60 questions were a part of the specifically designed questioner, some of them are presented into the tabular views in addition of the paper. All of the questions that were a part of the questioner, were specifically designed in an aim to create a psychological profile of the person (entrepreneur), considering the environment in which the person has grown, his/hers social life at young age and latter, projected future and perception about the future, persistence as a factor for success, formal and informal learning, desires and interests, communicative skills, money and material goods as a motivation factor, the desire for companionship, the momentarily social life etc. Considering the previous mentioned factors a complete picture about the potential entrepreneur could be created after the research, taking into consideration the results from the three main categories of people included into the research.

The tabular view 1, given in addition represents 20 of the questions and summarized data (given in numeric and percentage).

Num.	Question	Answer			
1	How was your life as a child?	Hard/Difficult	22 (12%)	Very easy	164 (88%)
2	Were you among the best pupils in the primary school?	YES	177 (95%)	NO	9 (5%)
3	Were you popular at school?	YES	93 (50%)	NO	93 (50%)
4	Are you interested about the details?	YES	148 (80%)	NO	38 (20%)
5	Are you persistent?	YES	162 (87%)	NO	24 (13%)

6	Have anyone said that you're thinking is different from the others?	YES	128 (69%)	NO	58 (31%)
7	Have you even heard "internal voices" about the decisions you made?	YES	149 (80%)	NO	37 (20%)
8	Do you sleep only a little?	YES	100 (54%)	NO	86 (46%)
9	Are you determined?	YES	148 (80%)	NO	38 (20%)
10	Do you want action?	YES	140 (75%)	NO	46 (25%)
11	Has the communication with the so-called "problematic people" been a problem for you sometimes?	YES	48 (26%)	NO	138 (74%)
12	Do you have confidence?	YES	174 (94%)	NO	12 (6%)
13	Has the concentration been a problem for you while doing things?	YES	174 (94%)	NO	12 (6%)
14	Are money a motivation factor for you?	YES	107 (58%)	NO	79 (42%)
15	Have you planned your carrier?	YES	118 (63%)	NO	68 (37%)
16	What do you want to talk about more: for the FURUTE of for the PAST?	Future	161 (91%)	Past	17 (9%)
17	What do you talk about more: about persons or about ideas?	Persons	29 (16%)	Ideas	157 (84%)
18	Have you often lose the sense for time?	YES	56 (30%)	NO	130 (70%)
19	Are you an optimist?	YES	169 (91%)	NO	17 (9%)
20	Are you crossing the limitations?	YES	68 (37%)	NO	118 (63%)

Table 1: Summarized results from the questions

Analyzing the data presented into the tabular view, an clear conclusion can't be get if an comparative analysis of these summary results isn't done with the one gathered from the business sector. Having in mind that this segment is represented with 50 representatives (successfully entrepreneurs), table 2 presents the comparative review where the section marked in red are the results gathered from the business sector. Before the tabular view is represented, only one explanation why the representatives of the business sector are taken into account as relevant data. It can be explained by the notion that they are so successful in what they do, have taken risks in life and in business and grabbed the business opportunities. Also it can be added the conclusion that literature provides confirmation about the previously mentioned, and also the results from the research given in red into tabular view 2 are a representation and confirmation about the previously mentioned statements. In addition of this part the tabular view number 2 is represented.

Num.	Question	Answer					
1	How was your life as a child?	Hard/Difficult	22 (12%)	10 (20%)	Very easy	164 (88%)	40 (80%)
2	Were you among the best pupils in the primary school?	YES	177 (95%)	40 (80%)	NO	9 (5%)	10 (20%)
3	Were you popular at school?	YES	93 (50%)	26 (52%)	NO	93 (50%)	24 (48%)

4	Are you interested about the details?	YES	148 (80%)	34 (68%)	NO	38 (20%)	16 (32%)
5	Are you persistent?	YES	162 (87%)	42 (84%)	NO	24 (13%)	8 (16%)
6	Have anyone said that you're thinking is different from the others?	YES	128 (69%)	36 (72%)	NO	58 (31%)	14 (28%)
7	Have you even heard "internal voices" about the decisions you made?	YES	149 (80%)	42 (84%)	NO	37 (20%)	8 (6%)
8	Do you sleep only a little?	YES	100 (54%)	37 (74%)	NO	86 (46%)	13 (26%)
9	Are you determined?	YES	148 (80%)	42 (84%)	NO	38 (20%)	8 (16%)
10	Do you want action?	YES	140 (75%)	44 (88%)	NO	46 (25%)	6 (12%)
11	Has the communication with the so-called "problematic people" been a problem for you sometimes?	YES	48 (26%)	2 (4%)	NO	138 (74%)	48 (96%)
12	Do you have confidence?	YES	174 (94%)	44 (88%)	NO	12 (6%)	6 (12%)
13	Has the concentration been a problem for you while doing things?	YES	174 (94%)	48 (96%)	NO	12 (6%)	2 (4%)
14	Are money a motivation factor for you?	YES	107 (58%)	10 (20%)	NO	79 (42%)	40 (80%)
15	Have you planned your carrier?	YES	118 (63%)	41 (82%)	NO	68 (37%)	9 (18%)
16	What do you want to talk about more: for the FURUTE of for the PAST?	Future	161 (91%)	46 (92%)	Past	17 (9%)	4 (8%)
17	What do you talk about more: about persons or about ideas?	Persons	29 (16%)	8 (16%)	Ideas	157 (84%)	42 (84%)
18	Have you often lose the sense for time?	YES	56 (30%)	8 (16%)	NO	130 (70%)	42 (84%)
19	Are you an optimist?	YES	169 (91%)	44 (88%)	NO	17 (9%)	6 (12%)
20	Are you crossing the limitations?	YES	68 (37%)	38 (76%)	NO	118 (63%)	12 (24%)

Table 2. Comparative analysis between the summary results and the ones from the representatives of the business sector, shown in red

If we perform a comparative analysis between the summary results (taking into consideration 186 people) and the ones from the business sector (50 representatives), most of the results doesn't show a larger deviations. But on the other hand, what is relevant in this moment is to notice that the representatives from the business sector spend less time in sleep, have a significantly greater determination and persistence, has more developed communication skills, the communication with the so – called "problematic people" isn't quite a problem for them, the money aren't such special motivation factor and they know quite well what do they want and plan their careers. At this point those comparative results and the obtained knowledge from the summary results creates the psychological profile of the entrepreneur as an individual, especially the ones that could be considered as a part of the personality of the entrepreneur and perhaps are the key element for business success and taking risks.

Presenting the results from the survey in terms of the results from programs that support the entrepreneurship in Bitola's region in 2012

Given the fact that the entrepreneurial approach is perhaps the only way for economic growth and development and the best way for creation of new jobs, there are numerous programs that supports the entrepreneurship in Republic Macedonia. Such an institution in Bitola's region is the foundation Business Start up Centre, which works on the problems of entrepreneurship and job creation since 2007 till today. One of the basic goals of the institution are the supporting programs (financial, educational, consultancy) as a way to encourage young people in this area to create their own business. For this purpose the institution, has organized numerous trainings and consultations with young people that wants to turn their ideas to "successful stories". On the other hand as a daily routine of the foundation are the supporting programs that evaluates business ideas through Business Plans Competitions. Taking in consideration that the number of applications from prospective entrepreneurs in the past year (2012) was total 193 people, a part of the paper and the study was dedicated into this area.

For the purpose of the research, this kind of data were analyzed and shown the total number of new business creations and new work places that were created as a part of the programs that offers the foundation in 2012. For this kind of a research the annual report from the Foundation [2] was used. Actually the tabular view number 3 is the best representation for the results. Given the fact that the subject of controversy is the question whether men are better entrepreneurs, in the tabular view is given a special preview of successful women entrepreneurs.

Num.	Segment	Targets	Results	Woman entrepreneurs
1	Creating new SME's	40	75	30
2	Creating new work places	100	307	140

Table 3. Presentation of the results from entrepreneur programs in Bitola in 2012

Seeing tabular view 3, a trend of exceeding the projections is spotted, considering creation of new businesses in 2012 as well as in the process of job creation. But on the other hand considering the total numbers of applications in 2012 (193), the percentage of success is around 38.8%, which leads to conclusion that additional steps are necessary so future entrepreneurs could be more persistent in the idea to develop and open their own businesses. Having in mind the starting hypothesis that men are better entrepreneurs, the results shown in table 3, shows that woman are as good as men entrepreneurs, with a percentage 40% or 30 out of 75 total. If the fact that the number of women presented in earlier stages of Business competitions are significantly lower that men, conclusion is that these results provides a completely new light on entrepreneurship and women as a segment of it.

Yet the conclusion remains that only one institution cannot contribute towards positive results in terms of entrepreneurship and appropriate steps must be taken first of all into the educational system (secondary schools and in high school), but also in terms of financial relief from the government when businesses are opened.

CONCLUSION

Analyzing the results from the studies regarding entrepreneurship, presented into the paper, conclusion is that there are some personal features that differentiate the entrepreneur as a person from all other people around him. On the other hand, if the results from the entrepreneurial programs are looked, the conclusion is that some changes into the educational processes are necessary. Those changes includes changing's in the way of teaching in secondary and higher educational institutions, where teachers would teach using entrepreneurial techniques, that will lead to the processes of idea creation among students. Also necessary steps in a matter of financial relief in the process of new business creation are more that necessary, combined with an informal education, trainings, consultation for the new entrepreneurs as a government measure. In fact, these things mentioned in the conclusions are the necessary steps for economical development through the process of new job creation. Only an entrepreneurial society is a successful society.

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THE SIGNIFICANCE OF THE QUALITY MANAGEMENT SYSTEM IN MAKING MANAGEMENT DECISIONS

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Abstract:

The impact of quality management system on success in making important management decisions is the subject of this paper. Studies of this effect confirmed that the introduction and implementation of quality management system significantly improves the aims of management team in any organization. Quality management system can be defined as a series of coordinated activities undertaken in an organization to improve efficiency and effectiveness of its performance. One organization that has implemented quality management system, also manages with defined processes including written standard operating procedures, guidelines or procedures, resulting with quality products or services. Implementing the quality management system in an organization means complete establishment and acceptance of all the rules and principles that sets the system in order to align all business processes and activities, starting from the highest positioned manager to the employee set on the lowest position in the organization. With the implementation of quality management system is also implemented a completely new concept in an organization that requires consistency and commitment of all employees. The term management refers to direct control of all activities that are conducted in an organization and are control by management and provides an opportunity to make the right decisions at the right time.

Key words: *system, management, quality management,*

THE SIGNIFICANCE OF THE QUALITY MANAGEMENT SYSTEM IN MAKING MANAGEMENT DECISIONS

Quality management system can be defined as the coordination of activities in an organization in order to control an organization and to improve the efficiency and effectiveness of its performance. The quality management system can be regarded as the cornerstone of quality in functioning of an organization that actually represents the concept of establishing the rule for real relationship between the needs of customers and employees in the organization. The main impact on functioning of an organization that has implemented the quality management system refers to exactly defines processes, prepares standard operating procedures, guidelines or procedures, which in the end leads to the production of quality products or services. Complete implemented quality management system will ensure that two important requirements are met:

- Customer requirements - clients increased confidence in organization and improvement of production in terms of quality of products and
- The organization's requirements - internal and external, achieve optimum cost with efficient utilization of available resources, material, human, technological and informational.

These two requirements can be truly fulfilled if there is available objective evidence in the form of data and information to support the activities of the system, ranging from suppliers and ending with customer satisfaction. Quality management system enables an organization to successfully achieve goals and objectives set by its own policy and strategy work, and thus to ensure consistency and satisfaction in terms of each transaction interface.

Implementing of quality management system in an organization means complete establishment and acceptance of all rules and principles that sets the system in order to align all business processes and activities, starting from the highest positioned manager to the employee set on the lowest position in the organization. With implementation of quality management system also is implementing a completely new concept in the organization that must be respected by all parties. The term management refers to the direct control of all activities that are conducted in an organization, and has the ability for full control of the organization. In this context, management does not apply to people but coordination of all activities in organization starting from top - positioned manager. Decision making by top management need to be in direct correlation with the implemented system and its requirements, i.e. correlated with set quality policy.

To enable implementation of quality management system is necessary to set up logistics strategy which leads to more detailed decision making at the highest level¹. For making a proper decisions and implementation of such strategy, most important questions are the following:

- How will the strategy affect of set local network activity?
- Will the estimated approach impact on planning activities?
- Will it be able to use all existing resources?
- How will the strategy affect on the existing, current, but also on a potential customer?
- Hot it will affect on the staff, facilities, organization, and technology?

As you can see this is not strategic issues, but they are engaged in activities related to tactful and operational decisions made by top management. Establishing a strategy for implementing quality management system means setting up a logistics strategy that is necessary to include multiple levels of decisions which will cover all processing activities in an organization. The most important point that must be shown is that the adoption of the strategy leads to series of related activities at various levels. The strategy is effective only when it is implemented. This means that long-term goals are translated into decisions and overall job relates to achieving the ultimate goal.

The function of quality management system is to define the quality of products or services, and the responsibilities of all involved in the creation or consumption of the products or services offered by the organization. In other words, the quality management system uses the involvement and leadership of the working force, suppliers and even customers, in order to meet or even exceed customer expectations

Managing quality in organizations today is established as a part of successfully implemented quality system that emphasizes that all team members in the organization possess a thorough understanding of the processes, as well as knowledge of specific tools for assessment and improvement of processes, thereby and overall quality. Continuous improvement, as a particularly important part of the system of quality management system emphasizes opportunities for continued advancement through continuous effort in every aspect of organizational work. This includes the following set of management principles:

¹ Donald Waters – Logistics An Introduction to Supply Chain Management, Palgrave MacMillan 2003, pp 62 - 63

- Philosophy for constant and continuous demand for continuous improvement and increased value.
- Innovation: embracing the needs of customers on an entirely new way
- Quality in daily operations: integration of management principles in everyday work of all employees
- Strategic planning of quality: the impact of long-term and short-term planning

The goals and concepts by implementing the quality system include the introduction of a completely new concept for the quality of products or services and maintaining the continuity of it. Company managers must not only understand the differences between the quality management system and continuous quality improvement, but also must understand the differences between theory and theory of quality management system of a company. The quality management system has evolved from a narrow focus on common statistical process control to address the different techniques and methods for improving organizational performance.

QUALITY MANAGEMENT SYSTEM

ISO 9000 provides a basis and vocabulary used in the ISO 9000 family of standards. This standards placing set the basis for understanding of fundamental elements of quality management system. The introduction of ISO 9000 standard, in fact, introduced eight principles of quality management system, as well as a systematic approach to achieve continuous improvement. ISO 9001 is used when it is necessary to establish a management system that provides superb confidence in institution documents for all processes conducted at the same meeting and providing products and services to customers in relation to their requirements and expectations.

ISO 9000 family of standards , in fact , a set of criteria that can be applied to all institutions , regardless of type , size and product or service. When these standards are applied correctly, institutions develop the ability to create quality management system and thus they have standing and satisfied customers. The system of quality management ISO 9000 enables the implementation of standards and accreditation of institutions of foreign certification body. ²

Successful quality management systems based on interactions between different stakeholders and investment in the organization. Organization, which has carefully implemented quality management system for managing quality can very easily set and reach goals and requirements of the quality control and quality assurance.

Despite everything the institution must provide quality products and services that will ensure its further progress. Consequently the question: Does each institution has to be, or may become, an established institution with respected quality management system that brings progress in every field? This is not simply a matter of who can give short and clear statement that the institution can certainly provide quality products or services in accordance with customer requirements. Now days, especially the U.S. and European markets, requires proof for this claim, or proof of implemented and properly implemented system of quality control and quality assurance.

The ISO 9000 family of standards in 2000 made certain changes in the guidelines, which changed the focus of the system for standardization of procedures in the process. This change is illustrated in the ISO 9001:2008 standard where there are clear positions of system management processes as a means of generating high-quality products and services in order to satisfy customers. ISO 9004:2009 (guidelines for continuous quality improvement) goes further and creates a cycle of sustained success, governed by the mission and vision that is inspired by the needs and expectations through an expanded system for managing the processes to produce results that meet all stakeholders. ³

² ISO Central Secretariat 1, chemin de la Voie-Creuse - Selection and use of the ISO 9000 family of standards pp 22

³ ISO 9000 Quality systems – Handbook Updated for the ISO 9001-2008 pp19.

The standards are generic, which means that the same standards can be applied to any organization. ISO 9000 standards are based on the concept that ensures consistent quality of product or service, and is best achieved by simultaneous application of standardization of the manufacturing process and quality management system. The standards represent an international consensus on good management practices and production systems to improve quality and enhance the institution, with continuous delivery of quality products and/or services:⁴

- meet quality requirements of customers;
- meets applicable regulatory requirements;
- Satisfying customers, and
- achieve continual improvement of its performance in pursuit of these goals.

As previously mentioned , ISO 9000 represents a consensus that encompasses all aspects of quality management. Quality control and reliability are perhaps the most important characteristics of the system of quality management. The quality system which is implemented by the international safety standard will enable managers in the company to make the right decisions at the right time

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MOBBING AS DISCRIMINATION IN EMPLOYEE RELATIONS: TRENDS IN TOURISM

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Abstract

Among the few studies that have focused on violence in the tourism industry, the report by the European Agency for Safety and Health at Work (EFTA, 2000), registered hotels and catering as high risk sector. The study is based on interviews with more than 20,000 employees in all sectors and showed that 12% of those working in the hotel and catering industry were intimidated at work.

Mobbing as discrimination regarding employee reveals dysfunction in interpersonal relationships in organizations, which is based on intensive and long-term psychological terror on the selected victim over longer period of time in order to remove the victim from the organization. All of this creates a negative climate in the organization and can become a major cause of loss of employees.

Key words: *mobbing, discrimination, psychological terror, employees*

INTRODUCTION

Modernization, globalization and the transition to the capitalist mode of operation, carry psychological behavioral changes in employees as a result of increased demands, poor interpersonal relationships and abuse in the workplace. Mobbing as discrimination in employees' relationships reveals dysfunctionality of interpersonal relationships in organizations, which is based on intensive and long-term oppression of the chosen victim that is expressed by time and duration criteria. Mobbing actions are of discriminative nature but discriminating behavior does not always grow into mobbing. In other words the employee that has experienced mobbing has as well experienced discrimination but discrimination not always grows into mobbing. Discrimination in employees' relationships is division of people that is not related with objective professional and formal features, professional activities, more often – with sociocultural stereotype, devaluation caused by superstitions, application of different standards.

Mobbing actions are expressed through chicaneries in social, communicative, personal, professional and other spheres, in tactics accepted as social isolation, concealment of work-related information, threatening, humiliation of honor and dignity, professional devaluation, physical and psychological discomfort that can cause psychosomatic disorders on purpose to outcast the victim from the organization. The main reasons of emergence of this phenomenon are personal, sociopsychological and org-managerial that reveals the problems of culture and climate in organization; it is induced by such individual aspects as jealousy, rivalry, frustration, incompetence, irrational fear about one's own place of work, etc. All this creates negative climate in organization and can become the main reason of employees' loss.

Mobbing as discrimination in employees' relationships are more present in service sectors than in other economic sectors, because they originate to a large extent from the interface between workers and customers. Mobbing in this relationship can be felt either directly, when a customer acts unreasonably, or indirectly, through unexpected situations which are difficult to control and may provoke inappropriate reactions. Like other service sectors, the tourism sector is characterised by an interface with the public/customer.

Account is to be taken of the fact that the tourism sector provides employment to large numbers of workers some of whom have little training and come from vulnerable groups of the population such as young people, women with family responsibilities, and migrants or members

of ethnic minorities. These workers are in particular need of support to prevent, and cope with, situations potentially generating stress and mobbing.

This paper is a review of the relevant literature that is available at present, while studies on violence and mobbing at work in general are still in a pioneer stage, even less literature can be found on the hotel, catering and tourism sector. Most of the relevant studies are based on empirical evidence with limited scope. The concepts accordingly are little comparable between the studies and do not allow to quantitatively relate the phenomena they describe. More research is therefore needed to sharpen the concepts as well as to increase the volume of empirical knowledge. Consequently, the general picture that can be obtained from the many partial insights presented in this paper is hoped to stimulate the debate on the issues raised.

Last three decades, more space is given to the problem of mobbing and its devastating consequences. As the world's leading expert in this field, Heinz Leymann (1996) mobbing or psychological abuse of employees in the workplace describes as *"hostile and unethical form of communication that originates from one or more persons, systematically directed towards the individual for which it located in helpless and unprotected position, can not be released because of the actions of mobbing which constantly recur"*. The analysis of works dedicated to mobbing, (Leymann, 1990; Knorz, Zapf, 1995; Einarsen, 2000; etc.) among the other Heinz Leymann (1996) warns global community mobbing, as ignored and tolerated forms of threat to basic human rights, which can be harmful, and that multiply the victim and working collective. According to the words Heinz Leymann (1996): "The modern world is the only job left" field work "where people can kill each other without risk of being arrested to justice", whether it's snide remarks, spying, slander and even threats torture, the goal of any harassment to undermine integrity of a person or her professional, social and personal life. Mobbing is widely spread phenomenon commonly studied in the workplace, and the consequences are reflected in the social environment, the working environment, the individual, and here, the problem is considered as a degradation of workers working conditions that can cause an attack and inflict damage to human rights and human dignity, to impair the physical and mental health and compromise the future of professional victims.

The interrelated issues of violence and stress in the workplace have attained greater prominence over the last few years, partly as the result of an ever-increasing effort on the part of key international bodies such as the ILO to advance our understanding of the main causes and effects. Thus, recently published guidelines for the prevention of violence and harassment in the health sector emphasize the importance of addressing organizational issues such as work practices, work design and staffing levels, as they may impact on stress levels and, therefore, on levels of aggression and violence (ILO/ICN/WHO/PSI, 2002).

Workplace violence is defined by the European Commission as 'incidents where persons are abused, threatened or assaulted in circumstances related to their work, involving an explicit or implicit challenge to their safety, well-being or health' (Wynne, Clarkin, Cox and Griffiths, 1997). This definition does not distinguish between co-workers, customers or complete strangers as the persons responsible for a violent act.

This review of the literature focuses on the experience of violence and mobbing and their interactions within the hotel, catering and tourism industry. While the main emphasis is on academic studies and research findings, the review also draws upon published surveys, reports and opinions by industry professionals, as well as documents and publications from employer and union organizations within the sector.

DEFINITION OF MOBBING

Last three decades, more space is given to the problem of mobbing and its devastating consequences. As the world's leading expert in this field, Heinz Leymann (1996) mobbing or psychological abuse of employees in the workplace describes as *"hostile and unethical form of communication that originates from one or more persons, systematically directed towards the individual for which it located in helpless and unprotected position, can not be released because of the actions of mobbing which constantly recur"*. The analysis of works dedicated to mobbing, (Leymann, 1990; Knorz, Zapf, 1995; Einarsen, 2000; etc.) among the other Heinz Leymann (1996) warns global community mobbing, as ignored and tolerated forms of threat to basic human rights, which can be harmful, and that multiply the victim and working collective. According to the words Heinz Leymann (1996): "The modern world is the only job left" field work

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WORKING CONDITIONS THAT MAY BE CONDUCTIVE TO MOBBING AND VIOLENCE AT WORK

Tourism industry embraces a large number of different organizations and workplaces including hotels, motels and campsites, restaurants, bars, clubs and cafeterias, catering and canteen establishments, travel agencies and tourism information offices, as well as conference and exhibition centres (ILO, 2001). A number of factors are mentioned below which, either alone or in combination, directly or indirectly, may contribute to stress, mobbing, violence, and which are more or less characteristic of the sector. They are, however, neither exclusive to the sector nor should they be seen as dominant in the sector, as the information available on working conditions in the hotel, catering and tourism sector remains largely anecdotal. The same is true for information on mobbing and violence in this industry.

GLOBALIZATION, GROWING COMPETITION, COST-CUTTING AND NEW TECHNOLOGY

Increasingly, parts of the sector are joining the globalized economy, which is based on increased mobility of capital as well as customers. Increasing competition leads to greater pressures on workers and employers in the industry. Downsizing and redundancies are therefore not uncommon (Dolvik, 1995), leaving remaining staff with added workloads and multiple pressures.

A key element in the expansion of the sector is the introduction of new technology, in particular for information and communication. With its application, it has become possible to integrate a range of services in an organization, e.g. front office with back-office and food and beverage systems with housekeeping. The use of new technologies permits to fill unused gaps in the working time of employees and exposes them to additional skill requirements. New opportunities for job enrichment are created. At the same time, linking up with external service providers by electronic means allows for more tasks to be sub-contracted which may increase a feeling of insecurity amongst the workers concerned (ILO, 2001).

INFORMAL ECONOMY

A substantial number of organizations in this sector and individuals within organizations are operating in the informal economy and therefore do not pay tax or contribute to social security/insurance schemes. The informal economy in the hotel, catering and tourism sector tends to attract workers from the most vulnerable groups of the population, e.g. single mothers in Austria (Vogt, 2003) or illegal immigrants in Portugal (Portuguese Labour Inspectorate, 2002). Employees working in such situations are especially prone to abuse of all kinds. According to a Danish report (European Foundation, in press), the informal economy is also associated with a large number of bankruptcies, which further increases the job-insecurity of employees.

INTERFACE BETWEEN WORKERS AND CUSTOMERS

There has been a stream of initiatives and campaigns concerning employee behavior and attitudes towards customers at least for at least two decades, aiming at building competitive advantage in the market (Lucas, 1995). Recent technology has made it possible, however, to further personalize customer services through system analysis of customer information (ILO, 1997). Personalized service has therefore been increasingly emphasized throughout the sector to respond to the different needs of each client.

A high proportion of employees in the industry work in a constant interface with clients, whether as service-providers or simply by occupying the same space, e.g. chambermaids and cleaning staff. This may represent a source of pressure on them, especially for those who hold jobs with low social status and without having been trained in how to communicate appropriately. They are little prepared, therefore, to face situations of violence and harassment.

INCOME INSECURITY

Wages paid to employees in the tourist industry on a regular basis are lower on the average than those in comparable occupations in other sectors. For example, in the GB, male workers earn approximately 45% of the national industry average for males. For women, the percentage is somewhat higher, although in overall terms it is lower than that of their male counterparts (Smith and Carroll, 2006). Depending on the culture of a country and on other factors, a considerable portion of the total income of tourist employees may originate from tips. However, only employees with direct contact to customers may benefit from tips except where re-distribution modalities are in place. If tips are important, the worker may have to cope with income insecurity and with a resulting irregular life style. As a result, many of the lowest paid workers, e.g. chambermaids, porters and dishwashers, may hold other jobs in addition to their substantive employment (Hoel, 1993) and face higher-than-usual work pressure.

VICTIMIZATION AT WORKPLACE

Among the few studies that have so far focused on mobbing in the tourism industry, the report from the European Agency for Safety and Health at Work mentioned earlier registered the hotel and tourism industry as a high-risk sector. This is same with wide research on working conditions from the European Foundation for improving of the living and working conditions. This study, based on interviews with more than 20,000 employees of all sectors, found that 12% of those working in the hotel and catering industry reported having been intimidated at work, the second highest figure of all the sectors surveyed. Obtained are the following results:

- 2% (3 million workers in the EU) are the target of physical abuse of persons in the workplace
- 4% (6 million workers in the EU) are the target of physical violence from people outside the workplace
- 2% (3 million workers in the EU) are target the sexual violence
- 9% workers are targets of mobbing (that's about 13 million workers in the EU).

The results show large differences in the percentage of workers mobbed among the EU countries - members. Observed the following results: (Table.1)

Finland	15%
Great Britain	14%
Sweden	12%
Belgium	11%
French and Ireland	10%
Denmark	8%
Germany and Luxembourg	7%
Austrian	6%
Spain and Greece	5%
Italy and Portugal	4%

Table 1: Percentage of workers mobbed between EU Member States

The study by the European Foundation for the Improvement of Living and Working Conditions are derived percent of mobbing in different sectors: the public administration and defense 14% in Education and Health 12%, in the hotel and catering industry/tourism sector 12% , transportation and communications 12% in the wholesale and retail 9% of real estate 7%, in mining and manufacturing 6%,in brokerage finance construction 5%, construction 5% in electricity, gas and water 3%.

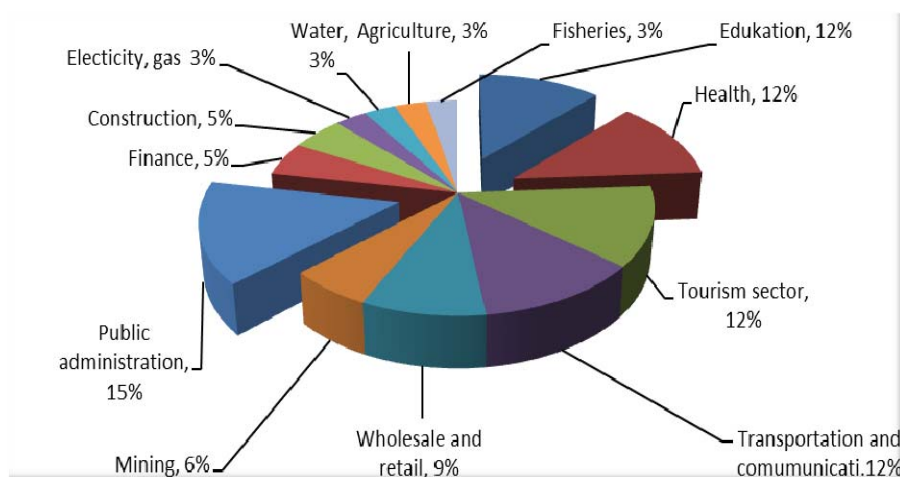


Figure 1. Percent of mobbing in different sector (European Foundation for the Improvement of Living and Working Conditions, Third European Survey on Working Conditions, Dublin, Ireland, 2000)

This coincides with the EU wide survey on working conditions by the European Foundation for the Improvement of Living and Working Conditions conducted in 2001, whose results were published in 2003. In a survey of working conditions involved 12 countries, new EU member states. In each country is analyzed sample of 1000 workers, with the exception of Malta and Cyprus, where the sample was 500 employees. The workers surveyed, an average of 6.9% (in Malta) are exposed to mobbing. The percentage is slightly lower than 9% as is the proportion of other countries - members. This may be due to the differences that exist in the information and cultural areas. (Table 2)

Lithuania	10,5 %	Malta	6,9 %
Czech R.	9,5 %	Bulgaria	6,5 %
Slovak	9,5 %	Poland	4,9 %
Rumunija	9,0 %	Latvia	4,7 %
Estonia	8,6 %	Cyprus	3,5 %
Slovenia	7,1 %	Hungary	3,0 %

Table 2: Percentage of workers mobbed in some countries, new EU member states.

In the last ten years across Europe, published a number of studies, but because of the different approaches to mobbing, there are a number of different definitions. In Finland, Germany and Austria, the overall incidence of mobbing is higher than in Sweden. Survey for the presence of mobbing is higher than in Sweden. Survey on the presence of mobbing jobs in Norway can not be compared against Sweden why the studies used different methods.

National surveys in European countries show conflictive trends. In a Norwegian study (Einarsen and Skogstad, 1996), the sector was found to have one of the highest occurrences of bullying. In this study, 14.1% of respondents reported having been bullied within the last six months, and 2.9% of the reported incidents occurred weekly or on a more frequent basis. In comparison, the national average was 8.6% and 1.2% respectively.

In a Great Britain national survey of workplace bullying, involving employees from 10 hotels (n=163), however, only 7.5% reported having been bullied within the last 6 months and 16.8% within the last 5 years (Hoel and Cooper, 2002). These figures were lower than the national average of 10.6% and 24.7% respectively. Nearly one in two (46.3%) had witnessed bullying within the last 5 years, in line with the national level of 45.5%. A total of 16.7% of hotel staff had been bullied in their career by a client or a customer, versus 7.8% for the sample as whole, suggesting that customers as perpetrators are a serious problem in the sector.

A recent Spanish survey on bullying of employees in the tourism sector (N=1107) concluded that 16% had been exposed to psychological violence (mobbing), measured here as exposure to at least one negative behaviour associated with psychological violence during the last six months on a weekly or more frequent basis (Piñuel y Zabala, 2002). Among the respondents, 45% had witnessed bullying taking place. According to the victims, the perpetrators were primarily bosses or managers (82%), while colleagues accounted for 16% of the incidents. In 47% of the cases, the violence had lasted more than one year, and in 30% of the cases, two years or more.

Only a few studies in the tourism sector focus specifically on stress, mobbing and violence. This is especially surprising given the specific characteristics of the work environment in the sector, particularly its interface with the public. The available information is largely the product of studies that focus on specific groups of employees or managers in certain settings or taken from larger, for example, national studies on mobbing, stress and violence.

ECONOMIC IMPACT OF MOBBING IN TOURISM INDUSTRY

There appears to be a growing awareness of the economic impact of mobbing and violence at work on individuals, organizations and the society as a whole (Hoel, Sparks, and Cooper 2001; Sheehan, McCarthy and Henderson, 2001). At an organizational level, a number of negative outcomes have been found to be associated with employees' exposure to stress, bullying and violence at work such as higher levels of sickness; absenteeism; increased turnover, reduced productivity; poor industrial relations; a growing number of complaints and grievances; litigation; and damaged public relations (e.g. Hoel, Einarsen and Cooper, 2003).

The costs involved may be substantial. The Marriott Corporation for example, reported that a 1% increase in employee turnover would cost the company between 5 and 15 million United States Dollars (Pizam and Thornburg, 2000). On a national level for all sectors, the costs of bullying have been estimated to be close to £2 billion annually in the Great Britain (Hoel et al., 2001), and from US\$ 0.6 to \$3.6 million per 1,000 employees in Australia (see Hoel, Einarsen and Cooper, 2003 for an overview). Based on data from the Great Britain, Hoel et al., (2001) estimated that the overall level of stress and violence in the economy could account for between 0.5% and 3.5% of GDP. Similar data are not available for the hotel, catering and tourism sector specifically. However, the evidence from the settings suggests that similar or more significant, ratios could be expected for the sector, but this needs to be confirmed by further research.

As far as the individual is concerned, the literature on exposure to stress, mobbing documents a wide range of emotional, mental, psychosomatic, behavioral and ultimately physical effects (Bunk et al., 1998).

- Threatening or ambiguous situations seem to lead to feelings of anxiety, while frustrating situations lead to anger, irritation and resentment.

- Feelings of shame and embarrassment follow from situations in which moral imperatives and personal dignity are violated or from a lack of personal accomplishment.
- High levels of depression, resentment, anxiety and feelings of shame follow from exposure to bullying and sexual harassment (Einarsen and Mikkelsen, 2003).
- Mental effects include irritability, memory problems, concentration difficulties and low morale. Typical behavioural effects include excessive drinking, smoking and other substance abuse.
- While common psychosomatic complaints are dizziness, fatigue, headaches and lower back pain, it has been documented that physical illnesses resulting from stress may include stomach problems, cardiovascular diseases and high blood pressure (see Bunk et al., 1998).

Most of the above have been documented as being associated with exposure to violence, mobbing and harassment particularly at the workplace (e.g. Einarsen and Mikkelsen, 2003; Dansky and Kilpatrick, 1997).

As this review of the scientific literature and the press found little systematic work on the effects of stress, mobbing and violence specifically in the hotel, catering and tourism industry, the general health status of workers in the industry may be looked at. It should be noted, however, that nothing particular seems to be known on the causes of the health problems mentioned below and that they should not be related to any documented occurrence of violence, mobbing and stress, which is not reported.

In an exploratory and pioneering study in the United States, Lee and Krause (2001) reported that the health status of housekeeping workers was worse than the average for the American population. Similarly, a Canadian study (N=10,500) found that the risk of mental health problems was significantly higher in the restaurant services than for the average population. Housekeeping was also identified as a high-risk occupation (Vézina and Gingras, 1996). Though these studies are significant in terms of overall health in the sector in those countries reviewed, more research is needed before drawing conclusions on the health impact of violence and stress in the hotel and catering and tourism sector.

CONCLUSION

As far as both mobbing and violence in hotels and catering are concerned, there is certainly a real need for further research on the issues of prevention, reduction, management and coping. In order to conduct such research successfully, however, more descriptive information on the phenomenon itself must first be provided and for a wider geographic area.

Secondly, more information is needed on the causes and consequences of these problems. Effective intervention may only be accomplished through the development of theoretically and empirically sound models of the causes and effects involved. General models of both mobbing and violence do exist, but they must be developed and tested in the particular work environment of this industry.

Not every possible cause of stress or violence at work (including bullying) may be easily eliminated. More information is needed regarding possible intervention programmes and the benefits and costs associated with different strategies.

Hence, there is an urgent requirement to develop intervention theories within this industry, as well as empirical data on their effectiveness. Systematic research on violence and mobbing-related issues in the hotel, catering and tourism industry is paramount to the satisfaction, health and well-being of employees and the future success and growth of the sector.

The conclusions that may be drawn from all of the studies quoted here are that employee empowerment, job enrichment, and training of both employees and managers, all seem to be reasonable measures that can help to reduce stress and increase job satisfaction in this industry.

However, the relatively few studies undertaken so far, the low number of respondents in most studies, the low number of studies outside of Europe and North America, the use of non-representative samples and the frequent use of cross-sectional survey data, make it difficult to draw any stronger conclusions.

The above mentioned presents the valorization of the current offer to tourists and the provision of financial recourses and ways for its promotion and improvement.

One should work on spreading the network of interests of different entities – “stakeholders” in promoting the reservoirs of Fruska Gora as an attractive tourist destination “Tourism cluster”

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THE CORELLATION BETWEEN ORGANIZATIONAL CLIMATE AND EFFICIENCY OF TEAMS

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Abstract:

It is a secret no more that the efficiency of a well-organized and profitable organization is due to human capital which it owns. Good working atmosphere and sense of belonging of employees is of great importance for its smooth functioning.

The application of the principle of teamwork it is more common in various activities. Today, almost every social organization has understood that the successful application of this principle significantly increases efficiency and improves the quality of the work. Raising the quality of work is possible only when it includes more participants, participants that work together based on professionalism and based on the best possible use of the skills of each participant.

This paper presents a research that explicitly shows the correlation between the organizational climate and the efficiency of teams in organization. Survey is used as a research method and as a measuring instrument closed questionnaire.

Key words: *team work, organizational climate, cooperation, mutual respect, competency, emotional intelligence, communication*

TEAM WORK

According to Tretvan⁵, "team is a group of people who work or behave in a way that helps them to achieve their common goals." In a successful team, team spirit should be designed so that all members will work for the good of the team. To achieve its goal and to fulfill the task, the team should encourage each member to develop their own skills. One of the best features of "community" is what Scott Peck called "stream of leadership". It is a phenomenon that has a big impact on anyone who requires improvement in organizational decision-making, in business, in government or anywhere. But it is not a quick trick or pretense. First we need to build a community. The words "communication" and "community" (the English community called communists), although one is a verb and one noun is, they have the same root. Principles of good communication are fundamental principles of building community.⁶

Therefore, the team is a group of people who cooperate mutually. This collaboration is for common goals and tasks that keep team members together and makes them feel responsible for what they do. But you should know that a group of people does not represent a team. It is a group gathered only for performing administrative tasks. The group, by definition presents a sum of a number of individuals who share a

⁵ Kemp, R. & Nathan, M. (1992) *Middle Managmenet*, Simon & Schuster Education, Hemel Hempstead, p. 134

⁶ Пек, С. (1994) *Другачију пут*, Београд: Народна књига, Алфа, стр. 55, 70, 81

common goal. **A team** is a group of people with a high degree of interdependence in the movement towards achieving the objectives or to completing assigned tasks.

However, team members do not only cooperate for the fulfillment of the goals and tasks. They have other joint managerial functions, including:

- Planning
- Organizing
- Setting new goals
- Increasing the performance of the team
- Develop custom strategies for managing change
- Provision of shared resources.

Teamwork is characteristic of environments with an established and well-affirmed system of cooperation, but at the same time with the best form for building effective communication. Team creates an opportunity for the leader to show all of his communication skills, and on the other hand it is a possibility for all team members to understand: the nature and significance of their mutual communication and cooperation. Together they grow and mature building the organization.

ORGANIZATIONAL CLIMATE

Organizational climate is a sense of organization i.e. of individual or shared perceptions and attitudes of members of the organization. Organizational culture has deep roots in the nature of the organization that are the result of long-term survival and existence of formal and informal systems, rules, traditions and customs while organizational climate is short-term phenomenon of constant leadership. The climate reflects beliefs about the feeling that the members have towards the organization.

Creating a pleasant environment for the work process, including material and technical conditions and interrelationships of all stakeholders in the implementation process, represent organizational climate. Individual perception in terms of what they feel about the organization arises from what people think, what they believe about the activities undertaken in the organization. These activities affect on individual motivation and job satisfaction, as well as on the common and teamwork.

Organizational climate deals with emotional moment i.e. the feelings of people - members of the organization and the way they perceive the work. The climate of an organization is part of the organizational structure and practically deals with the environment in it.

In order to believe that an organization has a healthy organizational climate, the organization should⁷:

- establish orderly and pleasant work environment,
- establish system of values and reward systems,
- establish an atmosphere of order and discipline,
- establish good cooperation with customers
- Establish system for developing positive attitudes among employees
- Establish system for making and implementing decisions
- Establish system of open and honest communication.

Each manager wants his team to achieve as high as possible results. The work atmosphere affects the results significantly. When employees feel relaxed and worthwhile organization mutual contacts and cooperation give greater result than when the collective feels reserve and coldness.

Organizations which take into account the environment in which employees work is concerned about their expectations. Beside proper environment and financial and other benefits employees need quality cooperation with colleagues so it will be mutual satisfaction. Serious organizations are trying to open up all three conditions for their employees. In fact they are the factors that determine organizational climate:

- Material-technical terms,
- Financial conditions and
- The human factor⁸

Material and technical conditions arise from the facility where the work process is performed, its immediate environment, work equipment, tidiness and vastness of the premises in question.

⁷ Petkovski Konstantin, Menadzment vo uciliste, NIRO Prosveten rabotnik, Skopje, 1998 god. str. 42

⁸ Petkovski K., Vodstvo i efektivna komunikacija, Bitola: Kiro Dandaro, 2000, str. 123

Financial conditions are one more factor for creating and maintaining a positive organizational climate. These include financial receiving, benefits that the organization can afford for the benefit of the employee as a result of an established system of values .

Without underestimating the importance of these two factors on organizational climate, however the most important thing as in many other fields is the man. Interpersonal relationships that are popular in the team collectively contribute to the creation or disruption of the effectiveness of the organization. When we mention the human factor of an organization at the same time we think of all employees and associates. Their daily communication relationships intertwine to meet the tasks and affect each other. The first people in the organization are particularly interested in the synchronization of these relations in the interest of increased efficiency of teams, and thus the organization as a whole.

Organizational climate factors are intertwined so those constantly act upon one another. Neither the most motivated worker can conduct the imagined without adequate working neither conditions nor the working conditions can work on their own without motivated employee communication and cooperation of employees.

Mutual cooperation is the most important element of organizational climate. It has fundamental meaning for creating and maintaining the climate in the organization. Mutual cooperation enables the exchange of ideas and experiences among employees. It is the basis for building mutual respect, trust, openness and honesty in communication, collegiality and tolerance.

RESEARCH

The research was conducted within the scientific research projects at the University of Tourism and Management in Skopje. Three research goals were set:

- **Scientific objective:** of the research is to gain new knowledge about the area being investigated (human resource management in organizational teams) especially for mutual cooperation as an important part of teamwork and long term effects of it.
- **Methodological objective:** confirming the applicability of measuring instruments used for obtaining relevant results for these and similar researches.
- **Practical objective:** Are the results to be made available to the concerned parties so that based on them we can improve the efficiency and effectiveness of teamwork.

The research was conducted on a representative number of 144 respondents. They are members of teams in organizations that are ranked on the list of the top 200 in 2012⁹.

In the research survey is used as a research technique, and as measuring instruments three closed questionnaires are used, two purpose-built for the needs of this paper and a conventional measurement of emotional intelligence.

The following results are expected from the research:

- how the choice of competent people will contribute to the successful realization of the goal of the team;
- how the coefficient of emotional intelligence of the leader, will affect on developing and fostering mutual cooperation;
- how mutual respect of team members will contribute to successful communication;
- how mutual respect of team members, will contribute to mutual understanding;
- how mutual respect of team members, will contribute to mutual assistance;
- how mutual respect of team members, will contribute to the development of a sense of active listening.
- What is the level of development of teamwork in the surveyed companies?
- How important is cooperation in order to develop teamwork and long-term effect of it;

The general hypothesis set in this study is as follows:

If there is mutual cooperation as part of an organizational climate built in organizations, **then** there will be effective teamwork.

From it, the following specific hypotheses have emerged:

- **Specific Hypothesis 1**

⁹ Official website of Euro Business Center – Skopje, 200 most successful companies in 2011

If employees share information with each other, **then** the purpose of the team will be successfully implemented.

- **Specific Hypothesis 2**

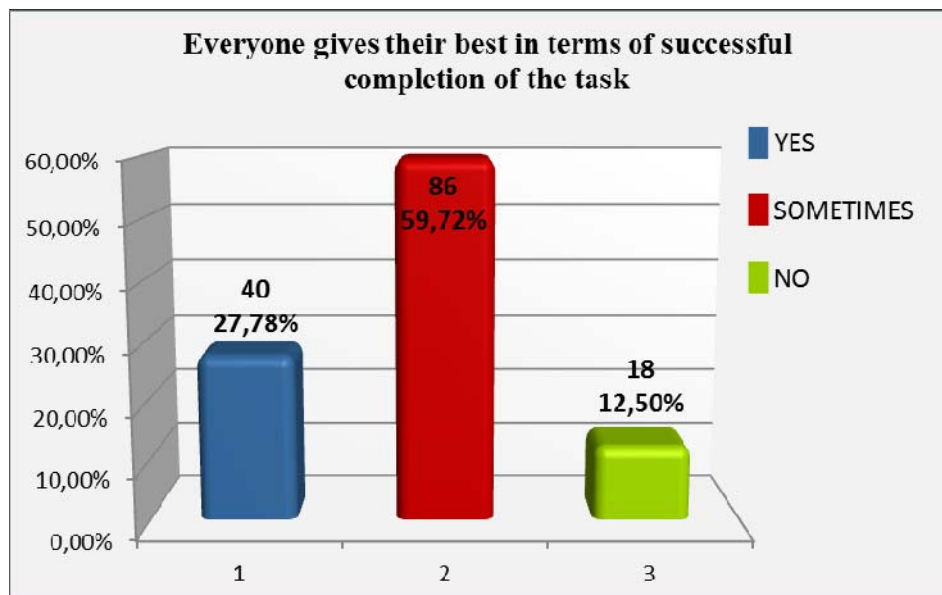
If team members achieve confidence as a basis for open honest communication, **then** the needs of employees can be assess and that will affects the development of cooperation in the team.

- **Specific Hypothesis 3**

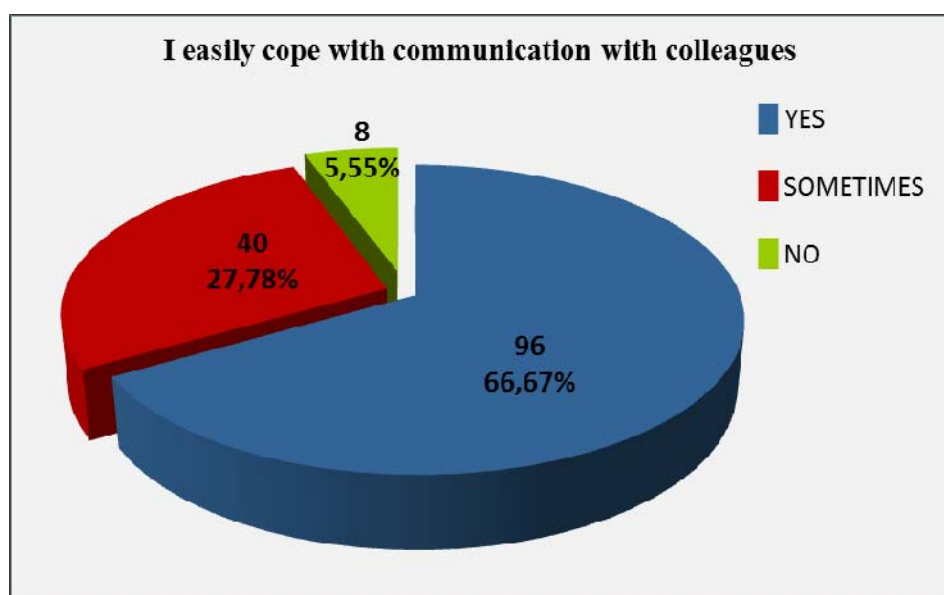
If team members achieve mutual respect, **then** they will have a successful communication.

The following are selected results from the responses to the questionnaire that are considered indicative in terms of hypotheses and conclusions.

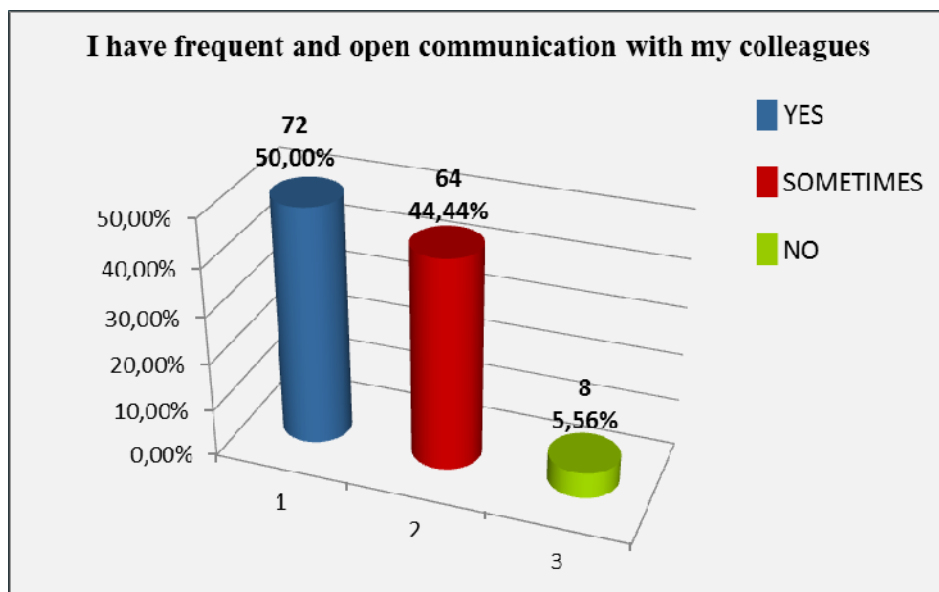
1. Question No.4 - *People I work with are honest and trustworthy* - 40 (27.78%) respondents answered yes, 86 (59.72%) answered sometimes and 18 (12.5%) answered never.



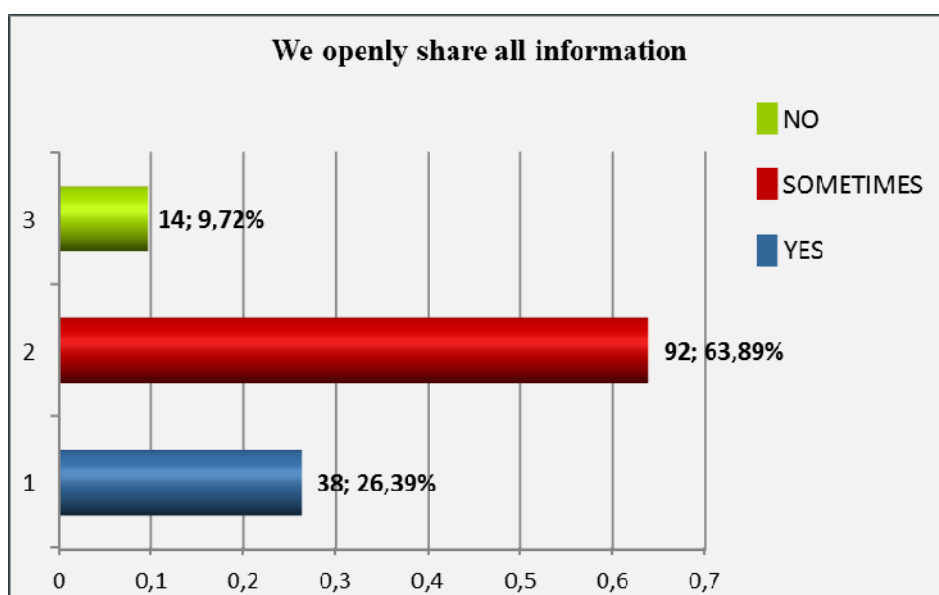
- Question No.5 – *I easily cope with communication with colleagues* - 96 (66.67%) of respondents answered yes, 40 (27.78%) answered sometimes and 8 (5.55%) answered never.



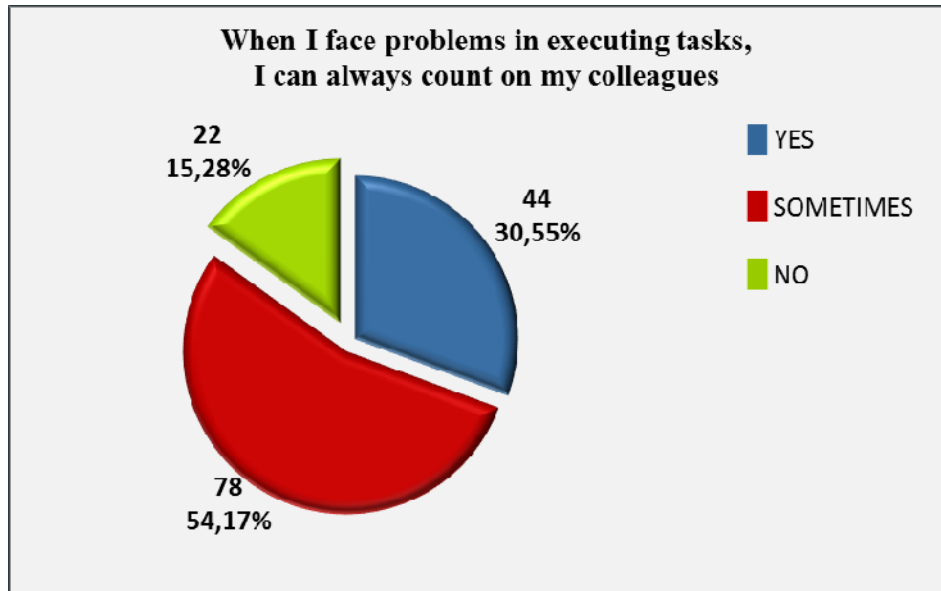
Question No.7 – *I have frequent and open communication with my colleagues* - 72 (50%) respondents answered yes, 64 (44.44%) answered sometimes and 8 (5.56%) answered never.



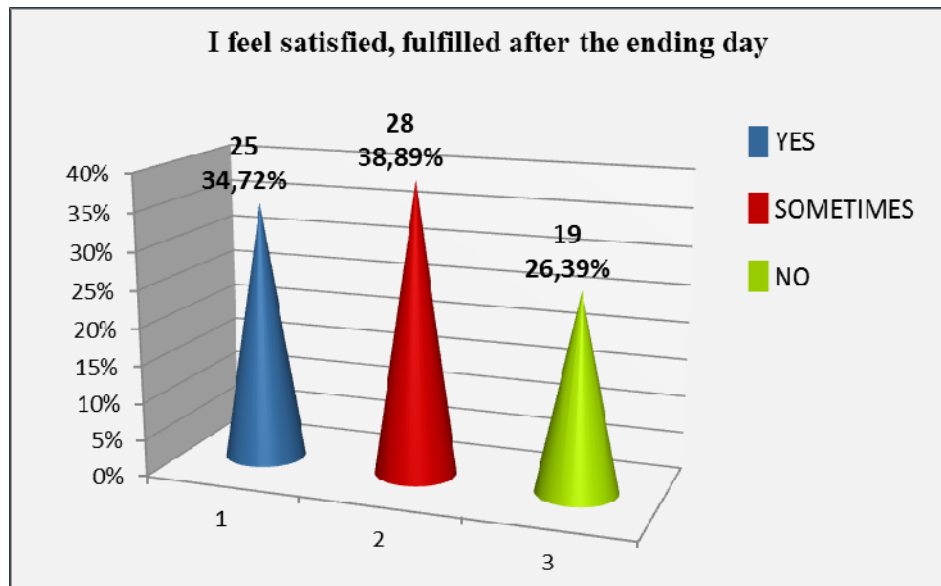
Question No.10 – *We openly share all information* – 38 (26,39%) respondents answered yes, 92 (63,89%) answered sometimes and 14 (9,72%) answered never.



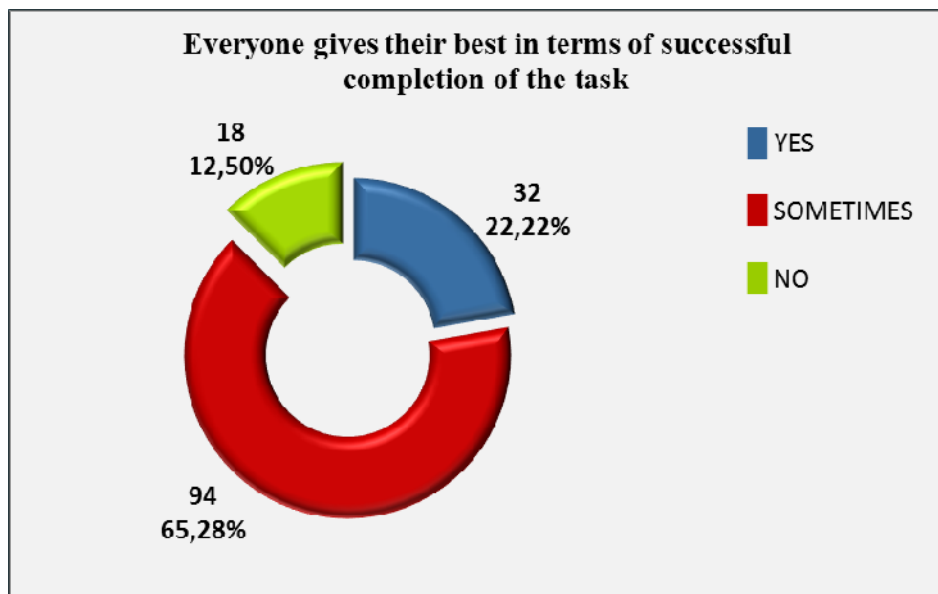
Question No.11 - *When I face problems in executing tasks, I can always count on my colleagues* – 44 (30,55%) respondents answered yes, 78 (54,17%) answered sometimes and 22 (15,28%) answered never.



Question No.10 - *I feel satisfied, fulfilled after the ending day* – 25 (34,72%) respondents answered yes, 28 (38,89%) answered sometimes and 19 (26,39%) answered never.



Question No.11 - *Everyone gives their best in terms of successful completion of the task* – 32 (22,22%) respondents answered yes, 94 (65,28%) answered sometimes and 18 (12,5%) answered never.



CONCLUSION

The purpose of this research was mainly determined by the permanent actuality of the topic i.e. teamwork. We have sought to carefully study the importance and significance of cooperation of employees as part of organizational climate and effectiveness of teamwork.

The results obtained by the research gave answers to the survey goals and expected results:

- Selection of competent people for tasks in the team contributes significantly to the successful realization of the goal of the team;
- Mutual respect among team members contribute to their successful communication;
- Mutual respect among team members contribute to mutual understanding.
- Mutual respect among team members contribute to their mutual assistance;
- Mutual respect among team members contribute to the development of a sense of mutual active listening.
- The degree of cooperation between team members as part of a positive organizational climate, is directly proportional with the effectiveness of the team.

Findings of the conducted research are in the interest of proving the set hypotheses.

Teamwork and the importance of teams are continuously studied and developed in the world. The development and successful management of the teams is achieved in organizations that have a high level of understanding, cooperation, consultation, undertaking of actions, decision making, team spirit and quality completion of tasks. This research is a contribution to that direction.

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IMPROVEMENT OF BODY SHOP MANAGING AS A PART OF VEHICLE IMPORTERS CENTER

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Abstract:

The dynamic rhythm of living in today's contemporary surroundings can not be considered without the use of personal and commercial vehicles, for transport of passengers and cargo. This means that every manufacturer in this segment, in their departments for development, find a way to increase their participation in the market. Since the race with time, for promoting new models on the market, not always is in positive relation with the profit which the manufacturer plans to achieve, issues the manufacturer's focus in the after-sale activities.

The body shop with its service, as part of the after-sale activities, brings the client satisfaction to a higher level and of course contributes to realization of higher profit of the company.

The setting of the equipment and the staff management, the analysis of the number of entries and realized working hours in the body shop of an importer centre, are the lead themes for the author in this paper work.

Finding the key factors, as well as the possibility for implementation of the key factors, would reflect increased number of entries, increased number of realized working hours and possibility for improving of the existing system of managing

Key words: *After-sales and service, body shop, management, realized working hours, organization of the body-shop and implementation.*

INTRODUCTION:

Innovation gives contribution in different ways. For example, the research evidences suggest that there is a strong correlation between the performance on the market and new products. The new products help to enter and maintain the market share as well as to increase the profitability in it. In case of mature and already existing products, the competition does not simply come from the low price offer but from other different factors such as: design, quality and distribution.

For example, Japanese dominance in the late 20-ties in different sectors-automobiles, motorbikes, shipyards, electronics is due to a great number of superior capabilities in the production, which is a result of consistent model of innovation in process. Toyota production system and the equivalent system in Honda and Nissan is in priority with performances around 2 to 1 vehicle, on average, in automobiles production, following the quality indicators and productivity. Simply, becoming able to offer better product and/or service, cheaper and with better quality it would be a source of competitiveness for a long time. (Markovska 2010, p. 9)

The Body shop with its services, as a part of After-sales activities, contributes to the completion of the service activities. This department provides services in repairing damaged cars during car accidents, driver's negligence or accidents as a result of weather conditions.

The equipment, as well as the set up of the equipment, training and adequacy of human recourses in the body shop should be in continuous stream of updates and innovations which are implemented by the manufactures themselves. This means that the set up of the body shop should provide quality service which will contribute to the customer's satisfaction and of course to achieve greater profit for the company.

From the above, it seems that most of the automobile manufacturers as well as their importers focus on quality after-sales service to customers, in order to maintain the constant customers and gain new ones, which were themselves the most important prerequisite for existence of the producer and its importer centers.

In this paper work, the author conducted a complete analyze of the equipment set up, personnel, the number of entries and realized working hours in the body shop of the importers center in the last five years, that is in the period of June 2008, 2009, 2010, 2011 and 2012.

The analyses made show some problems and if they are not properly treated, of course with suggested principles of improvement, which would contribute to find out key factors that lead to the increased number of entries and realized working hours, which is the objective of the research of this paper work. (Stamboliski 2010, p. 135)

TEMPORARY SITUATION AND INVESTIGATION:

The body shop represents a complex service which contributes to meet the needs of the customers, and of course the profit of the company. For realizing the entire service activity and to provide a complete service to customers for new damaged vehicles there is a need of proper managing of the body shop which will operate as apart of After-sales. This department offers services for damaged vehicles as a result of an accident, damages due to driver's negligence and damages due to the influence of the weather conditions.

The services which are offered by the body shop are as follows:

- Replacement and repair of damaged parts from the vehicles,
- Replacement of glasses of the vehicle,
- Chassis checking,
- Scratches correction,
- „Make up“ of the vehicles,
- Controls in the frame of a guarantee, repairs mentioned by the producer and others.

For the purpose of this kind of workshop it is necessary to make a design with the aim to meet the market needs and of course meeting the needed space for proper functioning of the equipment and the technicians. The analyses which are made for designing a body shop are as follows:

1. Calculation for entries in the body shop,
2. Analyses of the working process,
3. Stuffing and hierarchical status,
4. Needed technicians,
5. Space efficient worker,
6. Total working surface,
7. Equipment,
8. Illumination and height of the work shop,
9. The choice of suppliers for the purpose of the work shop

The forecast for the new organization structure has been made with several months researching and visiting of similar companies, and using the experience of the principal of the importers center, noted that to achieve the objective of this paper to improve the management of the body shop workshop; we need to have the following human resources:

- Body shop manager,
- accounting officer for the invoicing in the body shop,
- Body shop team leader,
- Appraiser damage,
- Responsible for spare parts in the body shop,
- Removal/Refitting for in the body shop,
- Painters and drafter of colors
- Prepares the vehicle for painting.

Further in this paper will show, and calculate the required number and profile of staff in the body shop workshop. (Euroimpex, 2008)

Designing of entries in the body shop

For the calculation of the entries of the body shop workshop we need data, that would have calculated that the capacity of vehicles to meet over a day. Data from the authorized center of statistics and data from the department of sale of the importer of vehicles are: (CESVIMAP, 2007)

1. Number of vehicles sold in last 5 (five) years,
2. Second Customer loyalty,
3. Accidents during 1 (one) year.

From the above mentioned, we can notice that in the last 5 (five) years the importer had sold 5.000 vehicles, the clients loyalty is 65%, and during 1 (one) year from the total number of registered vehicles, the number of the accidents is around 30%:

$$5.000 \times 0,65 \times 0,3 = 975 \text{ serviced vehicles during one year.}$$

In order to calculate the number of the vehicles which could be serviced in a body shop per day, we use the data for working days in a calendar year:

- 365 days in a year,
- 104 days Saturdays and Sundays,
- 12 national holidays,
- 22 days vacation,
- 4 days training
- 3 days sick leave

220 working days in a year (1.760 working hours)

From the above, it can be concluded that the body shop should service:

$$975 / 220 = 4,43 \text{ vehicles per day.}$$

Working process analyze

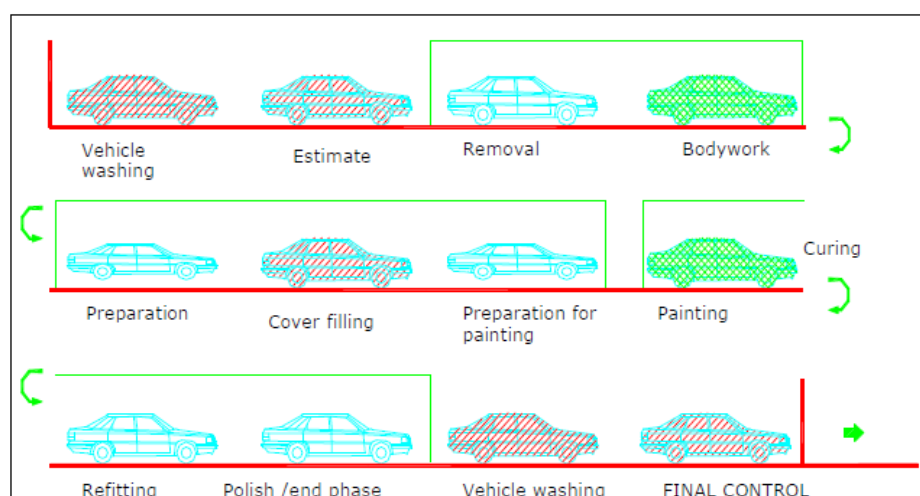


Figure 1 - Working process analyze in the body shop

Staffing and hierarchical structure, and the required number of direct perpetrators profile

The previously presented analysis of the workflow, processes is executed with more employees who are required to perform services of the body shop workshop. With further analysis, we determine the required number of direct employees in the workshop or removal / refitting, panel beater, preparer and painter.

To get the required number and profile of technicians, we will be make review on the time required to repair of the vehicle (Table - 1), the average retention time of vehicle in to the body shop workshop for the average damaged part:

	Operations in the vehicle repair	Actual working hour
1.	Removal of the vehicle components	0,5
2.	Panel beater job	4,5
3.	Preparation for the painting	2,0
4.	Time for curing of the surface	2,0*
5.	Painting on the repaired parts	1,5
6.	Curing of the paint	1,0*
7.	Refitting of the vehicle components	1,0
	Total actual work on a vehicle	9,5

*- time that can be used to work on another vehicle.

Table1 – Average time to repair an average damaged vehicle

From Table - 1 shows that the performance of average repair of the damaged vehicle, it takes 12,5 hours, with 9,5 hours of effective work. To get the required number of direct employees and account executives, these processes need to express it in% (Table - 2) to indicate which type of direct employees how long have an impact on the repair:

	Direct participation of employees in the repair of vehicle	Actual working hour	Participation in percentage %
1.	Removal/Refitting mechanic	1,5	16
2.	Panel beater	4,5	48
3.	Repairer and Painter	3,5	36
	Total actual work on a vehicle	9,5	100%

Table 2 – participation of each direct executor in percentage in repairing process

In order to calculate the number of direct executors we apply the following equation:

$$\text{Needed number of direct executor} = \frac{\text{Number of vehicles per day} \times \text{Effective work on a vehicle}}{1 \text{ day (8 working hours)}}$$

The above calculations, inserted into the equation for calculating the number of direct employees, we get:

$$(4,43 \text{ vehicles per day} \times 9,5 \text{ effective hours}) / 8 \text{ working hours} = 5,26 \text{ effective executors}$$

With the data from Table - 2 and the result of the equation, we get the number and profile required direct employees:

$$5,26 \times 16\% = 0,84; \text{ that is 1 Removal/Refitting}$$

$$5,26 \times 48\% = 2,52; \text{ that is 3 Panel beater}$$

$$5,26 \times 36\% = 1,89; \text{ that is 2 Painters}$$

Set-up of the equipment, Space for effective worker

To functioning and carrying out the obligations of a worker in line needs to perform body shop services, each technician is specifically required 2,5 working places. The above means that 6 workers, we need 15 working places, i.e. previously determined number and profile of technicians, we need 2,5 working places for removal/refitting, 7,5 working places for 3 panel beaters and 5 working places for painters.

After determining the required workspace to perform its obligations, we will be continue with the calculation of sufficient surface of the body shop workshop:

	Operations in body shop	Dimensions of working space	Surface m ²
1	Removal/Refitting	6M X 3.5M	21
2	Bench rack	7M X 5M	35
3	Panel beater	6M X 3.5M	21
4	Painter	6M X 3.5M	21
5	Painting chamber	7M X 6M	42
6	Estimating area	6M X 3.5M	21
7	Delivery area	7M X 5M	35
8	Mechanic	6M X 3.5M	21
9	Paining (mixing) room	4M X 4M	16
		Total:	443 m ²
	+ 50% for vehicles movement		222 m ²
		TOTAL:	665 m²

Table 3 – The space needed for the body shop

Also required parking space of 12,5 m² (5m x 2,5m) for each vehicle that can enters in to the circle of body shop workshop, or space for vehicles waiting to be entered into the workshop, space for the customers and space for the vehicles who are ready for delivery.

We have to take into consideration the space needed for:

- Spare parts warehouse and parts from dismantled vehicles,
- Reception area,
- Changing room, kitchen and toilet,
- Office. (This space should be around 20% of the total body shop).

Placement of equipment

Depending on the space that we have, we can determine the positioning of the equipment, or determine the Lay-out in the workshop. It should be noted that the installation of equipment needs to satisfy one's desires and requirements, such as: (Jovanovski 2003, p. 25)

- Legislation,
- Protection and safety at work
- Protection of the environment,
- Quality,
- Efficiency and
- Productivity.

Lay-out or flow of vehicles in the workshop can be linear, crossed or circular flow of vehicles. In the case where we have a line Lay-out, movement of vehicles is in a line, or the movement of the vehicle repair workshop in a straight line (Figure - 2). The cross Lay-out (Figure - 3), the repair of the vehicle in service in a zigzag motion. The circle or workshop Lay-out the equipment is in the cycle order (Figure - 4). Possible are any combination of the above Lay-out, in order to meet the needs and space of the body shop workshop. Again it should be noted that the positioning of the equipment depends on the space that we have for the body shop workshop. In the following outlines we could look at the positioning of the equipment in to the workshop:

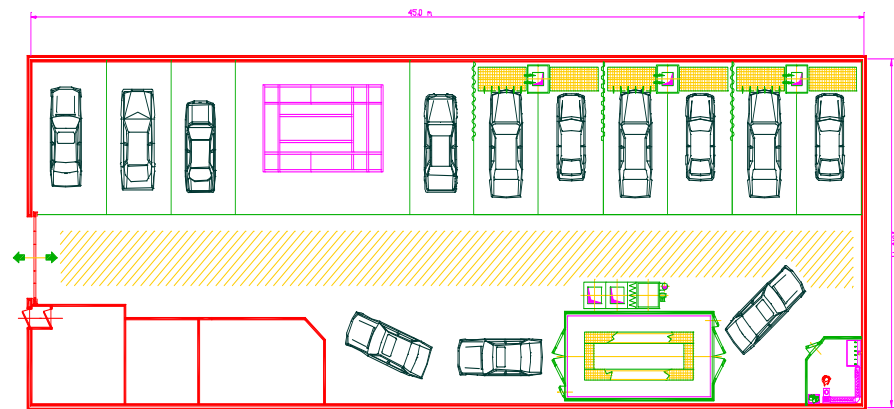


Figure 2 – Line Lay-out

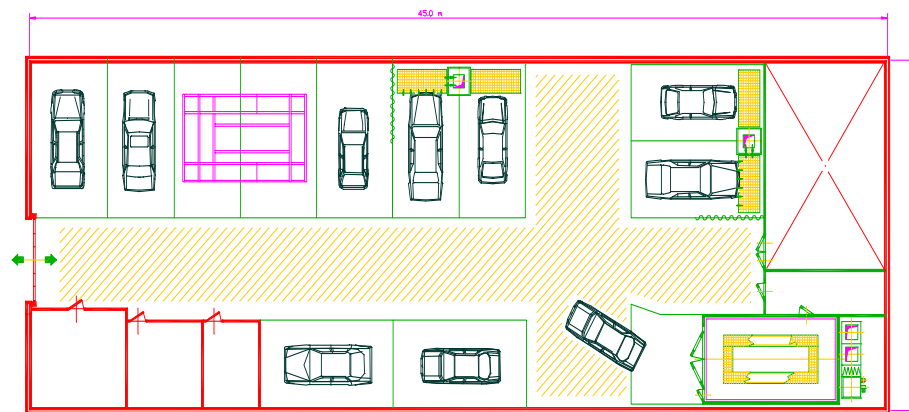


Figure 3 - Crossed Lay-out

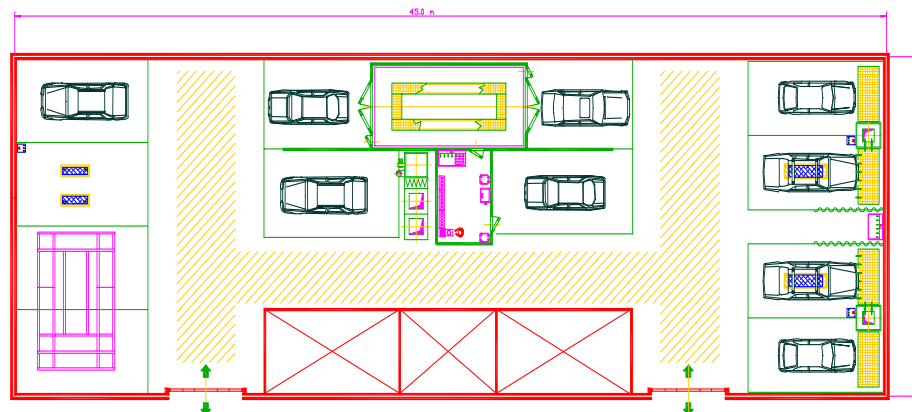


Figure 4- Circular Lay-out

CONCLUSION

After implementation of the above made exposed managing of the body shop workshop, results are prominent both in terms of customer satisfaction (Stamboliski & Donev & Polenakovik 2012, p. 10) and increased profitability of the company compared with the number of entries and generated/ collected working hours and given the graphs of the following three images image (Figure: 5, 6 and 7). The images that

we have, we can see that the research is not done in vain, and that it provides initial results. For further operation and to maintain the level of management, requires continuous control and improvement without which there is risk to everything done could fail.

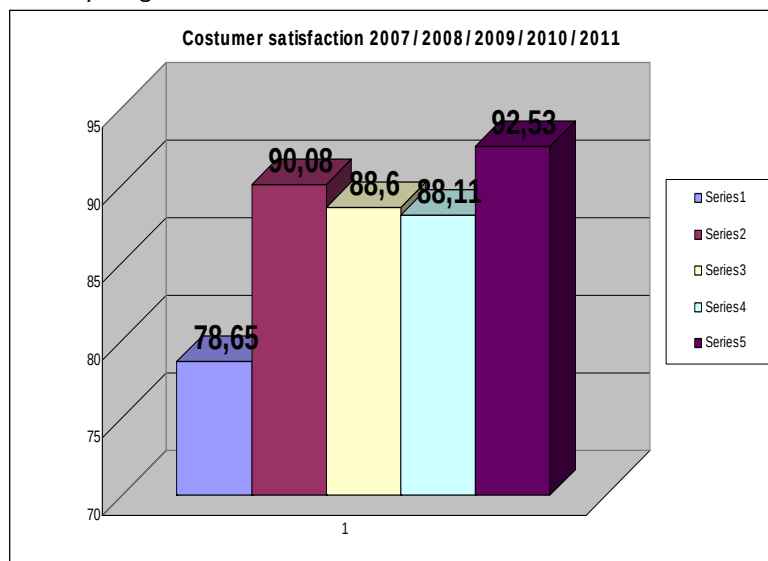


Figure 5 - Costumer satisfaction level

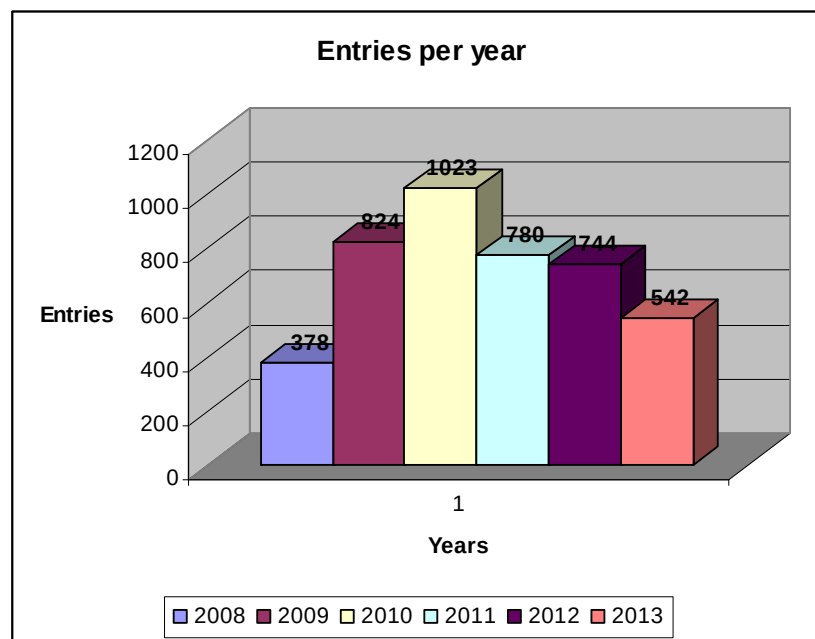


Figure 6 – Workshop entries per year

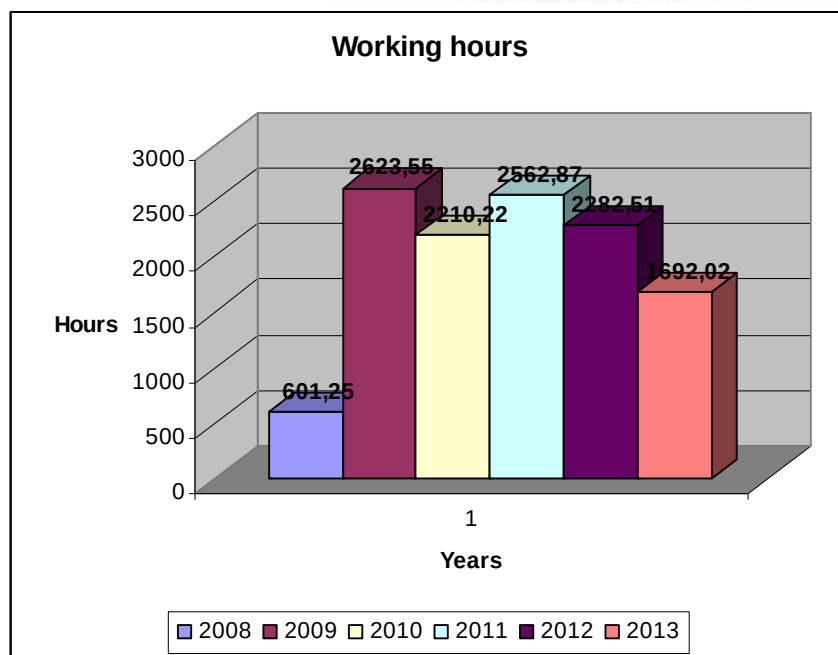


Figure 7 – Working hours per year

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THE INFLUENCE OF FAMILY RELATIONS ON DECISION MAKING IN FAMILY BUSINESSES

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Abstract

The peculiarity and uniqueness of family businesses set them apart from other businesses in many things. Natural need of man to survive in these harsh circumstances forces him to constantly seek new sources of funding or simply tries to improve the existing. Secure existence is difficult to ensure.

The successful family business provides many benefits: reliable operation, to be your own boss, flexible working hours, family members are taken care of, to become successful with your own strengths. Also this kind of business brings a range of difficulties that have to be overcome.

Apart from the daily struggle for enterprise development in the complex conditions of tough competition and rapid changes in the environment, family businesses face problems of internal character. Namely, the parents are torn between the family relations, the love towards their children and the consistence in the decision making processes. Although this is a modern and very present theme however owners of family businesses rarely dare to speak publicly on the subject.

This paper presents an action research conducted on a sample of 26 family businesses in RM.

This research study is primarily exploratory in nature, and the research instruments include survey through questionnaires with family member and employees that are not family members.

Keywords: *family businesses, family relations, decision making, family members, non-family members*

INTRODUCTION

Family businesses undoubtedly attract the attention of theorists. Challenges that they offer as well as the advantages they provide offer wide range of research fields. Pitfalls that stand in the way of entrepreneurs however they are explored, they can always be multiplied under the influence of various external and internal factors. All of that provides new opportunities for studying this specific type of business.

This paper aims to uncover the secrets of the family business for the theorists and for the practitioners. On one hand, to check the application value of the research instruments and on the other to help all those who have family businesses to become aware of the emotional barriers that stand daily, that would impede the reasonable business decisions.

What is actually a family business?

“Family firms are companies of various sizes controlled by one or more owners tied by family relationship or solid alliances; they are dynamic systems including two subsets, the family and the firm.”¹⁰

It is the interweaving of the two systems: the family and the business that creates all the benefits / advantages that make the family business-business with dedicated, loyal and honest employees. Therefore, the result is increased productivity and profitability. Sure, beside benefits from the tangle of the two systems arise all the difficulties that are burden for the founders of family businesses such as:

- Whether to make the correct decision when it comes to their children,
- Whether the business is more important than the family wishes,
- Whether to hire an external person or at any cost to hire a family member,
- Should the family members always be given managerial functions
- What is be the job position that should be given to the family member on its first employment

¹⁰ [International Encyclopedia of the Social & Behavioral Sciences](#), 2001, Pages 5319–5324

Decision making in family businesses

The interweaving of the benefits and difficulties related to family businesses inspired numerous researchers to pay particular attention in their research papers. In their research they include topics¹¹:

- family business archetypes and life cycles;
- generational transitions;
- family structure and management;
- ownership structure and management;
- company governance;
- strategic management;
- different family business models in various countries;
- family vs. non-family businesses
- relationships with consultants;
- women's role.

Regardless of the size of the business and the number of employees almost always the head of the business is a family member, while in the management boards the number of the family members differs depending on other elements¹².

Decision-making is closely related to the composition of the management board. In any case decision making is the most difficult part of the work due to the mix of family and business emotions. Although normally each of the employers is trying not to be biased when it comes to members of the families versus non-family members, however, it is a trap in which he usually falls.

The choice of the form of decision making process is different in each enterprise. The following is presentation of a research conducted in that direction:

"Decision-making within family-owned businesses can entail an entrepreneurial approach or a consensus approach. In the 1997 Massachusetts Mutual Life Insurance Co. survey of family businesses, it was found that 34% of family-owned businesses use the entrepreneurial approach. This approach entails that the founder or current owner/CEO is the final decision-maker. The survey found that 48% of family-owned businesses made decisions based on a consensus. Six percent said decisions were made in their business by first discussing the issue and then taking a vote. Although the 6% figure appears small, when you consider that 53% of this group had lasted for at least three generations, their method of decision-making may be indicative of a basis for their longitudinal success."¹³

Although most of the members of the boards are family members as reliable evidence that the members due to high commitment to work will make better decisions, there are studies that prove the opposite. Thus, in research conducted in Sweden¹⁴ proves to be justified intention to import primarily professional / expert members on the board, and thereby to exclude nepotism.

However, these and similar studies do not reveal more subtle situations in the organization in terms of combining the two mandatory systems in family businesses: the emotional and business system. In everyday decision-making and a number of smaller situations of the board of the organization, the intentions of parents to favor one's children and to protect them from the discomfort and effort with sparing in the work setting or in places that do not deserve are seen.

Bias leads to series of conflicts between family and non-family employees. Destructive impact of negative emotional relationship, work and interaction in the business, could seriously undermine the effectiveness of the organization's work¹⁵. For these reasons, all of which are part of the family businesses, regardless of

¹¹ [International Encyclopedia of the Social & Behavioral Sciences](#), 2001, Pages 5319–5324

¹² Roberto Garcia-Castro, M^a José Casasola, 2011. A set-theoretic analysis of the components of family involvement in publicly listed and major unlisted firms, [Journal of Family Business Strategy](#), 2(1):15-25.

¹³ Parker, Tammy. 2004. [The Decision-Making Process in Family-Owned Businesses](#), *The Coastal Business Journal*. 3(1): 56-60.

¹⁴ Sven-Olof Yrjö Collin, Jenny Ahlberg, 2012. [Blood in the boardroom: Family relationships influencing the functions of the board](#), *Journal of Family Business Strategy*, Volume 3, Issue 4, 207-219.

¹⁵ Sardeshmukh, Shruti., Scott-Young, Cristina., Perera, Sanjee. Emotion [Work, Conflict, and Family Business Performance](#), www.swinburne.edu.au/lib/ir/onlineconferences/.../000107.pdf

the level / rank / position we have in him, must be interested in the implications arising from the frivolity with mixing emotions and work, as well as the introduction of family problems within organization.

RESEARCH

The research presented in this paper is conducted on the University of Tourism and Management in Skopje. It includes 26 family businesses (small and medium-sized). In all of them on the leading position is the founder of the organization. The selection of companies was made according to the ranking of the Ministry of Economy which presented the most successful companies in FYROM.

The ones that contain the family element are separated. In the survey as a research technique three closed questionnaires are used: for the leaders, for the family members and for non-family members. The survey covered a total of 462 respondents, 26 leaders, 144 family members and 392 staff employees who are not part of the family.

The general research hypothesis is: If the leader of a family business manages to control emotions towards family members then he will be making real decisions which will reduce conflict situations, and it will increase efficiency. The general hypothesis is further subdivided 5 variables that are proved by using indicators of survey questionnaires.

Expected results from the survey include the following:

- To what extent do leaders of family businesses recognize emotions?
- How many leaders know how to manage their emotions?
- Are rules, procedures and norms established in the family business?
- How much do leaders stick to established rules, procedures and norms when it comes to their family members?
- Is the legacy of leadership position in business the motivation for staff family members in the family business?
- Are non-family members motivated to join the steering board of the family business?
- Can a nonfamily member in the business get the leadership position in the family business if he has the appropriate competencies and many more of the responsibilities of family members?

The following are separated issues that are indicative in terms of validation of the set variables derived from the general hypothesis.

1. *Delegation according to the competencies*

On the question: *“Does the family business leader delegate the easier tasks to family members and the difficult ones to non-family members – exterior employees, regardless of their competences?”*, yes answered high 69% of the respondents. Verified with a set of questions given in the same direction can be concluded that the leaders do not delegate tasks in accordance with the competencies of the employees. But the answers of respondents that are family members on the same question show that their superiors (parents / relatives) only sometimes give easier tasks than the others. This implies that they do not notice the fondness towards the relatives or they are unwilling to recognize. On this question 68% answered *sometimes*, 19% said *no* and 13% answered *yes*.

The research shows that leaders' decision-making largely differs when sharing tasks (delegating) between family members and non-family members. It might seem discouraging for the non-family members and their work. 48% of them have noticed that easier tasks are being delegated to family members, 18% answered that sometimes it has happened and 34% said that the work is delegated equally. Visually it is presented in Table 1 and Figure No.1.

Table 1: Results from the variable: Delegating according the competences

	YES	PARTLY	NO
LEADERS	18 (69%)	3 (12%)	5 (19%)
FAMILY MEMBERS	18 (13%)	98 (68%)	28 (19%)
NON-FAMILY	189 (48%)	69 (18%)	134 (34%)

MEMBERS

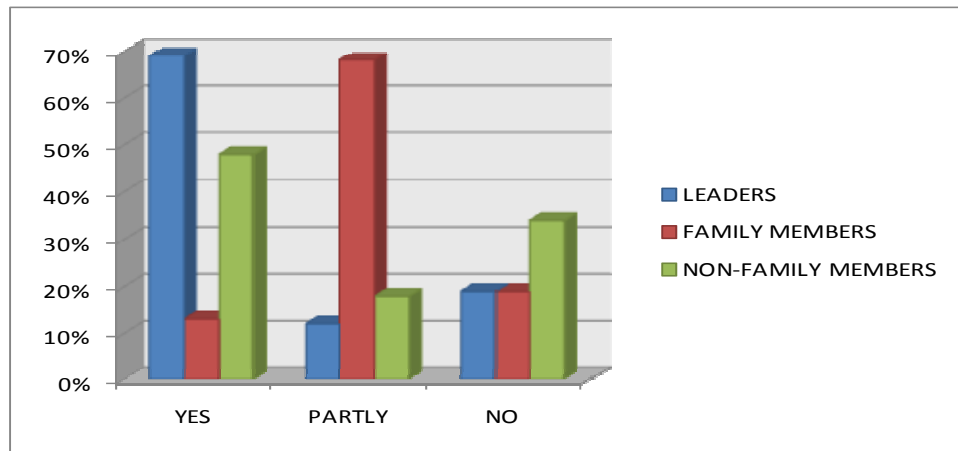


Figure No. 1: Delegating according to the competences

2. “Taking” home problems at work

Questions that are addressed to the leaders but refer to the distinction of business problems and problems at work show that it is impossible to “leave” problems at home. Specifically on the question: “Do you leave home problems at home?” half of the respondents answered affirmatively. Only 19% of respondents answered that they fail to distance home problems from the work. It is an indicator that shows that it is not easy to work with family members and home problems to remain out of work.

On the same question the family members employed in the business responded with similar answers suggesting that they fail to leave home family problems. All of this is noticed by the non-family members employed in the business and it affects them. Even 44% of non-family members replied that leaders’ home problems and family members influence the work and the attitude towards them, and only 36% said that sometimes that happens. Visually it is presented in Table 2 and Figure No. 2.

Table 2: Results from the variable: “Taking” home problems at work

	YES	PARTLY	NO
LEADERS	13 (50%)	8 (31%)	5 (19%)
FAMILY MEMBERS	65 (45%)	37 (26%)	42 (29%)
NON-FAMILY MEMBERS	166 (42%)	139 (36%)	87 (22%)

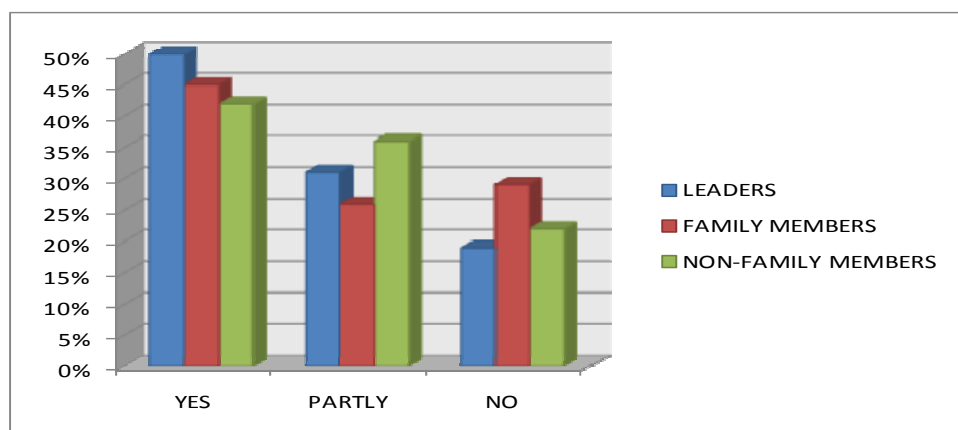


Figure No. 2: “Taking” home problems at work

3. *Exception from the rules, procedures and norms in family businesses*

Every organization as part of the culture has established value system based on rules, procedures and norms of behavior. It is very important that they are applied equally to all staff regardless of whether they are family members or not. On the question for the leaders: "Do you make exception from the rules, procedures and norms when it comes to family members?" 50% of respondents denied that, and only 27% said they sometimes make exception from the rules and procedures for family members.

On the same question employees that are not family members answered with 40% that there are no exceptions for them in the business, 48% partially recognize making exceptions, and only 12% recognize that the rules, procedures and norms of behavior do not apply to them as to the other employees.

On the contrary, non-family members said that they feel that the rules, procedures and norms do not apply to them as well as for employees who are members of the family (73%), which puts them in a bad position. Visually it is presented in Table 3 and Figure No.3.

Table 3: Results from the variable: Exception from the rules, procedures and norms in family business

	YES	PARTLY	NO
LEADERS	6 (23%)	7 (27%)	13 (50%)
FAMILY MEMBERS	17 (12%)	69 (48%)	58 (40%)
NON-FAMILY MEMBERS	286 (73%)	69 (18%)	37 (9%)

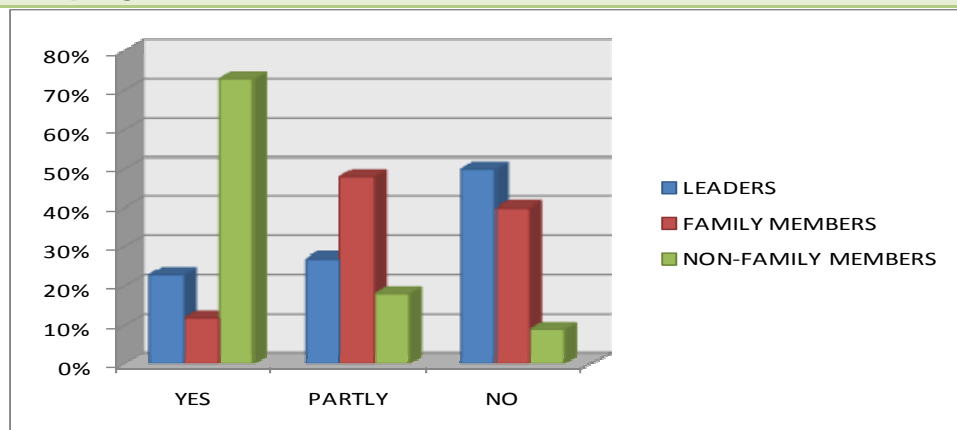


Figure No. 3: Exception from the rules, procedures and norms in family business

4. *Motivation of non-family staff through successful work to get to the management board*

As far as the staff motivation through building competencies and career development to get to the management board of the firm, leaders said that external members are motivate the same as family members. Even 61% of respondent leaders answered that equally stimulate all employees. Family members 67% answered that non-family members are motivated to progress in their career as they would become part of the firm's management boards. But only 11% of non-family members think that through promotion they can get to the management board, the remaining 22% only partially agree, and even 67% do not agree with it. Visually it is presented in Table 4 and Figure 4.

Table 4: Results from the variable: Motivation of non-family staff through successful work to get to the management board

	YES	PARTLY	NO
LEADERS	16 (61%)	8 (31%)	2 (8%)
FAMILY MEMBERS	96 (67%)	36 (25%)	12 (8%)
NON-FAMILY MEMBERS	43 (11%)	86 (22%)	263 (67%)

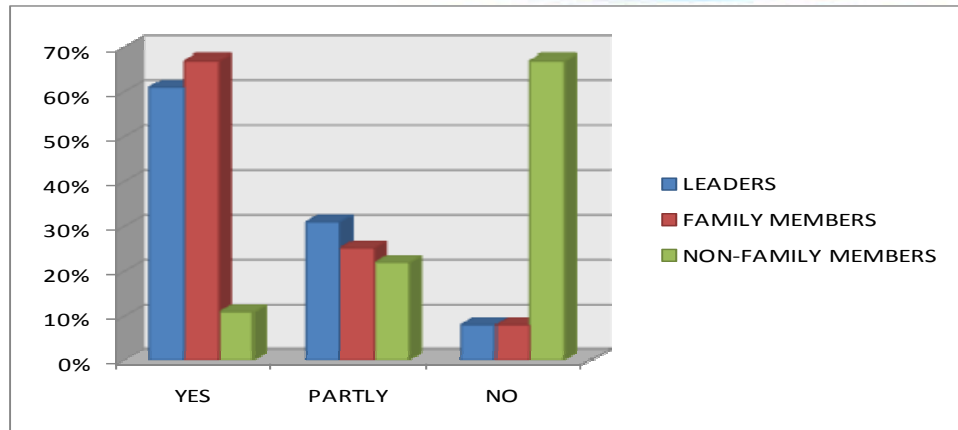


Figure No. 4: Motivation of non-family staff through successful work to get to the management board

5. Resigning the leadership position to a non-family member

Although leaders motivate exterior employees, they are not ready to resign the leadership position to a non-family member. Only 69% of the respondents answered on the following question: "Are you ready to resign the leadership position to a non-family member, even if he has more competences than the family members?" 23% said maybe, and only 8% yes i.e. only 8% said that if the employee (non-family member) is more competent than the family members, the leaders are ready to resign the leadership position.

Employees (family members) are not willing (51%) their organization to be led by a man that is not a family member, even though he would have more competences than any other family member. 18% partly agree with that statement, and only 18% said it is ok.

When the answers of the non-family members in the family business are seen, it is easily to be noticed that the biggest percentage – 61% said that as non-family members have no opportunity to become leaders of the family business, and it is clear that only a family member can succeed and lead the business after the retirement of the incumbent leader. Visually it is presented in Table 5 and Figure No.5.

Table 4: Results from the variable: Resigning the leadership position to a non-family member

	YES	PARTLY	NO
LEADERS	2 (8%)	6 (23%)	18 (69%)
FAMILY MEMBERS	45 (31%)	26 (18%)	73 (51%)
NON-FAMILY MEMBERS	67 (17%)	88 (22%)	237 (61%)

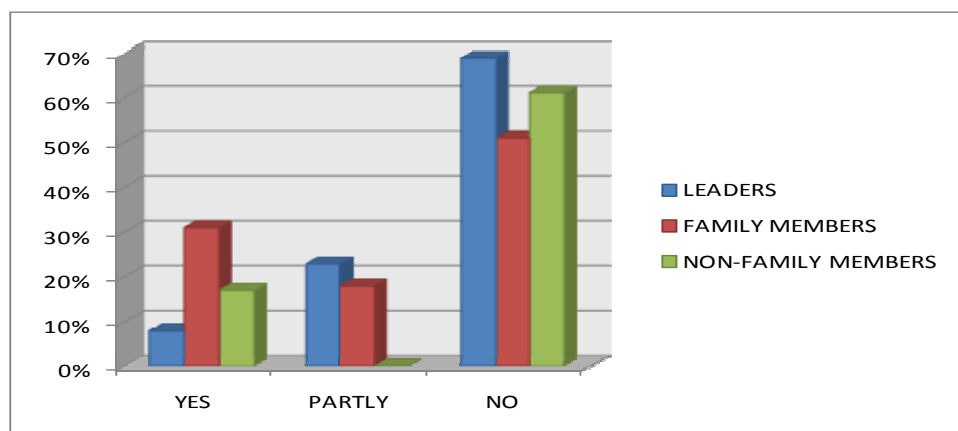


Figure No. 5: Resigning the leadership position to a non-family member

CONCLUSION

The results obtained in this research include opposing sides in respect of the same questions, but the answers to all involved (state, family and non-family members) indicate the same. The presented results indicate the following conclusions:

- The leaders of family businesses hardly fail to manage their own emotions,
- Family members “take” home problems to work,
- Non-family members feel the “home” mood of family members,
- The family business established rules, procedures and norms of behavior that do not always apply for family members
- Leaders do not stick to the established rules, procedures and norms when it comes to their family members,
- The legacy of leadership position and joining the management board is a motivation for staff members of the family business,
- Very few of Non-family members believe that with a good job and by building personal competencies they can become part of the management board of the company,
- Neither the family business nor the leader or any other family member do not allow the family business to be inherited by a non-family member, although he has the appropriate competencies, many more than any other of the family members.

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MANAGING ORGANIZATIONAL ETHICS AND SOCIAL RESPONSIBILITY IN TOURISM ORGANIZATIONS

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Abstract

Businesses cannot be isolated because employees depend on the business. Customers, suppliers and local community are also under the influence of the organizations, inclusively the tourist ones. The services that the tourist organizations offer are the ways they are conducted have their impact on the vicinity. These aspects are part of the social responsibility of an organization i.e. the corporate social responsibility.

Corporate social responsibility means taking responsibility for all the activities and following the principles that can be modified and applied regardless of the size of the business. Every organization has its own characteristics. Leaders form the characteristics by shaping the organizational goal i.e. organizational mission and basic organizational values that are transferred to the employees and by which their behavior influenced. According to this, the organizational reputation and establishment on the market is assigned. The tourist organization influence on the society arises from the organizational behavior. Definitely, individuals and groups have influence too. The leader awareness has its own impact on the organizational awareness. Therefore, the management of the organization must be certain that the goal, mission and basic organizational values that have already been approved in the tourist organization, will be accepted by all those that will influence or will have any benefit from it.

Nowadays it is acknowledged that tourist organizations should not only be concerned about their income under conditions when the organization performs activities that are not suitable to the demands and needs of the clients or the life in the society. Tourist agencies social responsibility can be defined as "success in the business activities that is gained not only by adhering the laws and regulations, but by approach that accomplishes balance between economic, ecological and social goals, on a way that is useful for the citizens, community and society". Tourist agencies in order to deal with the social needs have to decide how to outrun the minimal conditions and responsibilities that are part of the law and labor agreement. That is another argument for the social responsibility of the tourist organizations as a concept with worldwide meaning connected to the maintainable development, competition initiation, economy development and creation of new working positions.

Key words: *ethics, business ethics, corporate social responsibility, ethical dilemmas and organizational ethics*

1. ETHICAL NORMS

Many people from the private and public sector are more and more aware that by emphasizing the assets and the different ways of work, tourism organizations have the opportunity that will take them to longed-for destinations if they want successfully to be competitive on the global market in the complex world for the people aware of the meaning of the ethics regarding the progress in the determination and quality of work.

Every employee in the beginning of its career, through the process of its first employment gets clear directions about the ongoing rules for the work in the organization, especially about those connected to his workload.

This explanation is given in order to alleviate the employee's system entry as well as to deal with the organizational culture. It is done from the organizational aspect, because every organization has its own value system and culture and that is why every organization is different from another. The value systems may look alike because of the same organizational field of work, but each one is different and special.

Even though it seems awkward, the process of work implementation is connected with ethics. When the employee introduces to the way of work manners, he is alerted of the work ethics. Working manual make the employee's work beginning easier because they contain ethical directions, rules, norms and value systems that are approved and used in the organizations he works for.

Usually the working manuals for the new employees instead of full description of the value system and ethical norms, give one sentence explaining the ethics in the working process. The new employee should follow that sentence not only for his good, but for the good of the organization, and all of that has its implications in the environment.

To create and establish ethical consciousness we should start from the beginning- the first employment; but to establish ethical environment we should pay attention to the managers, especially to¹⁶:

- **Ethical behavior of the manager** – value systems of the managers are crucial for the establishment of an ethical organizational environment, because they should be accepted from the other employees. If some of them are not in the organization interest, it is a good thing to be revised, especially the managers', before he has influenced the other and the organization itself.

- **The time that the manager has taken for ethics** – if we want to talk about a manager that is really devoted to organizational ethics, we need to talk about a man that has taken enough time to think, observe and decide. That is not simple because of the tight schedule of the manager daily agenda (obligatory commitments, telephone calls, meetings etc.)

- **Thinking about the ethical norms in the organization** – Time devoted to thinking is crucial for the managers. It has its own meaning when we talk about the ethical questions in the organization. Many managers have a lot to do when they face the ethical questions in the organization. They do not have or simply do not want to take time to think about ethics and values. That is why managers neither know how to give directions to its employees, to whom they are ethically responsible, nor do they know how to support them when they are face to important ethical dilemmas.

1.1. ETHICAL DILEMMAS

Ethical dilemmas are routine to all employees, especially to the tourism ones, because they have serious problems when they have to make a decision for which they are no rules or laws. Here are some of them:

- Should all clients be informed about all the information regarding the tourist offer or only those that are in our favor to convince them?

- Should the tourist offer be organized only to get us bigger profit or to satisfy the needs and the demands of the clients?

- Should the agreement be written correctly without hidden costs?

- Should we ask from the rest of the employees to keep some information as a secret?

To this and similar questions we come across every working day. Maybe because of our decision some will be hurt or will suffer damage. Therefore, when we have ethical dilemmas, we cannot make decisions and think black and white. Anyway, we should choose some of the grey variations that are not simple. Everything would be easier if decisions were made by the book and the law, statute etc. Then, we should not think about like this: what if....; if I do that...., and if I do not do that.... Etc.

Not only in the tourism industry, but in the business world, ethical dilemmas are routine. Here are some of them:

- If the worker knows that his colleague heist the organization, should he be the one to report it or he should give him advice?

- If the new employee does not know how to work or simply make a lot of damage, should he be reported and fired from its workplace or should we wait until he in the account of the organization learns and make himself a better worker? etc.

1.2. Organizational ethics and management

We are talking about business ethics and the employees share in it. Each one of them as professionals work in an organization, that is why we have to answer the following question: Is it possible to talk about organizational ethics and if yes what is that?

Organizational Ethics is the [ethics](#) of an [organization](#), and it is how an organization ethically responds to an internal or external stimulus. Organizational ethics is interdependent with the [organizational culture](#). Although, it is akin to both [organizational behavior](#) (OB) and [business ethics](#) on the micro and macro levels, organizational ethics is neither OB, nor is it solely **business ethics** (which includes corporate

¹⁶ Tierney Elizabeth, p., O poslovnih etiki, Gospodarski vestnik, Ljubljana, 1997, str.19

governance and [corporate ethics](#)). Organizational ethics express the values of an organization to its employees and/or other entities irrespective of governmental and/or regulatory [laws](#).

Organizational ethics is usually connected to the existence of organizational culture. As a famous concept, organizational culture is a subject of interest in many experts thesis and in each one of them is referred to as a main factor for the organizational success or failure. The most common slogan that explains the organizational culture is *"the way we do it"*. Whilst it is emphasized *how* the things are done and not *why* are they done.

Organizations with strong organizational culture have the tendency to change. However, in order to exist and serve to those that work and live in the organization, it must be in a condition to change. The change of the culture is difficult and serious process. In order it to be conducted in a proper manner, it must get in the process of ethics, because that is the only way we can explain the *way we do the things*. The organization affects according to the decisions that are made by its employees. There from the dilemma theorists have for the existence of organizational ethics. For some of them it is a good thing to recall to ethical responsibility, while for the others to give ethical justice for the organization is the same as to talk about certain individuals in that organization¹⁷.

3. SOCIAL RESPONSIBILITY

What is social responsibility?

The term corporate social responsibility can be defined as a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups. The phrase "Corporate Social Responsibility" originates with H. Bowen, who wrote "Social Responsibility of Businessmen" in 1953. Corporate Social Responsibility (CSR) is used to describe businesses' integration of social and environmental issues into decisions, goals, and operations. Other terms for CSR and are:

- Corporate Responsibility
- Sustainability
- Corporate Citizenship
- Ethical Business Practices
- Social/Environmental Responsibility
- Triple Bottom Line
- Environmental and Social Stewardship

Corporate Responsibility is actualized in the last decades of the 20th century with the internationalization and globalization of the organizations. Big companies, spreading its business in many countries and continents, fighting the competition, started to introduce "innovations" in the work, as follows: protection of the human environment, employees' health and safe insurance, customers care, community care etc. This is done by keeping certain funds in order to invest them for maintain and improving the work conditions (example: installing cooling systems, securing facilities, payed vacations etc.), investing in the community (construction of parks, investing in social, ecological and other projects etc.), protection of the human environment (installing filters, garbage treatment etc).

Basic factors that influence the increased organizational interest in corporate responsibility are:

1. **Globalization** – means imposing personal values to multinational organizations outside the mother country;
2. **Customers** – that demand products and services from corporate responsible organizations;
3. **Parties of interest** – put pressure on the implementation of ethical and responsible work in the organizations;
4. **International organizations** – as United Nations (UN), Organization for Economic Co-operation and Development (OECD), International Labour Organization (ILO), have carried declarations, agreements, manuals that express the corporate norms for responsible working and
5. **Sustainable development** is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only so that these needs can be met not only in the present, but also for generations to come.

¹⁷ Velasquez, Manuel, "Who Corporations Are Not Morally Responsible for Anything They Do", Business and Professional Ethics Journal 2: Spring 1983, p.1

Which are the acquisitions from corporate responsibility in tourism?

Investing in corporate responsible projects, through keeping fund from the profit, organizations show that they are corporate responsible, and they give new value to the business. The long term gain through this organizational behavior is to enhance its competitiveness and to maintain sustainable development of its business. However, besides the acquisitions for themselves, at the same time they create acquisitions for the clients and the society as a whole.

The acquisitions for the organizations are:

- Better reputation
- Brand creation
- Enhanced competitiveness
- Enhanced productivity
- High employee motivation
- Better relationship between the parties of interest
- Good corporate culture
- Long-term business success

The acquisitions for the society are:

- Better conditions for the target groups
- Identifications of new problem areas
- Creation of new innovative approach to problem solving
- Creating network with specific competencies to problem solving etc.

3.2. Developing organizational corporate responsibility

Theoreticians that are interested in corporate responsible organizations say that people and businesses were aiming to be corporate responsible even when they started with the business. It is considered that the distinction of profit divisions and the forest protection law were invented 5000 years ago. In Ancient Mesopotamia, in 1700 BC, King Hammurabi enacted a code. The Code consists of 281 laws (skipping number 13), with scaled punishments, adjusting "an eye for an eye" as graded depending on social status, of slave versus free man¹⁸. Here are some of them:

- If anyone ensnares another, putting a ban upon him, but he cannot prove it, then he that ensnared him shall be put to [death](#).
- If anyone brings an accusation against a man, and the accused goes to the river and leaps into the river, if he sinks in the river his accuser shall take possession of his house. But if the river proves that the accused is not guilty, and he escapes unhurt, then he who had brought the accusation shall be put to death, while he who leaped into the river shall take possession of the house that had belonged to his accuser.
- If anyone brings an accusation of any crime before the elders, and does not prove what he has charged, he shall, if a capital offense is charged, be put to death.

In the 18th century, well known economist Adam Smith wrote the book "Nature and Cause of the Wealth of Nations". This book expounds that the free market, while appearing chaotic and unrestrained, is actually guided to produce the right amount and variety of goods by a so-called "[invisible hand](#)".¹⁹

Karl Marx and Friedrich Engels wrote about corporate responsibility too. Karl Marx explained that those who ignore their history, the history will repeat. In order to obtain further progress to more corporate responsible sustainable business practices, mix of new ideas is needed for the future and the knowledge and understanding from the learnt lessons in the past.

With industrialization, the organizational part is enhanced, as well as its influence to society. In the end of the 19th century and the beginning of the 20th century, philanthropy is imposed by the rich families and business. From 1920, begins the "new era" of corporate responsible organizations, when they start to recognize and implement social responsible practices.

¹⁸ [Gabriele Bartz](#), Eberhard König, (Arts and Architecture), Könnemann, Köln, (2005), isbn3-8331-1943-8. The laws were based with scaled punishments, adjusting "an eye for an eye" depending on social status.

¹⁹ Minowitz, Peter (December 2004). "[Adam Smith's Invisible Hands](#)". *Econ Journal Watch* 1 (3): 381–412. <http://econjwatch.org/articles/adam-smith-s-invisible-hands>.

The roots of the CSR movement trace back to the early years of the Cold War. Led by Donald K David, Dean of the Harvard Business School and supported by other academics and executives given voice on the pages of the *Harvard Business Review*, advocates urged expanded business social responsibility as a means of aligning business interests with the defense of free-market capitalism against what was depicted as the clear-and-present danger of Soviet Communism. Today's enthusiastic calls for business to "do well by doing good" could benefit from a similar critical analysis not just of the goals of CSR but also the ideological assumptions, often unacknowledged, that underlie those goals.

In the 1970 starts more intensive development of social organizational responsibility. Milton Friedman, American economist in his famous article, published 1970 in *The New York Times Magazine*, declares that the only social responsibility for the business is to increase the profit for shareholders.

In the United Nations (UN) with this concept more seriously was started in the 1995, when leading business network CSR Europe is formed. This network includes many companies from Europe. CPR Europe network mission is to help companies to integrate the CSR concept in every day work.

In 1999, general secretary of United Nations Kofi Annan proposed network formation on a global compact (UN Global Compact). This network started working with leading multinational companies' registration and is world wide spread every day.

Globalization is creating deeper and deeper space between the rich and poor in the world. On one hand, there are the industrial developed and rich countries, which companies work in many continents, and, on the other hand, there are developing countries and the non developing countries, which resources are cruelly used and which are left with nothing far from the developing countries. Business, like the international organizations conduct developing projects, to help the countries from the third world to alleviate the repercussions.

Technology development highly influences the creation of new brands and changes in the business and in the society. The evolution of the internet, telecommunications and information technology created new space for misuse of information.

The development of biotechnology, genetic engineering and cloning opened many questions of the moral and ethics in their usage.

It is more that obvious that nowadays those organizations are faced to many more challenges in the community and in the society, that in used to be. That is why those organizations that have reputation as corporate responsible organizations have to have highly developed level of business performance, ethics and community relation. That involves change of the motives for work, from financial to moral and ethical.

In tourism industry, the corporate responsibility is highly regarded. The countries themselves are trying to develop consciousness in all the areas of business sector, as well as in tourism.

The project "Introduction of corporate responsibility in organizations (CSR) in southeast Europe" was conducted in more countries in southeast Europe, in order to give awards to those companies that corporate responsibility is part of their work.

The project represents an important initiative of the European Bank for Reconstruction and Development (EBRD) to better understand legal developments in countries of operations by gauging the status of their corporate governance-related laws and regulations. Through this project, the EBRD aims to encourage, influence and provide guidance to governments, policy-makers and all those in charge of promoting new legislation for the development of corporate governance-related legal reform in the region.

In the process of award election 73 corporate responsible organizations applied. Fifty of them applied with projects from the SCR. From all of them 15 were selected as good practices of implementation of the SCR principles. Each project of these organizations represented a model of previously applied strategies and SCR principles that had influence both to the business and to the society.

These organizations were competing in two categories: (small and middle organizations) and large organizations. From total 75 organizations, 28 are large and 45 small to medium. Most of them (35) are manufacturing, 11 from the sector of marketing and tourism, 7 from each transport, shipping and IT sector, 6 from banks and, 4 form service sector and insurance organizations and 3 constructional companies.

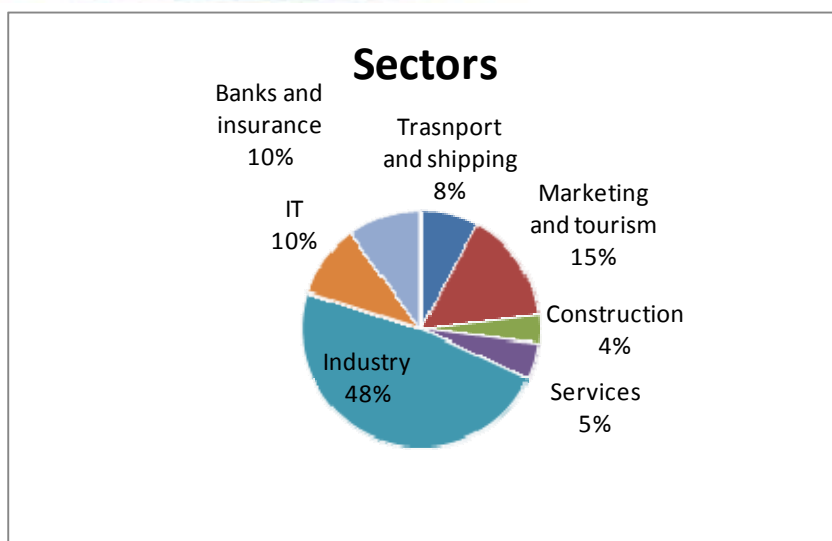


Figure 1: Competing categories and sectors²⁰

One of the awarded organizations is “Exploring Macedonia”. This organization works on on-line tourism and has applied with already tested project for international presentation of the Republic of Macedonia as a tourist destination with its own natural capacities, beauties and tourist attractions.

The organization “Tourist- Kocani” that is interested in hotelier- tourist services and fishing is awarded for the project for stimulation of the process of fish production with modern approaches and tourist development.

In 2011 and the following 2012 the University of Tourism and Management in Skopje, was awarded for Philanthropy and Corporate Social Responsibility Practices.

3.3. PRINCIPLES OF CORPORATE RESPONSIBILITY

It was already determined that the term corporate responsibility is defined in many different ways but one is certain and same for every organization – the principles of corporate responsibility. These principles are applicable to the tourist organizations too. Here are the three main principles:

1. Sustainability
2. Accountability
3. Transparency

Sustainability is fulfilling the activities that have effect on the future, the same moment as you think about them. In tourism that means that the services we offer on the market today, will be with the same quality and quantity at least five more years. However, if the raw materials and other resources that we use today are getting smaller and smaller and they will be out of stock in future, we will not be able to offer our services and they will not be with the same quality and quantity. Every one of us is aware of the resource limitation in the world, which means that it is necessary to think about their replacement in certain time in future. This process needs constant researches for finding out alternative ways for replacement. Organizations as part of the society have to take into consideration these problems, not only from economic point of view, but from the aspect of sustainability and improvement of their business.

Accountability - An important theme of corporate governance is to ensure the [accountability](#) of certain individuals in an organization through mechanisms that try to reduce or eliminate the [principal-agent problem](#). A related but separate thread of discussions focuses on the impact of a corporate governance system in [economic efficiency](#), with a strong emphasis on shareholders' welfare. There are yet other aspects to the corporate governance subject, such as the [stakeholder view](#) and the corporate governance models around the world

Transparency - Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also

²⁰ Source: Ministry of Economy of the Republic of Macedonia
http://www.cbcsr.mk/Upload/Content/Documents/Brosura_za_dobri_praktiki_OOP_2007.pdf

implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

3.4 CONCEPT OF CORPORATE RESPONSIBILITY

Some commentators have identified a difference between the [Continental European](#) and the [Anglo-Saxon](#) approaches to CSR.²¹ And even within Europe the discussion about CSR is very heterogeneous.²²

In the **USA** corporate responsibility is considered from a more common approach of CSR i.e. **philanthropy**. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Local organizations think that by paying the taxes they have fulfilled their corporate responsibility. It is the obligation of the society to take care of all the problems that concern the people. Some organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development. Some companies use this approach to their advantage creating a "perfect image".

[Continental European](#) approach to CSR is focused on the **community**. European organizations invest in activities that are profitable for the society and that are based on their business activities and resources. For example, a tourist organization may be part of a construction of children's park or offering one of its tourist destinations.

This approach provides welfare for both parties. Organizations create consumption, that will reflect their future profit, and the people that live in the area also have advantage of using the park more frequently. In this approach there is connection between the business and the corporate responsibility that leads the organizations to long term development. That is why this [Continental European](#) approach is considered to leader to sustainable development both to the organizations and the society.

There are some more modern approaches:

- to incorporate the CSR into the strategy of an organization and creating shared values.
- to incorporate the CSR **strategy** directly into the business strategy of an organization.
- garnering **increasing corporate responsibility interest**. This is called [Creating Shared Value](#), or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.

All of the approaches are applicable in tourism. They can be part of donations that are not connected to tourism, but usually they are. For example, tourist organization that works with mountain tourism can donate bikes so that tourists can use them.

Very good examples are the hotels Odeon in Turkey. From pure ecological reason they use environment friendly products for all the needs in the hotels. Tourists have free bikes so that they can visit the vicinity of the place, and at the same time not to pollute the environment. Acting in this manner, the organization not only is corporate responsible but is eco-friendly and motivates its client to think that way.

CONCLUSION

From all previously written we can conclude that organizational corporate responsibility is a management concept, through which organizations integrate the social and environmental problems in the business operations over the necessary law request.

Corporate responsible organizations are doing everything not only to their favor but for the favor of the society. That is why there is a concept of shared values and advantages, in addition to which the quality of live in the society where they live are work is far much better.

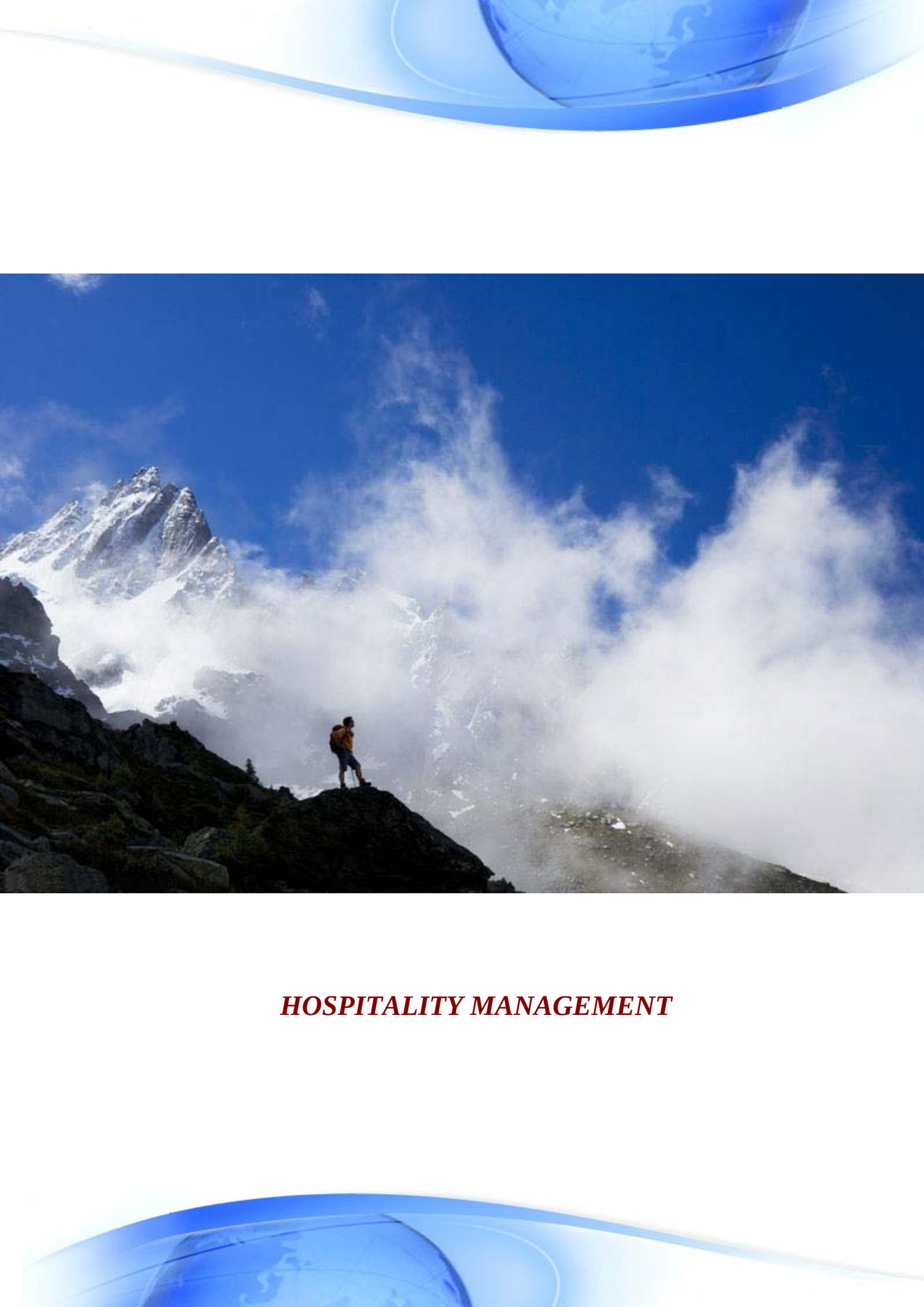
Corporate responsible tourist organizations are far more successful than the others because they know that: ***Leading a business I more than just making a profit!***

²¹ Saether, Kim T.; Ruth V. Aguilera (2008). "[Corporate Social Responsibility in a Comparative Perspective](#)". in Crane, A., et al. (PDF). *The Oxford Handbook of Corporate Social Responsibility*. Oxford: Oxford University Press.
<http://www.business.uiuc.edu/aguilera/pdf/Williams%20Aguilera%20OUPfinal%20dec%202006.pdf>. Retrieved 2008-03-06.

²² Habisch, André; Jan Jonker, Martina Wegner, R. Schmidpeter (eds.) (2005). *Corporate Social Responsibility across the Europe*. Heidelberg: Springer.

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HOSPITALITY MANAGEMENT



HOTEL INDUSTRY TRENDS

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Abstract

The purpose of this research is to determine and analyze the trends in the hotel industry in the forthcoming years. The hotel industry is being continuously modified and changed. The technological progress and innovations seem to be practically limitless, creating the strategic dilemma of implementation, mainly due to the cost. The technologically advanced proposals for new design of properties and hotel operations mean not only major investment but also the need for additional corresponding staff education. The paper focuses on changes in operations, supported by new technologies, on importance of green hotels, new channels of promotion, on trends in lobby and bathroom design and food and beverage concepts. The findings of the research confirm that majority of the hotels will not be able to follow the trends in the nearest future and the innovations will be adopted mostly by luxurious and upgraded hotels.

Key words: *team, leadership, teamwork, efficiency and effectiveness.*

INTRODUCTION

The tourism is growing continuously and according to UNWTO figures over 1 billion arrivals have been registered worldwide in 2012. The optimism in hospitality industry however is not following those data, basically because most western economies (USA, EU) continue to have strong economic problems, with serious unemployment levels. Those facts influence the travel industry in many aspects and poses strong requests for flexibility in determination of new strategies. New technologies and innovations at the same time present many possibilities to increase the diversity of the properties on the market. There is a certain contradiction in that situation because, the people in the countries with perception of being wealthy have less money, but they travel equally, if not even more, they chose selectively the destination and the property which would grant a very special experience. Therefore the need for uniqueness in the hotel business grow along with the financial crisis. That creates several new trends in the hotel industry for the forthcoming period.

The polarization of two general markets is being dramatically emphasized: on one side there are travelers who spend less and less, who eat at fast food restaurants, who choose budget accommodation (hostels and apartments are booming). On the other hand top luxury and mega hotels with theatres, exclusive night clubs, shops, theme parks, casinos and distinguished restaurants are expanding. It seems like the space for the hospitality business in between is limited if not reduced and that the major hotel chains are acquiring, merging or taking over those attractive properties which are vacillating about new repositioning. The number of small boutique hotels with unique design and ultimate service will grow, as well as the concept of green hotels and eco-lodgings. The struggle for survival-“eat or get eaten” is going to be more than merciless.

New technologies enter into the hospitality industry and make demanding changes. Technology on wireless communication systems enabling voice, text and data communication among employees, managers, departments and guests is now being adapted by hotels. Comprised of intelligent system software and lightweight, hands-free or handheld communication devices, these systems allow hotel staff to deliver the best customer service. Examples of wireless communication solutions for the hospitality industry include: communication badges, food and drinks ordering systems, as well as devices that allow

hotel agents to check-in and check-out guests, process credit cards, print receipts and program room keys anywhere in or nearby the hotel. There are already intelligent hotels which use advanced technology like guest fingerprints in order to perform all the operations (check-in, charges, check-out, room key, etc). Classical menu cards are replaced with tablets – excellent pictures and detailed description of meals make easier the choice. Tablets are also used to make orders from room service, to manage the room temperature, change TV programs, etc.

The check-in kiosks in the lobby make the process of check-in faster and reduce the number of staff, or enable the staff to dedicate more time to customers.

The digital changes push hoteliers to change the way of their operations. The classical example is of the revenue manager – once one of the most important hotel positions, today it can be easily replaced by special programs.

New technologies create new job positions - The Hongkong and Shanghai Hotel Ltd introduced the position of general manager of research and technology who designs, produces and implements the electric and electronic systems for hotel rooms.

Some hotels already use the Xeros latest innovation in washing machine which uses 90% less water from traditional washing machine, 60% less of soap and 65% less energy.

The economic and structural shifts in the hospitality industry will reflect on the employment and on education as well. The new technologies will result with new loss of working positions and new requests in education will be posed - only those universities, schools and colleges which will be ready to adapt and embrace the changes, teaching new knowledge and skills to students will survive. At the same time the hotel companies will increase employee salaries in order to retain the existing staff. The employers will become more selective in hiring and the candidates who have something unique to offer will have precedence. The online candidate assessment will prevail in 2013. The virtual interviews will precede the contact in person with the candidates and the use of LinkedIn and Twitter for recruiting will expand. Together with new structure of hospitality industry, the need for extremely realistic experts will rise. The times when the managers were promising unlimited growth and fast recovery are gone. The owners are ready to face the reality with more restrained expectations. It is also expected that the companies will continue to incorporate genuine sustainability with more enthusiasm and growing dedication since the sustainability will become one of the elements upon which the customers will choose the hotel to stay. The world – besides the exploding figures of UNWTO is still the world with increasing number of conflicts, increasing pollution and contamination and growing unemployment rate.

Different types of hotels are made for different types of customers. The new trend is to offer several types of hotel accommodation under one roof. The customers also tend to choose smaller, intimate hotels, like the high quality bed-and-breakfast type of hotels. The increasing need for personal service and warm environment explains the boom of smaller, family run hotels, as well as the new trend in the coastal area – the “widespread hotel” (Albergo Diffuso). Although the concept was launched in the 1980s in Italy, it is becoming very popular only recently, in Switzerland, Croatia, Corsica etc. Such hotels are located in various historic buildings, with the central reception, coffee shop and restaurant. The guests can be the part of local life. New hostels are sometimes extravagantly designed and many of them offer also some accommodation units with 3*facilities.

MARKETING TRENDS

More than ever the basic hotel marketing will focus on the following issues:

- a. visual merchandising – almost 50% of all online travel purchase are made through online travel agent (OTA) sites like Expedia, Orbitz, Booking.com etc. Almost 20% of all internet hotel bookings are made through an OTA. Although a majority of bookings are made through hotel-branded sites, 20% is still an important percentage. Travelers use video when they research about the travel destination and hotel. OTA registered that 89 per cent of leisure travelers and 93 per cent of business travelers watch video on line. Travelers like to read reviews (according to OTA research 43% of travelers read online reviews). It is predicted that in 2013 over 4 billion US\$ will be spent on online video advertising in the USA (a 41% growth over 2012). High resolution of photos and videos and high speed are expected. Some large hotel chains (Marriott) signed special

agreement with Chinese Taobao, eLong, CTrip and Indian MakeMyTrip OTA, and some (Marriott, Choice, Hilton, Hyatt, IHG and Wyndham) founded their own on line booking platform „Room Key“ to increase the direct booking. There are also indications that OTA will enter into hospitality business, since some started already to buy hotel properties around the world.

- b. mobile – there are one billion mobile web users worldwide, and that number will grow. Tablet users spend 20 per cent more than traditional computer users, and over 50 per cent more than smartphone users. Consumers use several devices – they start their research on a smartphone and continue on a tablet. The use of traditional desktop and laptop computers will decrease. iPad use will continue to grow – there will be more than 70 million US users in 2013. That means that the promotion should be optimized for a variety of platforms. The users should have the possibility to book from whatever device. Approximately 20% of all travels was booked on mobile devices in 2011, while two years ago it was almost zero. Within the next three years it is predicted that 80% of all bookings will be made through mobile devices.
- c. social media – the use of social media shows extremely fast growth. Ninety-two per cent of travelers say they trust word-of-mouth of people they know, more than all other advertising. People share photos (380 billion photos in 2011), opinions (in 2012 52 per cent of travelers stated that they use social networks for ideas). When the trip is finished, 76 per cent place vacation photos on social networks. It is predicted that the influence of social media will grow. 33 per cent of travelers changed their mind about the hotel when they saw the comments on Facebook. The hotels should pay attention to Facebook, Twitter and Pinterest and it is imperative to be present. Social media and mobile influence consumer habits. Facebook, Twitter, Pinterest, Intagram, Google, iPhone and new mobile applications make travelers decide about the destination to choose. Those who are not present simply do not exist. It is the question of making or loosing profit. Companies cannot afford not to be there, and the question is how to manage the property's presence. It is about the full understanding of power and possibilities of new technologies. During a conference held in a hotel, Twitter should be opened to serve and inform about the conference.
- d. corporate travel opportunities – hotels should be represented on the sites which book corporate travel (Worldspan and Concur), and their message should be relevant to business travelers. Business travelers use iPads and mobile phones. The recent research showed that 84 per cent of business travelers use smartphones for traveling information and bookings, and 70 per cent use mobile device. Social media are mostly used by young travelers (50 per cent of business travelers under age 35 use social media for accommodation, while only 25 per cent of business travelers over 55 do the same). Complimentary in-room Wi-Fi is the most important amenity for business travelers, followed by business center and good loyalty program. Hotels should develop different mobile and social presence for business travelers.
- e. content-rich web marketing – hotels should develop cross-channel marketing: traditional websites, social, mobile and more. People like to talk about their experience – through social media and online reviews. TripAdvisor has over 60 million user reviews and became the most relevant source for deciding about the destination, hotel, restaurants, excursions etc. The mix of different channels in internet, reduces considerably the cost of advertising.
- f. new markets – the source of new business will be found in new emerging markets. Some of them are already visible (Russia, China, India), but the others are to be watched because in due time they will generate the large amount of arrivals. Those countries belong to the famous BRICS countries (Jim O'Neill of the Goldman Sachs, 2001- Brazil, Russia, India, China, South Africa), CIVETS countries (Robert Ward, of the Global Forecasting Team of the Economist Intelligence Unit, 2009 - Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa), Next Eleven N-11 (Jim O'Neill of the Goldman Sachs, 2005 - Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea, and Vietnam) and MIKT or MIST (Jim O'Neill of the Goldman Sachs, 2011 - Mexico, Indonesia, South Korea, and Turkey). Those growing new markets will bring major changes to the hospitality industry, in service, in food, operations and marketing visibility. There are already hotels which accept Chinese national credit cards (The Ritz-Carlton) and hotels which are present on Asian search engines.

Design – hotel design is changing with the purpose to create ultimate pleasure and unique experience for customers.

- a. active social spaces - with the purpose to increase the revenue and the generate additional non-guest income, hotels convert the public places into the social spaces, including lounges, bars, restaurants and sitting rooms. Those spaces must be flexible to host various events (small music performances, doggy happy hours, book signing etc.) giving the possibility to rent it. The free wi-fi in the lobby area is essential facility requested by guests. Lobby will be smaller, but there will be more lobbies, each for two or more floors, including the lobby only for women. Lobby will attract also the local citizens.
- b. fitness – hotels offer an in-room workout fitness program: a selection of professionally led workouts on the in-room fitness TV channel, yoga mats and bicycles. That requests larger hotel rooms.
- c. a scent – hotels design special scents which are spread all over the hotel in order to use the strength of scent memory
- d. bathroom - becomes the place of pleasure and one of the most important points for evaluation of the hotel competitive advantage. It must be large and spacious, almost a private spa, offering creative amenities, very often with aroma therapy effects. Towels must be of highest quality. Tiles are large, and the window with a view is desirable. The TV might be incorporated into the bathroom mirror. Horizontal shower is the latest innovation which will be adopted largely by luxury hotels. The bath tube is often an integral part of the hotel room, while the shower remains within the bathroom space.

Food – food is added to drinks in the cocktail bars – small plates with some food are served together with cocktails. Regional wild game are used to create exotic local dishes. Some hotels grow organic vegetables in their own gardens. Food in the minibars tend to be local and healthy. Many hotels are re-engineering their menus to focus on organic, low-calorie food. The water-card is introduced, offering variety of imported waters. Gastropub is becoming a fashionable concept – no table cloth, simple design, few items on menu card, cutlery and the spices already on the table (so the guests serve themselves), small portions, affordable prices, casual atmosphere. Breakfast is served all day around, not only in the morning.

CONCLUSION

In order to answer to the discriminating demands, hotels face the need to adopt the new approach to the guest satisfaction. New technologies and innovative solutions request considerable financing which makes it difficult to be widely implemented. The expensive and upgraded hotel chains continuously invest into the improvement of facilities and creating the uniqueness. The development of technology helps the hotel management to decide about the most appropriate ways of adopting the new trends and creating new ones. Years ago, all hotels used to charge the use of internet, and many still does, but it is obvious that in the future free wi-fi will be a must. The dynamic use of internet for promotion and communications with customers will request skillful and educated staff who will be able to correspond with customers in a desirable way. Hotel industry has been described in the past as “art”, but today it is more science than art. There are no limits to novelties in the hospitality business, the question is only if the hotel has enough money to meet the guest expectations and to create unforgettable experience. Some of the trends although expensive at the first sight, will bring profit and savings in a long term.

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IMPROVING THE QUALITY OF HUMAN RESOURCES MANAGEMENT IN TOURISTIC ORGANIZATIONS – KEY FACTOR FOR INCREASING THE SATISFACTION OF SERVICE USERS

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Abstract:

Today, challenges caused by globalization and constant changes in supply and requirements, including the desires of users in tourism, impose the need for continuous improvement in the quality of provided services. In this context, touristic customers want high quality of delivered services, at appropriate prices, on appropriate destinations, at appropriate time.

The process of delivering services with the desired high quality requires efficient management with human resources. Continuous training of human resources increases the quality of services and the result of this is increased user's satisfaction and increased possibility for their visit again in the future.

The focus of this paper is improving the quality of human resources management and their continuous training, and thus developing values from services used by the customers. The paper presents development tendency of tourists and their passed nights in Republic of Macedonia. Here, preferred factors are those related to the quality of human resources management and which have contribution to successful tourist working.

Key words: *management, human resources, quality, service, tourist, nights.*

INTRODUCTION

Increased user's criticality and requirements for higher service's value, impose the need for mobility in touristic and catering organizations so they can adapt to the relevant requirements, and thus attract more customers ie users. This business circumstances also impose the need for analyzing all the factors that have influence on touristic and catering organization's performances.

It's obvious that tourism, thus catering service activities are in expansion today. Global trends in the requirements of service users like any information extends to every part of the country. Customers are more and more penetrating into all areas, especially in tourism. Users of touristic service are separating part of their personal budget in order to get quality offer and services that meet their requirements, primarily due to recreation in life, and statistically seen, for extension of their life expectancy.

If touristic and catering organizations have in mind all this, they will achieve success. Business success means that touristic organization prefers the quality of touristic/catering service as business activity, through satisfying numerous requirements and expectations which have users of this activities ie tourists. Quality, raised to the level of TQM ie in all activities and fields in business working and all management levels, should be performance and strategic task for the management. The quality should be an integral part of the offer (places, food, etc..), as well in the overall service of the human resources that provide it. Actually, employee's preference of quality should flow from their training, entity's organizational culture, structure, value system and strategy.

The conditions of this globality and openness to the world market, including the strong competition, are more and more determining the profitability and competitiveness in tourism, which, on the other hand, largely depends on the knowledge and skills of managers in touristic organizations, quality, creativity and expertise of the workforce, especially their skills to offer and implement this offer in accordance with the requirements of users. From the quality of their approach, behavior and skills, depends the satisfaction of guests, and consequently the profit.

Today, as result of the globalization, reflected by dynamic and complex changes, human resources management acquires a new dimension and becomes more significant strategic factor for success in tourism. From the quality of involved human resources depends the quality of service offered, and thus the competitive advantage of touristic company which provides that service. So, if we start from the fact that the client is the largest property for the company, then, appropriate management with employees emerges as imperative in order this property to be maintained and increased. This paper, driven by theoretical and empirical research, is focused on the claim that key factor for increasing the satisfaction of service users ie tourists is continuous improvement in the quality of human resources who work in touristic organizations.

THE IMPORTANCE OF HUMAIN RESOURCES FOR QUALITY WORKING IN TOURISTIC ORGANIZATIONS

The importance of human resources for touristic organization is logical, and it comes from the nature of this business activity.

From the way that activities related to human resources are doing, such as planning, recruitment, selection and development of human potential, will depend overall quality of supply and service and thus the performance of the organizational goals. In fact, the primary requirement for successful working of touristic and catering organizations is proper behavior of service providers towards recipients. A basic condition for providing mobility, success and ability to respond to all sophisticated requests is continuous human resource's training in order to prefer and create competitive advantage based on overall quality. To achieve this, touristic and catering organizations need to develop service-oriented approach, taking into account this pillars¹:

- Gathering information and understanding the values that consumers receive using the service and/or consuming the product that organizations offer
- Using knowledge, attitudes and skills to offer services to users in a way that the value will be positively perceived over tim
- Preferring appropriate ways on which organizations can offer, prepare, implement and deliver their services and/or products to customers according to their perception of quality and value
- Mobilizing all the functions in organizations in order to create and deliver supply with perceived quality and value, and thus to satisfy all stakeholders (if there are shareholders, managers, employees, customers and others).

In fact, these pillars suggest that organizations should understand: perceived quality of service and values that consumers demand and prefer or those which competitors prefer; ways on which the organization can create values for the users and also the ways in which can manage the available resources in order to create these values.

Quality of service can be defined as a set of properties and characteristics of services that affect their ability to satisfy stated or implied needs. According to this definition, which is entirely focused on customers, the company offers quality when its service meets a customer's need, desire and expectation. Those organizations that meet the set requirements of its customers in many cases are organizational subjects of quality². In defining and determining the quality of service in touristic activities, the start point is the assessment of users, ie their beliefs and perceptions of quality.

To ensure the quality of services, touristic organizations must establish an effective system for human resources management, including policy and decisions for attracting, rewarding and improving their employees. Successful management of human resources is vital for service organizations.

¹ See more: Lucas, R., Social policy in tourism. The Hospitality Industry, Tourism and Europe, Cassell, London, 1999: 63-64.

² Price, L., Poor personnel practice in tourism industry, does it matter? Human Resource Management Journal, 4(4), 44-62. 1996, :125

The nature of this business activity requires different ways of managing the human resources³. Proof of this is the huge literature in the field of service management, which also indicates the necessity to put the right person in the right place so he can provide the best quality service in line with the perceived quality of the users. Human resources, especially skilled ie qualified employees are the most important in providing quality services in the touristic company.

As a key feature of touristic services can be pointed out their complexity which determines the connection of whole range of activities with different technical, technological and organizational characteristics, where quality of service is based on the perception of satisfied expectations and needs⁴. This means that the objective activity related to the supply of touristic products and relationships with customers and subjective process of interaction between service recipient and provider plays a crucial role in the service perception and experience.

DEVELOPMENT TENDENCY OF TOURISTS IN REPUBLIC OF MACEDONIA

The development tendency of tourists in the country, starting from 1958 onwards, shows trend of fluctuations. Thus, there is rapid increasing from 1958 to 1990, gradually decreasing from 1991 to 2001 and since 2001 again gradual increasing (Table 1, Chart 1). In order to neglect the various factors which have influence and to see the development trends on purified calls, we used exponential trend:

$$y_c = a \cdot b^x \quad \text{Eq. (1)}$$

The forecast shows that in the future the number of tourists will continue to increase, which is also shown in Table 1 and Chart 1. We also used linear trend, $Y_c = a + bx$, where there prediction as well shows an increase in the number of tourists in the coming years (Chart 2).

Table 1. Number of tourists in R.Macedonia 1958-2012⁵

Years	Y- Absolute values	Yc- Estimated values
1958	255.380	486.038
1959	287.488	490.419
1960	303.122	494.840
1961	327.024	499.301
1962	340.585	503.802
1963	253.792	508.344
1964	295.938	512.927
1965	330.392	517.551
1966	378.572	522.217
1967	380.758	526.924
1968	389.583	531.675
1969	432.952	536.468
1970	464.450	541.304
1971	507.385	546.184
1972	549.652	551.108
1973	612.141	556.076
1974	600.112	561.089
1975	685.314	566.147
1976	715.629	571.251
1977	820.746	576.401
1978	869.571	581.597
1979	885.010	586.840

³ Stone, Th./Meltz H., Human Resource Management in Canada. Rinerhart and Winston of Canada, Toronto. 1988: 10.

⁴ Armstrong, M., Human Resource Management Practice, 8-th edition, Kogan Page 2001:14

⁵ Statical review 8.4.13.01/746 R.Macedonia, State Statistical Office. Tourism in R.Macedonia 2008-2012 Skopje, june, 2013

1980	970.387	592.130
1981	973.518	597.468
1982	1.006.104	602.854
1983	985.224	608.289
1984	1.059.246	613.773
1985	1.141.599	619.306
1986	1.180.806	624.889
1987	1.183.160	630.522
1988	1.111.187	636.206
1989	1.032.072	641.942
1990	974.537	647.729
1991	710.278	653.568
1992	585.699	659.460
1993	647.728	665.405
1994	613.154	671.404
1995	503.837	677.456
1996	476.205	683.564
1997	451.871	689.726
1998	575.080	695.944
1999	549.630	702.218
2000	632.523	708.548
2001	333.308	714.936
2002	441.712	721.381
2003	483.151	727.884
2004	465.015	734.446
2005	509.706	741.067
2006	499.473	747.747
2007	536.212	754.488
2008	605.320	761.290
2009	587.770	768.153
2010	586.241	775.078
2011	647.568	782.065
2012	663.633	789.115
2013		796.229
2014		803.407
2015		810.650
2016		817.958
2017		825.332
2018		832.772

Graphic display, according to exponential trend would be:

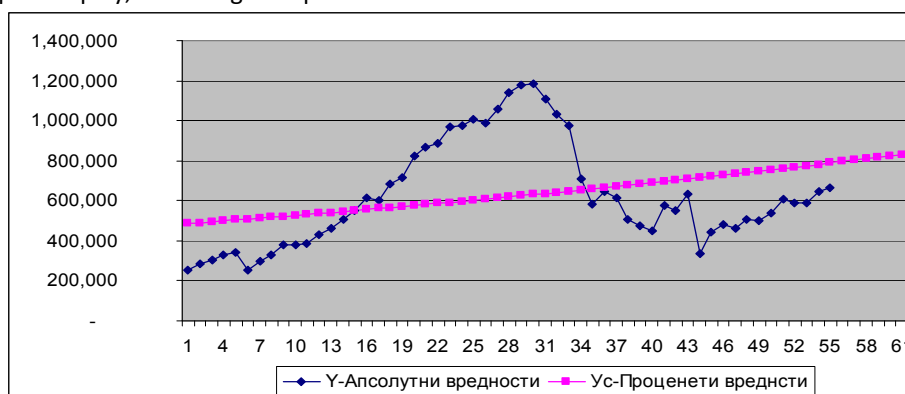


Chart 1. Number of tourists in Macedonia 1958-2012 according to exponential trend

According to the linear trend , current and future development trend is:

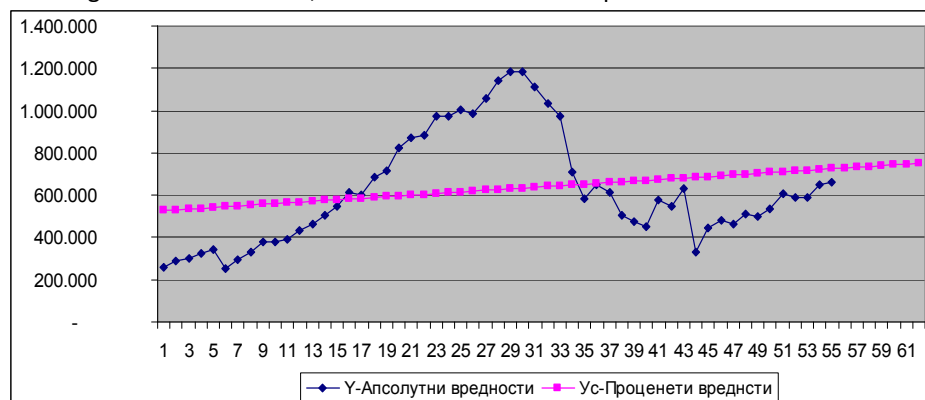


Chart 2. Number of tourists in Macedonia 1958-2012 according to exponential trend

From the graphic presentations using exponential and linear trend can be noticed that in both cases the expectations are the number of tourists to continue to increase in the next five years. According to the exponential trend, the number of tourists in the coming years from 2013 to 2018 will be between 796,000 to 833,000 tourists, while according to linear trend, the number of tourists in the same period will be between 730,000 to 750,000 tourists. However, when are using this trends should be having in mind the limits of the confidence intervals calculated with the corresponding probability that would move up and down in terms of the calculated anticipated values. Because of the size of the paper, it will not be shown.

EMPIRICAL RESEARCH

In order to see the relations between touristic workers and their customers-tourists, we did empirical research through observation and questionnaires.

The focus was on the following three questions, on which anonymously responded touristic professionals, as service providers and tourists, as users of the services.

- Whether tourists are satisfied with the attitude of touristic workers when they offer touristic services;
- Whether tourists are satisfied with the attitude of touristic workers during the performance of touristic services;
- Whether tourists are satisfied with the attitude of touristic workers after touristic services are finished and would they use the services from the same travel agency again.

This research was conducted through a survey on 36 touristic workers and 180 tourists. Gender structure of touristic workers was 57% women and 43% men, while of the tourists was 52% women and 48% men (Chart 3).

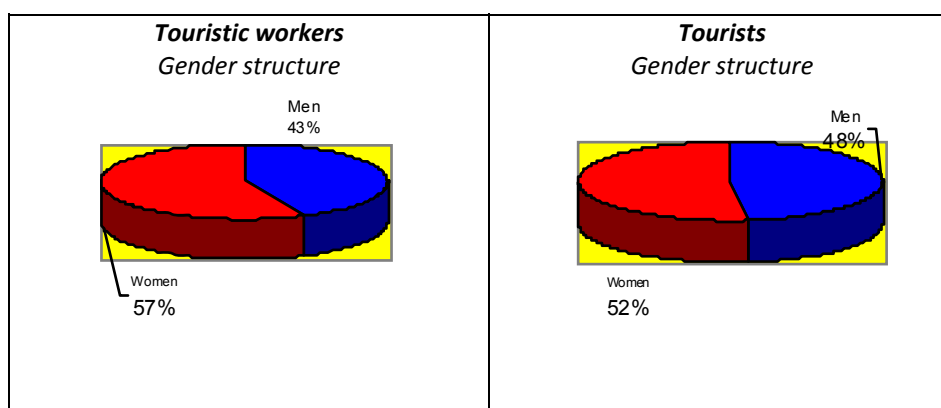


Chart 3. Respondents gender structure

In this survey were included several touristic organizations (hotels and agencies) from Skopje (36%), Ohrid (43%), Prilep (7%), Strumica (5%) and Bitola (9%). The time period was from 15 June to 15 July 2013. It was used one survey adapted and divided into 2 types in terms of the respondents: touristic workers ie employees (hired) in touristic organizations and tourists ie service users.

Because of the space of this paper, we will give a brief analysis of the answers of each question, without explaining them.

For the first question, whether tourists are satisfied with the attitude of touristic workers when they offer the touristic services, answers are shown in Table 2 and Chart 4.

Table 2. Tourists satisfaction about the attitude of touristic workers when offer services

Answers	Touristic workers		Tourists	
	numbers	%	numbers	%
Yes	34	94%	138	76%
No	0	0%	10	6%
Hesitantly	2	6%	32	18%
Total	36	100%	180	100%

Graphic display is:

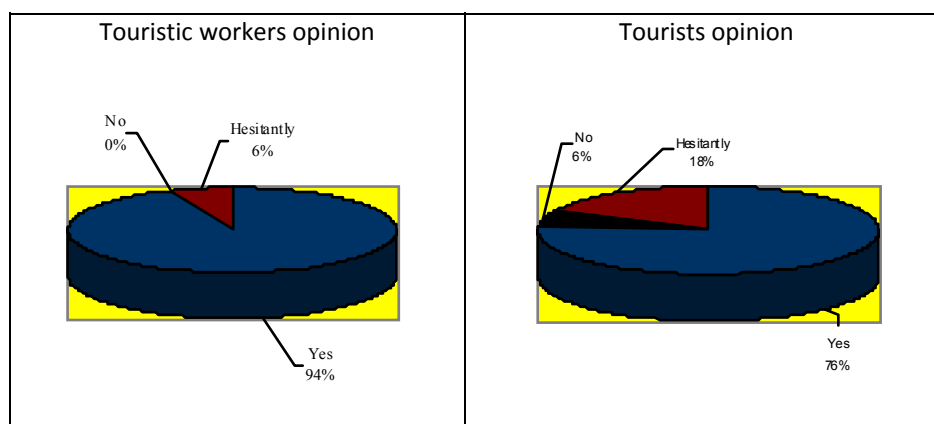


Chart 4. Tourists satisfaction about the attitude of touristic workers when offer services

From the results we can notice that the calculated value for $\chi^2 = 6,038$ is greater than its tabular value $\chi^2 = 5,991$ (for 2 degrees of freedom and 0,05 limit of significance). The conclusion is that the statements of touristic workers and tourists differ each other. Because the tourists are those who evaluate the services offered, we can say that touristic workers don't estimate tourist's requirements enough.

Gathered answers about the question whether tourists are satisfied with the attitude of touristic workers during the performance of touristic services, are shown in Table 3 and Chart 5.

Table 3. Tourists satisfaction about the attitude of touristic workers during the performance of touristic services

Answers	Touristic workers		Tourists	
	numbers	%	numbers	%
Yes	33	92%	99	55%
No	0	0%	34	19%
Hesitantly	3	8%	47	26%
Total	36	100%	180	100%

Graphic display is:

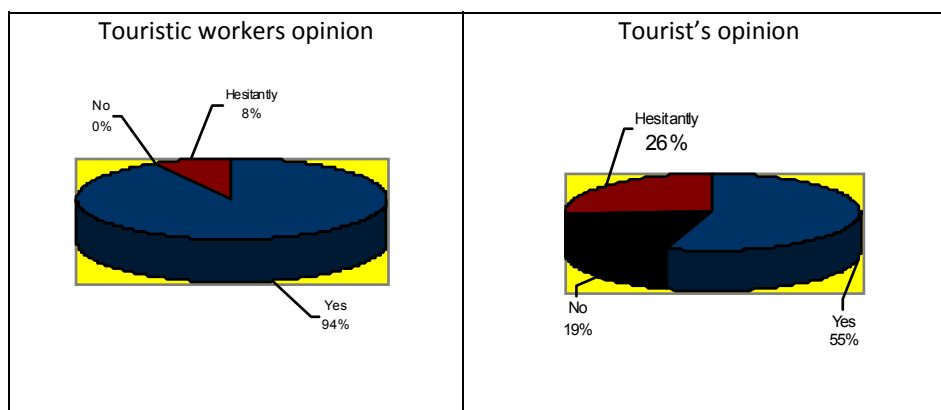


Chart 5. Tourists satisfaction about the attitude of touristic workers during the performance of touristic services

From the results we can notice that the calculated value for $\chi^2 = 17,496$ is greater than its tabular value $\chi^2 = 5,991$, so we can conclude that the statements of touristic workers and tourists differ each other also in terms of this question. This implies that touristic workers need to improve their attitude to tourists during the service's performance.

Similar answers are also gathered about the third question whether tourists are satisfied with the attitude of touristic workers after touristic services are finished and would they use the services from the same travel agency again (Table 4 и Chart 6).

Table 4. Tourists satisfaction about the post attitude of touristic workers and use of the services in the future

Answers	Touristic workers		Tourists	
	numbers	%	numbers	%
Yes	31	86%	97	54%
No	0	0%	35	19%
Hesitant	5	14%	48	27%
Total	36	100%	180	100%

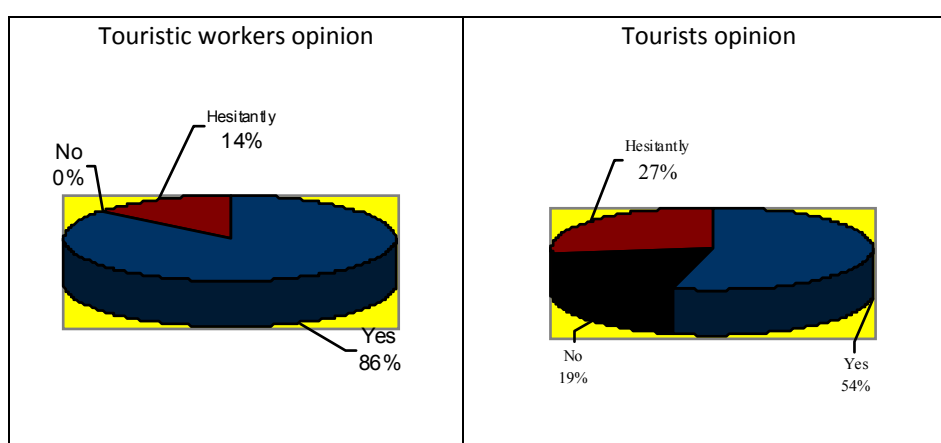


Chart 6. Tourists satisfaction about the post attitude of touristic workers and use of the services in the future

From the tabelar and graphic display we can notice that the calculated value for $\chi^2 = 14,252$ is greater than its tabular value $\chi^2 = 5,991$, so we can conclude that the statements of touristic workers and tourists for this question differ each other again.

In fact, the answers about all question, especially about the second one for touristic worker's attitude during the service's performance, are different for both groups of respondents.

As final conclusion we can say that touristic workers ie hired human resources need to improve their attitude, behaviour and approach to tourists during all the process of offering and performing the touristic services, so that the possibilities for using the services again in the future will be bigger. This can be achieved through continuous training, which will also contribute for improving the quality of human resources management in touristic organizations.

IMPROVING THE QUALITY OF HUMAN RESOURCES MANAGEMENT IN THE TOURISTIC ORGANIZATIONS

Improving the quality of human resources management in the touristic organizations depends on the role of the top management in this entities.

Top management is the factor that stimulates and drives the energy in the company, connects and units the labor and the potential of all employees. So, the success of the touristic organization depends on top management ability to coordinate all employees in mutual cohesion in the process of providing services and creating a greater satisfaction and value for service users⁶.

Managers must create a vision and spread awareness for the mission, and also provide as more pleasant approach and behavior with clients/ customers as it possible, because they are the source and holders of revenue for the organization. Communication must be two-way, with the employees from one side and with users on the other side, all that in order to be created a clear basis for continuous improvement of service quality.

All employees ie persons involved in touristic organizations have influence on attracting and retaining customers. But those employees who have direct contact with service users, leave the first impression to them and directly influence on the image that the customer creates for the organization⁷.

The way and quality of creation, presentation and delivery of touristic services has influence on satisfaction of service customers. Thus, tourism as a specific service activity is an expression of empowerment, creativity and skill of human factor.

It is not enough to conclude that the human factor is a key determinant for the success of the touristic organization. Such claim does not bring results and it is not enough to ensure quality and market success. It is only start point for understanding the possibilities and ways in which human potential can be turned into a strength and asset of the organization and thus to achieve economic value. Because of this, the human resources are considered as potential, which can become significant value for the organization if there is proper management. Depending on the way human resources are managed, depends whether they will be drivers or limiters to the touristic organization's growth and development.

The modern approach to human resource management prefers not only correct choice of human resources, performance's proper evaluation and their reward, but also their training, development, promotion in order organizational goals to be achieved. In fact, modern approach to management of human resources, sees the human resources as opportunity, potential and main force for competitive advantage of the organization

The management of human resources is a key factor for touristic organization's success. With use of appropriate methods and instruments it needs to create conditions that allow the development of employee's potential, encourages motivation and identificate their positive impact on the success of the organization. This means understanding the dynamic approach and commitment of manager for identification and continuous development of human potential, but also coordination between individual and organizational needs and interests.

Human resources management can be defined as a strategic and coherent approach for managing the most valuable factors in property of the organization - the people who work here and have a personal and collective contribution in achieving its objectives⁸.

Modern approach to human resource management uses methods in order to influence directly on the performance of individuals and organization. The performances come from the following features⁹:

⁶ Cascio, W., Managing Human Resources. McGraw Hill. 2003: 207

⁷ Stone, Th./Meltz H., Human Resource Management in Canada. Rinerhart and Winston of Canada, Toronto. 1988: 49

⁸ Armstrong, M., Human Resource Management Practice, 8-th edition, Kogan Page 2001: 4

⁹ Choy, D., The Quality of Tourism Employment. Tourism Management., 1995: 65

- Implementation of appropriate management approach to encourage employee's motivation and creativity;
- Creating and implementing a strategy to connect business activities with the system of human resources management;
- Continuous employee's training for current and future activities so they can successfully meet the needs and requirements of service users;
- Continuous perception and controlling the employees by the management of human resources (the manager of the human resource's department and responsibility of managers at all levels) and by qualified persons for human resources, in order to perform the coordination, point errors, take prevention or other activities for their proper guidance;
- Preference the principles above self-interest, ie with dedication to work achieving individual through common goals;
- Coordination of all processes in the system of human resources and their improvement;
- Developing the charismatic and transformational approach for human resources management.

For proper operation of touristic organizations of special importance is the preference of quality in human resources management and thus develop their performance in providing tourist services¹⁰. Here, it should be note that in practice there isn't best way according to which activities of providing touristic services would be realized and would give greatest satisfaction to users. In this contex, it is important qualified employees to know how they can develop a strategy for providing the highest levels of service to customers. Every touristic company should develop its own model of approach and giving services to its clients/customers. Therefore, it must take continuous training, developing and improving their overall quality. Only by improving the quality of human resources management can be increased the quality of services and satisfaction of service customers.

The nature of touristic services, increased competition, the level of standard and user's criticality, suggest that every organization needs to pay special attention to the promotion of quality in their overall activities. From this depends whether touristic organizations would be able to adapt to more demanding requirements of service users. So, for the success of touristic organizations it is important to have the appropriate human resources who can handle the entire situation and have the need and the potential for further development.

In fact, one of the key functions or activities of human resources management is the concern for the development of employees. Tourism, as a specific activity dictates the number of employed persons, while their retaining depends on their ability, efficiency and effectiveness. On the other hand, their ability and efficiency depends on continious professional training and development¹¹.

In terms of training and development, it is important to pay special attention to the concept of knowledge management, for developing skills for professional, communicative and flexible realization of tourist activities. Concept of knowledge management is the process of improving organizational performance through development and implementation of processes, systems, structures and cultures that support the creation, sharing and use of knowledge¹².

Knowledge involves all that an individual or group of employees knows or doesn't know how to do something (humanitarian and social knowledge) and their knowledge of organizational norms, process, procedure and routine (structured knowledge)¹³. So, the future of any activity, especially tourism is in the h

ands of education. Primarily, education is in function on developing new knowledge, abilities and skills. Given that tourism is subject to rapid changes driven by technological advances, changes in tastes of consumers and competition in the global world, from the employees in this area is required a high degree of flexibility and professional mobility. This can be provided only by continuous and well-conceived

¹⁰ Baum, T., Human Resources in Tourism. Human Resources in International Tourism, Butterworth Heinemann, Oxford., 1993: 24

¹¹ Pržulj, Ž., Menadžment ljudskih resursa. Institut za razvoj malih i srednjih preduzeća, Beograd. 2002: 45

¹² DeLong, D., Fahey, L., 2000, "Diagnosing Cultural Barriers to Knowledge Management", Academy of Management Executive, 14:113-127; исто така види во Van Buren, M., 1999, "A Yardstick for Knowledge Management", Training nad Development, May: 71-78

¹³ DeLong, D., Fahey, L., 2000, "Diagnosing Cultural Barriers to Knowledge Management", Academy of Management Executive, 14:113-127; Rossett, A., 1990, "Knowledge Management Meets Analysis", Training and Development, May: 63-68.

concept of development. The development may include a whole range of planned activities for gaining new skills and abilities needed for future work. Due to the complexity of the work in tourist organizations and the use of new information and communication technologies, employees must constantly attend seminars to follow the trend in tourism and catering and to acquire general knowledge related to this activities.

Since touristic activities are seasonal and are subject to frequent changes, it employee;s adaptability, mobility and flexibility is necessary in each season. This can be achieved through rotation or planned changes in operation, so that the identification of potential and acquisition of new knowledge and skills can be possible. In this way can be designed jobs that allow deepening and expanding the work in accordance with the needs and views of management (top management, human resource managers and other managers).

But regardless of the season, the success of employees in touristic organizations is measured by their performances. Performance or achievements may be some measurable results through assessing a certain behavior or personal characteristics, and also are factors to perform certain activities in a defined time period, such as increasing incentives for efficient operation, deployment and promotion of awards on equitable basis, making organizational goals clearer and more acceptable to employees, better planned training program for employees to create good interpersonal relationships (giving a personal example), good working atmosphere etc.

Evaluating employee's performance is a process that assesses the contribution of employees in achieving organizational objectives in a defined period of time. For this purpose, in practice are commonly used seven basic dimensions of work: quality, quantity, respecting timelines, cost-effectiveness, the need for supervision and training, interpersonal influence and creative and inventive step.

Also, well-thought-out system of rewards as a motivational factor can affect on the increase of work efficiency and quality of tasks realization, thereby further increasing of employee's performances. Actually, rewarding the employees should be related to actual performance, which will contribute to:

- Achieving the organization's strategic goals, by rewarding those performances that are aimed at the implementation of the strategy;
- Strengthening the organizational norms, through the kind of signal about the behavior needed in the organization;
- Motivating the employees through training of direct links between the achieved performance and awards received;
- Making difference between good and bad performances by rewarding the good ones.

The earnings based on actual performance, should be aimed at improving the overall quality of the touristic organizations.

CONCLUSION

Today, the supply of quality services by the touristic organizations is considered as a condition for their competitiveness, survival, growth and development.

The term quality means that the product or service meets the needs and expectations of consumers and customers. Knowing this, all strategies based on quality standards, indicate good knowledge of consumers. However, in terms of tourists, satisfaction from the tourist destination and services depends not only from the immediate staff who provide the service, but also from a very comprehensive factors such as hospitality, security, health care, trade, attitude to guests etc..

This paper puts forward the view that the quality of touristic services mainly depends on the ability of managers to manage the human potencial ie to use it as a development resource. Managers at all levels must be aware of the importance of motivation, staff training and the effects of applying their knowledge in the touristic sector. It is generally known that human is driver and holder of all activities in the economy and human impact on the global economic development is becoming more complex.

Human resources are fundamental factor in every company. In this context, the importance of "hard" variables in the company (finance, processes, technology, structure) is decreased, while "intangible" resources became the most important source of added and newly created value of the company (participants, intellectual capital, creativity).

The essence of this paper is the claim that human factor is key for success in tourism. However, this factor is not sufficient, its necessary appropriate management using combination of methods and instruments that allow the develop of employee's potential and encourage their motivation. Such methods and instruments offers modern concept of human resource management. In this regard, touristic organization needs to affect on all factors that influence the employee's behavior.

Analysis of factors for success, particularly in tourism as a specific and complex service activity, shows that the importance of human resources for the success of the touristic organization is indisputable. Long-term success in tourism is limited by the speed of introducing standard about operating processes and procedures for controlling the quality of services, which aim is to impose the same standards to all stakeholders in creating touristic products and also to ensure quality and efficient service to the tourists. Since long time is established that only a satisfied employee can give the best results, no matter the type of his work. In this regard, the quality is very important, but the decision for its implementation requires responsibility.

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RECRUITMENT OF HUMAN RESOURCES IN THE PREPARATION OF SERVICE PROGRAM IN HOTEL COMPANIES

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Abstract

The aim of this paper is to demonstrate the importance and the role of human resources recruitment in the preparation of service program in hotel companies. This topic was chosen primarily because of its importance for successful operating of modern hotel companies in turbulent business environment. Given the fact that modern hotels are faced with growing competition and it becomes increasingly difficult to find an efficient, talented and professional staff, the strategic role of the human resources selection process gains importance. This research will show that human resources are crucial factor in maintaining quality of service and profitability in hotel industry. Hotels need constant improvement of the human resource function in order to maintain competitive advantage and improve their image.

Key words: *recruitment, human resources, quality, competitive advantage*

INTRODUCTION

One of the most important areas of human resources management is the selection of quality, able, ambitious and promising people. Its importance also stems from the fact that all other actions and activities in organisation and management system of human resources mostly depend on quality and competence of the selected people (Iveković, 2006). In customer service business a buyer and an employee are expected to have mutual cooperation during the creation of the service. How successful their interaction will be largely depends on the ability of the employees to provide services, particularly customer service from the front line. In that respect employees have great influence both on the perception and satisfaction of customers. Recognition and implementation of good business practice in human resources sector is very important, if not crucial, for hotel industry and also other service activities and their success. According to the aforementioned, **the aim of the paper** is to point out the significance and importance of human resources in the preparation of the service part of the hotel companies' programme. This topic has been chosen, first of all, because of its current popularity and significance for successful operating of modern hotel companies in turbulent business environment. Given the fact that it becomes increasingly difficult to find efficient, talented and professional staff and that modern hotels are facing growing competition, the strategic role of the human resources selection process gains importance.

The paper starts with the basic hypothesis H1: *Human resources are a crucial factor in providing quality and profitable business in hotel industry. Specificity of hotel activities (customer services and their interpersonality, season, work process technology etc.) requires specific organisation of staff and management to that extent that, regarding the success of hotel organisation, the employees are made equal with the customers as the common starting and ending point of every business and corresponding orientation.*

Supporting hypothesis 1 – specificity of work operations requires a need for constant improvement of human resources function in organisation in order to maintain competitive advantages.

Supporting hypothesis 2 – appropriate human resources management is necessary for the promotion of the hotel image

HUMAN RESOURCES MANAGEMENT IN HOTEL ORGANISATION

The service character of tourism offer emphasises the role of human labour. In other words, tourism is an intensive activity. The simultaneity of the process of creation and use of the services themselves, i.e. the necessity of the presence of customers during a service offer and hence the establishment of an active interpersonal contact as an integral part of the service process is characteristic for the activities of offering tourism services. The key role of the human factor (in all tourism companies) in order to satisfy the customer requirements (Spasić, 2005) results from the above mentioned facts. A hotel company has to analyse two groups of factors that influence the process of optimisation of the staff (Lončar, 2008, Čačić, 2010): *technological-technical and market and organisational factors*.

Technological-technical factors of human resources in high category hotels

This group includes, first of all, human resources factors that result from technological characteristics of hotel and restaurant industry, and then those that are conditioned by certain technical elements such as for example: the capacity of the structure, technical division of work and work operations according to the level of qualification (qualification structure) of the employees and other. Čačić (2010) lists 8 technological-technical factors:

- Technological basis of hotel business creates large space for including employees with heterogeneous professions. Apart from basic catering-tourism professions, a hotel company needs resources from other professions: economists, marketing experts etc.

- Qualification structure of the employees is an important factor for functioning of a company. Work technology requires some characteristic relationships in this case as well.

The relationships in qualification structure of the employees according to the education and training largely affect one more structure of human resources of a hotel company – the structure according to the types of jobs that certain groups of employees do. It is the participation of management, service, production, technical and administrative staff in the total number of the employees in the company.

- Another factor of technical nature directly conditions the structure of the employees according to the types of jobs, i.e. the participation of customer service staff (receptionists, waiters/waitresses, maids), production staff (cooks, bartenders and other workers that take part in the preparation and production of food and beverages), technical staff (maintenance and supply) and management and administrative staff at the level of the company, facilities, work units and teams.

- The level of technical-technological equipment and technological form of service also influence the team of the company and its functioning which provides the quality of service for the guests of hotels, other facilities and restaurants.

- Heterogeneousness of professions and qualification structure based on the technology of providing hotel services requires team work in the company. In order to implement such work successfully and that all the work operations serve the basic goal – reaching the necessary service level – staff education and training, efficient management i.e. planning, organisation and control and sufficient motivation elementsetc. are necessary.

- Technology and types of work operations provide good opportunity to employ a considerable number of women in hotel industry, in other words, the structure of employees by sex in this area and generally in catering industry has typical structure.

- The customer service in hotel industry is also characteristic for work conditions, which largely affect forming and particularly functioning of the company. These conditions include shift work, including night shifts, work over weekends and holidays, longer work during the season, then work in objectively more difficult conditions while performing certain operations (for example, work in the kitchen in summer) or work that requires more physical effort (for example, standing or walking for a long time).

Market and organisational human resources factors in a hotel company

Market and organisational factors are classified in one group, although certain differentiation between them could be accepted. However, they are mutually conditioned and firmly related, which justifies their consideration as a whole. Čačić (2010) lists the following factors:

- The organisational structure of the hotel is an important factor that determines composition and functioning of human resources.
- Market growth and hotel company development are largely related to the previous factor, i.e. its business behaviour and organisational structure. The growth through certain forms of direct investments or contractual arrangements always put forward the previous questions related to functioning of human resources in more or less decentralised organisational structure, more precisely for the management and cohesion of decentralised, spatially very distant and economically very different parts of the companies and their environment. Entry into new locations at national and particularly international scale puts the issue of the selection of employees at the forefront.
- The intended use of the structure as a market factor is directly related to the customer segment i.e. the users of hotel, apartment, bungalow or some other accommodation or restaurant services. It means that the intended use of the structure also directly influences its type and then category, size, time of doing business and other features.
- The next factor is the relationship with customers (guests) which refers to building particular atmosphere and maximum devotion of every member to satisfy the needs and requests of the guests. The reduction of the staff occurs only when sufficient cohesion and full orientation towards the needs of the customers is achieved. On the other hand, the increase in the number of employees occurs when a company expands its business.

Organisation of human resources in a hotel company

Almost every hotel has five key segments or sectors which later branch into its subsectors. That is *room division, food & beverage, repair & maintenance and sales & marketing*. A whole range of departments branches from these sectors later. It means that in a hotel there is management that consists of five people that manage the sectors and a large number of department managers that manage particular work. The organisational scheme, as well as the division of duties according to departments and sectors is regulated by the rules that have become clear in practice and are defined by the nature of the work itself. However, no matter how departments and people who work in them are specialised, departments and sectors largely depend on each other and the cooperation between them has to be constant. The division of work is defined by the nature of the business itself, but certain procedures and individual obligations can be defined by an internal act, the so-called job description, starting from the director of a sector to the assistant worker.

For day to day faultless functioning of a large hotel system, it is necessary to have well developed internal communication that is done on several different levels and manners (in a written and oral form). The author's experience proved that the most frequent and the best manner of internal communication of the management is a meeting which is held in early morning hours, after the so-called morning rush, i.e. breakfast and checking out of the guests that are leaving the hotel. Such meeting lasts from 15 to 30 minutes and the results of the previous day are summarised and an overview of the events for that day and the work that has to be done in a short or long period of time are presented. Short daily meetings can be held even several times a day, particularly in the period before and immediately after the opening of the hotel. Apart from the daily meetings, there are weekly meetings of the management that last approximately from 60 to 90¹⁴ minutes and include particular topics, especially when issues that refer to several departments, common responsibility, big events in the hotel etc. are considered. Meeting of sectors and departments where their internal work is organised are also held at weekly level. These meetings always refer to the recapitulation of the previous period and the preparation of the future

¹⁴ The time and duration of meetings is not a formal rule that must be complied with, but the experience of the author and other managers with whom he has worked and talked shows that it is the best time and duration of meetings.

actions. There are also meetings that are held several times a year where the entire staff is present. They are mostly directed to the recapitulation of the results, presentation of new plans, preparation of reorganisation or new phases in business.

Having in mind very complex organisation of a big hotel, the number of employees represents a strategic issue. Relatively firm standards are established over time, so the number of employees is based on already determined coefficients. It means that there are already established parameters that refer to the quality of service and hotel category. B & B hotels (a hotel that offers only bed and breakfast has a coefficient of 0.25, three or four star hotels from 0.6 to 0.75, five star hotels from 0.75 to 1.2 (or even more), which depends on the size of the hotel, services offered etc. (Pavlović, 2010). The coefficients represent the number of the employees per room. We must have in mind that these are people who have full time jobs at a hotel, but every hotel does outsourcing¹⁵ i.e. employs people that are not on the payroll.

Human resources department

Human resources department deals with the most important issue of hotel business – the staff. Human resources sector is by nature non-profitable and represents costs similar to some other costs in an organisation, such as: finance and accounting, legal and general affairs etc. It means that at the end of each business year, a budget is planned for this sector for the following business year. Current trends in the world show that year after year costs for human resources increase (measured by average costs per employee that are allocated to human resources sector), which explicitly points to the growing importance of the function of HR management ((Petković, Janičijević, Bogičević Milikić, 2006). The quality of the employees largely depends on HR department, which is in charge of staff recruitment. However, the job of the HR staff does not end here. That department has obligation to control all work procedures and standards and to react directly in case some of them are not complied with. After the staff recruitment, the HR department is in charge of preparation and carrying out the training for the hotel staff, for the evaluations that are done in certain periods and where it is stated what was done in the previous period (what was good, bad, what could be better). That department analyses what trainings are necessary and at what moment. In certain hotels the entire HR sector is organised in such manner that it has training department included. Where it is not the case, external companies that do that are hired. It depends, first of all, on the size of the hotel. Hotels with 250 employees or more mostly have their own training department, but apart from that external companies are hired for specific kinds of training. HR department is in charge of staff recruitment, but also for its training and promotion. An HR manager is positioned on a high level in a hotel; he/she is independent and objective, subordinate directly to top management in principle. The reason for this is that HR does the evaluation of the management itself, so they would be in a difficult situation if they were supposed to evaluate somebody to whom they are structurally subordinate. Whereas HR department deals with staff recruitment for almost all the sectors of a hotel, general manager deals with staff recruitment for HR department. A general manager has a very important role in hotel opening and recruitment of the first associates. To open a hotel a series of actions ought to be done. That period before the opening of a hotel is internationally called *preopening*¹⁶. If the preopening process is not done well and according to the plans there may be a lot of problems in the time necessary for opening. It is directly connected with the preopening costs. That phase ideally lasts for 6 months but it may be prolonged to two-three years when all the items that need to be done before opening are not done, but particularly when there are delays in the construction works on the hotel. A general manager is a person with certain experience in hotel industry or, better to say, certain knowledge of the preopening process. Even in this phase, HR management has a significant role. The things that need to be done in preopening process are as follows:

- ✓ employing a general manager
- ✓ selection and employing of the key staff (finance sector, head of the marketing sector, heads of other sectors)
- ✓ drawing up of a preopening plan according to sectors
- ✓ marketing and sales plan

¹⁵ Outsourcing, also Contracting out means: 1. choice of some jobs from the organisation and giving them to a performer outside the organisation 2. managing jobs given to a performer outside the organisation and their regular performance (Iveković, 2006)

¹⁶ Means a stage in hotel development from the moment of the employment of the key staff until the day of the reception of the first guests that pay for hotel services.

- ✓ procurement plan
- ✓ audit and detailed drawing up of the plan for all the sectors (staff employment plan, education and training plan etc.)
- ✓ plan of the hotel opening for guests

Depending on the size of the hotel, its structure, departments size, HR can deal with some legal elements such as registration of associates when they come and leave. In larger hotels HR and legal departments are most often separate, whereas in smaller hotels they are joined.

HUMAN RESOURCES EMPLOYMENT IN HOTEL INDUSTRY

The work analysis defines duties to be done in certain workplace as well as the characteristics of people that are supposed to do such jobs. Work analysis is the root of all things in human resources (Tesone, 2008). The result of the work analysis is the information about the activities and requirements related to a certain job. Such information is used for job/workplace description (which duties are done at which workplace) and job specification (which people ought to be employed at which workplace) (Dessler, 2007).

Table 1. Job description for assistant waiter at Square Nine Hotel

JOB DESCRIPTION	SQUARE NINE HOTEL BELGRADE
WORKPLACE	Assistant waiter
SECTOR	Food and beverage
REPORT SUBMITTED TO	Restaurant manager
SUMMARY	assists in preparation and cleaning of restaurant and service rooms in order to make functioning of the hotel restaurant more efficient
MAIN TASKS AND RESPONSIBILITIES:	
• lays and cleans tables, cutlery and if necessary other restaurant areas • complies with health and sanitary standards while doing his duties • using his/her skills improves the operations in the hotel restaurant • checks the restaurant inventory – cutlery, tablecloths, napkins and other items necessary for the operation of the restaurant • using his/her skills helps faster, easier and more efficient operation in the restaurant/at the banquet • is well informed and strictly complies with all the laws related to sanitary standards (takes care about HACCAP, PEST control and classification and removal of food and beverage waste)	
NECESSARY QUALIFICATIONS:	
Education	3 rd or 4 th university education level
Work experience	Not necessary
Languages	English language
SPECIAL REQUIREMENTS:	
• knowledge of principles and processes related to guests and personal service - achievement of the highest hotel standards in food and beverage sector • education regarding local and state laws about safety and sanitary standards at work	
PERSONAL CHARACTERISTICS:	
• ability to work in a team • time management • flexibility and readiness to work overtime • ability to pay attention to details • pleasant personality (open, communicative, sociable, enthusiastic) • tidy appearance • pragmatic attitude and readiness to improve the existing skills and abilities • hard working, responsible and systematic at work • fast and efficient while doing work • self-initiative and orientation to achieve results at work • cooperative with associates of higher and lower rank (team work)	

- creative

Source: author of the paper (former general manager of the Square Nine Hotel)

Labour planning represents drawing up plans to fill future vacant positions in the company, which is based on the forecast of vacant positions and deciding whether these vacancies will be filled with candidates that already work in the company or candidates outside the company. If there are no employees with appropriate qualifications, then recruitment of candidates outside the company is done. Job classification ought to be done before planning.

Table2. Job classification at the Square Nine Hotel

Position	Education	Work experience	Special requirements
GENERAL MANAGER	6 th or 7 th university education level	5 years	Knowledge of 3 foreign languages, work experience abroad
ACCOUNTING AND FINANCE MANAGER	6 th or 7 th university education level	5 years	Advantage: English language
FOOD AND BEVERAGE DIRECTOR	6 th or 7 th university education level	5 years	Knowledge of 3 foreign languages, advantage: F&B training, work experience abroad
RESTAURANT MANAGER	Secondary school or two-year college	5 years	Knowledge of 2 foreign languages, advantage: work experience abroad
PASTRY CHEF	Secondary school or two-year college	3 years	Cook, English language
SOMMELIER	4 th education level	3 years	Completed training, knowledge of foreign languages
RECEPTION MANAGER	6 th or 7 th university education level	5 years	Knowledge of 3 foreign languages, advantage: receptionist training, work experience abroad
IT MANAGER	6 th or 7 th university education level	5 years	Knowledge of English + 1 foreign languages, advantage: courses, work experience abroad
WELLNESS MANGER	6 th or 7 th university education level	5 years	Knowledge of English + 1 foreign languages, advantage: courses, work experience abroad
MARKETING MANAGER	6 th or 7 th university education level	5 years	Knowledge of 3 foreign languages, advantage: marketing training, work experience abroad

Source: author of the paper (former general manager of the Square Nine Hotel)

Recruitment represents a selection of a sufficient number of candidates that correspond to the HR plan requirements and is generally done in the labour market (Čerović, 2009). The purpose of recruitment is to provide a group of candidates, large enough for the managers to be able to choose necessary qualified staff. It requires description of jobs and tasks (management, education requirement, duties and responsibilities, position on the organisational scale), position description and employment specification.

Many organisations combine methods of internal and external recruitment. The organisations that function in fast-changing environment and competition conditions may lay stress on external sources as well as the development of internal sources. However, for those organisations that exist in slow-changing environment, improvement inside the organisation may be more convenient. Some organisations, according to their business policy, insist on the fact that all the internal candidates ought to apply for vacancies in the same manner as external candidates. If there are no available candidates inside the organisation, the main source of candidates would be external: advertising, the internet, consultants and agencies. Sources of recruitment also depend on the nature of the job i.e. the category and significance of vacancies. For some jobs, internal sources are used more, and for some external recruitment sources in order to provide a desirable candidate. Besides, we can conclude that internal recruitment sources are available for all jobs.

Human resources selection at hotels

Choosing those that are going to be employed is a selection. For example, a decision which 10 candidates are going to be employed out of 100 that applied is a matter of selection. Selection is a very significant part of every organisational strategy. An organisation is not in the position to achieve success without qualified employees. The selection process is mostly done in four main steps (Bogićević Milikić, 2006):

- ✓ estimate of the demand for candidates in order to define selection criteria;
- ✓ defining personality profile so predictors can be determined;
- ✓ choice and method of selection;
- ✓ collecting information synthesis and making a decision about the candidate choice.

The completion of the selection process is a matter of decision of the chosen candidate – whether he/she will accept the offered job or not. If the selected candidate accepts the offer, the employer has to socialise the new candidate, inform him/her about the organisation and train for the job he is going to do.

Candidate selection process

The first step in the selection process is related to the application of candidates. Together with their application, the candidates also submit the required documents by which they prove that they meet the requirements that the organisation listed while advertising the vacancy. Experts for recruitment and selection, most often those employed in HR department, carry out the analysis of the submitted applications. The applications of the candidates that do not meet minimum requirements regarding education etc. are returned to the senders and they are not included in further procedure.

The candidates that fulfil minimum requirements are invited to an interview or testing, although very often a combination of an interview and a test is made. If the candidate proves to have appropriate qualifications and work history, another additional and more precise interview is conducted. This interview means the conversation that the qualified candidates have with experts, line managers and team members, i.e. work group, for the purpose of adaptation to the dominant work system in the organisation. If the candidate's answers during the interview prove to be successful, the candidate may be offered a job conditionally, which will be provided to him/her only after a successful medical check up. The candidates that do not meet physical and health requirements cannot be given a job. The necessity of selection and its great importance for overall HR management comes from the fact that people are different. The existence of measurable psychological differences among people that are important for the evaluation of success at work are the basis of the selection process and the estimate of human potential. Owing to this fact, psychologists have become unavoidable experts in the process. The use and interpretation of the majority of selection methods, particularly different kinds of tests, would be almost unimaginable without their engagement.

In the selection process it is determined which of the several qualified candidates is the most competent to do a certain job. Together with abilities and personality characteristics, as the key source of individual differences, the competence of a candidate is included in the process of professional selection. Competence could be defined as the ability for successful performance of a job or a task. In other words, it is the ability of a person to perform certain work or activities according to the required standards. Undoubtedly, competence is an important precondition for success at work.

Methods and instruments of candidates' selection

An important segment of professional selection is a good choice of appropriate methods for examining individual traits and establishing harmony between work requirements and individual ability. According to individual characteristics and behaviour examined in the selection process using different methods and instruments, the future work success of a candidate is predicted. Numerous methods for determining compatibility of the candidates' potential and work requirements, as well as different sources for collecting necessary information and determining of relevant facts are at organisations' disposal. Which methods and instruments will be applied in a particular situation depends on the nature of work for which candidates are required, general policy and employment strategy, the importance of quality choice, competence of the selection expert, attitudes of the management of the organisation etc.

As the most important instruments of the selection of candidates in practice there are (Robbins, Coulter, 2005):

Job applications appear most often in the form of standardized questionnaires, i.e. forms that candidates interested in jobs fill. Generally speaking, job applications are one of the most popular and convenient ways of collecting information necessary for making quality selection decisions. They contain basic personal information, education information, work experience, previous jobs etc.

CV is an irreplaceable source for collecting biographic information about candidates. It is enclosed with a job application form. In many organisations standardised biographical questionnaires are used as they provide easier and more precise analysis of the data for the selection purpose. Whereas application form requires only basic information about candidates, more detailed information about their personal and professional life is required by a biographical questionnaire.

A significant source of information about previous work behaviour and success at work are also **recommendations**, which have become almost obligatory in employment in many countries with market economy. They offer relevant data about the candidates and their potential. Behind this information there are professors, associates, former employers, managers and other people who are informed about the candidate and his previous work in broader sense. On the other hand, this information does not have to be entirely credible.

There are different kinds of tests that can be used in the selection. Most of them focus on specific abilities and skills related to work. Some tests require a pen and a piece of paper, other test motor skills, whereas some refer to machine use. Some employers buy prepared tests, whereas some of them develop their own. Two main types of tests that candidates do in the selection process are psychological tests and tests related to work.

An interview is used during the selection so that knowledge, skills and abilities related to work are evaluated and information received from other sources clarified. More detailed interview serves to integrate all the information received from the application, tests and references checks, so that the decision about the selection could be made. As integration requires a face to face contact, an interview is in many situations the most important phase of the selection. Contradictory information may appear from tests, applications and references; therefore, the person who conducts the interview must receive as much appropriate information about the candidate as possible during limited interview time, evaluating this information according to the job standard so that he/she could make a decision. Interviews are certainly most useful when they cover areas that are not covered with written tests. Interviews ought to be directed to the behaviour rather than skills and attitudes. Interviews are not good for evaluating cognitive skills, i.e. intelligence and knowledge, as the interviewee could be confused, apprehensive or nervous. Then, as an interview represents only a small pattern of behaviour, it is not valid for evaluating personality traits that may be manifested only over longer periods, for example honesty and perseverance. An interview is perhaps the best if you want to notice social skills that are manifested during the interview itself, which are difficult to be measured by tests, such as communication, amenity, persuasiveness, general attitude and appearance. Potential candidates are most often interviewed by two persons, before they are offered a job. During the interview, on the employer's side, there is an HR expert and the future superior of the candidate. If we speak about management positions, there is a third cycle of the interview with a director of the sector or department in which the candidate will be employed.

Selection process and the image of a hotel company

Apart from qualified people for certain jobs, the selection process also has an important dimension regarding public relations. Discriminatory employment practice, inappropriate interviews, making waiting longer intentionally, inadequate testing procedures and the lack of feedback, may create wrong impression of the employer. Providing professional treatment of all candidates during the selection process is important because for most candidates the contact about the work of any kind is an extremely personal and important event. Owners and managers often make mistakes that refer to the questions for women regarding children care, as they suppose that it is women that are always responsible for bringing up children. All this makes an impression on candidates and creates a certain image of the organisation in the labour market.

Testing and training of employees in a hotel company

Every decision of a company regarding the composition and forming of the team, both for the new business units and structures and the existing ones, in case of personal changes or new employment, ought to be based on the procedure that includes at least two activities (Čačić, 2010): testing and training of the employees. The practice of large hotel and restaurant chains, as well as other companies, points to these activities as important for successful selection of candidates and later results that the employees achieve in current operations and implementation of their service programmes.

Testing is recommended as an obligatory first step in the selection of full time employees. It is understood that checking of work ability is necessary for season workers as well, in order to reduce already mentioned potential problems that may appear later, in the high season period during full engagement of these workers. Testing, i.e. checking abilities when selecting new staff may have different forms, including probation for certain period of time. In the Hyatt Hotel probation lasts for six months, with careful monitoring by the management in this phase trying to direct the future employee to such work operations in which optimum interest between him and the company's needs will be manifested.

However, testing has another important role – control. *Coffman and Powers* suggest occasional testing of staff in order to notice potential deficiencies in relation to the guests and remove such deficiencies and weaknesses at certain points and stages of work operations (Powers, 1990). All large hotels and restaurant chains have developed procedures in this respect.

Training of staff is very important in order to provide the quality of service and image of the company among customers i.e. consumers of such services. In practice it is used among most international hotel and restaurant chains and other companies in this field and includes all the employees and the management as well. Through permanent training of staff, a company keeps pace with technological, market and other changes and adapts itself to appropriate tendencies in order to promote quality and its own position regarding consumers and competition. *Powers* uses the term "service spirit" in order to emphasize its sensitivity and the need for the staff to be trained to provide guests such service. Well-trained staff ought to (Powers, 1990):

- ✓ make a good impression on a guest
- ✓ listen, ask and answer, i.e. communicate with a guest carefully,
- ✓ make an impression that a guest is an important and reputable person,
- ✓ know his job well, i.e. work operations to be performed,
- ✓ if necessary, make an additional effort to help a guest.

Training forms are different, but among the most famous chains one can notice a lot of similarities in their practical implementation. These similarities basically come from the existence of appropriate, strict work standards and precisely defined norms for performance of particular work operations in the kitchen, restaurant, reception, sales, administrative work, hygiene work and other. Therefore, it is common for the most famous hotel and restaurant chains to have a special manual for training, about which every employee has to be informed and go through such activities in the particular company. They use different lectures, seminars, exchange and competition of staff from different parts of the same company, provide film and video material so that they can find out about important elements of certain operations and innovations and other forms. The courses through which these programmes are implemented in specially prepared premises are: "training for your future" (in this course the staff gets basic information about the work in the hotel and hotel industry in general), "art of behaviour", "dealing with complaints",

“management practice”, “finance for non-financial staff”, “sales techniques” and other. Apart from language courses and *cross training* (preparation of the staff that works in one department for work in another department), there are also management programmes, for the scholarship users of the particular hotel in which the managers of certain sectors and departments are trained.

Work motivation of employees in a hotel company

Motivation of employees is a complex psychological-economic factor, so a company does different activities to achieve desirable effects in this respect. The next four areas of such activities are practically unavoidable (Čačić, 2010): *procedures regarding the employment and inclusion of members into the company; providing opportunities for training and development; building harmonious interpersonal relationships and giving direct rewards for work and providing other stimulations to employees.*

The procedure regarding the employment of workers is very often a decisive psychological factor, with great influence on later work and behaviour of an individual in the company and in relation to the goals of the company. That procedure is also important for the company and represents a kind of testing of the employees, which largely predetermines their later promotion in business and organisational structure. That is the reason why all well-organised and well-managed companies pay due attention to this and related direct activities to training and probation, initial (probation) getting to know the company and its business philosophy, creating a feeling of belonging to the company as strong and successful organisation (regardless of its size) and category. In the Splendid Hotel the stress is laid on training and practise of new employees. The so-called orientation is obligatory for all new employees, i.e. they need to be informed about all the relevant information in the hotel, company, its history, rules of behaviour and the management staff. The next phase includes detailed information about the department in which the new employees will perform their work operations and in the end with their direct tasks in the workplace.

However, the author's experience shows that in a number of cases admissions to employment mean only complying with legal and statutory requirements, after which the new employees are directly engaged in performing certain operations in their workplace. When a hotel company does season business, it may happen that, if the hotel is opened just before the beginning of the high season, the candidate is not informed in detail about the company, its goals, organisational structure and functioning but also necessary training and evaluation. The new member of the company is very often left to find out about the company on his/her own and to have training for the most part through getting experience in the workplace. The level of their own interest and personal abilities is in that case crucial for the quality of their performance of particular work and operations.

Providing opportunities for the training and development of the employees is something that every hotel or restaurant company, even the smallest one, strives to do. One of the reasons for that is technological and market changes and tendencies that cause some adjustments of a company and its market survival (or) success. Competition is the second, and the growth and development of the company, especially if it is globally oriented, the third important reason of constant “efforts to think in advance”, when we speak about staff as the key resource.

Development of harmonious interpersonal relationships is a requirement which, among other things, comes from the strong interpersonality of services in a hotel or restaurant company. Quality performance of a series of work operations in direct presence of the guests requires a complex coordinated team of performers. The same holds good for jobs related to suppliers, tour operators, travel agencies and other partners, which general business of hotel and restaurant companies relies on, regardless of their size.

The solutions (models) of **direct rewards for performed work and providing other stimulations to employees** are different. Wages, salaries, personal income as well as profit, dividends and other forms of earnings ought to result from the achieved results of the company and contributions of its parts and individuals to these results. Earnings based on work and earnings based on capital in different ownership forms and their combinations, are defined by the same measure in the end – market success, i.e. the corresponding results of the company. For the company it is important that all the stimulations serve the function of quality performance of work operations, and the social issues of the employees ought to be discussed and solved outside direct business and within the competence of the state, trade unions and other factors.

CONCLUSION

In the conditions of growing unpredictability and complexity of the environment, the central management issue is how to keep the organisation capable of taking up the challenge and changes of the environment. In contemporary market conditions human resources represent a cornerstone of long term success and the key source of competitive advantage. HR management system in hotel industry represents a system which is insufficiently developed in small hotels and in hotel industry in the countries in transition. All the activities that are well developed and represent a part of HR management are only those that are regulated by good legislation (workers' rights, job description as well as the employment process itself), strategic activities of HR management are mostly undeveloped (strategies for occasional employment, strategy for career development – promotion at work, bonification and reward strategy). Development of activities and strategies in this sector normally represents a very difficult task, which is on the one hand marked with a constant need for high level quality service and, on the other hand, the development of this sector represents and enables a comparative advantage of the company. All this is the reason why it is necessary to expect bigger development of this sector in near future.

In order to provide quality service you need a good selection, education, training and motivation of employees on the one hand, and on the other hand quality work environment and appropriate support to all those who work with customers (backstage support). *Human resources are the crucial factor in providing quality and profitable business in hotel industry.* Right people are the basis of company's business and its greatest value. Work environment, corporate values, style and business culture must be clearly defined before employment. At the same time necessary qualifications must be defined. It is very important to match the candidate and his/her attitudes with the culture and values of the company. If it does not exist and someone is motivated to work for the company only by money, problems may arise in time, particularly in the first line of service. Matching the personality, style, energy and other factors of an employee with an appropriate job is also very important. A naturally warm and positive person is also necessary for the first line of service, but generally as well, because of the cooperation in the company and positive energy. Companies also make mistakes with employment because they use one-way process, i.e. the candidate is asked questions, the candidate is checked, the candidate sends CV etc. It is necessary for the process to be two-way, because one-sided approach of the company may turn away good and able candidates. Therefore, it is necessary for the company to respect the candidate, to present the potential job realistically and to point out to the elements of his/her development if they make an arrangement about the work and to talk to him/her about the reward system.

The first and the most important thing is to inform the new employee about the organisational culture, strategies and the values of the company. What is very important is the promotion of his/her interpersonal (how to work with other people) and technical skills (procedures, filling in invoices, work with equipment etc. i.e. how to perform a particular job). What is also important for people on the first line of service is to have certain authority as well, so that they can respond to the needs and requirements of the customers, particularly those requirements that are different from standard procedures and requirements. The authority has to be clearly defined, and the service staff must know in which manner and in which situation to use it.

If we want people to do their best and be satisfied with their job, and satisfied employees influence the satisfaction of customers, it is important to have appropriate reward system. Regular and transparent evaluation is very important and it must be communicated to the employees, understandable and just. Reward system is connected with it and it must be transparent and must not cause doubts. The employer must largely understand and satisfy the needs of an employee. If we want an employee to react in the right way, the content of the work needs to be explained to him/her in the right way and the reward system must not be based on the requirements different from the requirements that the company sets for itself (for example, it is a mistake if the company wants to serve as many people as possible during the working hours, but the employees are rewarded just according to the time spent at work and they are not motivated enough, and the controls that the managers carry out are not sufficient for the service process to be carried out in the right manner, so in such situations we often have the so-called service process sabotage by the employees on the first line of service).

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THE POSSIBILITIES FOR REPOSITIONING OF THE OPATIJA RIVIERA'S TOURISM OFFER

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Abstract

The competition on the modern tourist market has been getting more harsh and unscrupulous which is very challenging for tourist destinations and 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 European and world tourist market. The Opatija Riviera is an important factor of the total tourism offer, not only in the County of Primorje – Gorski Kotar, but also the Republic of Croatia, taking into consideration that it is recognised on the European and world level. Pleasant Mediterranean climate, beautiful landscape, favourable geographical position and transport accessibility are only some of the factors of tourism development and of greater number of arrivals of domestic and foreign tourists. The tourism offer is mostly based on beach tourism, while other important selective forms of tourism are nautical and conference tourism. Regardless of the above-mentioned factors, their full potential has not yet been fulfilled. In order to achieve competitive advantages, it is necessary to reposition the current position of the Opatija Riviera on the tourist market and to, through adequate promotion of the tourist destination, increase not only the number of tourists and realised overnights, but also the total level of tourist consumption. The paper will present the significance and role of the Opatija Riviera in tourism development of the County of Primorje – Gorski Kotar and propose guidelines for future development with the objective to achieve competitive advantages, uniqueness and recognisability on the European and world tourist market.

Key words: *tourism offer of the Opatija Riviera, preferences of tourist service consumers, competitiveness, recognisability, repositioning*

INTRODUCTION

The Republic of Croatia possesses a rich resource base which is a foundation for tourism offer development. It must attempt to create new tourist products based on designing of new, innovative events and attractions on the tourist market in order to attract new tourists and achieve an increase in tourist consumption and competitiveness. It must be designed in compliance with the sustainable development principles. Taking into consideration the fact that new tourist destinations keep emerging on the modern tourist market, Croatia must make the best of its resources and invest the greatest efforts in development of quality and diverse tourism offer (adjustment to preferences of modern tourists, adoption of best practice of the leading destinations, and creation of its own unique and top tourism offer) in order

to stand out among countless tourist programmes and events offered by the competing destinations, and to achieve competitive advantages on the turbulent and changing tourist market.

The Opatija Riviera is an important factor of development and improvement of the total tourism offer of the County of Primorje-Gorski Kotar and Croatia whose true potentials have not been fulfilled despite real opportunities. This paper provides an analysis of the state of tourism in the Opatija Riviera and tourists' satisfaction with its tourism offer, its significance in terms of contribution to tourism development in the County of Primorje-Gorski Kotar, and proposal of guidelines for future development of the tourism offer of the Opatija Riviera.

THE CURRENT STATE OF TOURISM IN THE OPATIJA RIVIERA – ELEMENTS OF THE TOURIST OFFER AND TOURISTS' SATISFACTION

According to Stipanović and Alkier Radnić, (2007) the globalised environment and determinants of the dynamic European tourist market define the principles of tourism. Activities of the competition and development of demand preferences require constant activities, optimisation and promptness in development. Innovation in the developmental concept provides the possibility of transforming the Croatian tourism offer and redesigning the monotonous, scarce mass tourism offer into an industry of entertainment and active holidays, with the objective to stimulate higher tourist consumption, attract tourists of higher purchasing power and increase the level of tourist satisfaction.

An important precondition in the process of designing tourist events and programmes is caring for the impact of a new tourist product on competitiveness of the destination. The author Tripunić, via Krešić, points out that competitive advantage is the '*punctum saliens*' of strategic activities of all the tourist suppliers in the destination, and its possession the basis for differentiating successful from unsuccessful destinations (adapted according to Krešić, 2007). Therefore, there is the need to create new and innovative contents of tourism offer in tourist destinations, especially in Opatija which has been developing its tourism industry since the 19th century.

The Opatija Riviera has an important role in realising more successful and competitive tourism development and recognisability, not only of the County of Primorje-Gorski Kotar, but also Croatia as a tourist destination on the international tourist market. Its rich history, natural resources, cultural and historical heritage, good transport links, the vicinity of tourist-generating markets, etc., are some of the factors for which this destination developed its recognisable image and tourism offer. However, comparing its current state with the other leading Mediterranean destinations, the conclusion is derived that it is insufficiently developed in relation to its real possibilities. Great efforts should be invested in the creation of a single tourist product which will be recognised by tourists as a unique tourist brand.

What follows is the presentation of tourists' satisfaction with elements of the tourism offer in the Opatija Riviera. Likert's scale was used in the analysis (1-7), i.e. tourists could choose from 1 (complete dissatisfaction with the offer of the tourist destination) to 7 (complete satisfaction with the offer of the tourist destination).

Table 1: Elements of the Tourism Offer in the Opatija Riviera in 2011

Elements of the tourism offer in the Opatija Riviera	Sub-region
Inhabitants, employees in tourism	5,59
Space, resources, environment	5,49
Facilities	5,22
Organisation of the destination	5,03
Recognisability, safety, level of information	4,96

Source: Adapted according to group of authors, editors: Blažević, Peršić, 2012, p. 39-40

The above indicates the fact that tourists are mostly satisfied with kindness of the local population and employees in tourism and the hotel industry (5,59). What follows are the space, resources and the environment (rated 5,49) which indicates quality background for development of sustainable tourism

offer. This is especially significant, taking into consideration that today's tourists are more ecologically aware and want to stay in destinations which devote attention to natural resources.

The offer of facilities is rated relatively lower (5,22), which indicates that it must become more developed and complemented taking into consideration that events, cultural and historical heritage, sports events, health- and nautical tourism offer and other elements of tourism offer represent an important element of success of the entire tourist product. Certain elements of the offer on which the Opatija Riviera tries to build its offer differentiation do not have, according to tourists' opinion, satisfactory tourist facilities, which are primarily conferences and congresses (4,15), health tourism facilities (4,47), and nautical tourism offer (4,84) (Adapted according to group of authors, editors: Blažević, Peršić, 2012).

Organisation of the destination was rated 5,03, while recognisability, security and information level were rated the lowest (4,96). This is a particular reason to be concerned, considering the fact that recognisability is one of the key niches on which tourism offer of the Opatija Riviera should be based. Also, it is necessary to continuously conduct promotional activities of the tourism offer and use other information mechanisms which will ensure quality and complete information for tourists.

Satisfied tourists will be willing to allocate more free resources for a visit to a tourist attraction, which will imply added value of the tourist product. It can be reinvested in the creation of new and innovative tourist events and attractions.

The following table lists 10 elements of the tourism offer of the Opatija Riviera with which tourists are the most and the least satisfied.

Table 2: Tourists' Satisfaction with Elements of the Tourism Offer of the Opatija Riviera in 2011

10 elements of the tourism offer with which tourists are satisfied the most (TOP 10+)			10 elements of the tourism offer with which tourists are satisfied the least (TOP 10-)			Source: Adapted according to group of authors, editors: Blažević, Peršić, 2012, p. 66
1.			1.			
1.	Climate	5,78	1.	Conferences and congresses	4,15	It is evident from the Table 2 that climate was rated 5,78 which is a significant competitive advantage for attraction of tourists of different age groups who will gladly visit the destination for holiday, entertainment, recreation and rehabilitation from illness. Kindness of the employees was rated 5,68 što which indicates the fact that
2.	Kindness of employees in tourism	5,68	2.	Parking lots	4,18	
3.	Kindness of the population	5,58	3.	Health tourism facilities	4,47	
4.	Beauty of the landscape	5,53	4.	Sports events	4,54	
5.	Knowledge of foreign languages of the employees in tourism	5,51	5.	Events	4,66	
6.	Cleanness of the sea	5,49	6.	Cultural events	4,67	
7.	Walkways	5,46	7.	Local traffic	4,68	
8.	Arrangement of the destination	5,38	8.	Souvenirs	4,75	
9.	Parks and green areas	5,33	9.	Events for children	4,8	
10	Entertaining events	5,25	10.	Shops	4,84	

employees in tourism and the hotel industry invest efforts in satisfying the needs of the demanding tourists, which implies higher realisation of value for money. Kindness of the population was rated 5,58, which indicates the ability to attract tourists who feel welcome, „local“, and they will want not only to return, but also to recommend this destination to their friends and acquaintances. What follows are satisfactory ratings of the beauty of the landscape (5,53), employees' knowledge of foreign languages (5,51), cleanness of the sea (5,49), walkways (5,46), while arrangement of the destination (5,38), parks and green areas, (5,33), and entertaining facilities (5,25) were rated relatively lower.

Analysis of the elements of the tourism offer which satisfies the tourists the least indicated a worrying fact that organisation of conferences and congresses took the first place on the list (4,15), taking into consideration that the Opatija Riviera used to be famous for its congress tourism. Insufficient number of

parking places and their inadequacy was also rated very low (4,18). It is important to point out dissatisfaction with health tourism offer (4,47), which is also worrying considering that the Opatija Riviera for the most part based its tourism offer on health tourism throughout history. It is very important to improve this segment of the tourism offer and to comply with the trends on the European and world level. Sports events were rated with low 4,54, which is unsatisfactory because they also represent an important element of the tourism offer, especially because they can be adapted to all age groups. Events (4,66) and cultural events (4,67) were rated extremely low, which is a weakness in the development of a competitive tourism offer. Organisation of events and cultural events are an important factor of development of the (urban) tourism offer. Great attention needs to be devoted to them in the process of development of a contemporary tourism offer considering that through it, the destination can be profiled and promoted as a unique tourist brand. Special attention should therefore be devoted to the creation of tourist events which will enable greater tourists' satisfaction with the above-mentioned facilities which currently represent a weakness of the offer in the Opatija Riviera. Their integration in the other segments of the offer will result in greater quality of the total offer and tourists' satisfaction, which will stimulate general repositioning of the destination as a destination of high quality offer. Also, tourists rated low their satisfaction with the local traffic (4,68) which indicates the need for a better and more quality traffic organisation and infrastructure. Lack of the offer of souvenirs should be especially pointed out (4,75), with emphasis on local souvenirs, followed by events for children (4,8) and insufficient range of shops (4,84). These elements also represent an important element of tourism offer which contributes to its quality and image of tourist destinations.

In order to conduct an adequate evaluation of the state of the tourism offer of the Opatija Riviera, and to present its significance and contribution to development of the tourism offer in the County of Primorje-Gorski Kotar, it is necessary to continuously analyse quantitative and qualitative indicators which point to the current state of the tourism offer of the destination.

The following table presents the realised tourist arrivals and tourist overnights in the Opatija Riviera in the period between 2004 and 2012 as a response to tourists' satisfaction with the tourism offer of the Opatija Riviera.

Table 3: The realised tourist arrivals and tourist overnights in the Opatija Riviera for the period between 2004 and 2012

Year	Tourist arrivals total	Tourist overnights total
2004	333.722	1.263.107
2005	371.220	1.391.530
2006	403.815	1.428.199
2007	419.484	1.460.527
2008	424.597	1.475.076
2009	410.194	1.381.190
2010	435.576	1.495.490
2011	451.053	1.554.470
2012	463.968	1.604.970

Source: Authors' analysis according to data collected by a survey conducted in June of 2013; the questionnaire was sent to the representatives of tourist boards of towns of Lovran, Opatija, Ičići, Matulji, and Mošćenička Draga

The data presented in the above table indicate moderate growth of the number of tourist arrivals and tourist overnights by 2009 as well as after 2010, which leads to the conclusion that tourists' satisfaction with elements of the tourism offer of the Opatija Riviera increased. In 2009, a decline was recorded in both tourist arrivals and overnights, which can surely be interpreted as the impact of the economic crisis on tourism sector and economy in general. Although the period between 2004 and 2012 was marked by moderate growth of the realised tourist arrivals and overnights, it is unsatisfactory taking into consideration the possibilities and resources.

In order to design a successful, high-quality and recognisable tourist product which will enable development of year-long business activities, it is necessary to continuously monitor tourists' opinions on elements of the tourism offer in the destination, to manage offer development in line with the trends along with adequate valorisation of tourist resources. Modern tourists keep looking for new and unique events. Experience is a foundation for design of the tourist offer and it is therefore necessary to design new attractions - experiences which will make the Opatija Riviera recognisable on the global tourist market.

SWOT ANALYSIS OF THE SELECTIVE FORMS OF TOURISM OFFER IN THE OPATIJA RIVIERA

Repositioning of the former strategic orientation of the Opatija Riviera, expressed in the form of the so-called „mass tourism“, consists of clear orientation towards qualitative development of the tourism offer, development of selective forms of tourism, etc. which will also increase profitability and general economic significance of tourism in the Opatija Riviera (adapted according to: Uravić, Toncetti Hrvatin, hrcak.srce.hr/38199, accessed on: 25/06/2013). Selective forms of tourism represent an important factor of the tourism offer considering that their diversity can fulfil the needs of tourists of all sociodemographic profiles and age group, enable realisation of value for money and experience for money, result in an increase in the number of tourist arrivals, overnights and tourist consumption.

In the research conducted in 2011, there was a survey on the opinion of tourist managers on the possibilities for development of selective forms of tourism offer in the Opatija Riviera. The current selective forms of the tourism offer were rated differently. The business tourism offer was rated 4,25, health tourism 4,35, sports and recreational tourism 4,63, holiday tourism 4,75, event tourism 4,92, while the rest of the selective offer was rated higher - 5,75 (adapted according to group of authors, editors: Blažević, Peršić, 2012.)

Ratings by tourism management pointed to the worrying state of certain selective forms of tourism, especially business and health tourism, which is an additional reason for concern since the tourism offer of the Opatija Riviera was formerly mostly based on them.

In order to eliminate the above-mentioned weaknesses, new tourist events and attractions should be designed, and this will be enabled if all the strengths and weaknesses of the Opatija Riviera as a tourist destination are taken into consideration. In this regard, the analysis of strengths and weaknesses of the Opatija Riviera is presented through the SWOT analysis below in order to assist in overcoming the weaknesses.

Table 4: The SWOT Analysis of the Tourism Offer of the Opatija Riviera

STRENGTHS	WEAKNESSES
- Rich and preserved resource base - Pleasant climate, clean sea, clean air - Tourist tradition - Recognisability on traditional tourist generating markets (Slovenia, Austria, Italy, Germany, etc.) - Good traffic connections and easy access - Kindness of the population and employees in tourism	- Insufficiently profiled offer - Lack of innovation - Lack of organisation - Insufficient value for money - Insufficient recognisability on the new market niches (China, Russia, India, etc.)
OPPORTUNITIES	THREATS
- Development of selective forms of tourism offer - Creating a brand of congress, health, and nautical tourism - Investment in knowledge - Development of new	- Pollution of the environment - Uncoordinated development - Excessive building of secondary residences - Rapid growth of new markets - Creation of competitive

experiences	destinations and products
- Sustainable tourism development - Raising of general quality of the facilities - Creation of synergy between culture and tourism - Building of a tourism museum - New possibilities for project funding (Cohesion Funds of the EU, public-private partnership, development incentives by the Ministry of Tourism of the Republic of Croatia)	

Source: Authors' analysis

The SWOT analysis presented in the above table shows that tourism development management in the Opatija Riviera is highly complex and that it requires implementation of contemporary knowledge and skills. Destination management organisations (DMO) have the most important role in using strengths and eliminating weaknesses as well as realising opportunities and minimising threats.

Except for directors of the tourist board of the destination and catering firms, the participants in the destination management are also, in a broader sense, all the relevant experts in the tourism industry and complementary industries, tourist suppliers, but also the entire interested public which actively participates in the creation of attractiveness of the entire tourism offer of the destination. Mountinho points out that for successful planning, management, and research in tourism, it is necessary for tourist experts to be like the Renaissance people. The most important characteristics which a contemporary destination management organisation must implement in the planning of highly valuable tourist products are deliberation, perception, assessment, and continuous improvement of tourist products with the objective to strengthen the competitive advantages of the destination Opatija Riviera on the market (adapted according to Mountinho, 2005.)

The greatest strength of the Opatija Riviera is its recognisability on traditional tourist generating markets, the vicinity and easy access to the destination as well as rich tradition of tourism development which is, unfortunately, still insufficiently used in the creation of new tourist experiences. It takes a quick action of destination management organisations to gain comparative advantage on the tourist market.

The weaknesses which should be taken into consideration are insufficiently profiled tourism offer, insufficient introduction of innovation in tourism offer, poor organisation, and insufficient recognisability on the new market niches, which indicates the necessity for strengthening marketing activities and improving profiling of the tourism offer and its promotion.

Opportunities for successful and sustainable development of the Opatija Riviera and strengthening of competitive advantages are some of the factors among which the most important is development of selective forms of the tourism offer based on compliance with modern trends on the tourist market (creation of new experiences), and ecological principles (sustainable development). Application of knowledge and skills, innovation and creation of recognisable brands of the offer will surely bring new developmental boost to the tourism offer of the Opatija Riviera which will increase its competitiveness on the market. This will be stimulated by implementation (for the Opatija Riviera) of new possibilities for project financing through Cohesion Funds of the European Union, public private partnerships and through more active use of developmental incentives by the Ministry of Tourism of the Republic of Croatia.

The threats which the tourist destination faces on daily basis are environmental pollution (which additionally indicates the importance of upholding sustainable development principles), uncoordinated development of the tourism offer, used-up spatial resources by building of many secondary residences, which leads to disruption of the tourism resource base as foundation for offer development. A significant threat to competitive position on the tourist market is fast growth of new markets and creation of more competitive destinations and products. The tourist destination may be too slow in its adaptation to tourists' preferences.

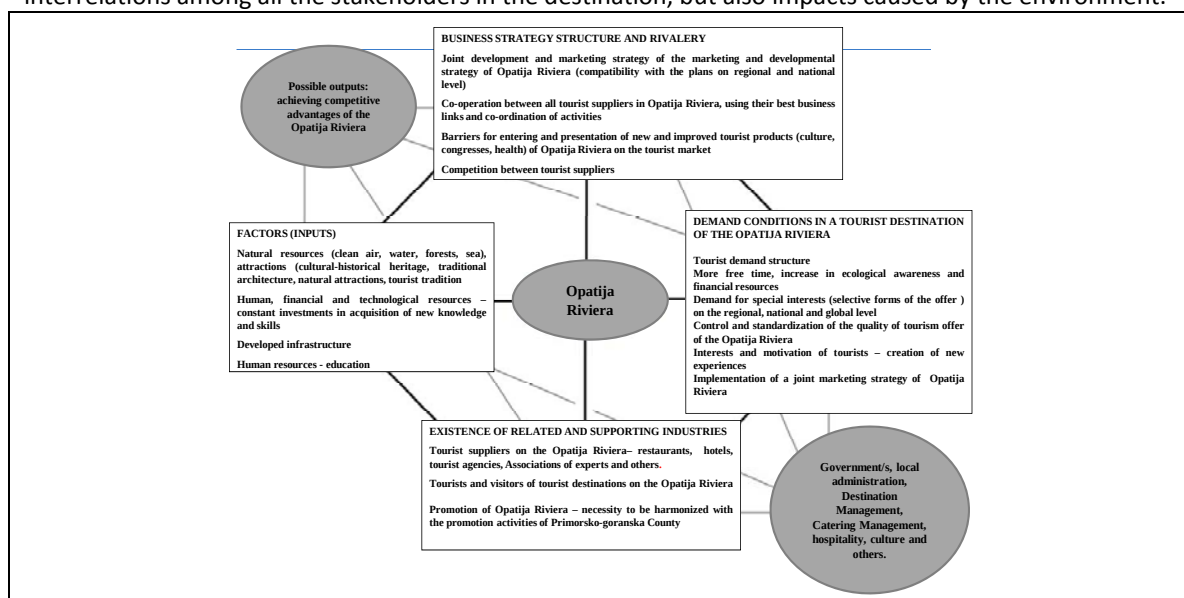
In terms of management of selective forms of tourism, below are listed the most significant ones for the development of tourism offer of the Opatija Riviera. Special attention should be devoted to development of congress tourism (strengthening of the offer quality), since the Opatija Riviera has developed infrastructure and tradition of congress tourism.

Health and nautical tourism offer is also of great importance. Health tourism was a significant factor of the tourism offer in the past on which the Opatija Riviera based its entire tourism offer. Therefore, it must be improved in accordance with the predominant European and world trends. According to Lacković, Milojica and Zrnić (2011), health tourism in numerous (primarily European) countries represents an increasingly significant segment of the contemporary tourist offer. Tourist demand has become more demanding and more strict on daily basis in terms of realising value for money. This indicates the significance of revitalisation of this segment of the tourism offer of the Opatija Riviera, and considering that it represents a combination of active and passive vacation, it can be adapted to tourists of all age groups.

Nautical tourism is also an important aspect of improvement of the tourism offer of the Opatija Riviera taking into consideration that it most frequently attracts tourists of high purchasing power and development of this form of the tourist offer will significantly contribute to increase in tourist consumption. Gračan and Perišić point out that it is necessary to formulate strategic development of nautical tourism, striving to ensure a sustainable, well-designed, competitive, sound, manageable and economically effective system capable of securing the high efficiency, and continuous and sustained development of nautical tourism, in alignment with the guidelines of tourism development in the Opatija Riviera (adapted according to Gračan, Perišić, 2006.).

Tourism offer based on congress, cultural, traditional, nautical, and health facilities will enable prolongation of the tourist season, which will lead to economic effects on the tourism offer performance in terms of income growth, employment growth, higher level of satisfaction of tourists, but also of the local community whose economic interest lies in tourism development.

Higher level of satisfaction of the visitors of the Opatija Riviera will also be achieved by synergy of all the stakeholders in the destination and compliance of developmental local strategies with those of higher order (regional and national). Porter's diamond of comparative advantages graphically indicates interrelations among all the stakeholders in the destination, but also impacts caused by the environment.



Picture 1: Porter's Diamond of Comparative Advantages of the Opatija Riviera, adapted according to: Porter, M. E., 1998

Porter's diamond of comparative advantages represents a tool which provides guidelines to destination management organisations for future tourism development oriented towards growth in recognisability and competitiveness of the destination on the tourist market. This developmental model is based on compliance with the inputs and outputs realised by the innovative tourism offer taking into consideration the factors of external and internal impacts on the destination, and pointing out the significance of

coordination of all administration levels in the achievement of competitive advantages of the destination Opatija Riviera.

THE PROPOSAL OF DEVELOPMENTAL GUIDELINES OF THE OPATIJA RIVIERA

Based on the previously conducted S.W.O.T. analysis and the diamond of competitive advantages, the conclusion is derived that future tourism development in the Opatija Riviera must be based on knowledge and implementation of contemporary technologies as well as application of experience from the best world tourism practice (Nice, Paris, Venice, etc.). Destination management organisations are responsible for the future development of the Opatija Riviera which must include the interested experts and the local public in its activities.

Development of the Opatija Riviera must be designed in accordance with the sustainable development principles, creation of new tourist experiences (especially from the segment of the cultural offer), and creation of a brand of congress, health, and nautical tourism of the Opatija Riviera, which will minimise negative impacts on total satisfaction of tourists with specific segments of the offer in the Opatija Riviera. The Opatija Riviera must use the Town Administration of Opatija as a moving developmental force, as the leading destination brand. Other destinations of the Riviera are included in the tourist product by the elements of additional tourism offer (for example, Mošćenička Draga – Mošćenice town of culture; Lovran – *Marunada*; Ika – holiday and knowledge; Ičići – tourism and tradition; Matulji – Adriatic Gate).

CONCLUSION

The Opatija Riviera will achieve multiple benefits by creation of new tourist products which will be based on new experiences representing a foundation for the creation of motivation for tourist travels. After successful conceptualisation, development, promotion and sales on the tourist market, new tourist products will result in an increase in tourist consumption, growth of tourists' satisfaction and increase in the general quality of the offer. All of the above will also result in the increase of economic benefits for the destination. In the future developmental guidelines and scientific research, great attention must be devoted to investments into knowledge and development, total quality management, and implementation of the most recent marketing tools in development and promotion of the tourism offer in the Opatija Riviera. Based on its own developmental experiences and in line with implementation of best world practice, it is necessary to improve the tourism offer which will be achieved through application of contemporary developmental models of tourist destinations based on the creation of recognisable brands as an upgrade of current tourist products (culture, congresses, health, navigation, history, etc.).

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PUBLIC RELATIONS AS A PRESUMPTION
FOR CREATION OF COMPANY IMAGE AND BRAND





MANAGEMENT SKILLS OF EMPLOYEES FOR EFFECTIVE GUERRILLA MARKETING

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ABSTRACT

Guerrilla marketing is a specific job that requires specific skills and qualified human resources in order to be performed successfully. Developing the skills of human resources makes the organization stronger and more successful in achieving the goals. Unconventional way of performing guerrilla marketing especially insists on that. How many customers will experience marketing as a reason to use the product depends on the staff that creates and performs guerrilla action in marketing.

Emotional intelligence is one of the most important characteristics of the members of a guerrilla marketing team. It is generally known that EI identifies with adaptability and allows employees to easily assess situations and respond appropriately to them.

Communication skills enable successful communication within the organization and outside with customers is important especially for guerrilla marketing.

Opportunities for communication with customers may be numerous, but of course every organization selects the best i.e. those that are the most appropriate for the specific product / service, the current situation, financial opportunities, etc. and therefore prepare their employees.

Keywords: *human resources, guerrilla marketing, communications skills, emotional intelligence, IQ – rational intelligence*

INTRODUCTION

Today the real art is to win new trade customers and to retain the existing ones. The routine of spending enormous sums on marketing without a defined purpose in an effort to create measurable results is already a cliché that slowly fades. Yes, you have to invest in marketing but investments should be placed on the right position (in front of the right door), the door of guerilla marketing. Guerrilla marketing is the most powerful weapon of companies with clear and narrowly defined marketing messages and target groups, where the work leads to greater marketing effectiveness.

Communication which sets guerrilla marketing with the customers is unique, original and striking. Creativity and inspiration of this kind of marketing can be the best allies in fighting competition.

Modern intentions in these elections suggest strategies that expose the firm to large costs, and it gives a great effect on the market. This type of marketing is exactly guerrilla marketing. Specifically, in Macedonia, it is not used as often as it should be, although the results it provides are already proven and undisputed in the world. To find staff that can implement this tactic is difficult, and as an additional handicap is that training on its use are not held. The elements that characterize guerrilla marketing are exactly the people themselves, in their creativity and imagination. Each procedure is unusual for consumers, unexpected and utterly amazing and without a doubt is a good opportunity to stay in the consumer's head.

Each of the conventional methods of marketing can be carried out on an unconventional and original way, which certainly will contribute to building the image and the brand of the products. The ultimate goal of any marketing activity is to keep the existing customers, but also to breed new ones that would also increase the organizational productivity and profitability.

In order better results to be achieved in the workplace it is necessary to adopt skills like effective communication. It helps in achieving better interpersonal communications in the organization, as well as easier and more efficient completion of goals.

Given that the human potential of the organization represents its power, it pays to invest in its improvement and development. Inappropriate behavior of a single individual could cost the organization a lot. So serious organizations do not leave the things to chance but are actively involved in the

development of their own staff. Thus it is setting standards, making ethical codes of conduct, constantly rising the work culture in the organization etc. Communication as a key skill for achieving organizational success should be adopted promptly and upgraded during operation. The elements that make up the verbal communication, each of them is an important accessory for successful communication, but should not be forgotten that the impression of the employee's non-verbal communication is just as important as verbal communication.

The method of transferring information, adjusting to the expectations of the interlocutor and the possession of frustration tolerance is also an important moment in the establishment of competencies for successful and effective communication.

SAMPLING RESEARCH

To develop effective communication with consumers it is necessary to make a plan that will develop strategies through which the desired goals will be achieved. To make a proper strategy it is needed the target to be clearly defined: to know what is expected of the research. In order the needed information, facts to be used it is necessary in the marketing research initiative to engage the public (end users, employees, other participants, investors, suppliers, government and non-government representatives, etc.). Gathering the opinions of all will provide the most relevant information about the product or company.

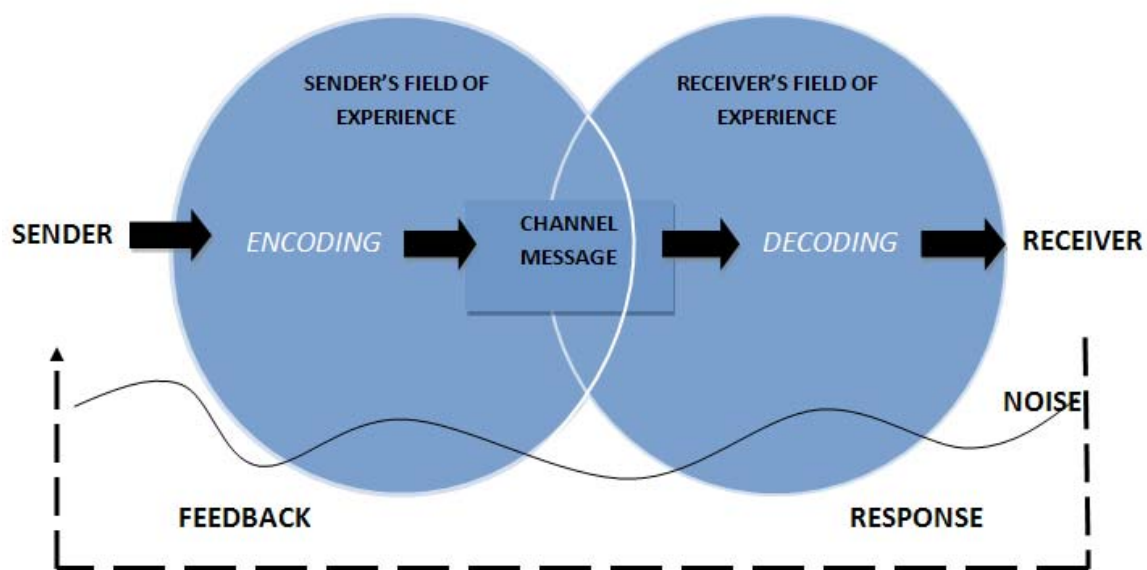


Diagram 1: Basic model of Communication (Adopted from Belch and Belch 2004,139)

Any information starts its way from a different source, but must reach the appropriate receiver or a specific place in order to be properly used (see diagram no.1). Some organizations that use guerrilla marketing as a strategy for formulating and adjusting the marketing plan often use sampling teams. They aim to educate, collect information and measure public opinion of the population. Based on the data collected and the conclusions drawn then they act based on appropriately designed infection and changing attitudes among existing customers.

Also, together with communication to various outside stakeholders, such as consumers and shareholders, it is also highly important for the firm to have sound internal communications in place in order to tell employees about ongoing operations or news. This is especially applicable to big corporations with many different divisions (Levinson, 2009).

GUERRILLA MARKETING

In this period of rapid development of technology and the rapid changes in the environment, serious organizations can not afford to operate at once set and established way of working. The criteria for success are constantly changing, and it appears the need to adapt to the new conditions. Large and bulky organizations which used the conventional method of management now is outdated and difficult to produce results in the new environment. Griffin (2002, 20) argues that there is a strong need in searching for totally new promotional tools that can attract customers in adventurous way and have a more direct focus on targeted segments. Furthermore, Levinson (2006) also supports a strong need for marketing to create new innovative and effective methods than can be cost efficient at the same time. This is how the concept of Guerilla marketing percolated through the marketing wars.

Small flexible organizations do not apply that style of work. They concentrate their work on a smaller number of employees who have developed competencies for the job they do. The quality of staff is one that can promise results that were set by them.

Marketing strategies also over time have undergone some changes. Progressive organizations prefer strategies that do not cost a lot of money, and manage to achieve the desired effect. Guerrilla marketing ensures that workflow. This requires talented and trained guerrillas who know how to cope with all sorts of people in all sorts of situations, and certainly in the interest of promoting the product.

The appropriateness of newly staff is very important for fast implementation of marketing ideas. As soon as the appropriate people will be admitted to the "guerrilla" job sooner organization will establish the necessary marketing team. The errors made in the initial stages of employment can be much larger than it originally seemed. The time and resources that are lost in the training of personnel who possess the necessary skills are great, but also possible are drawbacks from inadequate fieldwork. Substitution of once employed staff also is neither simple nor painless for anyone, including managers, the dismissed, as well as for organizations as a whole.

Therefore, attention that is paid to quality recruitment and selection of staff for guerrilla marketing is more than necessary.

THE INTERSESTS FOR GUERRILLA MARKETING

Marketing is a long term investment that hardly gives immediate results. Therefore, in advance it has to be known that marketing a product takes a little more time, and that usually means money. It is not enough the customers to meet with the product and to buy it, it is necessary to constantly remind him of that product, its features and benefits, so that it can achieve the transformation of an ordinary client taster in a regular user of the product. Short-term marketing activities usually end up forgetting the product quickly, which is equal to spending money with no reason.

Such long-term marketing campaigns very few organizations can afford. Seeking new modes of promoting products, their approach to customers in the long run, and at the same time not spending a lot of funds, organizations have introduced guerrilla marketing.

The word "guerrilla" indicates on the unconventionality and imagination of the new model. Guerrilla campaigns are appearing in unexpected time and place, usually performed in interaction with customers and aim to provoke and cause infection through uniqueness and originality.

Gallagher (2004) explains an explicit difference as: "What matters in guerilla marketing is, rather than what the firm does to be successful but what it does to differentiate itself from its rivals and its success in reaching a broader customer potential".

Godfather and father of guerrilla marketing is Levinson Jay Conrad. He believes that anyone who has ideas for unusual approaches to marketing without spending money, he can run guerrilla marketing and he can establish good communication with the customer. Aware that sounds too good to be true, and yet, he gives examples of implementation of various guerrilla techniques that produce maximum results for minimal money spent. These include: sharing gifts (free samples) in public places, intrusion of public gatherings and places intended for completely different purposes, causing interaction with customers etc. Although originally intended for small organizations guerrilla marketing today is successfully used by the big companies.

Public relations are used to inform the public about the quality and benefits of the product, but at the same time to listen to the customer's needs. Through their satisfaction relation of trust is achieved. That

trust must not be ruined. Each guerrilla marketing worker should understand human psychology and should behave according to it i.e. using that knowledge to evaluate and decide how, when and where to make contact with potential customer needed to be attracted or with the already attracted customer needed to be preserved.

Simple guerrilla techniques mostly fascinate with their originality and attract the attention of people. Original ideas sometimes do not cost a penny or cost so little compared to the impact of the cause. Sometimes the presence of guerrilla marketing activities stays in people's memories forever. The purpose of this type of marketing is to bring their own product to the customer, not a war against the competition. Contacts used with individuals aim to familiarize him with as much information related to the product as possible rather than to communicate with more people with small transfer of information. By repeatedly contacting the same client he is already considered as a part of the team that presents the product. Unconsciously he advertised it. Recommendation from a friend is always the best advertisement that means to achieve new level of customer involvement in the promotion, but must not be solely relied on it. The customers must be reminded from time to time that the product is right for the consumers. In conversations various information are received, such as "where information about the quality of the product is obtained." This is the way information is gathered and they can be used in further activities of the marketing campaign.

To be effective guerrilla marketing it is desirable to include more people simultaneously working on the same campaign for the time being spent with a customer. Information provided should be appropriate to the demands of consumers, that product should include information that is needed for the consumer. Sometimes guerrilla marketing is only one part of the overall marketing strategy of a company. The technology development is also a part of the tools used by guerrilla marketing. Targeted groups receive continuous reminder of the possibility for the client to satisfy its own needs using the product that was advertised.

REQUIRED SKILLS IN "GUERRILLAS"

Given the fact that guerrilla marketing is a very specific and unique kind of marketing a product, it is realistic to expect that anyone can very simply be plugged into teams that work. The model promotes innovation and creativity. It's no secret that everyone is very willing to invent something new, uncommon, even if it is unacceptable and repulsive, but rather attractive and fascinating. Each guerrilla marketing activity should be so designed to bring good and estimated dose of irritation to the client in order to include him in the campaign not to dismiss him as irrelevant person.

Explained by Hoffmann and Hutter (2011), sensation marketing is aiming towards surprising pedestrians in public places by different activities that surpass the familiarity levels. For instance, actors may perform a play right in front of the theater to attract people's attention to the theatre. Also, various flash mobs are used, which refers to a group of anonymous individuals, who meet apparently inexplicably at a public place for performing a pointless action which lasts only a few minutes.

Time spent interacting with team members needs to make a strong positive impression. Cause interest and hooked on depending on the particular product.

Time spent interacting with team members need to make a strong positive impression. Cause interest and hooked on depending on the particular product.

One of the most important skills to possess staff guerrilla marketing team is adaptability and communicability.

However charm is required so that the first ten seconds will do our best to keep the attention of the client and than the originality of performance will admire them.

From the genes we inherit the IQ but it is not very helpful in such situations. To assess people, needs, place and time we need more emotional intelligence (EI) which is identified with people capacity to adapt in all situations. In fact it is the most important feature that should characterize members of the guerrilla teams.

CONCLUSION

Modern intentions in marketing clearly indicate that guerilla forms of marketing thanks to the inventiveness with which customers are attracted is one of the cheapest and also the most effective ways of bringing products (services) to customers.

Guerrilla activities are occurring in unexpected places and in unexpected time. So this kind of marketing leaves more impression on customers. Communication that is established with clients during guerilla marketing is specific and unusual. It contributes to infecting customers with products (services).

It is expected each specific job to be performed by people with specific competencies. Staff dealing with guerrilla marketing must abound with creativity and innovative ideas, as well as to be emotionally intelligent. It provides an original way to approach the customers and leave a strong impression with his performance.

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PUBLIC RELATIONS

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Abstract:

Circumstances of today's modern operating businesses are actually conditions in which there is a "sea" of competitive companies whose first main goal is to rank globally and build recognizable brand image at the market. The prerequisite for a company's success is to deal with such challenges and succeed in finding ways through which consumers will receive a quality product and a recognizable brand followed by whiskey established reputation of the company.

Building the image of a company is a process that involves quality production with optimal and rational utilization of available rare and limited resources, environmental orientation towards preserving the environment, that is part of rare and scarce resources through points for their most efficient use, re- in processed form to return to the natural flow of the functioning of society. Companies should have their share in campaigns organized to invest in charity, to promote the security, economic and social segments of society and improve social turns and flows, mostly in the segments and fields in which they operate.

The purpose of this paper is to describe the way in which companies need to communicate with regular and potential customers to understand their needs, wishes and requirements, where the consumers would be able with their suggestions and proposals to build a brand which will be recognized and sought after by themselves, or to highlight their crucial significance in the functioning and survival of the company, because the consumers and the well constructed PR segment are essential for the establishment and recognition of companies in the market.

The authors particularly emphasize labor safety and protection, as well as the safety of the company, and they recognize this as one of the key segments for success and recognition. Making loyal and reliable team,. preventing and stifling of unfair competition, finding ways of preventing economic crime in the enterprise and also the protection and security of the employees in their workplace and security situation in society is one of the key prerequisites for running a successful business.

Key words: *brand, image, security, customer recognition, quality, market.*

INTRODUCTION

Today's market environment is constantly changing, and it occurs as a result of the increasing number of factors affecting the market and as a proportion it comes to new rules in the behavior of consumers and businesses. The opening of new features are a prerequisite for meeting new challenges. The globalization, foreign competition, the Internet, the diversity of the commercial environment and great range of products and services create new behaviors of customers, both in the purchasing process, and the process of decision making on their part. On the other hand, for companies the offer, the image of the product, price, marketing communications, public relations and employee relations certainly affect demand new ways of establishing and creating recognizable brand.

The most convenient access to information that is provided before` is the development of communication sciences contribute to the public today has significantly greater bargaining power (now more than ever) that allows you to learn who and what factors influence the decision making of potential buyers, as well as factors affecting business entities whose "duty" is to create a mechanism that can simplify and enhance the way of making decisions of the customers at the time of purchase. This is about imposing one of the most important factors, and it is the image of manufacturing and service types and their role on the trade and general public relations.

Nowadays, the global market in its terms of action raises the brand or service as a prerequisite for successful existence on the world market, which occurs due to the vertiginous offering of more sophisticated, innovative and practical products. The constant innovation turns brands to innovate and the context in which the function, technology, culture, society and the state in general. Branding is a unique blend of design and business strategy, while successful brand creates a conceptualization of a business idea that uses design to visually articulate. The ultimate goal is to create an emotional transaction, exchange and loyalty.

Actually establishing and building the brand image of the company through related thread of satisfied public is modern marketing discipline necessary for the development of business, culture, and community leaders and communities at large. Branding becomes a leading doctrine in the development of economy, society and culture. Creating a successful brand takes time, painstaking organization, planning and operating assets used and useful. Successful brands have a clear vision of its identity and image, a realistic picture of the market, real values and proper positioning strategy.

PUBLIC RELATIONS

Public relations can be useful for any organization, not sensational promotion for its achievements, but also to become critical to their work. Seeing the organization of how we see others, can become better and can insure users to have the best possible service. The size and value of the brand is measured by customer loyalty to him, not with self-evaluation by management of the company. Public relations are very important part of any promotion. They are an integral part of the overall promotional effort and must be managed and coordinated with other elements of the promotional mix. As a special part of the promotional mix, they have a significant impact on the general public, which includes not only customers but the entire environment with all interest groups, competitors, the media and the state itself.¹

In addition to the previously mentioned definition of public relations, we should note that the services for public relations in the companies send their "messages" to consumers through various communication channels. The purpose of these messages is not only economically (achieving the higher profit), but also all other aspects of social life and work. The creation of such communication is specifically geared to the market and the public, despite all the promotional activities for the successful establishment and creating distinctive brand of its product and creating the image of your company, including public relations, which complement each other in creating complete image of the company on the market and in public.

Public relations are defined as management function which evaluate public attitudes, identifying the policies and procedures of the organization to the public interest and executing a program of action (and communication), ensuring understanding and public acceptance.²

The main goal of public relations is the systematic action of certain segments of the internal and external public, the environment of the company for creating the desired image, company or opinion about the institution and its activities. So we can conclude that public relations is a constant two-way, strategically-driven communication with internal and external target audience to achieve mutual benefit. PR intend to create mutual understanding. Very bad product, dissatisfied customers, bad distribution, undervalued stocks, bad political relations as well as many of the problems of the world in which we live is the result of a lack of mutual understanding. Through all this it is quite captured the current situation of Macedonian business community.³

¹ Nada Sekulovska "Odnosi so javnosta", 3 izdanje, januari 2009 str. 266.

² George E. Belch, Michael A. Belch; Advertising and Promotion; McGraw-Hill; 2007; p. 543

³ Јосип Судар, Горослав Келлер, "Промоција", Информатор, Загреб, 1991, стр.322

Public relations should adverse conditions (antagonism, indifference, prejudice, etc..) To turn them into positives, leading to the good reputation of the company. Persons who are responsible for public relations front 'is to have several personal characteristics, would be condemned to stress: and without exception. That would be: professionalism, communication, agility, loyalty, passionate. This people need to constantly record, analyze and monitor public opinion on their company as we managed to remove them those shortcomings in the context of its total business, and along with it create ideal conditions to meet the needs, tastes, desires and demands of consumers which inevitably leads to successful, building the brand and image of the company. Today the work of the departments responsible for public relations companies in a very simplified thanks to the increasing use of technical advances in the field of communication sciences tools to deliver a wide range of activities for persons responsible for public relations.

As a crucial means by which The companies would become public and in which way are supposed to communicate with regular and potential customers, learning about their needs, desires and requirements, as we were able consumers with their suggestions and proposals to build themselves a brand that they require and recognize, we separate:

- **Television** is one of the most massively used means of informing the public in the Republic of Macedonia. It offers a wide range of promotion under way, starting with: ads, advertising blocks, open shows, educational programs, programs for informing the public alike and it is broadcast before an enormous audience.
- **The Internet** is the only global communication tool in today's living conditions. Its value as propaganda, information and promotional tool is of paramount importance because it is a timeless mean of communication which is "bounded by no margins". Our country has not yet recognized the true potential and opportunities offered by the Internet to deepen and improve relations with the public.
- **Printed media (newspapers)** also occupy a prominent place in the process of informing the public. They can serve as a means of propaganda, media, marketing, advertising, promotion and education of the general public, but unfortunately they are increasingly losing primacy at the expense of television and the Internet.
- **Telecommunication connections** offer the possibility of direct verbal communication between businesses and the general public through open telephone lines compliments, suggestions and complaints.
- **Billboards** are a good way to establish a solid communication and connection with the public, because they are often placed in areas where there is a high frequency of people and usually they have large size, and their content and diversity are attractive for passersby.
- **Fairs and public events** are a good way to get companies to direct verbal connection with potential customers and interested public that allows one way and best promote their products and services.
- The participation of companies in **campaigns for the protection and improvement of the environment** is a very good way to represent the company to the public because nowadays it represents one of the most valued topics and biggest responsibility of humanity.
- Participation in **campaigns to improve the quality of life**, on the company is another way of approaching and its public affirmation. Investing in sports, education, culture is one of the best segments in which the company should reinvest part of their profits earned in a way that would confirm that the trust has at present, and the future potential customers.

ANALYSIS OF THE CONDUCTED EMPIRICAL RESEARCH

The authors of this paper tries to give an adequate overview of the problems facing the business sector in the process of establishing and building a brand and image, and of course the enormous changes in governance and management as a result of globalization. Conducted empirical research (using instrument of questionnaire consisted of written questionnaires and online surveys) to obtain direct information from people who have extensive work experience in successfully managing companies in both the private sector and in public administration in the country.

The research was conducted mainly in the region of Strumica, involving around thirty participants. Although the sample is not impressive, but it came relevant empirical material suitable for drawing

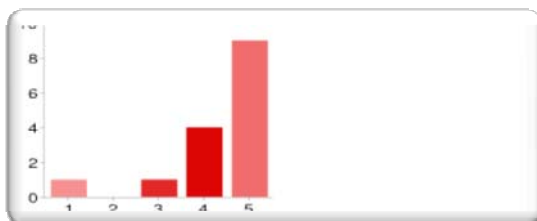
conclusions crucial given the fact that they are experienced and eminent people in their field of work, and they are competent enough for the particular problem.

Structure of respondents

The empirical research was conducted included people from 20 to 50 years old experienced and eminent in their field of work, and they are competent enough for the particular problem. The survey was conducted in the April 2013 with the gender balance of respondents were proportionally represented according to gender and ethnicity differences. It is mainly for respondents with higher education appropriate to their job (civil servants, sales manager, finance manager, manager, lawyer, bank officer, promoter, designer, merchant technologist in manufacturing, Super Market vendor, distributor) and sector of action which belongs to their company (manufacturing - 44%, -17% Trade, Marketing - 3% Hospitality - 3% education sector - 20%, transport - 3%, consulting and legal services - 3% Other - 7 %). Surveyed experts consider what their company apart from other companies in the market are: quality, communication with customers, commitment to customers, professionalism, campaigns to improve the quality of life in society, the environment, care for the safety of consumers, satisfying the desires, needs and requirements of existing and future potential customers, satisfying the desires of VIP consumers, low prices, discounts, promotions, contests, and investing in new staff.

Respondents believe that to a product or service become a recognizable brand in the market requires a company to have a large range of values, which would be the symbiosis: top quality, good management, well laid out and built relationships with the public, constantly introducing innovations intense marketing, tracking global trends, successfully dealing with threats and risks manifested by the business community, running a fair competition policy, flexibility and adaptability to market demands, care and commitment to employees, professional and competent staff personnel, the public and sponsorship of sport events, investment in education and training of young people, investing in conservation and improvement of the environment, investments in public projects of useful information, helping socially vulnerable layers, aiding in scientific research projects.

The process of managing and building good public relations is coordinated within the many activities in which implementing a company faces a number of problems. The most common obstacles faced by our subjects during their daily management mention: do regulations - 33%, rare and limitations of the resources - 7%, transport infrastructure - 7%, sales and e-commerce - 7% availability of financial assets - 27% support and subsidies from the state authorities - 13% and other difficulties in the management - 7%. When it comes to the importance of public opinion and a company's relations with its customers (permanent and future potential) results from the opinions of experts on a scale from 1 to 5 look like this:

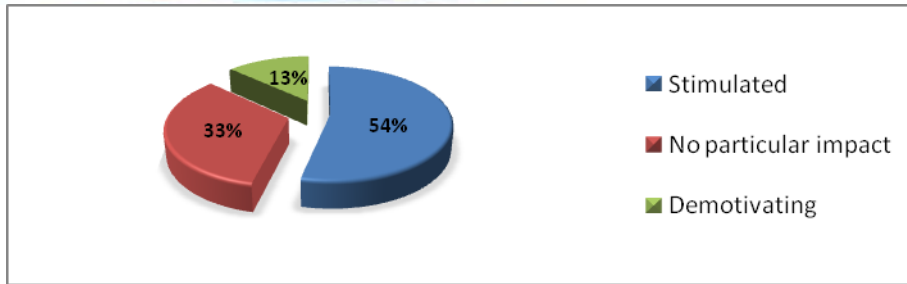


1	7%
2	0%
3	7%
4	27%
5	60%

1

Unfair competition is common in post transition societies as well as our society. Its appearance is often

due to poorly designed and incorrectly set system of legal norms and regulations and their inability to implementation, and it is actually one of the biggest causes of the difficulties that arise in today's free functioning of market supply and demand and the free formation of market prices. Its manifestation is seen in the creation of a number of failings in the financial performance of companies in today's market conditions and the operation is the biggest obstacle on the path to creating the brand and image of the company. Our views on this matter and confirmed the views and opinions of the experts who were interviewed. According to this was conceived question: How fair or unfair competition affecting your business? The results showed the following:



Graphic 2

The results showing themselves as a problem unfair competition however it should stimulate an effect on a company continues to invest in improving their way of working, which will overcome the problems faced. The process of image-building and re-establishment of a recognizable brand in the market is a long and laborious process that requires significant efforts, and thus is interwoven with many obstacles and difficulties in unbreakable symbiotic relationships between the company and costumers.

Respondents put aside some significant difficulties facing their companies in the process of building a recognizable brand and image in the market: high competition and low living standards, unfair competition is the one that is the biggest obstacle to a realistic representation of consumers because today we are witnessing the increasing presence of low-quality products that market place products that carry the name of a well known brand; reluctance of consumers to accept and follow the trends, the low level of promotional activity is another obstacle on the road to a recognizable brand on the market, poor choice of qualified staff and faulty perception of what it means quality; political circumstances in certain time periods.

Above is just one example of the flaws in the regulations we have today in this society, which by custom are incomplete, poorly specified, and leave a huge space for manipulation, which in turn creates huge difficulties that affect the building of domestic brands and at the same time destroy the already established. As measures undertaken by respondents to address the aforementioned obstacles and difficulties are: improved management, investing in new technologies and online marketing, employee motivation in the company, as only a solid foundation solve problems; detailed study of European regulation preparing tenders for European projects, with advance preparation and consultation.

As a means of communication that would give the best results in terms of meeting the needs and demands of consumers giving the best results participations at fairs and organizing activities to promote where verbal way companies have the opportunity to learn about real interested potential customers, and true business partners with whom we could collaborate. Boxes for complaints and suggestions are another way as consumers turn to companies with proposals, suggestions for what should be changed or introduced as an innovation, and of course an integral element in the complaints and negative comments are always welcome for those companies that public relations are a priority in building Graven image and brand of the company. Phone lines are another effective way to establish verbal communication between consumers and companies that are actually electronic version of the boxes for complaints and suggestions. Web portals are inevitable tool in today's digital age when it comes to building a solid relationship with the public. As the authors pay particular attention to the incompetence of the staff because it is the most bitter problem facing managers in the course of their work. The problem in our country is too pronounced and occurs even in the smallest segments of society and business operation of society.

Respondents to this problem have often said that the problems created by incompetent staff failure or faulty execution of tasks, difficult communication with them, creating an unpleasant environment for work followed by irritability and poor interpersonal relationships, imposing bad ideals and human values , unethical conduct, failure to perform assigned tasks and responsibilities, lay concrete domain preparation area and knowing the nature of the work, indifference to the appropriate interest and desire to introduce his work to perform competently and quality. Sometimes the smallest failure of a link in the chain of human resources available to the firm can cause many negative points about the company.

Security segment as a necessity in building a recognizable brand and image of a company

Security is a very important part of every segment in human life. As such it is crucial for running a successful business speaking NZ prism of the different aspect covered such as: safety to the product or service that the company offers free market where prices are formed under the influence of supply and demand, security capital available to the company and manages the security of employees in the workplace and outside of it, the physical security of existing (administrative buildings, facilities for manufacturing, transport facilities, etc..) and working capital available to the Company Profile.

The issue of security of any company and any entity in society and action can and must not be ignored. When it comes to protecting Overture stationary facilities and capital with which the company has a large arsenal of direct measures should a company has in terms of physical, technical and combined protection against potential criminal activities is (internally and externally)⁴: alarm systems, video surveillance, physical security (armed and unarmed people who care about security), physical barriers and fences, security doors and windows blended, an electronic recording of entry and exit, keeping cash in safes, transfer of risk (through insurance of property), guardian dogs, etc.

As indirect measures⁵ that would give the best results for protection in case of some sort of criminal assault companies say collaborations and applications to the Ministry of Interior authorities and the authorities. Despite such cooperation is lacking any contact with the media for information about the current situation regarding criminal attacks. In the case of criminal assault by an internal character is able to resolve the problem occurred within the company by applying arsenal measures that would mean financial debt the person has committed a criminal attack in the direction of the refounding caused material or financial injury. In this context we consider the enormous importance and security situation in the society in which the company acts as security and political relations are one of the basic tenets of running a successful business as a territory of their own country and outside its borders.

CONCLUSION

Conditional although small sample covered conducted empirical research, however expertise, extensive experience and responsibility of respondents say they rightly attaches great importance to relations with the public at a time when on the market is acting "perfect competition" in circumstances where such markets freely set the prices and brands under the effect of supply and demand.

Despite all the above-mentioned real situation in our country is still worrying because a very small number of companies PR put on the list of priorities in building the brand and image of the company, and the proportion of that number still unfortunately companies that can rightly claim that they do not take into account public relations is very large.

This actually describes the topic of this paper which aims to motivate each subject and our whole society to begin to talk and write about the essence and importance of public relations in the overall operations of a company, because it has been addressed very little attention to these questions and issues, and if we strive for a global world, we can solve all these areas that tend to weight in our society both on local and regional, and on international level.

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SPECIFIC & NECESSITY OF PR IMPLEMENTATION IN RURAL TOURISM

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Abstract

The purpose of this paper is to research the role of PR in the process of the sustainable rural tourism development. The special focus is given to analysis of the factors that influence the implementation of PR in tourism and its specifics in area of rural tourism. Using available secondary and primary data from government bodies and relevant international organisations, several factors and stakeholders are identified that affect the implementation of PR in area of rural tourism. Followed by qualitative analysis, these factors are analysed in details in order to provide the ideas for future development. The development of information technology, competition and growth in its global character, the new buyer and the need for sustainable development are just some of the factors that determine a new way of keeping the rural tourism business. PR as a tool of promotion is often neglected, and only occasionally used as a supplement to the propaganda efforts. Rural tourism development requires the integration of all forms of communication and achieving synergetic effect in creating and sending promotional messages to the environment. Finally, PR should be implemented in order to develop the distinctive image and enhance the brand awareness.

Keywords: *PR, rural tourism, marketing, promotion, image.*

Introduction

Rural tourism as a sustainable, multi-functional activity based on local resources and related traditional agriculture, culture and natural resources, is recommended for rural areas because of its multiple uses, and it is proved by numerous positive experiences of European countries (UNWTO, 2004; OECD, 1994). On the other hand, there are many rural areas which are exposed to continuous processes of depopulation, economic decline and complete marginalization due to the intense process of industrialization, urbanization and electrification. The village is declining, and takes away the authentic way of life and overall culture of the village, because people as carriers and transmitters of such values are leaving. Further depopulation, with the introduction of new non-agricultural activities and re-routing of mass tourism, cause the rural areas to squeeze traditional farming and rural life (e.g. Kušen, 2006; Demonja and Ružić, 2011; Hall, Mitchell and Roberts, 2005).

Above mentioned leads to the need that the rural tourism as an instrument of revitalization deserves more attention, and to make an analysis of those factors that are essential and/or critical for initiating rural tourism business.

Authors Hall, Mitchell and Roberts (2005, p. 6) highlight the sensitivity of tourism as an economic activity in the development of rural areas in the following segments:

- Generating new business and jobs is often limited due to small size and dispersed activity and low rates of return on investments;
- It requires more skill to achieve success, and the same is not possible to combine in one person;
- The development is in the hands of rural entrepreneurs, such as farmers and local municipal officials who often lack the necessary skills and knowledge in the field of tourism;
- It anticipates great number of micro enterprises;
- Sources of investment are often scarce;
- The duration of the tourist season is short;

As one of the key limiting factors in the success of rural tourism are planning, organization and implementation of effective marketing (Sharpley, 2002). Many rural areas face a lack of their own tourism image, as a result of insufficient application of marketing concept to create a tourism product. In this way, rural destinations cannot be successfully positioned in the market or they work in difficult circumstances, and it is their main limiting factor for further progress. The cause is less attention focused on the so-called "soft" elements of rural tourism development such as knowledge and skills in the field of marketing, management, modern computer technology, foreign languages and more.

Related to these arguments, we formulate the hypothesis that PR (public relations) should be implemented in rural tourism in order to develop the distinctive image and enhance the brand awareness. This paper throws light on this process setting out the main components and issues involved and providing guidance and ideas based on the data about contemporary principles of PR planning, organizing and implementation. The remainder of this paper is organized as follows. Section 2 reviews the role of marketing and promotion in rural tourism development. Section 3 presents the specifics of rural tourism relevant for PR implementation. Key specifics and principles of PR implementation in rural tourism are provided and discussed in section 4. Conclusions and suggestions of future directions of research are given in the last section.

The role of marketing and promotion in rural tourism development

The business philosophy, which helps rural tourism operators to timely focus on the potential demand, and achieve their own business objectives, is known as the "marketing". Applying its principles to create a supply helps managers to focus themselves on those market segments that may contain the expected demand in a timely manner (Kotler, Bowen and Makens, 2006). Marketing had been developed, firstly, as a need for manufacturing companies, but today it is seen as important business concept for all businesses regardless of whether it comes to material goods and / or services (Mihailović, 2011).

The need for a marketing implementation in the field of rural tourism is encouraged by increasing complexity of market and market relations on a very dynamic tourism market. The development of information technology, competition and growth in its global character, the new buyer and the need for sustainable development are just some of the factors that determine a new way of keeping the rural tourism business. Today, the marketing concept and philosophy of doing business are becoming essential to all policy makers and implementers of rural development.

Promotion, as an element of a marketing mix concept, covers a range of activities including the main ones of advertising, **(PR) public relations**, personal selling and sales promotion. The effectiveness of each promotion instrument depends on the available marketing skills and planned approach, rather than ad hoc approach with irregular communication activities. Due to the lack of financial support and marketing skills, the rural tourism enterprises need to achieve the coordinated promotion and pricing policy. But, the competition rather than cooperation among them is seen as serious obstacle for effective joint marketing activities and further rural tourism development. Special marketing opportunity offers the Information and communications technology (ICT) in sense that it reduces the reliance on intermediaries. Also, Web site and other Internet services could be used for promotion and innovative direct communications with the market, especially with the independent tourists. Finally, marketing concept should be implemented in order to develop the distinctive image and enhance the brand awareness. In line with this process, the creation of an authentic tourism product based on the distinctive competitive advantages of a destination is seen as a key factor. Rural destination/product has to retain its unique identity, authentic sense of a place, and its traditional hospitality. Brand management based on these components, and emotion at its core, has the possibility to be effective in the long- term.

There is no doubt that marketing in rural tourism should be seen as a means to achieve development of strategic goals of rural tourist destinations, such as long-term prosperity, guest satisfaction, profit maximization, extension of the tourist season, neutralizing the negative impact, stabilize employment, support and further diversification of existing economic activity, temporal and spatial redistribution of tourist demand and changing consumer behaviour in terms of increasing tourist spending (Mihailović and Moric, 2012, p. 278). Therefore, marketing cannot be understood simply as propaganda or simply as printing leaflets, but as a platform for defining business objectives and strategies, and creation of tourist products which deliver unique experience to consumers and generate profit for rural tourism destination and others who appear as the bidders.

The specifics of rural tourism and challenges of PR implementation

In the area of rural tourism, following constraints and challenges should be considered, regarding future marketing and PR implementation (Mihailović and Moric, 2012, p. 273-276):

Large share of micro, small and medium enterprises and challenges of their (non) cooperation. As holders of rural tourism activities, there are primarily small and medium enterprises, and not a small number of micro enterprises (Mitchell and Hall, 2005). Among these tourism offer bidders, there's a strong competition rather than cooperation and it can be a significant problem. Clark (2005) concludes that the problems of small business at the same time the problems of rural tourism, bearing in mind the above mentioned. Problems of non-cooperation are common and appropriate stimulation by government bodies is necessary, as well as the legal framework that would discriminate the cooperation positively in order to encourage it.

Responsibility for development is scattered at different levels within the private sector, at all levels of the national to the local within the public sector, but also at the international level (e.g. programs and funds for the development of the European Union). Integration and partnership between public and private sectors and the integration of rural tourism and other economic sectors are crucial, but often critical elements of rural tourism development strategy. Responsibility for the development of rural tourism is on several levels, from national to the local level, where you actually place the process of creating and consuming products of the rural tourism. The above mentioned clearly requires coordination in planning, organizing and implementation at all levels. However it is considered as good when there is stimulation and leading the whole process from the national or even international level, because then it is possible to achieve the highest level of mutual coordination among the participants in the development process (e.g. see PHARE program and the detailed results in Slovenia). Also, the normal development requires coordination among government departments to ensure compatibility in the legislation.

The issue of effectiveness and efficiency of marketing in rural tourism, which takes place on multiple levels and destination of the specific products (e.g. accommodation on a farm, cycling, theme paths, etc.). Is marketing really effective on so many levels of? Can the marketing be adapted to each destination and the product level in an effective manner? These questions can be added the fact that resources for the implementation of marketing decisions are very scarce in rural areas and that their ineffective and inefficient spending creates additional problems in the development of rural tourism destination.

Researching specific segments of rural tourism, which are significantly differentiated, segment selection and positioning of their own deals and destinations in relation to the chosen target segments of the customers. Development of rural tourism destination requires a very careful analysis and selection of those market segments which can be met and that match the previously defined strategic goals of development. Each segment has a different impact on the strategic goals of destinations such as, for example to increase spending or extend the tourist season. However, the creators and supporters of tourism development policies have a limited amount of information, which is caused by insufficient marketing research. Even traditional statistics and indicators (e.g. number of visitors, length of stay, consumption) are not recorded, and methodology through which data are obtained can often be of a very dubious character, while calculating market share and any comparisons are often not possible. Understanding consumers of rural tourism requires knowledge and motivation, needs and desires, image, perception, and behaviour before, during and after consuming the product. Quantitative indicators are not enough, and unfortunately they are, usually, the only ones at disposal. The choice of market segments should be based on realistic estimates of destination competitive advantages. The goal is to meet expectations and offer value that the selected segment requests. Dividing segments may be based on a series of characteristics such as age, family status, income, behaviour and interests, place of residence and mobility. As an example of market segmentation of rural tourism the following segments of consumers of rural tourism can be mentioned (European Commission, 2000, p. 17): Daily visits, short (weekend) holidays, families with children, older generation, tourists with special interests, study groups, people with disabilities and others.

Expressed need for association of holders of supply due to scarcity of their own resources, and the use of cooperative marketing. Gorman (2005) identified cooperation as collaboration between two or more bidders, where each partner brings some but not all of their resources, thus contributing to the overall marketing competencies of cooperation, with a view to mutual benefit. The same author stresses the

importance of cooperation in the tourism sector, particularly for those bidders that are located in peripheral areas or centres, in case of rural tourism. However, in order to lead to successful cooperation it is necessary to bear in mind the following challenges and constraints (Gorman, 2005, p. 121):

- The existence of interdependent stakeholders, and incentives that would induce cooperation and participation of partners,
- An effective way to share decision-making,
- The existence of constructive solutions that respect their differences,
- The existence of collective responsibility for future results,
- Awareness of the dynamic process of collaboration.

However, the benefits of cooperation have been identified in a number of rural tourism destinations, and some of them may be: (Clark, 2005, p. 90): economies of scale, preventing the outflow of income from the destination and the multiplication of the economic effects in the local community, managing visitors in terms of spatial and temporal dispersion, access to new knowledge and marketing skills, technology and distribution channels, support education and training and access to greater financial resources.

The use of modern information technology for communication and distribution of rural tourism product. The role and importance of marketing communications in practice is often misunderstood and simplifies the production of leaflets as accompanied with some form of direct mail. On the other hand, the possibilities opened up by the application of Internet and its services (e-mail, web, blog, etc.) are not fully recognized. It is necessary to take this opportunity for two-way communication (instead of former one-way), with leaflets and brochures as well as tangible support mechanisms. PR as a tool of promotion is often neglected, and only occasionally used as a supplement to the propaganda efforts. Rural tourism development requires the integration of all forms of communication and achieving synergetic effect in creating and sending promotional messages to the environment.

Nature conservation and respect for the principles of sustainable development. Sustainable development is an essential element of any strategy for developing rural tourism. Rural tourism development must contain three essential elements of sustainability including: environmental, social and economic sustainability. The key elements of each of the rural tourism offer are clean air, clean water and distance from urban agglomeration, even more than other types of tourism. The above mentioned points to the need of promoting the social aspects of marketing whose principles receive its full confirmation just in this form of tourism.

Global context of rural tourism is particularly interesting. Namely, for international visitors, rural tourism products are interchangeable or there are significant substitutes on a global level but also within a country. The above mentioned is not well understood among individual bidders at the local level and the rural tourism offer in the immediate environment is often seen as the only competition. In addition, Clark (2005, p. 88) states that the concept of rural tourism for the consumer does not have a consistent global interpretation. It is not about technical definitions but rather about the perception of consumers. The same author explains that what is seen as a "green", "clean", "rural" or "free" in one country may not be so in another. Visitors from various countries bring cultural expectations determined by "rural" and which does not and often does not match the rural tourism offer of the host country.

Specifics and necessity of implementation

PR (Public Relations) is defined as "planned effort to establish and maintain goodwill and mutual understanding between an organization and its publics" (Middleton and Clarke, 2001, p. 240). Bowie and Buttle (2011, p. 262) state that focus of PR is "to generate positive publicity for the company in the media". It includes two-way communication and enhanced credibility due to limited control over the message content. Namely, PR does not involve the purchase of media space and time, and this influence on enhanced credibility of messages sent via PR tools. Apart from external objectives (e.g. better community relations), objectives of PR could be also internal (e.g. effective employee relations). Due to these characteristics, PR is getting more significant role in promotional and marketing mix, as well. The newest concept of marketing is increasingly seen as *managing profitable relationships* with customers (Customer Relationship Management). Relationships with customers are the basic setting for the success of modern managers. Namely, unlike the previous concept of marketing, which was based on creating and maintaining customers, the new concept is based on the respect of the previous, but adds "the development of connecting with the customer" (**Develop Customer Relationship**) as a new task

management (Mihailović, 2011). It is based on a reconceptualization of marketing mix, especially some of its instruments. However, it is important to note that the changes that have taken place at the turn of the century in the field of marketing philosophy did not lead to changes of fundamental principles and settings. On the other hand, any changes that are rapidly taking place in the marketing and tourism market are a "challenge" for rural tourism operators. In this sense, PR as one of the promotional tools is getting more important role, comparing to the past, when it was considered as "orphan" among other promotional tools (advertising, personal sale and promotional sale). Hence, PR continues to grow in its importance as environmental issues and the implementation of sustainable tourism are getting more political and business attention.

Anyhow, implementation of PR in rural tourism often could be with limited effects, due to the focus on „visible goals such as immediate business generation, rather than awareness and positioning objectives“ (Clarke, 1996, 613). PR as a tool of promotion is often neglected, and only occasionally used as a supplement to the propaganda efforts. Rural tourism development requires the integration of all forms of communication and achieving synergetic effect in creating and sending promotional messages to the environment. Finally, PR should be implemented in order to develop the distinctive image and enhance the brand awareness. Most of rural tourism operators misunderstand or don't understand that effects of PR are much wider and could be achieved in long-term, especially in sense of image creation and branding (Mihailović, 2011). In line with this, Gilbert (1989, p. 48) considers PR as one of the main marketing functions of importance to rural tourism. Also, PR deals with a much wider range of target audience than advertising (Middleton and Clarke, 2001). Public groups relevant for PR include visitors, local residents, government, agricultural groups, local business community, pressure groups, visitor service workers (see Fig. 1).

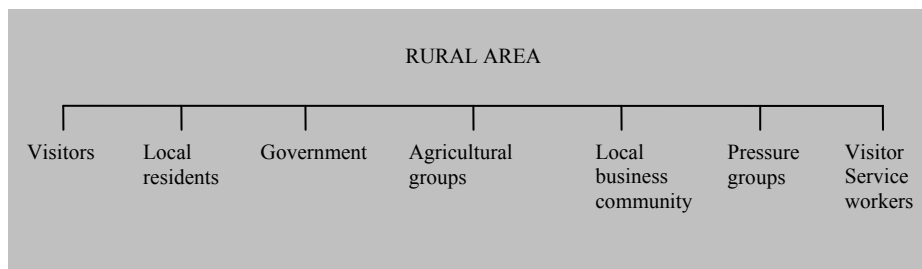


Figure 1. PR identification of public groups relevant to rural area marketing

Source: Gilbert, D., *Rural tourism and Marketing: Synthesis and New Ways of Working*, Tourism Management, Butterworth & Co (Publishers) Ltd., March 1989, p. 49.

Public relations is probably the most cost-effective means of promotion for a rural area and at low cost it could: (Gilbert, 1989, 49)

- Improve awareness of an area,
- Project credibility of an area's benefits,
- Create interest in a rural area,
- Motivate those living in the rural area,
- Build repeat visits; and
- Deal with environmental issues.

According to above mentioned specifics of PR, following principles in planning, organizing and implementing PR in rural tourism should be pulled out for further comment:

1. It is noteworthy that in many cases in rural tourist destinations, tourism is an additional activity that provides significant support to the traditional rural economy, made up primarily of agriculture, forestry, crafts and other activities. This specific profile of rural tourism operators determines specific implementation of standard PR practice in rural tourism destinations. Although there should be difference in implementation, the key principle is the same regardless the form of tourism, and it includes the idea that PR activities should be consistent and in function of image and brand creation and development.
2. In order to carry out an effective public relations campaign, a planned and budgeted programme approach is necessary. There should be PR plans for individual rural areas based upon the objectives of: (Gilbert, 1989, 48)

- Elucidating to a wide audience the aims of management policies for rural areas;
 - Giving concrete examples of the benefits of the results achieved through management policies;
 - Forming links with all local and regional media; and
 - Gathering a mailing list of influential people, both regionally and nationally, who will support and act as pressure groups and opinion leaders in relation to rural issues.
3. A PR strategy has to be cost effective and therefore only a few major communication options will be possible. Due to limited financial and human resources in most of rural tourism businesses, focus is usually given to just few main techniques (e.g. press release, fam trips, events), while more complex tools are less included in promotional plans.
 4. Media relations are still the backbone of PR. This includes non-paid-for media coverage in form of press release, articles, interviews, press conferences etc. The key element is the “story” generated by providing relevant material for the media. All media (e.g. TV, radio, magazine, web portals, etc.) require information which is newsworthy, timely and factual. This can be provided in the form of written press releases, press kits, letters to editors, articles, familiarization or educational visits, setting of competitions or offering the fashion photographer the use of interesting locations.
 5. Special radio or television interviews for general interest, panel or specialist knowledge programmes are all areas where publicity can be generated.
 6. Attendance at special agricultural shows and tourism events are all areas where PR is effective. These events include celebrations, award events, trade fairs, exhibitions, conferences, developed primarily to enhance the awareness, appeal and profitability of the tourism product, and secondarily to promote brand values, enhance relationships with customers and promote visitations. (Hall and Mitchell, 2008, 212) The attendance at fairs for small business is usually organized via shared or “umbrella” stands, where main organizer of the promotion is usually DMO (Destination Marketing Organization).
 7. Opening of a new object or announcement of a new product is also a technique of PR, when media, local government, business partners are present. The present public is an efficient media that could activate the “word of mouth” as very cost effective promotional tool.
 8. Educational and “fam trips” aimed at special stakeholders, such as journalists, DMCs, MICE companies, other intermediaries, are important as PR technique when new product is designed, or new rural tourism destination is offered. The key principle is about the fact that those who will sell that destination or product have to get the insights into character and quality of offer. Familiarization trips are often organized for smaller groups (<15), and as short holidays (3-4 days).
 9. PR could be implemented on macro and micro level. A modern tourist has in mind what is offered, but based on the destination as a global goal to meet specific travel needs. That is why each bidder must bear in mind that his sale is under the “umbrella” of that destination with all its references which exist in the eyes of consumers. In this sense, efficient PR on macro level (destination level) is important, and provides base for efficient PR on micro level (individual business level).
 10. Finally, special and expensive technique important for rural tourism business could be “product placement” in films, documentaries and reality shows. Key role in organizing filming in certain destinations has the DMO, in order to promote the image of a destination and increase the number of visitors. Today, increased number of thematic reality shows and films open the wide area for efficient PR implementation.

Achieving these objectives and principles, PR could encourage the process of rural tourism development, especially in the first phase when generation of positive publicity is considered as key driving force for future success. Accordingly, our hypothesis that PR should be implemented in order to develop the distinctive image and enhance the brand awareness is confirmed.

Conclusions

This research has indicated the basic challenges that occupy PR implementation. PR as a tool of promotion in rural tourism is often neglected, and only occasionally used as a supplement to the advertising efforts. Rural tourism development requires the integration of all forms of communication and achieving synergetic effect in creating and sending promotional messages to the environment. Finally, PR should be implemented in order to develop the distinctive image and enhance the brand awareness. According to that, further research is necessary to determine the extent to which PR could promote rural tourism

destination. That should contribute to a broader understanding of PR process and its role in rural tourism development, especially in sense that PR is a “soft” element of development, with planned, budgeted, long-term and consistent approach.

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PUBLIC RELATIONS

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Abstract

Public relations involves the planned promotion of images of organization and long-term communication among individuals and institutions. Public relations are planned to establish and maintain goodwill and mutual understanding between an organization and its publics.

The marketplace changes all the time. The world changes and the marketplace changes, too. Given the recent recession, the marketplace has changed for everyone. Globalization, the foreign campaign on the market, the internet, the great offer of goods on the market and the variety of companies present on the marketplace, created new attitude of the buyers, and the way they bring they decision in the process of buying certain goods. On the other hand, it reflects the companies, the way they create an image of their product, its price, the marketing and the whole process of creating a brand.

Key words: *communication, globalization, marketing campaign, brand image*

What is Public relations

Public relations (PR) is the practice of managing the distribution of information between an individual and the public.ⁱ Public relations professionals present the public face of an organization or individual, and create communicative services whose aim will be usually to articulate its objectives and official views on issues of relevance, primarily to the media. Their ideas and strategies are to follow a simple process- to work for the clients. Public relations is about reputation-what you do, what you say and what the others say about you and your work. The main aim of the public relations is to maintain goodwill and mutual understanding between an organization or the individual and the publics.ⁱⁱ

The company often is to persuade the public, investors, partners, employees, and other stakeholders to maintain a certain point of view about it, its leadership, products, or of political decisions with the aim of understanding and mutual support which will influence the behavior. Having in mind that PR practitioners need to be aware of current trends their common activities often include speaking at conferences, winning industry awards, working with the press, and employee communication.ⁱⁱⁱ

Most textbooks on public relations consider the antecedents to the field underlying that this profession has a history and heritage. Public relations have been shaped by people whose ideas brought differences how to understand the contemporary development of the public relations. As Stuart Ewen said: "The history of PR is a history of a battle for what reality is and how people will see and understand reality"

Public relations as a paid profession began in 1900, when the first public relations agency, The Publicity Bureau, was founded. Ivy Lee and Edward Bernays, who are both referred to as the father of public relations, helped establish the field as a professional practice in the United States. Lee was a journalist who moved into handling press relations for Standard Oil and railroad companies. Lee innovated by allowing journalistssupervised access to accident scenes, defusing press hostility and in the process exercising some influence over coverage. Edward Bernays was another of the early PR men. After the war, he opened his New York office and worked for companies like Procter and Gamble, Dodge Motors. He was a nephew of Freud and attempted to apply theories of social psychology to his work on mass communication.

A basic definition of public relations is to underline and emphasize the image of a company, organization or individual in the eyes of the client's various "publics." It is a management function which deals with public issues. But what exactly is a "public"? A public, in PR terms, is anyone who ever has or ever will form an opinion about the client. Publicity deals with news coverage of events relating to companies products and services.

Depending on the nature of the client's work, these publics may include clients, potential clients, voters, members of the local community, members of the media, students, parents of students, online fans groups, foreign citizens -- the list is endless.

Public relations success requires a deep understanding of the interests of each of the client's many publics.

Thus the objectives of the public relations are promoting goodwill, promoting a product or service, lobbying, giving an advice, helping to overcome negative publicity.

The 1990s were marked by "explosive growth" for the public relations field. Internet technologies and social media changes introduced made it easier to find media contacts and form relationships with the companies, journalists, etc. such as investor relations and community relations. According to Dr. Jacquie L'Etang from Queen Margaret University, public relations professionals can be viewed as "discourse workers specializing in communication and the presentation of argument and employing rhetorical strategies to achieve managerial aims."^{iv} Specific public relations disciplines include: Financial public relations – communicating financial results and business strategy; Consumer/lifestyle public relations – gaining publicity for a particular product or service; Crisis communication – responding in a crisis; Internal communications – communicating within the company itself; Government relations – engaging government departments to influence public policy.

Each discipline includes publicity events, speaking opportunities, press releases, newsletters, blogs, social media and outbound communication to members of the press. Video and audio news releases (VNRs and ANRs) are usually produced and distributed to TV with only one aim-to be used as regular program content.

The central role of the public relations is to organize the whole management process and to bring people to understand each other. The public relations practitioners are working on this role using different forms of communication and establishing two-way interaction between the company and other groups of people. Negative public relations, also called dark public relations (DPR) and in some earlier writing "Black PR", is a process when the company's reputation is completely destroyed. The aim of DPR is to discredit someone else, who may pose a threat to the client's business or be a political rival. DPR may rely on IT security, industrial espionage, social engineering and competitive intelligence. Some say that negative public relations can be highly moral and beneficial for the general public since threat of losing the reputation of companies, organizations and individuals.

Ivy Lee and Edward Louis Bernays established the first definition of public relations in the early 1900s as "a management function, which tabulates public attitudes, defines the policies, procedures, and interests of an organization... followed by executing a program of action to earn public understanding and acceptance." Public Relations Society of America, a professional trade association, defined public relations in 1982 as: "Public relations helps an organization and its publics adapt mutually to each other."^v Public relations can also be defined as a communication process, one that is strategic in nature and emphasizing mutual, beneficial relationships. It's a process which is preferable to management function and evokes ideas of communication and the public sphere. In 2011 and 2012, the PRSA developed a crowd-sourced definition: "Public relations is a strategic communication process that builds mutually beneficial relationships between organizations and their publics."^{vi}

Public relations-how to do it?

Publicity was the first term of marketing (Public relations), and it was used as a form of promoting and gaining marketing acceptance of a company or the company's products. But the public relations surpass the common, the simple publicity. Thus the marketing PR can take a part in the marketing process under the following circumstances.

- Taking part in the process of promoting new product. The great commercial success of the Cabbage Patch Kids company has not become as a result of the very low marketing of budget 500.000 dollars, but as a result of the skillfully planned publicity, including giving presents for the children in the hospitals, being sponsors of many schools play, etc.
- Taking part in a repositioning of a final product. Back to the 70s, in New York was not known as city with a bad reputation when the campaign "I love New York" was launched and brought more than a million tourists in the city.
- Making a product attractive for the consumers. One of the main reasons why the companies use PR is to renew the interest of the consumers for certain products, especially of those

which popularity on the market is decreasing or to strengthen the position of certain products that are popular or wanted on the market like tea or the orange juice.

- Taking part in a specific target groups. McDonald's, for example is financing a special friendly match in the black community. This is certainly a very good step for creating a good brand name on the market.
- Protection of the products. Johnson & Johnson is a company which uses the PR in a skillful manner. They saved Tylenol from bankruptcy.
- Creating and developing a corporate and successful brand on the market. Laccoca in his speech created new, attractive look of Chrysler.

What do Public Relations Professionals Do?

They manage a PR professional crafts press releases resembling a compelling news story, making it clear why his client's product, service or personal history is important. The goal is to fulfill the journalist's requirement for news while enhancing the client's image in the public eye.

Another job of public relations is to create a **press kit**, or **media kit**. Journalists often request press kit as a follow-up to a news story. The press kit contains information the journalist needs to understand what the client does. That might include:

- Executive profiles
- Quick facts about an organization
- The company history
- Photographs
- Detailed product descriptions; even samples
- Recent press releases
- Business card of PR representative

People who work in PR are regarded as experts in **media relations**. They're often asked to train employees on how to effectively communicate with the media, particularly during print or TV interviews. Here's some of the interview advice given by media trainers: Be prepared with a few simple, key messages; Think like a reporter; prepare answers for questions that are likely to arise; Use the "blocking and bridging" technique to steer answers in the right direction. Use the phrases: "Now that's an interesting question..." or "what's important to remember is..." or "the real issue today is..."; Never lie to a reporter or say "no comment" Better to say you're "carefully reviewing" all the facts; For TV interviews, look comfortable.

The PR department is responsible for organizing and holding press conferences when appropriate. Not all news merits a press conference. Journalists will only attend a press conference if it promises to announce a truly unique, timely event, complete with exciting visuals, experts and important officials in attendance. Press conferences allow PR professionals to reach all potential media outlets at once --print, broadcast and Web.

Concept and essence of the brand and image of the company

Brand management is a communication function that includes analysis and planning on how that brand is positioned in the market. Brand management is difficult to define because the job description varies across the vast realm of consumer products companies. However, to develop good relationships with the target publics is very important for the brand management. Tangible elements of brand management include the product itself; look, price, the packaging, etc. The intangible elements are the experience that the consumer takes away from the brand, and also the relationship that they have with that brand. A brand manager would oversee all of these things.

In recent years, the interest for branding has rapidly increased. The rich amount of products on the worldwide markets has increased the role of the brand in the process of creation loyalty of the customers for certain brands.

Any list of brands would be necessarily incomplete, but purely for example, Interbrand's 2012 top-10 global brands are Coca-cola, Apple, IBM, Google, Microsoft, GE, McDonald's, Intel, Samsung, and Toyota.^{vii} Both industrial sectors rely heavily on sales to the individual consumer who must be able to rely on cleanliness/quality or reliability/value, respectively. For this reason, industries such as agriculture (which sells to other companies in the food sector), student loans (which have a relationship with

universities/schools), electricity (which is generally a controlled monopoly), and so on have less prominent brands.

The power of Coca-Cola, Nike, Google, Lancome, Apple, Sony, Microsoft on the market is a challenge to know how these companies have kept their number one place on the marketplace. Does their success is a result of their image, identity, reputation, strategy or for their PR activity? If we start answering this question it will take us a long time. The brand is an image of the company or their product. The brand is something that lives in the mind and the eyes of the consumers.

In 2001 Hislop defined branding as "the process of creating a relationship or a connection between a company's product and emotional perception of the customer for the purpose of generation segregation among competition and building loyalty among customers." In 2004 and 2008, Kapferer and Keller respectively defined it as a fulfillment in customer expectations and consistent customer satisfaction.

Managing the brand is not an easy task. Benefits from having a brand are overwhelming as it is showed in the case of Coca-Cola. It cannot be denied, the brand is minor part of doing business. It influences identification, practicality, loyalty and many other operations which create differences between brands. Building a strong brand requires not only strategy but also tactics how to implement it.

Branding gives consumers a clear and vivid picture of what a company and its products represent. Through successful branding strategies, audiences may formulate certain expectations of a company (rich-looking clothes, if food is authentic, etc.) which may ultimately turn them into buying customers. Companies should determine what they want consumers to see when they look at their advertising, and then appeal them with appropriate branding strategies. Among the most successful strategies are consistency, established credibility, and competitive pricing.

What the brands are for?

The shift from simple products to brands has not been sudden or inevitable. You could argue that it grew out of the standardization of quality products for consumers in the middle of the 20th century, which required companies to find a new way to differentiate themselves from their competitors. Branding has appeared as a result of a mass produce products demand on the market.

Brand success is ultimately dependent on consumer behavior. The brand a consumer chooses depends primarily on two factors, power in the mind (how people feel about a brand) and power in the market (the situational factors such as price and availability that may modify behavior). Understanding the dynamics of decision making is critical in order to influence brand choice. This is challenging as the environment in which brands operate is complex and it is increasingly difficult to manage all of the elements that influence attitudes and behaviours. The final aim is creating an emotional interchange, a transfer of loyalty.

In other words branding is a process of modern marketing discipline, necessary for the business, culture development, and development of the country itself. It becomes a leading doctrine in the economy and the culture of one country.

Product/Brand Strategy!

Products are something which satisfies needs and wants but, brands are just more than product. Products are those things which companies create, communicate to customers and enter market place. However, brands are how these products are perceived by its intended target audience. Brand is subjective concept whereas product is objective concept.

Products can be copied but brands are unique, they cannot be copied. In short, products are made by the companies but brands are made by the consumers.

Difference between successful and unsuccessful brand

The difference between the successful and the unsuccessful brand is that the successful brand carefully passes through all steps of creating and developing, while the unsuccessful brand is omitting these steps in the process of branding or is not planning the details. Creating a successful brand takes time, organization, planning and operating assets used usefully. Successful brands have clear vision of their identity and image, a realistic picture of the market, real values and proper positioning strategy. Briefly

said, as well as best said, the best branded products must be adequately "prepared" and packed. " Consequently every brand creates a particular image. Brand (corporate) image is developed over time through advertising campaigns with a consistent theme, and is authenticated through the consumers' direct experience.

As we know image is psychological relation between the manufacturer, the consumer and the marketing channels. The market is not only for the objective elements of the product, but above it distinguishes its psychological effects and its subjective nature that reveal consumers and users. The image is not empirical data for a certain company which is made with the opening of the company, but the introduction to the new product and all other activities outside the company. According to F. Kotler, the image of the product is a special representation for the consumers being acquired for some of the existing or potential products.

The question is how to create an image? By all available promotional activities. The whole package through public relations until "the gossip" propaganda. Certainly the image comes from the brand identity, while between these two concepts should not be put an equal sign.

Corporate image and corporate identity are two key marketing tools. They are so similar that sometimes seem interchangeable. Both refer to the way company presents in the world in terms of marketing, branding, design and copywriting. In a global marketplace, crowded with brands, it is the elements of image and identity that attract attention, maintain consumer loyalty, and sustain business success. While the two terms might seem the same, they have different meanings for the company.

Corporate image is the way a company looks in terms of its logos, corporate colors, design and visual information. On the other hand corporate identity includes the effects of the type of organizational culture in the corporation. One way to understand the difference between the corporate image and corporate identity is to consider a company that has been acquired by another. If a bank has been acquired by another bank, the new bank will change the logo, letter heading and other visual signs of the old bank. This change will be seen by people passing branches of the old bank in the form of new signs and designs. The corporate color of the new bank will also be reflected in items connected to the bank. The new company is simply trying to establish its own corporate image on items that formerly belonged to the other bank.

Conclusion

The image, as mentioned above, is formed in the consumers personality under the influence of different conditions while using the instruments of marketing, and the characteristics of the products (physical characteristics of product innovation and product development, brand, the product packing and the price of the product).

Physical features of the product include features and performances of the product which meet the needs and desires of the consumer preferences, and the emotional reaction to the height of the price. Certain empirical studies show the basic meanings of the image formation for some products. Basics of the brand are :

- Identity
- Value
- Conspicuous
- Sense

The brand, as a fundamental element of the production, is of great importance for the producers as well as for the customers too.

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THE FUNCTION OF PUBLIC RELATIONS IN PROMOTION AND BRANDING OF COMPANIES

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Abstract

Public relations belong to the creative world and represent the most perspective profession of this century . In terms of vocational education and training , the persons in charge of public relations in the country , until recently were left to their own coping , mostly teaching of seminars , courses and training , often making unconscious mistakes , confusing the interpretation of the term public relations with marketing concepts , marketing and so on.

Although in recent years has become a trend that almost every Macedonian institution have a separate department for Public relations , however research shows that public relations is not yet fully developed. The reason is that in the society and among managers there is not enough understanding of the importance of this feature .

Because Macedonia is increasingly emphasizing the need for specialists in public relations , University of Tourism and Management - Skopje , the Faculty of Public Relations , contribute to the creation of educated professionals in the field of public relations , which will contribute to the management of relationships between a company and the public.

Keywords : *company, strategy , public relations , management, corporate image, corporate brand*

Introduction

In contemporary corporate existence of public relations in the world they are considered one of the most promising careers . Today in literature there are several hundred usable definitions of the term public relations . Rex Harley professor at Stanford University and known as the father of research on public relations in 1976 has even found 472 definitions for public relations . Each definition contains main elements and classifies the ideas . Harley wanted to determine what relationships actually are , not how they work . His analysis have revealed that public relations is a separate function of management which helps to establish and maintain the common principles of communication , understanding , acceptance and cooperation between the company and its public. Public relations include management issues , helping management to be informed about public opinion, be sensitive and react . They define and emphasize the responsibilities of management to serve the public interest . They also help the management to keep pace with change , to deal with them effectively managed . They also serve as an early warning system or predicting trends and rely on research .

Professor Henry Minchberg , advocating the strategic role of public relations , suggests five possible interpretations or strategies :

- How Plan - consciously plan a course of action .
- As insight - a maneuver that is over competition .

- How Procedure - specific course of action directed toward the goal .
- How Position - means by which the company is located in its midst .
- How Perspective - the means by which the company is perceived from within, the way

management feels his world and competitive environment .In practice this rule of Minchberg should unite in a comprehensive strategic policy . The means and methods of PR are going to help build a bridge between the internal perspective of the company and its external positioning . This is why public relations become unique know-how in solving problems , feeling for people and the choice of the moment in relation to the market , competition , social crises or world affairs . "

Public relations are management processes to exchange information between a system and its internal and external publics . Logically , management processes can be carried out through operational and executive functions , but includes a number of preparatory activities , which could theoretically be realized by someone else and then be delivered to the operative . However , systematic approach to public relations requires the application of a complete project cycle , from analysis of the situation by setting goals , defining and implementing activities , to evaluate , with constant monitoring of the achievement of project objectives .

The basis of successful management lies in communications planning and good communication congruence of goals and activities with business objectives. The ultimate goal of public relations is to contribute to the achievement of projected business goals . Public relations suggest that in the corporate level strategy determines the purpose and direction of activity of the company , while in the working level , the strategy sets out objectives and guidelines for each department , each production unit of any company . In its planning form there is an integral strategy plan and a set of guidelines for achieving corporate objectives and working towards . When development have shaped the strategy evolve over time as a result of the opportunities and obstacles of the environment . Planning form are increasingly used , but development is shaped more accepting when it comes to companies that are changing rapidly .

The concept of public relations include setting up a company that can create and realize their goals related to establishing dialogue and achieving harmony through two-way communication. Therefore , the strategy of public relations defines a set of activities whose task is to provide prestige and publicity , and to reconcile internal values and visions of the company's management to the external position of the company. PR for its strategic function concerned with harmonizing the relationship between the company and its environment , its relations with internal and external key strategic groups .

The strategy of public relations is a planned approach designed to generally define the activities of public relations to build brand identity , image and reputation of the company. It is a process that determines how to practice public relations for the best contribute to the success of the company. In fact , public relations can be treated as a circular process .

The phenomenon that occurs in this research is that public relations is considered an integral part of corporate and business policy , so that does not count as promotional activities , but as a function closely associated with leadership .

Scope of this research : the role of public relations in promoting and branding companies . Problem treated in this research paper is the following : some PR companies consider as a function closely related to management and as a result of it there is a problem of lack of qualified staff for public relations , or PR managers as part of a team of public relations which are very involved in promoting and branding companies.

Companies that do not yet have their own department for public relations , remain unknown to the public , and find it harder to create their own identity , image and reputation of the company as well as the products and services they offer . The aim of department of public relations is to contribute to turning the negative image of a company into a positive , which will lead to a good reputation and goodwill.

The fact that public relations rely on research , creating surveys , using databases , statistical data , etc. , leads to the scientific approach to public relations . Public relations is seen as a scientific discipline . But those who practice the craft public relations , think their job is all about applying communication techniques . They believe that the purpose of public relations is gaining publicity or space in the media and other communication channels In contrast those who practice professional public relations , which both rely on bodies of knowledge and communication techniques , consider that public relations have a strategic position in the company . They resolve conflicts and build relationships with strategic publics that constrain the autonomy of the company .

In practice, usually the experts in public relations are commonly seen as the "masters" in numerous techniques. They know how to produce media attention, know how to prepare press releases, write speeches, write and shape the prospects to produce video news releases, to bargain with activities in various fields, to interview leaders of the community, lobbying among the legislature in order to organize special events or to prepare annual reports.

It happens that companies have no control over the transmission of information by the media. Although the company wants to cause positive publicity, and to provide the public with adequate information that will be transmitted to the media, the media tend to use in different purposes. Therefore, companies need to engage persons who will constantly monitor the market and will be able to deal with negative publicity, which unfortunately has the ability to spread quickly. Quick response in such conditions is very difficult, if within the promotional activities there is no service that carefully, consistently, organized, and planned with full readiness in order to monitor all events and appropriately deal with them.

Absolving this paradigm in modern marketing is a bridge for Macedonian companies. Perhaps it is more important for companies working on our major markets. Macedonian companies are limited by weak technological and financial resources, small market, strong competition and weak international support. Companies in Macedonia are divided into two major groups. When it comes to branding and understanding of the business - concept, on the one hand, the great Macedonian companies and international companies present on the Macedonian market that daily use research, analysis and relevant data as a tool for the better positioning of their brands. On the other hand, all the other companies that do me too products. It is typical for Macedonian companies to have invested in production but decided to work for already established brands with so-called private labels or make products that are faint, with less quality and cheaper copies of the originals from abroad. These products do not support the debt market.

Experts warned - there is no chance of success if your product has an added value, which is the brand. Everything is a trade mark whose chances of survival in the growing world demand for brands is minimal or almost none.

Although in recent years it has become a trend for almost every Macedonian institution to have a separate department for public relations, however research shows that public relations is not yet fully developed. The reason is that in the society, between managers there is still not enough understanding of the importance of this function. Also in state institutions there is not sufficiently developed awareness of the importance of transparency in operations, as well as poor organization and lack of education of the people. Where are they mostly wrong? Experts explain that Macedonia it is difficult to talk about building a brand, because the whole concept of marketing 4P starts in wrong place. Most Macedonian companies choose to produce me too products, or to make something similar to the international products, to sell home at a lower price, to do some distribution and possibly some promotion. When the market bumps a foreign brand that has better distribution and more advertising funds they lose the battle. They do not get a big market share and fail to go to the new markets. Thus sadly ending attempt to impose product among consumers who are mostly loyal consumers of certain brands.

Why these attempts usually fail? Low price as the most usual goal of producers, is an opportunity to create a bigger budget for branding and advertising, and the higher price is achieved only with different and innovative products, which is also often the case for Macedonian conditions. You need to own a product that will have a reason and point to brand. In this vicious circle it is difficult for Macedonian products to get to be embedded in the head of the consumer as a desirable brand.

Public relations is a process that involves many subtle and far-reaching aspects. That process includes research and analysis, policy formation, programming, communication and feedback from numerous types of audience. The public relations affect on two different levels - as advisors to their clients or the greatest leadership of the company, and as technicians generate and receive messages through various media channels. The image of the company in terms of strong competition has an extremely important role in the creation and retention of customers. Strengthening the public image leads to improvement of competitive position and increase long-term profits of each company because the buyer of the product or service values more the company that has better positioned image in the market. The buyer purchases goods or services from one company that offers the most value delivered, and delivered greater value if greater overall value greatly determines the company's image.

The strategy involves building the image and often enhance the company's image with the visual identity ,professional management, employees and distributors , products , building customer relationship and business partners, labor policy , organizational structure, culture and climate, and market identity .

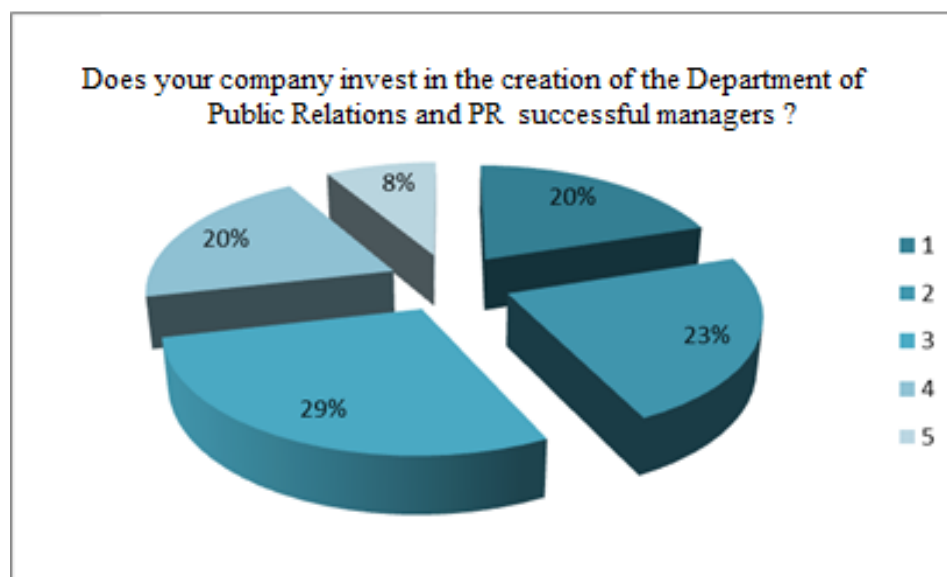
Research

The research process included 78 companies of which 59 form the private sector and 19 from the social sector. The survey was conducted using two questionnaires with a scale of attitudes . The results of the survey will show how a company takes time to establish and finance sector of public relations as a company that creates and invests in its own branding and promotion and thus became influential in the market.

The general hypothesis is: the effective promotion of companies by professional public relations contributes to quality branding and competitive positioning of the company in public.

This research is expected to get results and answers to the following questions :

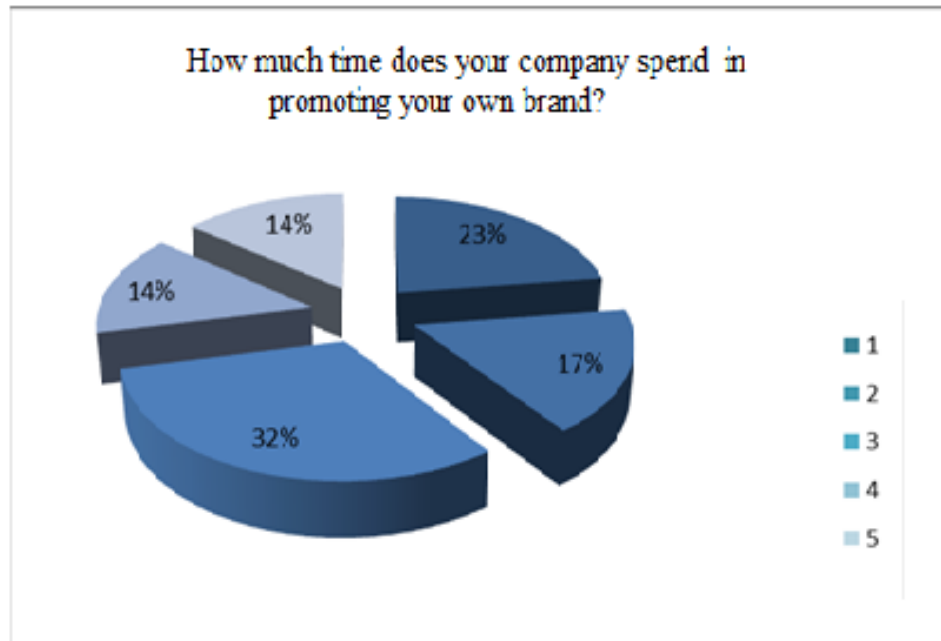
1. Does your company invest in the creation of the Department of Public Relations and PR successful managers ?
2. Does the company allocate your time in promoting your own brand ?
3. Does the promotion and branding of the company affect its successful development ?
4. Is the work of the department of public relations important for your company ?
5. Has the PR effect in creating a positive image and prestige of your company ?
6. Are the public relations an important segment in the successful promotion and branding of your company in the market ?
7. Are the PR managers skilled in his work ?
8. Do the public relations and PR managers emphasize their participation in fairs ?
9. Do the PR managers use direct communication with customers to gather information that will continue to be used in creating a successful brand ?
10. Do the Department of Public Relations and PR managers use social networks , the Internet and electronic mail to promote the company as a brand ?
11. Are the social networks such as Facebook, Twitter, etc. an opportunity for two-way communication and greater interaction between the company and the customers ?
12. How seriously is the work of the Department of Public Relations understood by the customer ?



Question 1 :
Does your company invest in the creation of the Department of Public Relations and PR successful managers ?
With 1 (extremely much) answered 7 respondents or 20 % , with 2 (very much) answered 8 respondents or

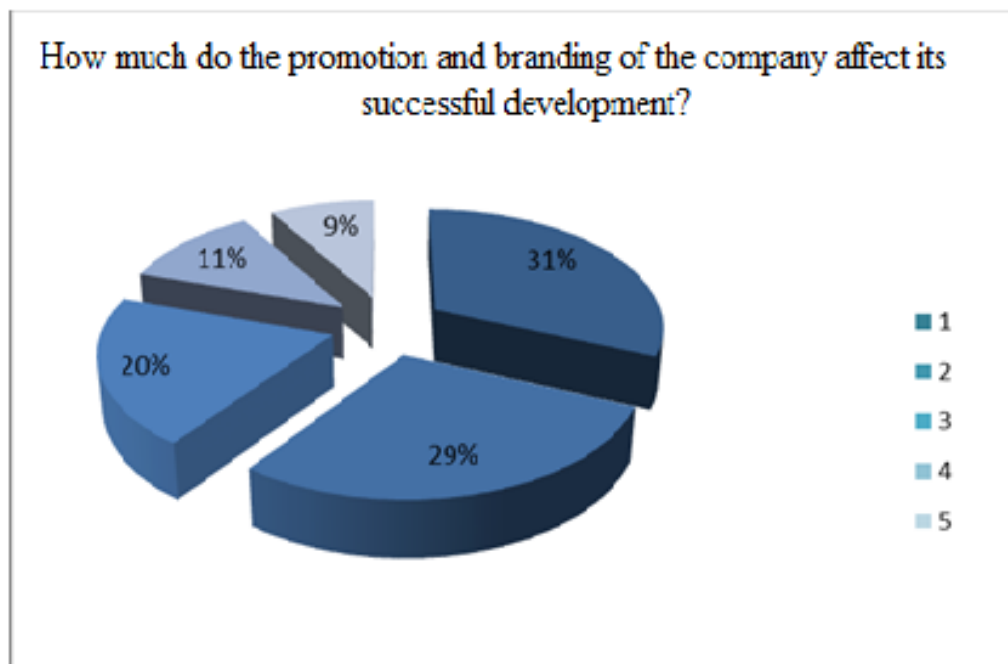
23 % , with 3 (average) answered 10 respondents or 29 % , with 4 (little) answered 7 respondents or 20 % and 5 (very little) answered 3 respondents or 8 % . The average is 2.74 % .

Question 2: How much time does your company spend in promoting your own brand? With 1

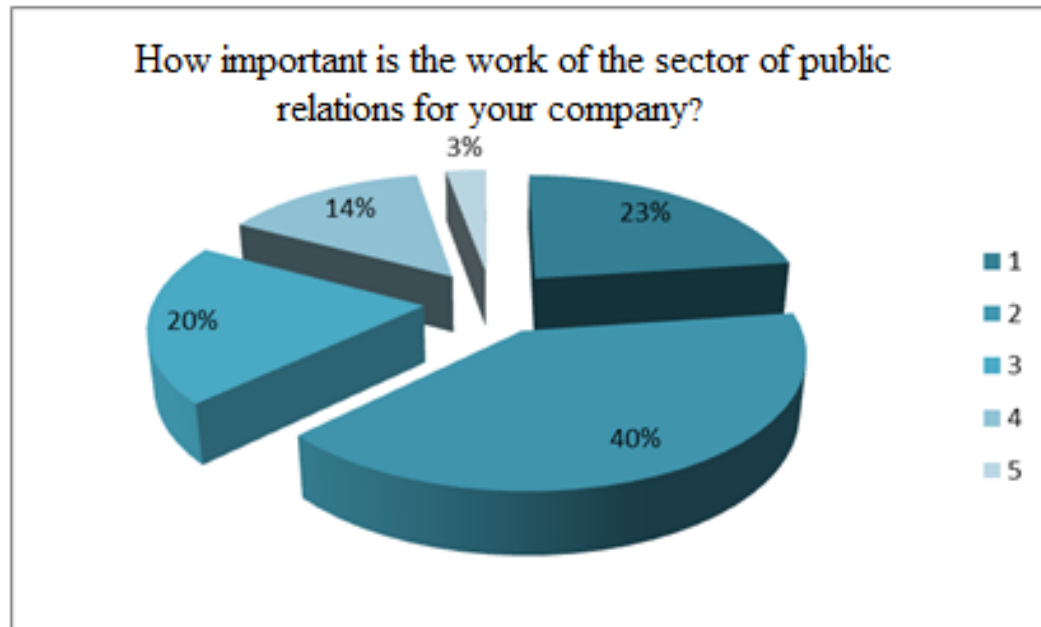


(extremely much) answered 11 respondents or 31%, with 2 (very much) answered 10 respondents or 29%, with 3 (average) answered 7 respondents or 20%, with 4 (little) answered 4 respondents or 11% and with 5 (very little) answered 3 respondents or 9%. The average is 2.37%.

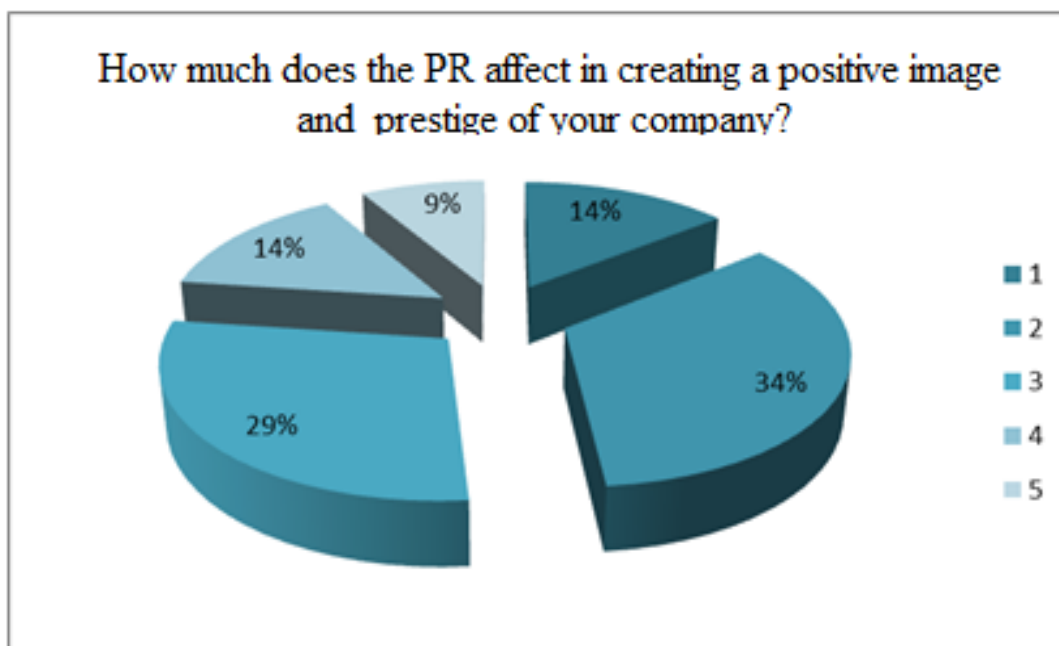
Question 3: How much do the promotion and branding of the company affect its successful development? The results are as follows: with 1 (extremely much) answered 9 respondents or 26%, with 2 (very much) answered 11 respondents or 31%, with 3 (average) answered 9 respondents or 26%, with 4 (little) answered 4 respondents or 11%, with 5 (very little) answered only 2 respondents or 6%. The average is 2.4%.



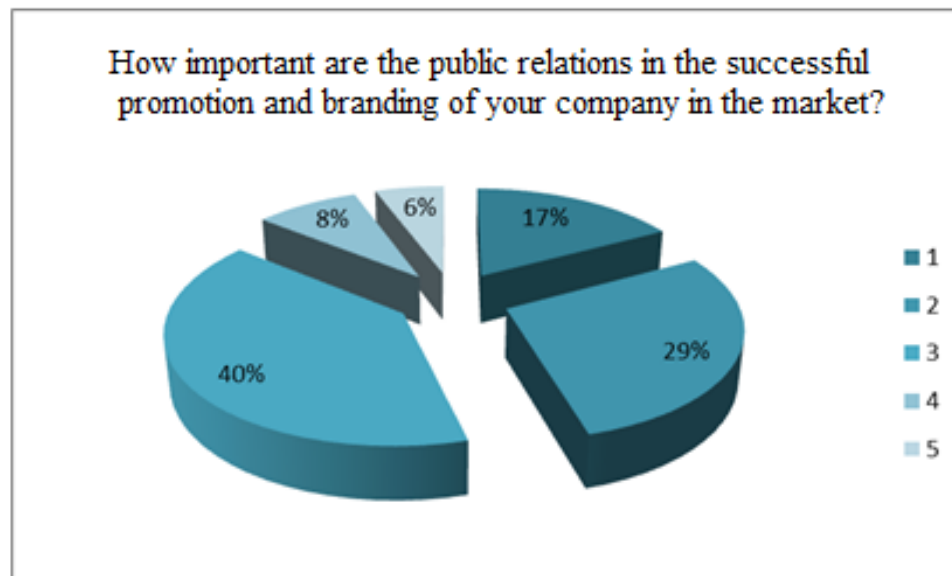
Question 4: How important is the work of the sector of public relations for your company? The answers are as follows: with 1 (extremely much) answered 8 respondents or 26%, with 2 (very much) answered 14 respondents or 31%, with 3 (average) answered 20 respondents or 7%, with 4 (little) answered 5 respondent or 14%, and with 5 (very little) answered 1 respondent or 3%. In average 2.34%.



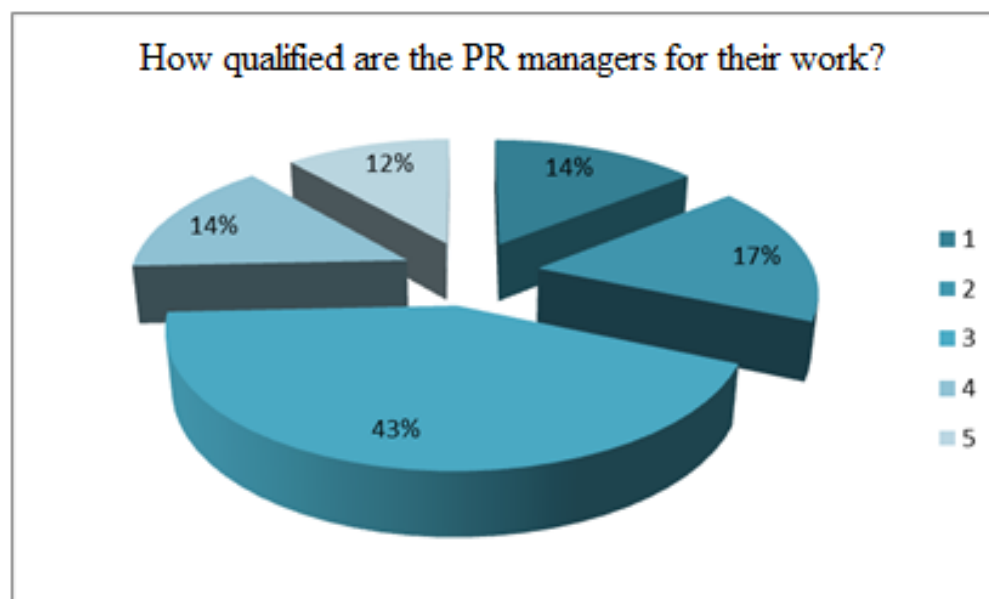
Question 5: How much does the PR affect in creating a positive image and prestige of your company? The results are as follows: with 1 (extremely much) answered 5 respondents or 14%, with 2 (very much) answered 12 respondents or 34%, with 3 (average) answered 10 respondents or 29%, with 4 (little) answered 5 respondents or 14%, with 5 (very little) answered 3 respondents or 9%. The average is 2.68%.



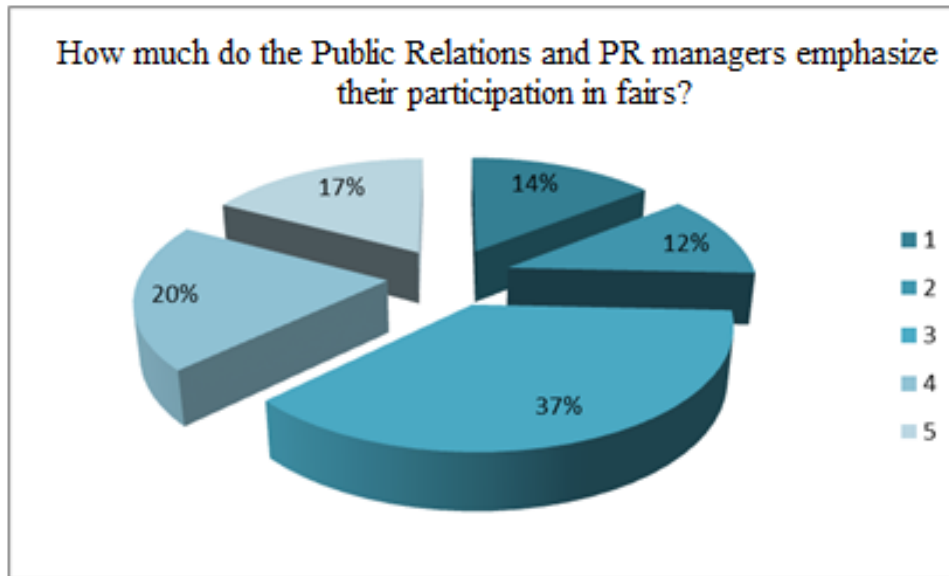
Question 6: How important are the public relations in the successful promotion and branding of your company in the market? The answers are as follows: with 1 (extremely much) answered 6 respondents or 17%, with 2 (very much) answered 10 respondents or 17% , with 3 (average) answered 14 respondents or 40%, with 4 (little) answered 4 respondents or 8%, with 5 (very little) answered 2 respondents or 6%. The average is 2.91%.



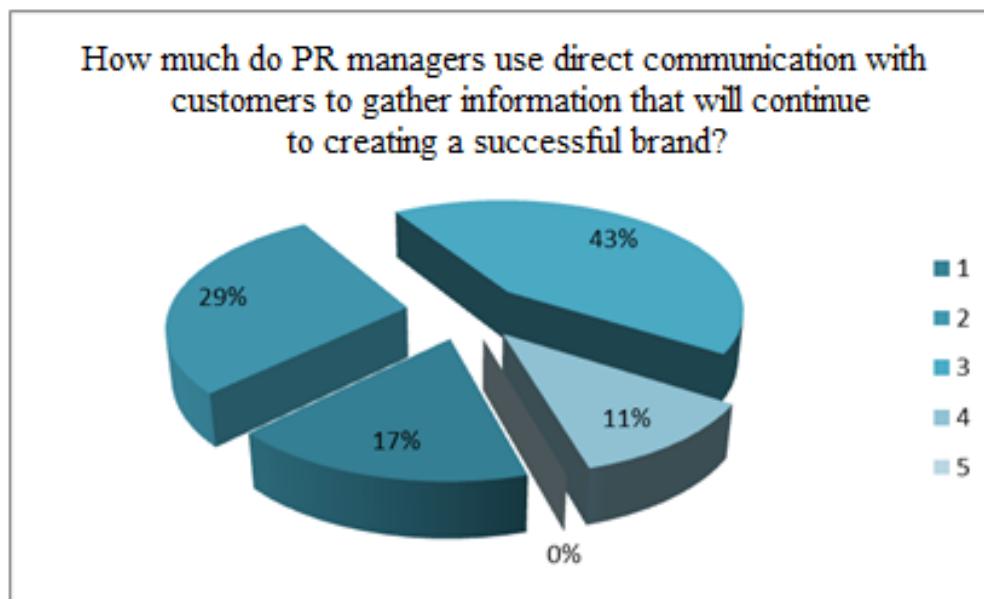
Question 7: How qualified are the PR managers for their work? The answers are as follows: with 1 (extremely much) answered 5 respondents or 14%, with 2 (very much) answered 6 respondents or 17%, with 3 (average) answered 15 respondents or 43%, with 4 (little) answered 5 respondents or 14%, and with 5 (very little) answered 4 respondents or 12% . The average is 2.68%.



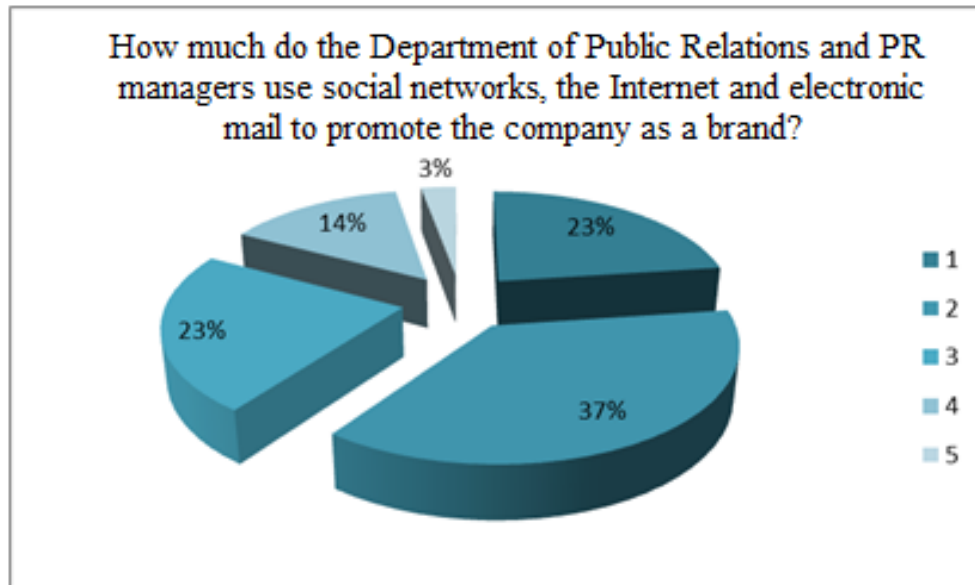
Question 8: How much do the Public Relations and PR managers emphasize their participation in fairs? The answers are as following: with 1 (extremely much) responded 14 respondents or 5%, With 2 (very much) answered 4 respondents or 12% , with 3 (average) answered 13 respondents or 37% , with 4 (little) answered 7 respondents or 20%, and with 5 (very little) answered the remaining 6 respondents or 17%. The average is 3.14%.



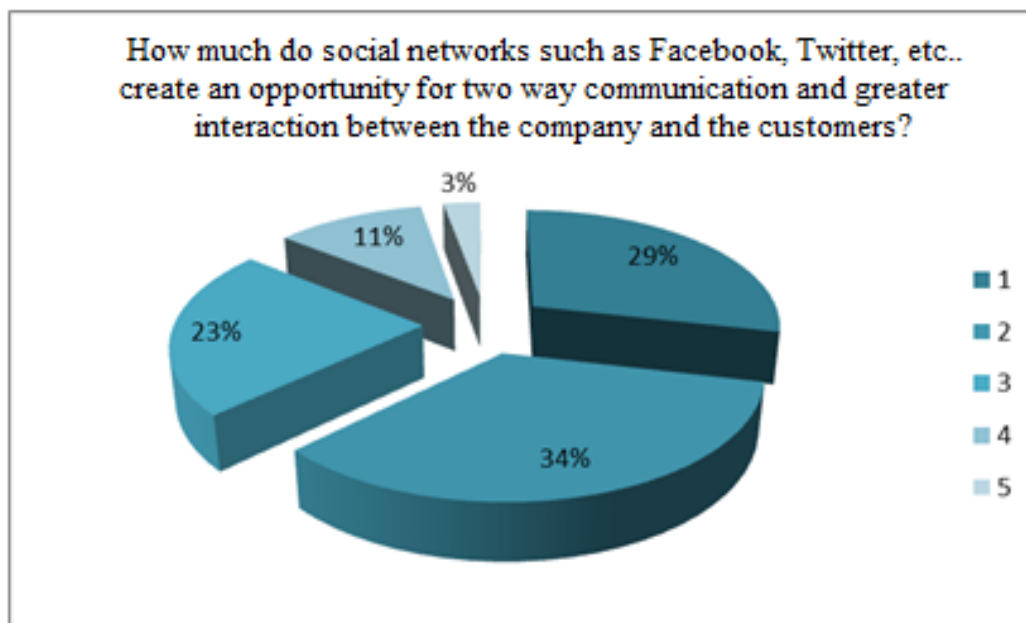
Question 9: How much do PR managers use direct communication with customers to gather information that will continue to creating a successful brand? The answers are as following: with 1 (extremely much) answered 6 respondents or 17%, with 2 (very much) answered 10 respondents or 29% , with 3 (average) answered 15 respondents or 43%, with 2 (little) answered 4 respondents or 11%, and with 5 (very little) answered no one or 0%. The average is 2.48%.



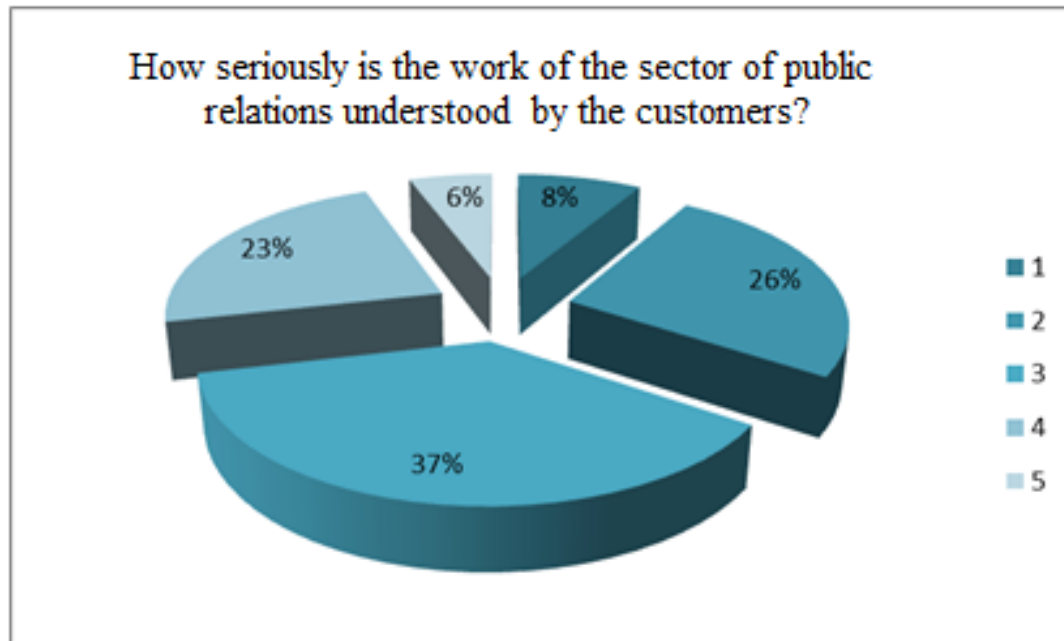
Question 10: How much do the Department of Public Relations and PR managers use social networks, the Internet and electronic mail to promote the company as a brand? The answers are as following: with 1 (extremely much) answered 8 respondents or 23% , with 2 (very much) answered 13 respondents or 37%, with 3 (average) answered 8 respondents or 23% , with 4 (little) answered 5 respondents or 14% and with 5 (very little) answered 1 respondent or 3%. The average is 2.37%



Question 11: How much do social networks such as Facebook, Twitter, etc.. create an opportunity for two way communication and greater interaction between the company and the customers? The answers are as following: with 1 (extremely much) answered 10 respondents or 29% , with 2 (very much) answered 12 respondents or 34%, with 3 (average) answered 8 respondents or 23%, with 2 (little) answered 4 respondents or 11% and with 5 (very little) answered 1 respondent or 3%. The average is 2.26%.



Question 12: How seriously is the work of the sector of public relations understood by the customers? The answers are as following: with 1 (extremely much) answered 3 respondents or 8%, with 2 (very much) answered 9 respondents or 26%, with 3 (average) answered 13 respondents or 37% , with 4 (little) answered 8 respondents or 23% and with 5 (very little) answered 2 respondents or 6%. The average is 2.91%.



CONCLUSION

Based on the results derived from the research in this study we can conclude that companies need to create sector for public relations and successful PR managers who will contribute to the successful promotion and branding of the companies . In order to create professionals in the field of public relations , the company is required to allocate time and funds for its creation. It is not only necessary to create a sector of public relations but also training through participation in fairs and congresses as well as motivation of the PR managers to perform their duties successfully. Creating professional staff means creating recognizable brands that the company promotes in the market, which affects the creation of positive credible and recognizable image of the company .

Successful PR manager as part of the department of public relations need to possess certain skills and techniques, such as: creativity and communication , planning and running a PR campaign, management in crisis situations , ability of recognizing the needs and demands of consumers , ability to express, decision making , creating and maintaining corporate identity and reputation , marketing skills and knowledge , advocacy skills and knowledge and so on. The skills and techniques of PR managers are one of the dispositions that they will perform in the market and successfully present the company . To achieve its goals PR Managers use direct communication with customers in order to gather information that will be used to create a successful and recognizable brand . Nowadays, PR managers exercise direct communications over social networks , the Internet and electronic mail . The types of tactics that PR managers use for easier communication with customers, are of great importance and therefore make it easier to promote and brand the products and the company itself .

Finally , all of these conclusions we can derive in a common conclusion: if a company wants to become a recognizable brand in the market , to create their own distinctive image and authority , it needs to create its own public relations sector which will be directly involved in the process of communication with the consumer, whose communication will contribute to the rapid development of the company as a brand . The expertise of the department of public relations will contribute to easier and faster development of the

company, strengthening its position in the market , its recognition by consumers, but also it can be a model for other companies who want to take up a place in the market.

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THE ROLE OF PUBLIC RELATIONS FOR CREATION BRAND OF THE FESTIVAL

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ABSTRACT

The main aim of the paper is to research role of public relations in creation and maintain positive image of the festival. We will analyze the activities of public relations that management of Ohrid summer festival has realized in 2010. It is empirical research of influence of the public relations on Ohrid summer festival brand.

Public relations as a element of promotional mix is very important to create positive image of the festival in internal and external community.

In mega marketing, public relations has specific role as a activities which aim is to create positive image of the company in the eyes of the publics. So. public relations is one of 6 P in mega marketing (product, place, price, promotion, PR and power marketing).

Ohrid summer festival as a member of European festival association, is the most important festival in Ohrid city but also in the country. The festival has the role to promote and present culture achievements from the country but also it is attractive factor for tourist to visit Ohrid city and the region in the summer period. It is held from 12 of July until 20 of August each year. During forty days, the festival management realized 45 events (concerts of classical music, theatre performance, exhibitions..)

This paper presents an action research conducted on a sample of 350 domestic visitors on Ohrid summer festival during the festival from 12 July till 20 august 2010

Keywords: *Public relations, Ohrid summer festival,, destination, branding, marketing ,public*

INTRODUCTION

Cultural events are held in different forms but most of them are appear in the form of festivals, carnivals, exhibitions, concerts, performance....Festivals mostly giving authenticity and uniqueness of place and region are maintained. Festivals have a number of roles in the city or region and defined as attractiveness, image, animation and development. (Yeoman,Robertson,Ali-Knight, Drummond, McMahon-Beattie, 2004)

The festivals can be powerful in anchoring, even changing a destination image. Festival has firmly established the city's cultural credentials as one defining characteristic of the city's brand. Publicity of the festival can generate positive image of destination. Festivals can shape the image of the host community and its physical location in the mind of potential visitors. (Yeoman,Robertson,Ali-Knight, Drummond, McMahon-Beattie, 2004).

Features of the event include the intangibility of the product or products are consumed in a specific way that causes a feeling of satisfying intangible needs - cultural needs of the people, the production of the event is at the same time and place of consumption and consumer satisfaction as it receives at that moment. (Strezovski,2013)

Ohrid summer festival is very important festival which is held in Ohrid city. It is held from 12 July till 20 of august each year. Almost 600 participants and 25 000 audience are involved in the festival each year.

Public relations is a strategic communication process that builds mutually beneficial relationships between organizations and their publics.(Public relations Society of America,2013). The goal of public relation of the festival is to build the public opinion of the festival as the management wish. Through communication with audience festival should create and strength their own image. Through experience and notion they gain of the visit the festival, tourists create the image of the destination in general.

Due to the strong impact of public relations to the public, creating a positive opinion for the company, in mega marketing, public relations stand out as a separate element of the marketing mix. So, instead 4P marketing mix is consist of 6 P (product, place, price, promotion, PR and power marketing). (Grubor,2008)

ANALYSIS OF THE ROLE OF PUBLIC RELATIONS OF THE BRAND OHRID SUMMER FESTIVAL

Public relations are two-way communication between an organization and the public that the organization shall inform the wider community about their intentions, actions and attitudes that contribute to creating and maintaining a positive image of their own, and monitor processes and relations in society which facilitates the adjustment of the organization in terms of social conditions and circumstances.(Fox, 2001)

As a management function, public relations also encompasses the following:

- Anticipating, analyzing and interpreting public opinion, attitudes and issues that might impact, for good or ill, the operations and plans of the organization.

- Counseling management at all levels in the organization with regard to policy decisions, courses of action and communication, taking into account their public ramifications and the organization's social or citizenship responsibilities.

- Researching, conducting and evaluating, on a continuing basis, programs of action and communication to achieve the informed public understanding necessary to the success of an organization's aims. These may include marketing; financial; fund raising; employee, community or government relations; and other programs.

- Planning and implementing the organization's efforts to influence or change public policy. Setting objectives, planning, budgeting, recruiting and training staff, developing facilities — in short, managing the resources needed to perform all of the above. (Public relations Society of America,2013).

Ohrid summer festival is the most important festival in Ohrid city but also in Macedonia. It is the festival of classic music, theatre, dance, exhibition... It is held from 12 of July until 20 of August each year in Ohrid. During 40 days festival realize around 50-60 events (concerts, theatre performances, dance shows, exhibitions...) at the outdoor stages in the city such as Samoil fortress, Antique theatre, Dolni Saraj, St.Sofia church, Museum on water It is finance by the Ministry of culture. The Festival is a member of European festival association. The festival has the role to promote and present culture achievements from the country but also to attract tourist to visit Ohrid city. (special edition,50 year of Ohrid summer festival,2010)

The research presented in this paper is conducted on the Ohrid summer festival in Ohrid.It includes survey by random choice on 350 domestic visitors of Ohrid summer festival in 2010. The survey was made from 12 July till 20 of August in 2010. Data for this study were collected through a self-administrated questionnaire distributed to 350 visitors. Respondents were approached face-to-face at the festivals evening of Ohrid summer festival.

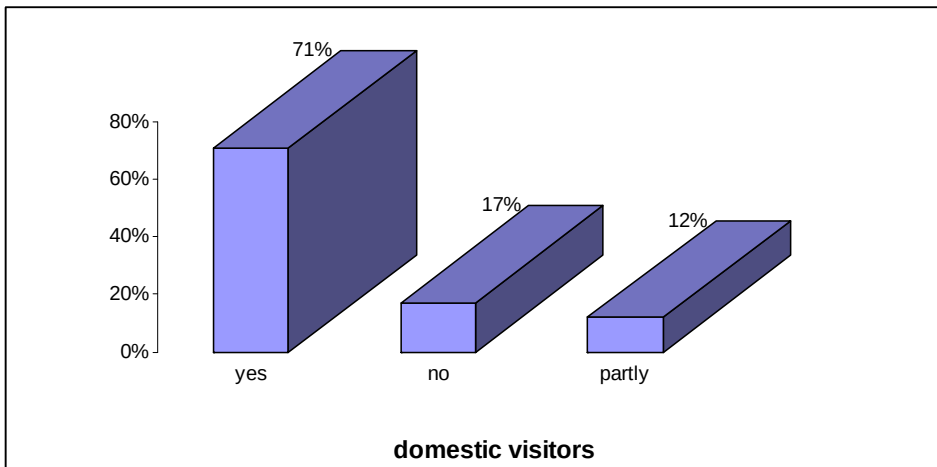
The questionnaire consisted of 11 questions: 4 questions concerning the trip characteristics (first-time or repeat visit, number of visits, length of stay, source of information); 3 socio-demographic (nationality, gender, age); and 4 questions concerning the influence of the PR activities for their decision to visit events of Ohrid summer festival and create positive image for the festival. The questions have positive, negative or neutral answers.

Domestic visitors have positive affinity for the Ohrid summer festival. Question that is addressed to the domestic visitors about affinity for the festival show that Ohrid summer festival has positive influence of the visitors. (71%). Only 12% of respondents answered that they have no affinity for the festival. The quality of the events, diversification and ambient of the old city where the events are realized are the main reasons of positive affinity of the visitors.

Table 1. Affinity of domestic visitors to Ohrid summer festival**Figure 1. Affinity of domestic visitors to Ohrid summer festival**

Marketing team of Ohrid summer festival are organize press conference every day where is present the artists will who have

Visitors	Frequency	YES	NO	PARTLY
DOMESTIC	350	249/71%	61/17%	40/12%

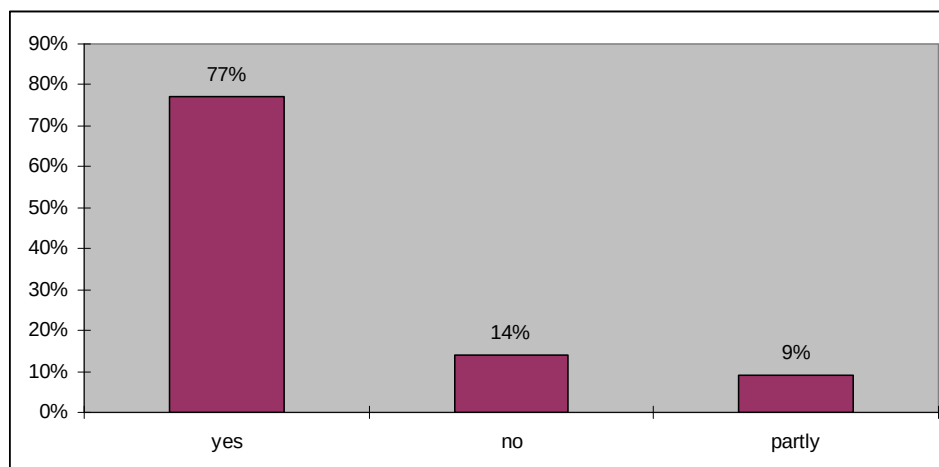


concert/performance that night. Affinity of domestic visitors to the press conference are positive. They got reliable information from the press conference about the event and it has strong influence to visit the event. The high percent of the respondents (77%) answered affirmatively. Only 14% of respondents answered that press

conference has no influence to visit the event. It is an indicator that shows that Press conference that management of Ohrid summer festival organize has strong influence to visit the event of the festival and strength positive image of the festival.

Table 2. Influence of Ohrid summer Festival press conference on domestic visitors to visit event

Visitors	Frequency	YES	NO	PARTLY
DOMESTIC	350	269/77%	49/14%	32/9%

**Figure 2. Press conference of Ohrid summer Festival as a factor for domestic visitors to visit the festival**

The question of whether information on the events of the Ohrid summer festival that you receive through the media has influence on the creation of your attitude towards festival?, yes answered high 70% of the respondents. It show that PR team of the festival should continue to provide positive information about

festival through press release to the media. One of the tasks of the team is to emphasize the positive information and to handle with negative information about the festival. It can be done only by constantly researching the opinion of the audience for the festival as well as analysis of the media and their impact on a target audience.

Table 3. Influence of information from Ohrid summer Festival through the media on domestic visitors

Visitors	Frequency	YES	NO	PARTLY
DOMESTIC	350	259/74%	21/6%	70/20%

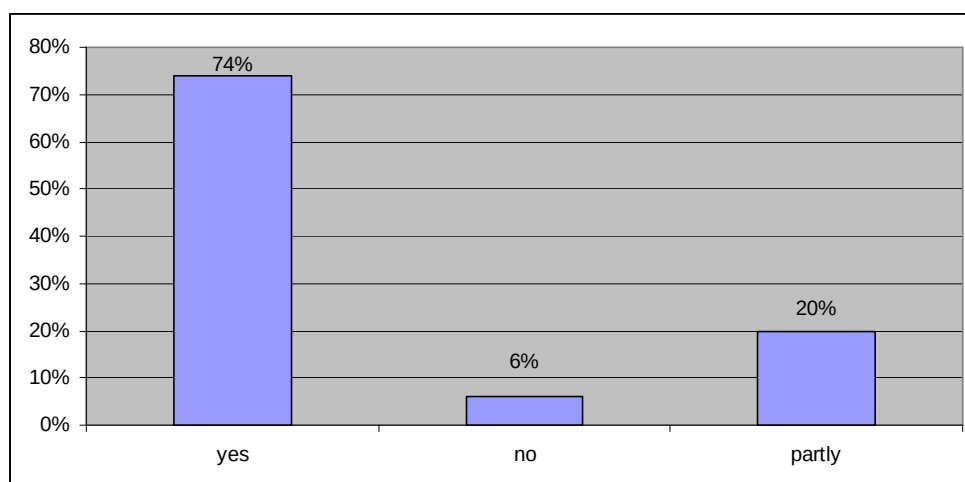


Figure 3. Press release of Ohrid summer Festival through media is instrument to create a positive attitude of domestic visitors towards festival

All events at the Ohrid Summer Festival are monitored by experts, after the event they write reviews in print media and they have statements in electronic media. Their writings are very important for creating publicity and enhancing the image of the festival. On the question, Are the articles of experts analyzing the events in the print media and electronic media statements have influence on the image of the Ohrid Summer Festival, respondents (67%) answered positive. Management of the festival has no effect on these experts so their opinion has a strong impact on the audience.

Table 4. Influence of expert reviews in print and electronic media on the image of Ohrid summer Festival

Visitors	Frequency	YES	NO	PARTLY
DOMESTIC	350	235/67%	56/16%	59/17%

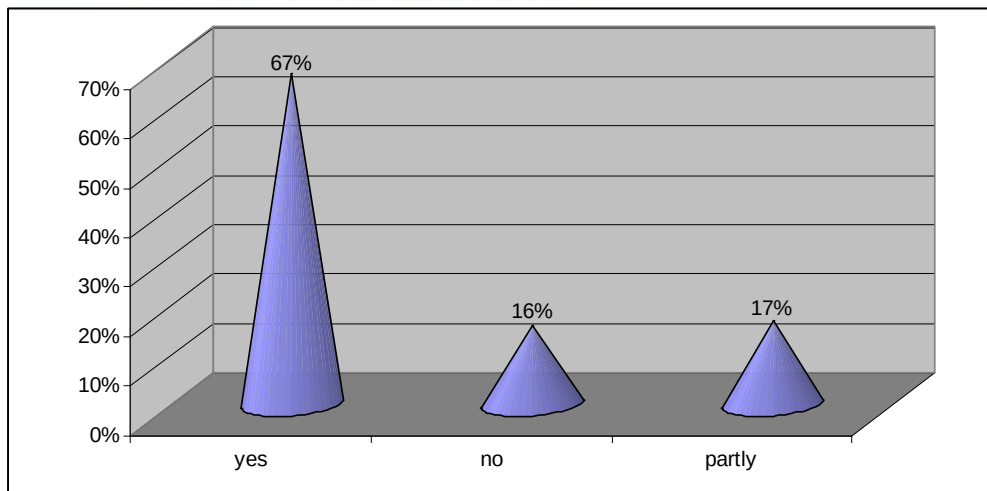


Figure 4. The opinion of the experts and the statements of public figures have an impact on the image of the festival

Ohrid summer festival has used instruments of Public relations on domestic market in terms to create and maintain positive image of the festival. From the instruments they usually use press release and press conference. They also created an event to mark the birthday of the festival on August 4, where they invited journalists, public figures, sponsors on cocktail party. But in any case the marketing team should be directed to research the views of visitors to the festival events, create new events that will strengthen the brand of the festival, to devise and manage public appearances of famous people who are guests of the festival. (*Annual report 2010*, National institution Ohrid summer festival)

CONCLUSION

Public relations is very important instrument of marketing mix. Public relations in terms of the mass of information is certainly essential. Whether the festival will has a particular sector of PR or it will be run by marketing team depends on an assessment of the management team. The success of the festivals is creating a positive image among visitors. Public Relations together with other elements of the marketing mix is responsible to create and maintain image of the festival in order to increase attendance of events. Positive image acts on the companies – sponsors of the festival that are necessary in creating attractive and quality events .

The presented results indicate the following conclusions about PR of the festivals:

- festivals should have a separate department for marketing and public relations,
- PR task is research the public opinion for the festival events,
- PR should define the goals and target group for the festival,
- it should analyze and defining media channels and create message for the festival events,
- to realize press conference for the journalist with participants of the festival event,
- to mark a significant dates for the festival with journalist, medium partners, sponsors and public figure,
- to organize briefing with the journalists,
- to organize statements of media public figures about the festival,
- to organize interviews with festival managers in broadcast, printed and internet media,
- to create a plan for crises management,
- to deal with negative information about the festival.

Public relations should be use and combine with other instruments of marketing mix. Permanent communication with suppliers ,consumers, mediums, audience, sponsors and publics will allow increasing and enhance of the image of the festival . Also, it will increase the visits of the events.

Anyway, It requires coordinate joint action with other instruments of marketing and promotional mix. Public Relations is a way of promoting the festival events and therefore should be used very often.

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THE IMPACT ON HUMAN RESOURCES MANAGEMENT IN PUBLIC HEALTH INSTITUTIONS

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ABSTRACTS

Introduction: Leading the education process in schools is a system that is able to respond to local and global social and economic needs, which is based on the standards in decision making and includes parents, students and teachers as a professional, creative and motivated staff.

Purpose-Aim: To demonstrate the procedures for strategic planning, monitoring and evaluation in the education sector and the possible impact of human resource management on the motivation for active participation of all key stakeholders.

Material and methods: The study was conducted in 2010 and included 10 schools in the territory of Skopje. It covers 200 employees and 10 teachers of the school director. The study examines the influence behavior of managers in the process of development planning as an important factor in raising the quality of work in schools..

It is used the method of causal description and comparative analysis analyzing 200 questionnaires consisted of 12 closed questions that are utilized in an interview with the director in 10 schools.

Results: The data show that in schools where management initiates and occurs as a facilitator in the team cooperation in building a strategy for the development of the school of the same strong influence to improve the expertise and commitment of participants to successfully carry out the process of development planning.

Conclusion: This is the introduction of new behavior and changes in the treatment of employees by management, as redosleden steps to improve the treatment of all stakeholders and improving educational services.

Key words: facilitator, manager, school, planning, development.

INTRODUCTION

One of the most important characteristics of all educational systems is the ability for permanent adaptation to the needs of the modern society. The strong educational system is distinguished with acquirement of applicable knowledge, skills and abilities which will allow the students with active membership in the social life. In a period of fast changes which assert scientific and technological improvement, an important aim of the education is to prepare the students for working in changeable and unpredictable social occasions in which the knowledge is an important aim of the success and the competitiveness. A question is posed: 'What is the role of the director in all these changes?' The directors must become the bearers of the changes, leaders, to secure means and material improvements, innovators and in accordance with that to have good communicational skills.

There are many factors which have an impact of the quality of the schools: strong and effective leadership, appropriately teaching plans, inspirational surrounding, safely surrounding in the whole school, established system of planning and control. With other words, in the teaching practice it is necessary to promote the basic pedagogical and didactically- methodic principles with the support of the classroom management and the school management. Special place in this context has the developing school planning. The role of the director especially in this part of the development of the schools is very

big. It is especially underlined that his evaluation is made not only on the results, but also on the process through which are acquired the certain results. In the phase of the reformation process of the education, there is a coherent and an overall approach, which can lean on the realization of the situation, and identification of the real problems. All of that allows reinforcement of the institutional capacities of the schools, including the improvement of the strategic planning, the management and the procedures for monitoring and evaluation in the educational area and in overall it allows better functioning of the schools in the decentralized system.

The development planning of the schools is a process which will help in the change of the process of decentralization of the educational system, but also in the realization of the new teaching plan and program, the new way of leading with the school, support in the professional development of the teachers, and in achieving of better education for all.

The success and the efficiency in one organization results in one good synergic team, but also, the high performances of the team are not a result of a spontaneous work. It is build, raised and trained. It requires a lot of difficult and hard work and skills in order to reconcile the differences, the abilities and the program of work in one cohesive unit which wants to work for common aims. Behind every successful team there is a strong and visionary leader. The leader, whose work is not only to control, but also to teach, to encourage and to organize when it is necessary. The facilitating as an approach toward the leading of the school is one of the roles which are attributable for the director in terms of his ability to bear with the changes which occur in the school as an organization. The approach itself brings many responsibilities with which should be facilitated the work of the teachers. The role of a facilitator is one of the most important roles in the promotion of an effective communication in the educational system of the school.

AIM

To show the implicit attitude of the facilitating leadership and the efficiency of the team work in the schools. In the same time, will be received a scientific knowledge for the need and the necessity for the use of team working by the side of the schools as an efficiency factor of the school. So, the aim of the research in the frameworks of this work is to develop the mechanism of a facilitating leadership in the schools, through the team work along the construction of an integrated system of a development planning. Precisely, the research will light the complexity of the researched attitude between the development planning as a basic principle in the construction of development aims and the institution of the schools, or with other words to build a basis for improvement of the permanent real situation. That will result with a creation of a positive climate for the use of the team work, as a factor for a higher degree for functionality of the schools or adjustment of the schools toward the needs of the students and the surrounding.

MATERIAL AND METHODS

In terms of the design, the research represents an action research in which with the use of the method of a causal description and comparative analysis will be described the contribution of the process of development planning in the raising of the quality of performance of the schools.

With the research will be covered 10 basic schools in the territory of the capital city Skopje. Through a survey will be included 200 employed from all the schools. With the interview will be included the managers of the institutions, in overall 10.

The overall sample is 210 respondents.

In the research will be used the following techniques: a survey and an interview. With these techniques will be collected data through testing, with the main aim to perceive the results after the implementation of the process of development planning.

Measure instruments for a successful realization of this research are survey questionnaire from closed type and a remainder for a directed interview.

The survey questionnaire is intended for the teachers. The questionnaire for teachers consists of 12 questions, the same as the interview for directors.

The directed interview is in a function of a confirmation of the obtained results from the survey. It is planned to be made with the directors of the schools.

RESULTS AND DISCUSSION

With the quantitative analysis are included the survey questionnaire for teachers and parents, and the interview for directors. The answers which are given by the respondents will be shown descriptive and graphic, so on the graphs can be seen and compared the answers according the criteria school. In the same time should be known that the obtained data from the survey questionnaire for teachers and the interview for directors, which contain same questions or claims will be shown in parallel, with aim to see the coincidence of the obtained findings from the two groups of respondents. The obtained quantitative results are given in extension.

The results obtained on the question:

Graph 1. Display of the answers of the employees and the directors to the following question:

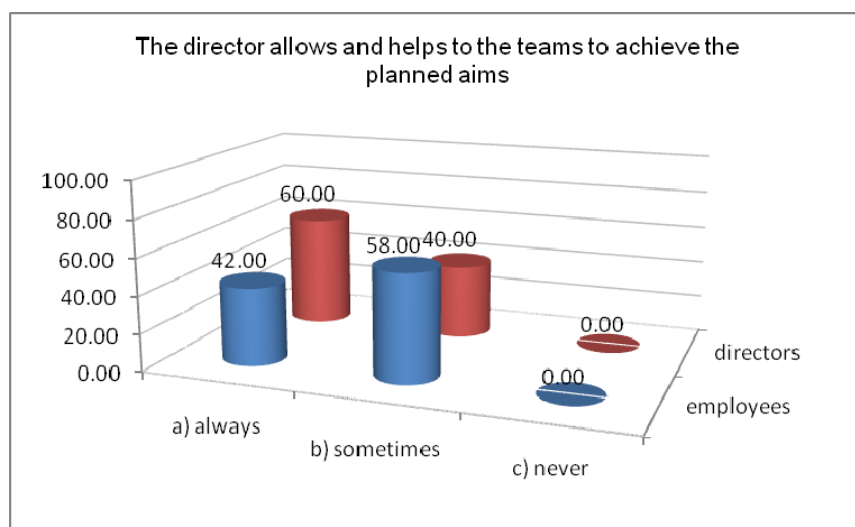
- The director has leadership skills:



It is concluded that the teachers mostly believe in the leadership skills of their directors than in their own skills which is clearly and precisely shown in (graph 1.) and there is a small percent of directors who partially believe in their own leadership skills, whereas the teachers in very small percent claimed for partial thrust in the leadership of their directors.

Graph 2. Display of the answers of the employees and the directors to the following question:

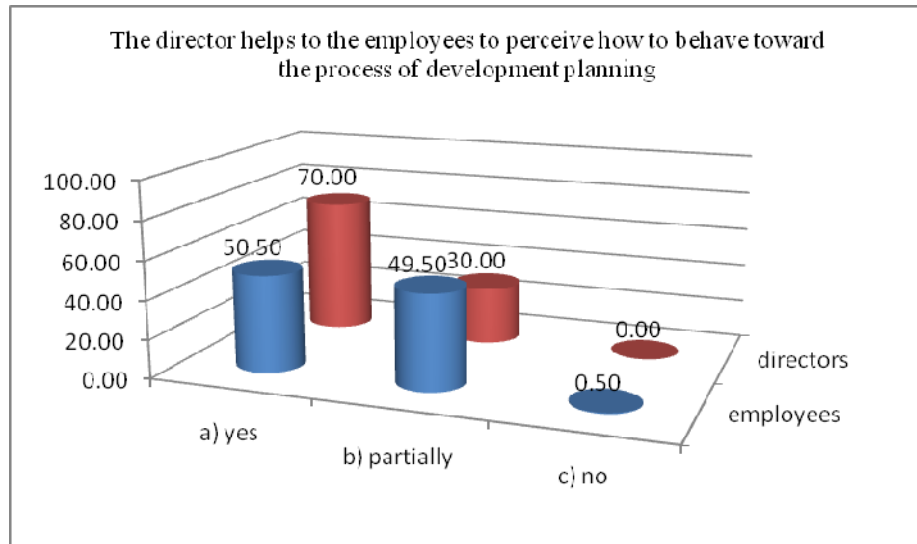
- The director allows and helps to the teams to achieve the planned aims:



It can be noticed that more than a half from the examined directors declare that the directors always help to the teams to realize the aims that they planned, and less than the half of the directors declared that they are sometimes doing the same. As can be noticed from the offered graph, the teachers declared the opposite percent to the statement of the directors.

Graph 3. Display of the answers of the employees and the directors to the following question:

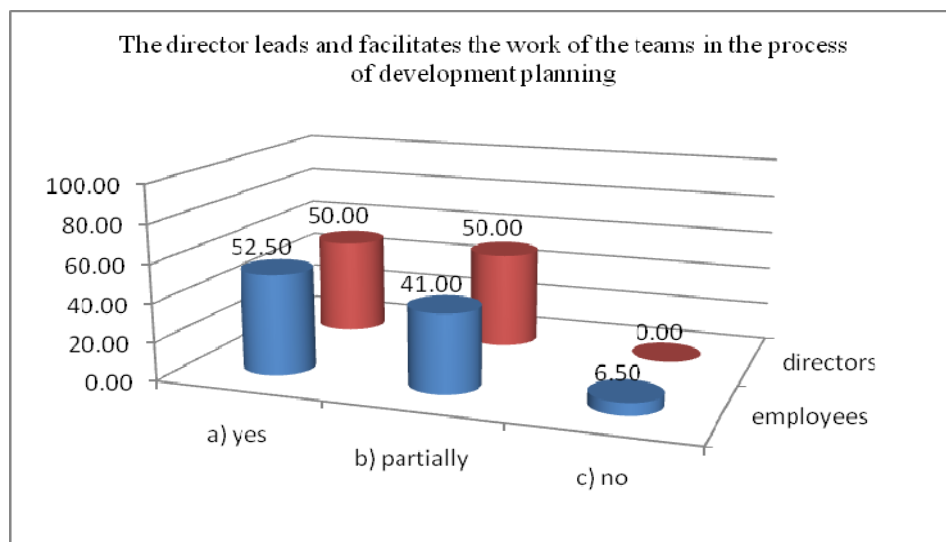
- The director helps to the employees to perceive how to behave toward the process of development planning:



From the offered graph it is clearly noticed that larger percent of the directors think that the director helps to the employees to perceive how to behave toward the process of development planning, and smaller percent from them declared that they are sometimes realizing the same. We can notice that the percent of the examined teachers who think that the director helps the employees according to the examined question, and those teachers who think that he does that sometimes is almost equal.

Graph 4. Display of the answers of the employees and the directors to the following question:

- The director leads and facilitates the work of the teams in the process of development planning:

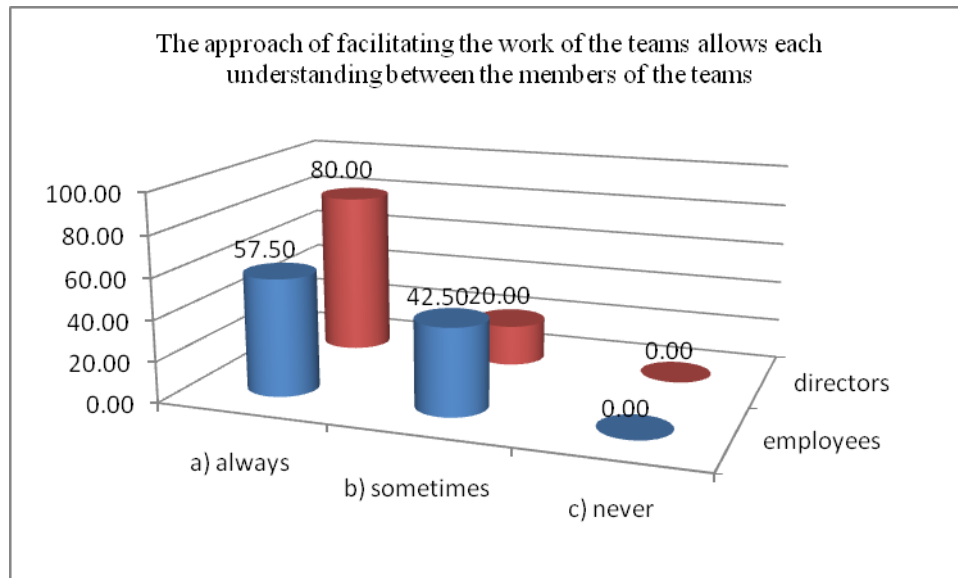


The percent of examined directors who think that the director leads and facilitates the work of the teams in the process of development planning is equal with the percent of the examined directors who think that they are sometimes doing that. Whereas the teacher's statements include the three offered answers, so that more than a half of the teachers declared that the director leads and facilitates the work of the teams in the process of development planning, less than a half think that the directors only sometimes

realize this activity, but also there are some teachers who think that the directors don't lead and facilitate the work of the teams in the development planning.

Graph 5. Display of the answers of the employees and the directors to the following question:

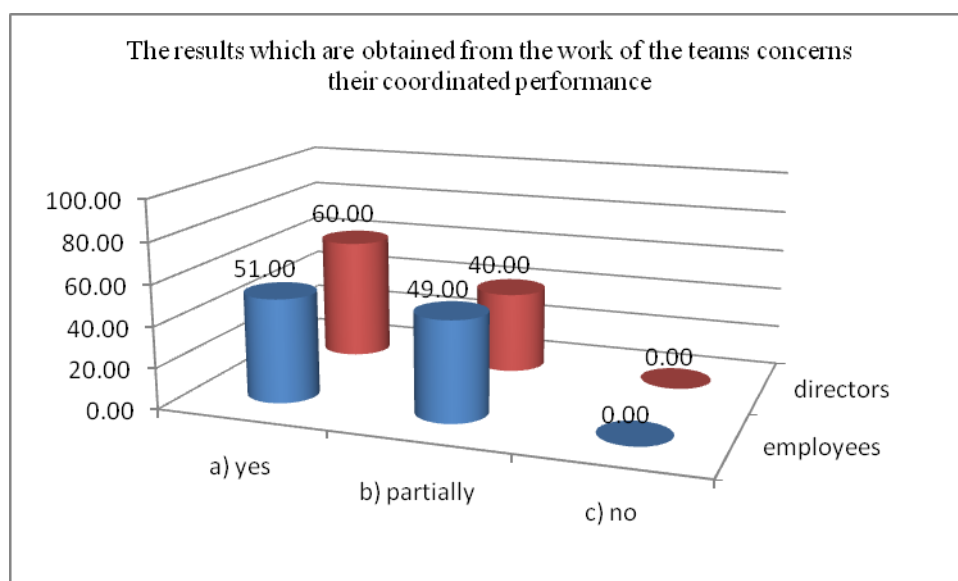
- The approach of facilitating the work of the teams allows each understanding between the members of the teams:



From the data shown in the graph it is shown that big percent of the directors agree that the facilitating of the work in the teams always allows understanding between the members of the teams, whereas small percent of them think that only sometimes the facilitating has that influence. Whereas the teachers didn't declare with that drastic percent. More than a half of the teachers declared that the facilitating of the work of the teams allows each understanding between the members of the teams, whereas less than a half declared that the facilitating sometimes has that effect.

Graph 6. Display of the answers of the employees and the directors to the following question:

- The results which are obtained from the work of the teams concerns their coordinated performance:

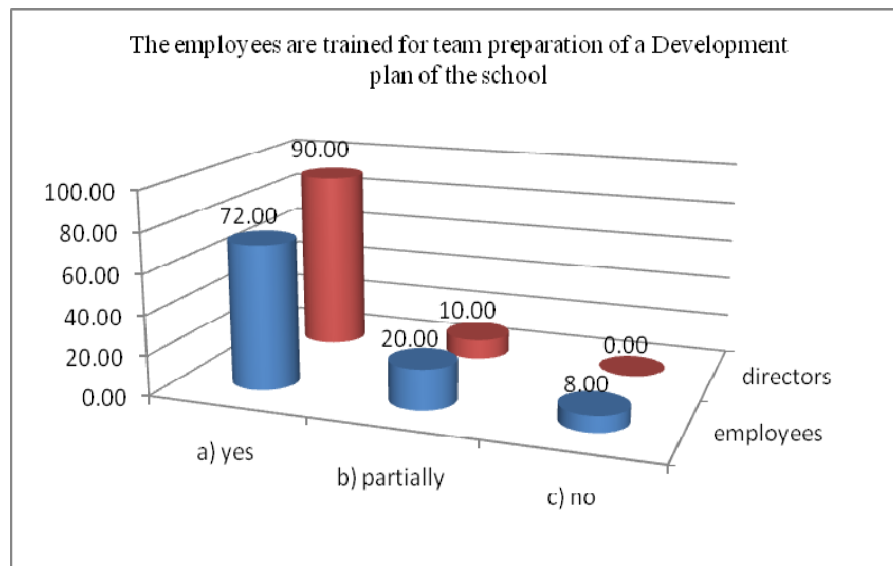


That the results which are obtained from the work of the teams affect over their coordinated performance consider more than a half of the directors. Unlike them, the ones who think that the results

have partially influence over the coordinated performance reported in a percent lower than the half. Whereas, the teacher's opinions for the first and the second variant are almost equal. The teachers who think that the results obtained from the work of the teams affect their coordinated performance is a little bit higher than the half. And the ones who see partial impact of the results over the coordinated performance of the teams declared in a percent is a little bit smaller than the half.

Graph 7. Display of the answers of the employees and the directors to the following question:

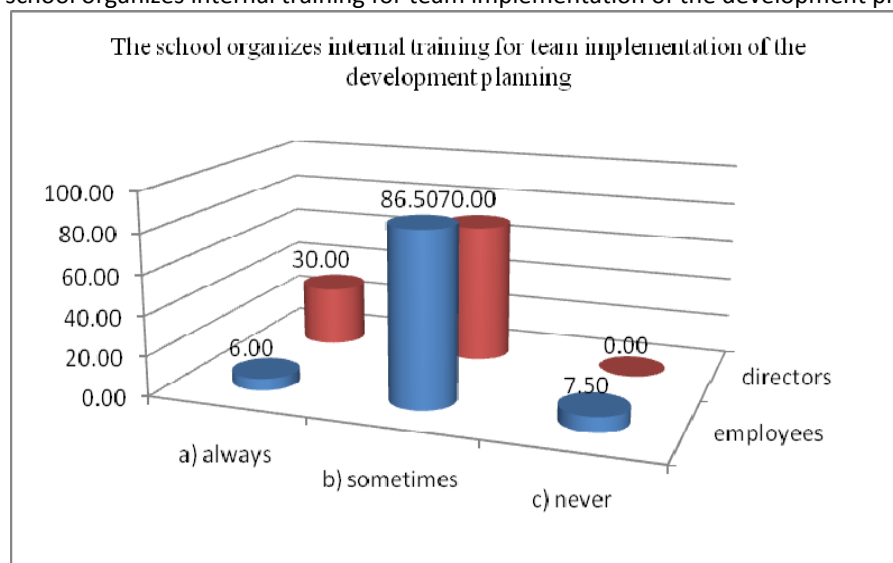
- The employees are trained for team preparation of a Development plan of the school:



An obvious difference in the answers of the examined directors is noticed according the question which shows whether the employees are trained for team preparation of a Development plan of the school, so that a very big percent from them declared that the employees are trained for the named activity, and a very small percent declared that the training is partial. This time, the teachers are deployed in the three variants of answers, so that they declared in a larger percent that there is a training for team preparation of the school, lower percent think that that kind of training is partial, and very small percent think that that kind of training doesn't even exist.

Graph 8. Display of the answers of the employees and the directors to the following question:

- The school organizes internal training for team implementation of the development planning:

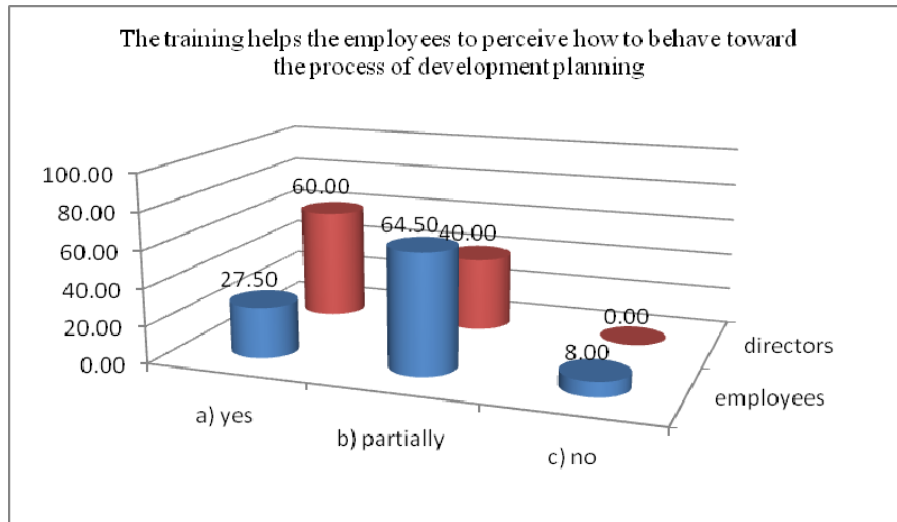


And according to this question the directors don't determine for the variant never, or they think that the school organizes internal trainings for team implementation of the development training: in a lower percent they declared that those kinds of trainings are always organized, and in a bigger percent declared

that the trainings are sometimes realized. Whereas, the teachers in an insignificant percent are determined for the variant always or the variant never, considering the organization of internal trainings for team implementation of development planning, and a big percent from them think that those trainings are sometimes realized.

Graph 9. Display of the answers of the employees and the directors to the following question:

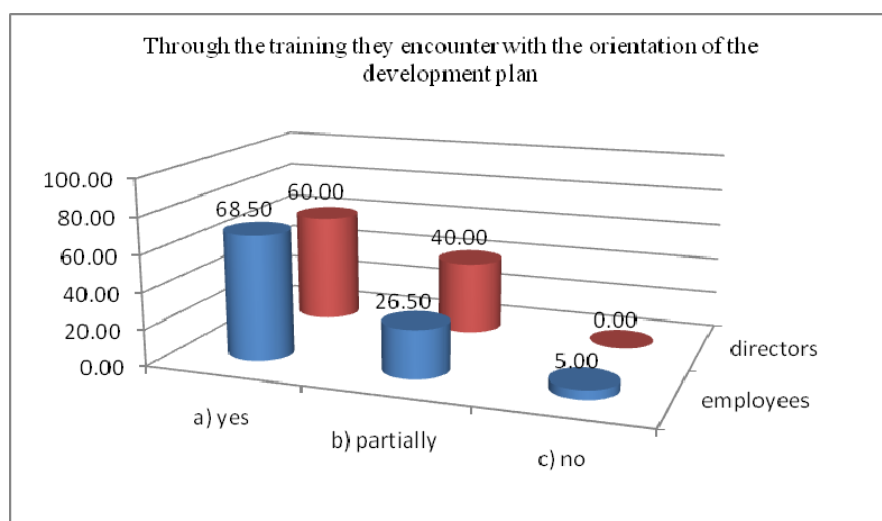
- The training helps the employees to perceive how to behave toward the process of development planning:



Larger percent of the half of the examined teachers think that the previously mentioned trainings always help to the employees to perceive how to behave toward the process of development planning, less than a half think that the trainings partially can give that kind of help. As can be noticed in the graph, more than a half of the teachers declared that the trainings sometimes help to the employees to perceive how to behave toward the process of development planning, smaller percent declared that the named trainings always give that help, and slightly small percent declared that the trainings don't give any help to the employees to perceive how to behave toward the process of development planning.

Graph 10. Display of the answers of the employees and the directors to the following question:

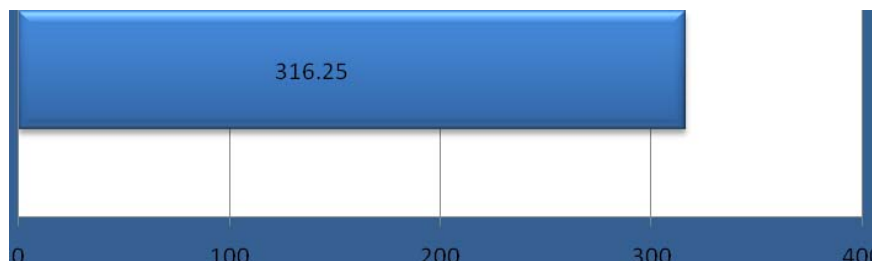
- Through the training they encounter with the orientation of the development plan:



From the graph can be noticed that more than a half of the teachers and more than a half of the directors (but with a slightly less percent) think that the employees encounter with the orientation of the development plan through the training. For the variant partially, the teacher's percent is smaller, and also there are teachers who in a very small percent think that the trainings don't have that kind of impact.

With an aim to prove the hypotheses, the answers to the questionnaires are grouped as indicators for proving to every hypotheses separately, or with agreement with the variables. The scoring of the answers is performed in the following way: each answer under a) brings 2 points, the answers under b) 1 point, and v) gets 0 points. One question, maximum can get 400 points, if all the examined answered with a), and minimum 0 points if all the examined answered under v). The overall number of points obtained from the answers from the questions which concerns to one variable are divided with the numbers of questions or an arithmetic mean should be found. The hypothesis is confirmed if the answers of the questions reach 200 or more points. The director – facilitator of the teams is the independent variable of the set hypothesis. Indicators of the independent variable of the hypotheses are the questions under number 1 till number 4 from the questionnaire for teachers. The answers to these questions show the different behavior of the directors in the process of development planning. After the finished scoring of the answers which are necessary for this variable, the overall data are shown in the displayed line of the continuum:

Graph 11. Independent variable: - The director – leader of the teams



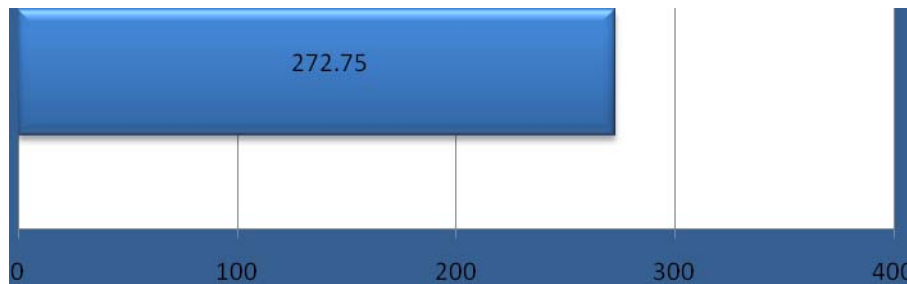
The results indicate to a high degree of seen necessity by the side of the both groups of the examined for an appropriate approach by the side of the management during the leadership of the school and the appropriate treatment of the employees. The data show that in the schools in which the management initiates and occurs as a coordinator of the team cooperation in the process of constructing the strategy for development of the institution, that strongly affect the public institution in order to improve the commitment of the employees toward the membership in the development planning and generally toward the work.

The coordinated performance of the members of the teams as dependent variable is used for proving the set hypothesis. Through the same are obtained quantitative indicators for the performance of the members of the teams. The obtained findings from the surveyed questionnaire for teachers or precisely the scoring of the answers of the questions 5 and 6 show to an implicit connection of the set variables. The justification for this claim comes from the fact that the way for performance is different in different schools (the same is shown in the following display of the line of the continuum) and it is larger in the schools in which the director dominates as a leader and a coordinator of team cooperation.

Graph 12. Dependent variable: Coordinated performance of the members of the teams

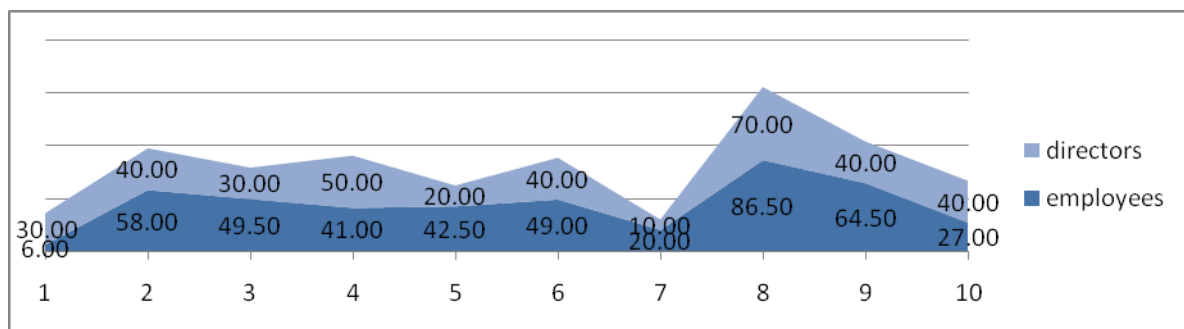


With aim to determine the content, the principle and the orientation of the team work between the teachers and generally the way which is preferred, the answers of the questions under 7, 8, 9 and 10 from the surveyed questionnaire for teachers. The team work is usually preferred in the schools in which the Director is a coordinator of the team cooperation. The same can be seen in the line of the continuum. Graph 13. Dependent variable: Team work



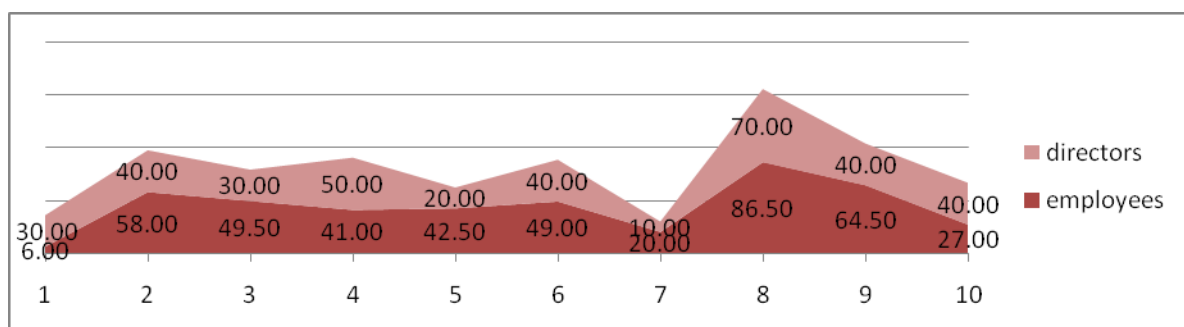
As it was previously mentioned, the interview with the superiors served for recharge and confirmation of the validity of the previously obtained results from the questionnaire for teachers. While it is noticed that there exists significant match of the answers from the both groups of the examined. Expressed in percents for the answer under a) (which brings 2 points) to the all offered questions have chosen 52.15 % of the superiors against 63.00% of the teachers. The ratio of the answers under a) the following groups of the examined to each question separately is shown in the following graph:

Graph 14. Comparable data to the answers of the employees and the directors



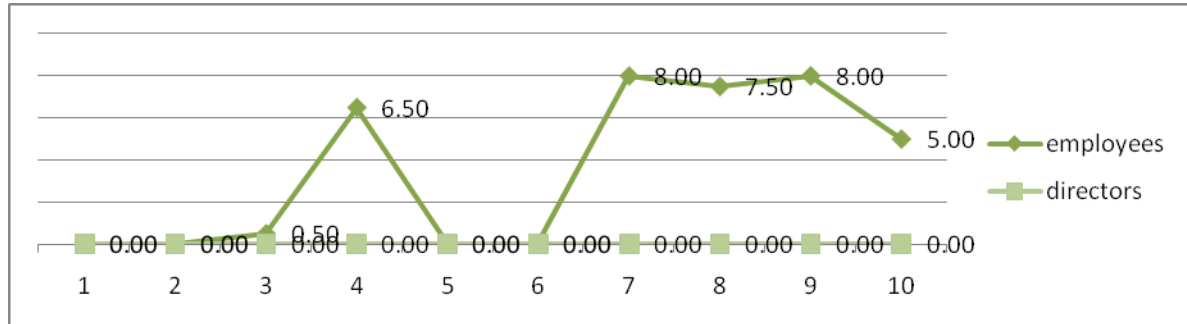
The match is obvious mostly at the comparison of the summary answers between the both groups of the examined at answer under b), (brings 1 point) which as the previous is chosen by a significant number of examined. In percentage, it is represented in the choice of 37.00% from the superiors and 44.40% from the teachers. Vividly, the summary answers for the alternative b), for each question separately, look like this:

Graph 15: Comparable data of the answers of the employees and the directors



For the alternative under c), (doesn't give points) summary of all the questions, nobody declared (0,00%) from the superiors and only 3.55 % from the teachers. The both groups of the examined at least decided for this answer. Shown in the graph under each question separately, it looks like this:

Graph 16. Comparable data to the answers of the employees and the directors



It can be concluded that the obtained data (the matching of the same) confirm the validity of the answers which have verified the set hypotheses.

CONCLUSION

The planning is one of the key functions of the director in the management with the school in a decentralized system. The planning represents a phase from the process of management in which are carried decisions for the aims, programs and the strategies, with which is directed the overall activity of the school. With development planning, the school, on a basis of the analysis of the past and considering the future, makes a choice of the aims and the ways of their accomplish with the help of plans, programs, strategies etc.

The role of the director is to be a leader, visionary, and as a key role in the leadership of the school, as a facilitator who will be able to make a balance between the groups at bringing to a consensus, including the parents and the students as equal partners.

Having in consideration the fact and the experience that more of the schools after the implementation of the projects are with short-term effects of the student's achievements or with any influence, focusing to the role of the director as a facilitator in the part of facilitating the changes and larger efficiency and effect in the work of the teachers has the main role of maintenance to the changes.

As can be seen from the exposed work the development planning of the schools on a national basis will secure quality, development of the independence of the schools, difference, membership of the all interested sides: parents, students, teachers, school committee, director, local self-government in the development of the school. The secure of a long-term development how to reach the vision of a school as we want. The schools are lean on their own potentials and specific quality.

The development of the independence of the schools in a decentralized system, the larger membership of the stakeholders, and membership in their life represents general principle who lead toward quality education.

The development planning is a process which in practice achieves these principles.

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EMPLOYEE SATISFACTION IN HOTEL INDUSTRY - FUNDAMENTALS OF CUSTOMER SATISFACTION

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ABSTRACT

Hotel industry is a service business that provides housing services and services for the preparation, cooking and serving of food, beverages and drinks. Baseline activity of each hotel organization is achieving organizational goals i.e. planned profit. Service as intangible form of action is the basis of competitiveness, where market leaders are the hotels that have the best service. In the process of providing services, the service should be well known, to be presented with arguments and to be sold convincingly. In the same time, the communication of the employee with the client represents a powerful tool, predisposed by the expertise, skill, culture and psychological structure of the employee, to achieve client satisfaction. In this sense, the successful hotel companies widely believed that the policy instruments for achieving high quality of service and guest's satisfaction is satisfaction of the employees. In function of organizational support for the employees, as a factor of development of new quantitative and qualitative service relationships to achieve safer satisfaction of the guests, hotel's management system of values provides basis for achieving the satisfaction of their employees.

Keywords: *hotel service quality, satisfaction, guests, employees, profit*

INTRODUCTION

Hotel industry is a costly activity. There are numerous facts why. Primarily because the hotel facilities, regardless of size and category to which they belong, in principle are an expensive investment for which return many years are required. Besides that, the size of sales per unit time is quantitatively limited, wholly in the hotel accommodation, and partly in terms of all other services at the hotel. Because of this, the hotel industry's organization is confronted with daily activities for achieving excellence in operations as the safest guarantee for maximum sales of available capacity. Empty room at a certain time- day and night, cannot be sold double in different time, which is why in hotel industry a conclusion is used, that the most expensive room for the hotelier is an empty room. In the context of the hotel's character as service business that provides accommodation services and serving of food^{vii}, undeniable fact is that without the occurrence of the service there won't be any hotel work, no profit, and no results. So we will say that there is no service in the absence of a guest i.e. without accommodation of a guest at the hotel. Such subsequent conditionality of the sequence of activities that are interrelated or derived from one another, even in the limited time of their flow, which is a continuous challenge and need for systematic handling for the hotel industry. From there, the efforts of the management in the hotel organization are focusing on achieving maximum sales of available capacity. In the modern hotel industry, in order to increase the sales, large contribution is given by the employees that act as a new marketing concept or internal marketing. In catering-tourist services, the point of sale is in the relation between the guests and the personnel.^{vii}

Modern approach to the role of employees involves different practices oriented to increase employee satisfaction, which is then reflected on the satisfaction of their guests.

Although the policy of the management is very important, the service largely depends on the personnel of the catering facility under which it can be said: "there is no guest satisfaction without satisfaction of the employee"^{vii}, and also is known that success in achieving organizational goals is conditioned on the satisfaction of the guests.

1. Client satisfaction is a complex reflection of hotel service

Tourist world today is characterized by high growth and continuous development versus economic threats and real crises that gripped the world. The dynamic development in the tourist world simultaneously imposes increased activity in tourism stakeholders in order to maintain a competitive position in the market which is daily exposed to the impact of the changes. In the context of development dynamic, the modern tourism world is distinguished by global competition, demanding and sensitive guests, wide availability of information at the international level, the short-term competitive advantages arising from technological innovation. The basis of the dynamic development of tourism worldwide certainly represents real expansion of the hotel industry, which is moved by the principle of orientation towards customers; in the business world adopted at the level of business philosophy i.e. represents a way of thinking and acting in the economic sphere.

In this context, synonym of a success of hotel organization is a satisfied hotel guest. From there results the necessity of a full business commitment to the needs and expectations of the consumer, a hotel guest in this context, by the organization. In other words, hotel industry that is oriented towards the customer - the hotel guest through the range, the style and manner of providing services to produce pleasure or to cause positive psychological reactions in the customer.

Caring for the client in international hotel companies includes establishing of a specialized program that includes specially designed facilities for certain guests and top notch service. In the hotel industry, the service is a basis of the competitiveness, and the leaders in business success are those hotels that provide the best service.

Baseline activity of each hotel organization is achieving organizational goals, which is inevitable conditioned by the fact that the lead finance operations of the hotel are financed by the guests i.e. the hotel depends on the users of the products and services, which is why they have to fully understand and satisfy with quality all their expectations, needs and desires. In order to achieve its objectives, the hotel organization maintains its activity on strategic grounds in two directions. The first direction is the market research, market segmentation, research on demand, needs and expectations of the target group of potential customers, where the most optimal is a differentiated offer that will meet the needs of every guest. The second direction is the development and realization of quality products and services that will meet the needs of users in whole, at the level of their expectations and always something more than that. A key role for the organization in the context of the purpose of the action, to satisfy customers, is the marketing as "an instrument of achieving the goal", as pointed out by Peter Drucker^{vii}

But in such a seemingly sufficient i.e. fully rounded combination of actions, inevitably entails the fact that the success of entities operating in the catering i.e. hotel industry, to a large extent is determined by the staff. Put differently, the hotel organization's staff have key role in the context of achieving of organizational goals i.e. the projected profits. They are indispensable even in the era of information technology and computerization in the presence of full automation of production lines, in terms of internet sales, etc.

Certainly the new technological advances greatly contribute to the modernization of the general conditions of the hotel operation, ease of process procedures in the field, increasing the efficiency and effectiveness of the overall operation, enhanced safety of the required quality of the product or service. New sophisticated equipment provides a high level of equipment per unit area, rationalization of operational costs, increase yield per unit of time, but none of this is enough for the occurrence of service.

2. Service as source of (non) satisfaction of the client

The origination of the service in the hotel industry, as an act of selling of the hotel product is determined by the act of its performance or the venture in live human labor. The time of performance of the service is time of consuming of the product. The performance of the service is happening on table and in the presence of the guest. The performance of the service is in the same time in the final stage of product sales and coincides in time and space with the consumption of the product, i.e. the presence of the user of it. The service is complex in its structure due to the inclusion of the same material that makes up the product in a material form and the materialized human labor that participates in the performance of the service, but also the non-material part of the service included in the employee's communication with the client, which represents a practical demonstration of professionalism, presentation of the offer, communication skills, culture, hospitality, expression of willingness with ease to meet all the needs of the

client. Communication of the staff with the client, in order to achieve better quality of service is a powerful tool, predisposed by the expertise, skill, culture and psychological structure of employees, to produce client satisfaction. Such integrated potential of the employees, continuously is upgraded and invested in order to again and again to fascinate the guest. It should be taken into account, by the management, the fact that the performance of the service occurs on slippery ground in terms of objectively different psychological readiness of the client to experience the pleasure of it, so the client is not prepared to understand and especially to tolerate every possible and small mistake of the staff, which is not a case with the reaction when it comes to buying a particular industrial product. For successful and creative structuring of communication of employees with the guests, demonstration of their willingness to meet every requirement of the client and to achieve confidence with the client that everything that will be promised and undertaken, they have competence and authority to fulfill, so it is necessary for the employees to have authorization and support by the management so they can make their own assessment and a view over the solution of certain application or a request from the client.

3. Employee satisfaction and Innovation Management

Innovation Management in the hotel is the sum of knowledge and ability to quickly adapt to changes, and power of importance selection of certain events so that, at any time, the hotel staff would be able to act in a way so that the manager personally or employees themselves meet the needs of the guests as they expect which will make them satisfied.

Innovation manager at the hotel can be identified by characteristics such as: free, quick thoughts, impulsive, persuasive, demanding, dedicated to work, intellectually curious, persistent, secured in his knowledge, sensitive, radical, dominant, full of initiatives, with a sense of humor, with a sense of bounds^{vii} He adorns many features that correspond to straight successful operation, but particularly emphasizes high level of creativity and inventive. A key feature of the staff is individualization of labor and synchronized teamwork activities at the same time.

The overall harmony of the team in catering-tourist facility should be directed by its manager. In words of information slang, the material part of the catering-tourism offer for certain travel destination or restaurant can be compared with the solid component of the information system-hardware, a human base (human resources) with the active component of human information system - software. However, no computer can function nor only with the hardware or just with software support.^{vii}

4. Employee satisfaction and profit of the hotel organization

The modern tourist as a citizen of the world knows exactly what he wants when making a choice in which tourist destination or hotel to spend his vacation or even to which restaurant will go to lunch or dinner. In that time, the initial visit only at the destination, hotel or any restaurant, is made by the client based only on information, pictures, one's recommendations or personal projections of the expectations, while any subsequent visit is based on personal experience and relationship with employees. Experiential, more common opinion is that very significant impacts on the choice of destination and hotel have the employees as one of the three core elements of the business process, the means of work, scope of work and living human labor. The character of working if hospitality industry or hotel industry, sets very high requirements for the staff, despite the obligatory standards for working, also in the part of the following areas:

1. Possessing a broad general culture
2. Possession of diverse professional and specialist knowledge
3. Communication and organizational skills^{vii}

This reflects the approach of management in making business policy and practice, which should result in increased quality of service as a basis for achieving the expected profit. But although this approach is correct, it will remain at the level of desire if we stay at level of declarative or partial solution.

It seems that there is no hotelier or hotel manager who doesn't know and doesn't say that the guests are always right (even when they are not right), that the employees have a significant impact on the satisfaction of guests and satisfied guests are guarantors of the success of the work of the hotel/organization. But in order for this commitment to be brought to life, and not only declarative, the management should build a system whose implementation will provide a secure and safe accomplishment of the declared values. In this regard, the successful hotel companies widely believe that the policy

instrument for achieving a high quality service and guests satisfaction is employee satisfaction. In this context they know that in cause and effect order, the priorities have changed order, as follows:

- The first priority of hotel organization: staff satisfaction
- Second priority of hotel organization: Satisfaction of the guests
- Third priority hotel organization: satisfaction of the management / owners

In other words it means that for the management to realize the planned profit as basic organizational purpose, it is necessary to make the guests happy and the satisfaction of the guests to be viable, the employees must be satisfied. In this context, the employees are main generator of producing pleasure of guests i.e. achievement of organizational goals. The reversal of the hotel industry to the employees as a factor of development of new quantitative and qualitative relations services is leaded by the management in the right direction, i.e. the concept of human resources. That means, among other things, resorting to the establishment and application of models of promotion of practice and relationships in the organization such as: organizational culture, motivation, teamwork, innovation, leadership, encouragement of entrepreneurial spirit and so on.

In conditions of extremely aggravated market competition, which besides the leading, it rapidly evolves and improves, so the success of the tourist-catering or hotel operators in that market is only possible with well-motivated staff who accepts and acts on the system of values. For such employees, in the successful hotel companies, the salary for long is not the only motivation for work and especially for job satisfaction. What is the motivation for employees in the hotel industry?

In the context of the general importance of motivation, an ability of an individual is recognized to achieve a high level of consistent effort directed at achieving organizational goals, conditioned by the ability to meet specific individual needs.^{vii}

As every desirable good investment conditions investing in the occurrence of such good, so under high demands and expectations of managers for their employees, the hotel organization prefers carefully studying, assessing and establishing of motivational models with elements that will provide the basis for a just evaluation and promotion of employees that will result in increasing of their satisfaction.

For the expectations of employees, systematically speaking, catering and tourism workers i.e. hoteliers, in exercise of the philosophy of satisfying the guests, have the following basic principles:

- Employees should be satisfied
- Guests should be attracted
- Staff who directly communicates with the guests should be empowered to identify and solve the problems of the guests
- Employees should be trained in responsible approach with the guests
- Guests should be "cited" talking to the staff in the hotel^{vii}

At the field of philosophy of satisfying employees, the management in hotel companies installs corps of criteria and forms for motivating employees, in order to achieve maximum results and satisfaction in the work, primarily through:

- Clear criteria for advancement within the organization
- Financial and moral support for personal development
- Clear criteria for awarding stimulus
- Fair distribution of profit (operating result)
- Possibility of owning shares of capital
- Good treatment of employees
- Understanding for private situations and needs of employees
- Accepting requests for absence from work based on personal needs
- Frequent and direct contact with employees
- Requesting opinion, suggestions and ideas to work, from the employees
- Clear identification of work tasks
- Full and clear information about the activities of the organization
- Public review of the problems and difficulties
- Objective decisions and their enforcement
- Addressing of the employees by name
- Organized thematically socializing with employees
- Delegation of authority to employees

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- Providing social packages - quality assurance, various discounts on certain occasions, value prizes on the occasion, helping an accident in a family of an employee, and so on
 - Clear and public criteria for promotion of employee
 - Recognition and public praise of employee

Confirmation about the level of satisfaction of employees in hotel organization is the fact that employees are proud to work there.

CONCLUSION

The philosophy of creating employees satisfaction, which means satisfaction of the guests at the hotel as a key determinant of the success of the hotel organization, is a philosophy of the future of catering-tourism industry, while in the present moment it is primarily a privilege of the successful companies in this field.

In that context it can be pointed out that the existing structure of subjects in the area of hotel industry in the Republic of Macedonia, fastest and easiest can qualitatively and significantly to advance and seriously to pretend for conquering of more stable market segment, primarily through a paradigm shift of priorities as a step for the realization of organizational goals i.e. through instant access for application of the philosophy for achieving of employees' satisfaction as the safest way to the road of the guests' satisfaction i.e. the road of the profit. The purpose of this change is the need for systemic activation of human potential, represented in the image of management and all employees as key factors for the work, acting individually and joined and connected together in a synchronized network activity.

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***SPORT TOURISM AS A BASE FOR TOURISM
INCREASE SCOPE***





ANALYSIS OF THE PERFORMANCE OF BULGARIAN COMPETITORS ON 2013 WORLD CADET FENCING CHAMPIONSHIP

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Abstract

We analyzed the participations and the rankings of the states which participated in the 2013 World Cadet Fencing Championship. The **purpose** of the study was the potentialities of Bulgarian fencers to be determined and then to be compared with the potentialities of the competitors of the leading nations in fencing. We found that more than 1100 fencers from 55 states took part in this contest. There were 3 Bulgarian male competitors in the foil contest, 1 in the sabre contest and 3 in the epee contest. The only Bulgarian female competitor took part in the sabre tournament. After observing the technics most widely used by the most successful contestants in this competition we reached to the followig **conclusions**: 1. The rankings of Bulgarian fencers were unsatisfactory; 2. For a better ranking to be achieved it is necessary attention to be paid on improving the technics of attack, using movements of high difficulty and speed and 3. It is important to improve dramatically the quality of both the attack and the defence.

Key words: *fencing, fencers, world champinships, cadets*

INTRODUCTION

The 2013 World Cadet and Junior Championships was organized by the Croatian Fencing Federation with the assistance by FA Tours Company and Porech Municipality. It was an official FIE contest. Croatian Ministry of Foreign Affairs helped for the smooth process of the Championships by issuing express entry visas for the foreign participants and guests.

The town of Porech is placed on the Adriatic coast of Croatia, on the western part of Istria Peninsula, about 30 km. away from the Slovenian border. It is famous with it's Bishop Complex, one of the monuments in the World Monument List.

Fencing is one of the oldest sport disciplines – fencing contests were held on the first Olympic Games in 1896 (1, 2). Being a good cadet fencer requires the development of a lot of different skills and a good fitness condition (6, 9). 2013 World Cadet и Junior Fencing Championships was held from 06.04.2013 to 09.04.2013 with the following competition schedule:

1. 06.04.2013 – sabre male cadets and foil female cadets;
2. 07.04.2013 – epee female cadets and epee male cadets;
3. 08.04.2013 – foil male cadets, sabre male cadets and epee male cadets;
4. 09.04.2013 – sabre female cadets.

Bulgarian fencing school has a long and successful history (3, 4). In this article we studied the rankings in the individual fencing contest and the performance of the Bulgarian fencers.

The purpose of the study was to determine the potentialities of Bulgarian fencers and then to compare this potentialities with these of the competitors of the leading nations in fencing.

To achieve the goal we accomplished the following **tasks**:

1. We collected and processed the data for the final rankings in the tournaments in every weapon for competitors of both sexes.

2. We determined the competitive activity in the tournaments in different weapons using the competitiveness (5), estimated with the number of competitors which took part in the contest;
3. We estimated the potentialities of Bulgarian fencers and those of the competitors of the other nations.

Analysis of the results. On figure 1 we showed the total number of participants in the tournaments of the World Championships.

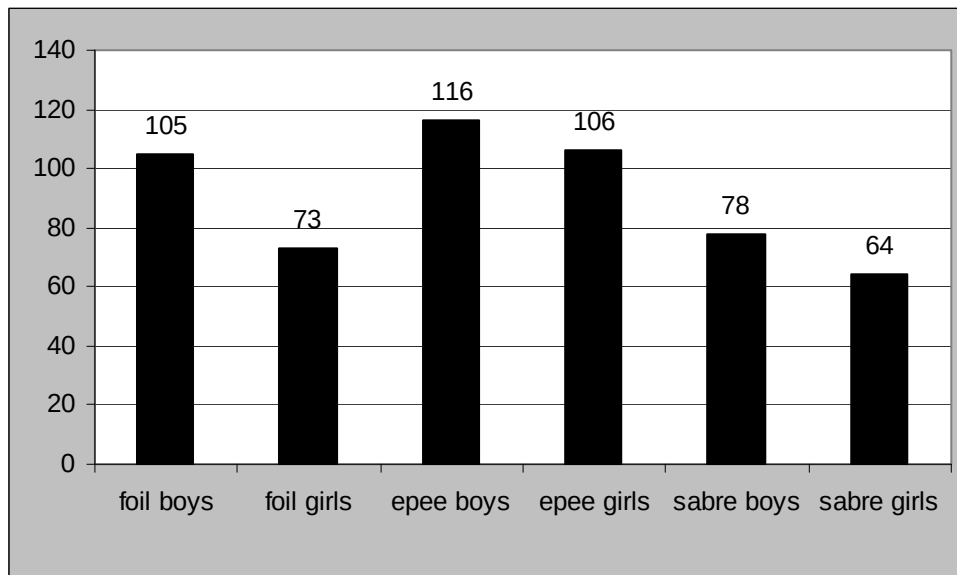


Fig. 1 Total number of participants in the tournaments of the World championships

We studied the results from the official protocols of the Championship and the combats and we identified the following trends for developments in the different kinds of weapons according to the order of their participation in the contest:

1. **Sabre male cadets.** 78 fencers from 39 states took part in this tournament.

Sabre is the most famous and the oldest weapon among all the fencing weapons (10, 11). On table 1 we showed the finalists in the sabre male cadets contest. It is worth mentioning the uneven distribution of the number contestants between the finalist-nations - there are three Ukrainian competitors and two Italian.

Table 1

Rank	Name	First name	Country
1	VORONOV	Kostiantyn	UKR
2	NOVIKAU	Artsiom	BLR
3	GERD	Eduard	GER
3	LECCI	Marco	ITA
5	CASTELLO	Eugenio	ITA
6	PLATONOV	Bogdan	UKR
7	KARAKAI	Olexander	UKR
8	RUBAN	Vladimir	RUS

Final ranking sabre male cadets

Bulgarian competitor Ivan Mandov ranked 46, after winning 3 games in the first round and ranked third in his group with 18/18 touche difference. In the direct elimination contest he had No 35 and lost by Hector Florencia from Mexico with 15/6 scores.

2. **Sabre female cadets.** 64 fencers from 28 states took part in this tournament. One Bulgarian fencer, Diljana Teoharova, took part in this contest and ranked 59.

On table 2 we showed the finalists in the sabre female cadets contest. As seen on the table the powers are distributed almost evenly among the states. As an exception we can mention Mexico who ranked two competitors among the first 8.

Table 2

Rank	Name	First name	Country
1	CHANG	Karen Ngai Hing	HKG
2	GOUDOURA	Theodora	GRE
3	INFANTE	Vanessa	MEX
3	KINDLER	Ann-Sophie	GER
5	DRAJKO	Lili	HUN
6	PREARO	Flaminia	ITA
7	TOLEDO	Julieta	MEX
8	PALMEDO	Sage	USA

Final ranking sabre female cadets

3. **Foil male cadets.** 105 fencers, among which 3 Bulgarian contestants, from 45 states took part in this tournament. Pancho Paskov ranked 36, Lyuboslav Burnev – 61 and Ivan Mandov – 80. One of Bulgarian competitors – Ivan Mandov – is more skilled with another weapon, the sabre, and accordingly he ranked 35 in the sabre tournament. Foil is one of the hardest weapons to compete with, but Bulgaria has developed a good tradition in the foil as a sport discipline during the years of the communism and still keeps the momentum (7, 8). Among the nations which ranked in the first 8 there is no obvious leader – eight states ranked on the top 8 places (table 3).

Table 3

Rank	Name	First name	Country
1	IBRAGIMOV	Camil	RUS
2	SZATMARI	Andras	HUN
3	D'ARMIENTO	Francesco	ITA
3	DERSHWITZ	Eli	USA
5	BAZADZE	Sandro	GEO
6	GORDON	Shaul	CAN
7	JO	Ziqiu	CHN
8	OCINSKI	Jakub	POL

Final ranking foil male cadets

4. **Foil female cadets.** 73 fencers from 40 states took part in this tournament. No Bulgarian fencers participated in this contest. Just like the foil male cadets contest, it is hard to find a leader among the top 8 ranked nations.

Table 4

Rank	Name	First name	Country
1	SCHMEL-MESTERI	Victoria	HUN
2	MASSIALAS	Sabrina	USA
3	CECCINI	Gabriela	BRA
3	CIPRESSA	Erica	ITA
5	BEHR	Leandra	GER
6	SZIMCZAK	Анна	POL
7	KONTOCHRISTOPOULOU	Maria	GRE
8	ARDENTOVA	Natalia	RUS

Final ranking foil female cadets

4. **Epee male cadets.** 116 fencers, among which 3 Bulgarian contestants, from 55 states took part in this tournament. Sava Svetoslavov ranked 70, Evgeni Cholakov – 103 and Janislav Petkov – 106.

Table 5

Rank	Name	First name	Country
1	BANYAI	Zsombor	HUN
2	HORETSKY	Ivan	UKR
3	CANAU	Gabriel	USA
3	BRADAC	Petr	CZE
5	KOH	Oliver	GBR
6	GLEZMAN	Jakub	POL
7	LIMARDO	Isus	VEN
8	JAHIMOVICS	Andris	LAT

Final ranking epee male cadets

5. **Epee female cadets.** 106 fencers from 50 states took part in this tournament. No Bulgarian fencers participated in this contest.

Table 6

Rank	Name	First name	Country
1	KOMAROV	Алона	ISR
2	LINDE	Asa	SWE
3	OBRAZCOVA	Maria	RUS
3	STAHLBERG	Nadine	GER
5	KHLYSTUNOVA	Lizaveta	BLR
6	TANNOUS	Dominique	LIB
7	HUDSON	Baba	GBR
8	ZAKIRCHENKO	Maria	GEO

Final ranking epee female cadets

After analyzing the results of the 2013 World Cadet Fencing Championships we found that the highest competitiveness was achieved in the epee male cadets /116/ and epee female cadets /106/ tournaments. The lowest competitiveness was shown in the sabre female cadets contest – 64.

On figure 2 we showed the total number of competitors who ranked among the top 8 by states. The leader is Italy with 5 competitors. Among the leaders are ranked Great Britain, Hungary, Russia and USA with 4 competitors each. We have to emphasize the great number of nations which took part in the World Championships. We think it is a sign of the growing popularity of the fencing among the states of the world.

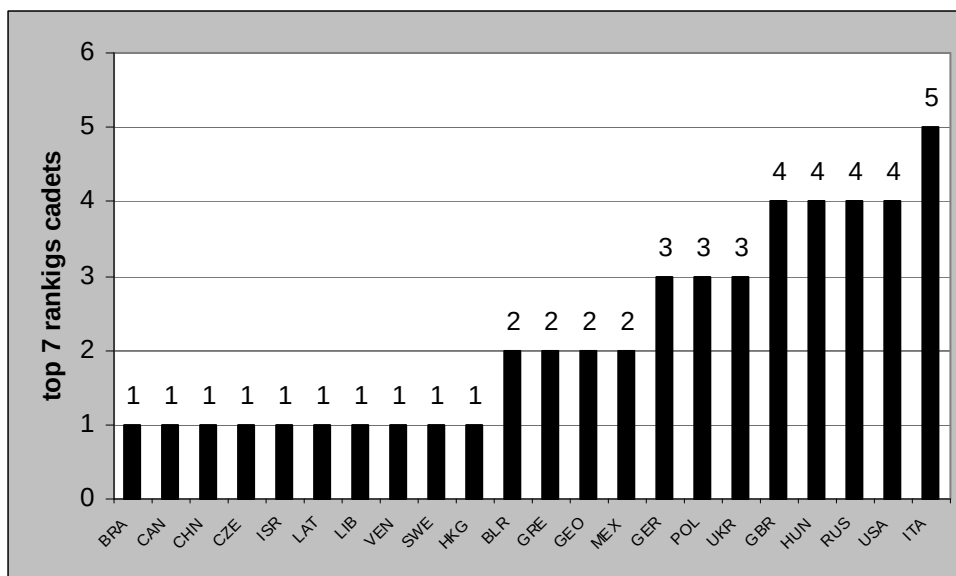


Figure 2. Total number of medals on the Championships

On figure 3 and 4 are shown the total number of medals won by female and male cadet fencers.

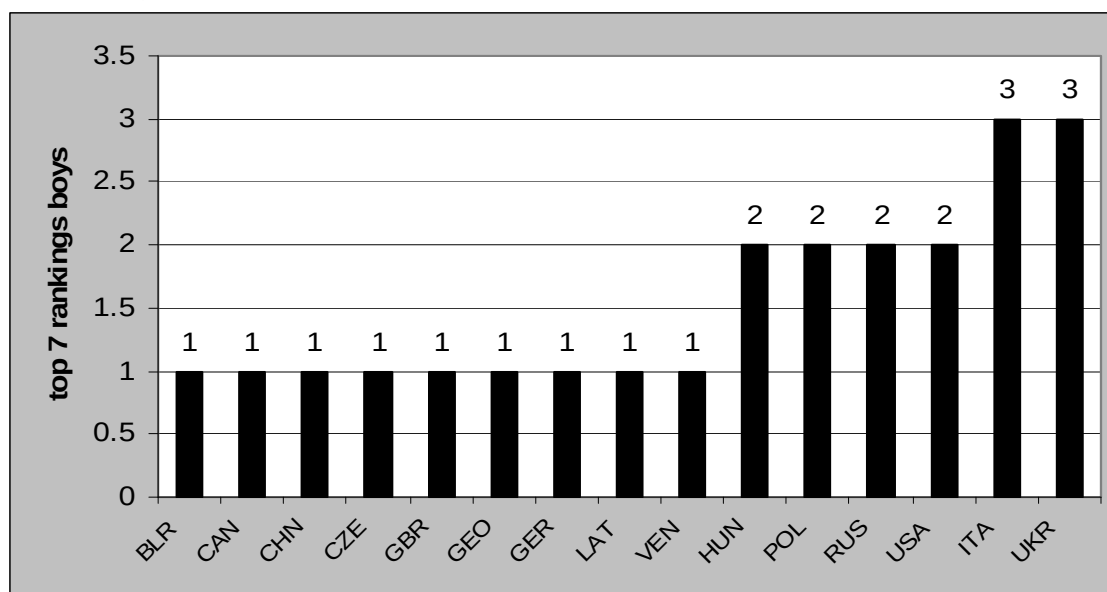


Fig. 3. Total number of medals on the Championships won by male cadets

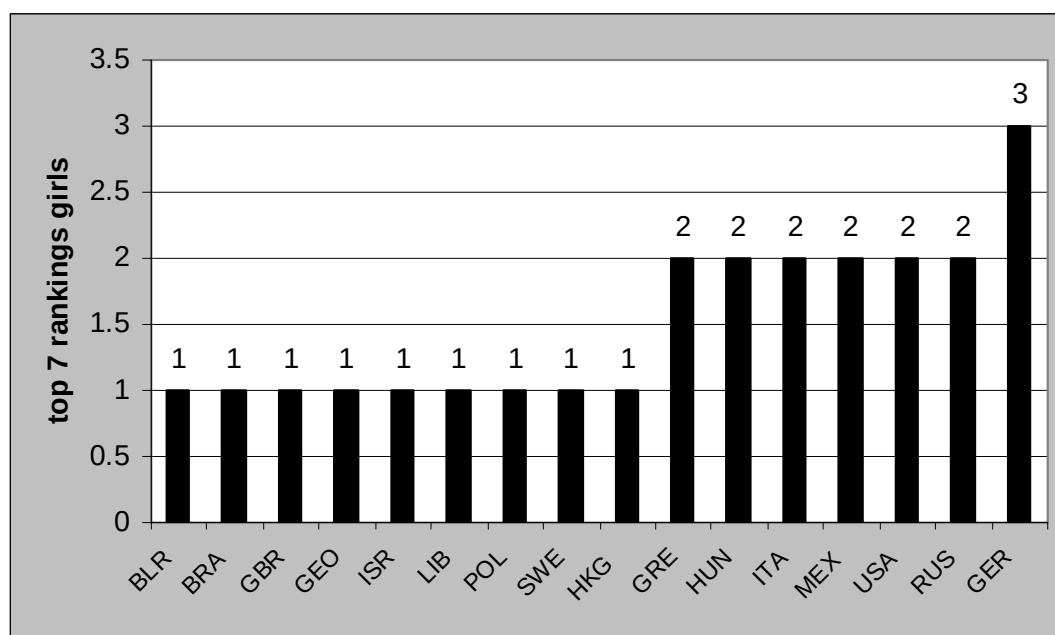


Fig. 4. Total number of medals on the Championships won by female cadets

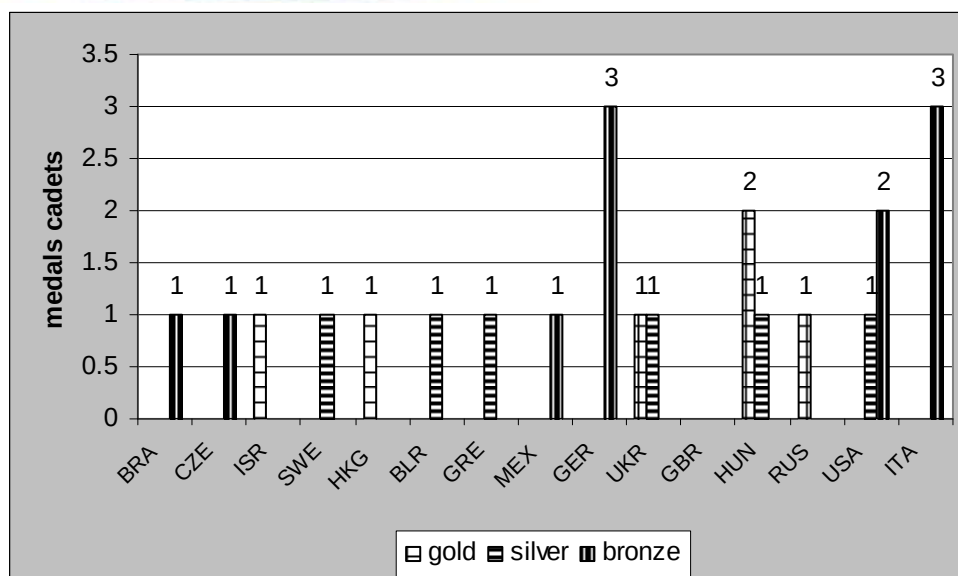


Fig. 5. Distribution of the medals by nations

As seen on figure 5 the nations which won the biggest number of bronze medals are Germany and Italy with 3 medals. There is no obvious leader among the states concerning the silver medals – there are several nations which won 1 silver medal each. There is, however, a leading nation with 2 gold medals won and it is Hungary. Unfortunately there are no Bulgarian fencers among the leading nations in the 2013 World Cadet Fencing Championships.

CONCLUSION

On the 2013 World Cadet Fencing Championships was played a very dynamic fencing and the contestants used a wide variety of technical movements. Against this background the performance of Bulgarian fencers were unsatisfactory.

For a better ranking to be achieved by Bulgarian contestants it is necessary attention to be paid on improving the technics of attack, using movements of high difficulty and speed

It is important for Bulgarian fencers need a huge improvement of the quality of both the attack and the defence.

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ORGANIZATION OF SPORTS COMPETITIONS AS A BASIS FOR THE DEVELOPMENT OF SPORTS TOURISM

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Abstract

Sports tourism and its forms are increasingly imposed as a relevant segment of the overall tourism activity. Forms of sport and tourism represent the disciplines of motor sport that parameterizes through all the data in the last 7 years, but the organizational and service of motor sports and the results of comparative analysis of the data and proves that they are a major generator of tourism and sport thus tourism in general. Deviations of achievement in this segment of the disciplines themselves is minimal and neglectful, but together represent potential already developed tourist institutions and agencies in respect of the whole of that advocate its development strategy in the overall treatment of tourism. The researches in this paper accurately determine the benefits and realities of contention for the unbreakable bond of motor sports and tourism.

Introduction

Motor sports multifunctional activity that is due to the fast dynamics that develop means by which they are realized, themselves and the necessity of its nature characterized by extremely rapid growth of its overall structure itself implies development of all segments are essential for their function. Treatment of motor sports in terms of on sport tourism and inexhaustible potential for development of tourism in general, at first glance the uninitiated is no abstract idea, but insiders it represents an unbreakable bond of interoperability. Historically more than evident that the genesis and tenets set of criteria governing operation and functioning today. The historic part of the automobile represents an excellent base for making a comparative analysis between the development of automotive and development of sports tourism. Taking into account the structure of sport tourism in its established division covers a serious part of the organization of top sporting events in which as basically summer and winter Olympic games, there is a serious hypothesis about the fact that motor sports especially automobile represents one of the few sports you with most large diversity of their disciplines represented during the year. Taking into account the factor that this kind of sport has the highest number of matches as the system state, regional, continental and global, it becomes clear that the basic hypothesis of this research paper is more durable and quality for professional monitoring. Therefore falls within the automotive elementary potential types of sport around animate large population that is extremely loyal to its traditional vrzhuvanje and identification with the sport. On the automotive side applies to high budget sport around binds lifestyles characterized by glamor, prestige, great media interest and therefore are profiled and type of tourists who follow and attending auto competitions. These types of tourists guided by these features are characterized by high power consumption, which in the name of prestige transcends normal observations of a casual tourist. True, and this is another proof that the validity of the main hypothesis of this work is evident and worthy of special attention. Too structurally it can be proved in this paper is to study the transformation of state game character in the same regional, continental and global nature while taking into account parameters to activate the tourism sector in the whole cycle.

Sports tourism

Sports tourism represents activity through active type of rest, relaxation and tracking sports competitions, offers tourists the opportunity to experience a special type of diverse activities for passage of his free time. Simultaneously peak sports competitions year-round interest in a certain segment of people in

moments of leisure visit of the year-round system of competitions. These kinds of tourists are traditionally loyal to the sports that follow, and thus the competition they visit. Although not active participants in sports events they are identified with athletes and sports results of his pets and favorite idols. This type of tourists doing sports tourism high watched, necessary and maximum visited. Program for their obligatory trip includes sporting event which provided more care in the state and city where you realize sports game. This program includes a visit to the historical and cultural facts of the state that is the destination of their journey. Tourists are the main segment of sport tourism are characterized by high power consumption and pose a particular input in the financial operations of the city or region that hosts sports events. Automotive sport belongs to the segment of technical sports or sports where with the help of technical aids such fixed assets are realized system matches.

The connection of the automotive and tourism throughout history

In 1905 races with sport cars are characterized for overcoming large distances for small time such competitions in France from Lyon to Paris and vice versa. The audience at that time was part of the games since that time was of course got quality local caterers and many of them were waiting for these games to promote their products and services. This structure with modern modifications of methods which are used to operate till present day. An example is a restaurant Ramirez of 1954 prepared the famous apple pie that eats all pilots' participants of Rally Monte Carlo. It is already impossible to Poets Rally Monte Carlo and not to visit this sacred place. The owners of this restaurant are now on the board making the Automobile Club of Monte Carlo. In the history of this structure built cults tourism and the city. Example Le Mans city located in France known for endurance competitions endurance 24 Hours of Le Mans three which was first organized in 1923 and drive to this day. The city operates figures calculated by the flow of funds to implement the 7-day period, of which 24 hours last game. Input and output of tourists in these 7 days in this small town in recent years exceeds fantastic 900,000 viewers. If we take the fact that this competition has grown into a series of competitions which take place on 5 continents, with an annual attendance of over 4 million viewers more than evident is the fact that the management of this figure represents an excellent development of sports tourism on the other side and a huge opportunity all kinds of tourism to achieve the goals in the tourist offer.

As the above examples there are many F1 competitions in Monte Carlo, who made this tiny principality synonym for glamor, prestige and a place for tourist especially seaweed Hotels' business. In fact in some hotels that are the path to Formula 1, the rooms were sold out two years in advance, and places for yachts along the trail with a special tax on game days. This in itself at the forefront confirms the thesis that applies strategic management in tourism that tourism is no longer a priority but quality mass. Quality and rapid development of the organizational structure of top events are confirmed as a prerequisite for success not only in sports but also tourism and tourism in general.

The main hypothesis

Considering the above in this paper analyzing the matches of automotive sports realized at the Balkan region will prove realization of the idea of transferring the concept of high sports events and tourism relationship with them, as a basis for the development of sports tourism at the region.

Analysis of auto competitions as part of strategic management in tourism

Analyzing logs can easily see that these top events and systematic approach to tourism to them represent a set structure that is applied at the local level regardless of region covering. The Balkans example is **Golden Sands Rally Bulgaria**, with 42 - year tradition. At the 41 edition, became part of the World Rally Championship and drew 250000 viewers in 3 days of competition. But this game from an analytical point of view has a much different dimension. 34 Golden Sands as a tourist destination were promoted by the eponymous rally, but the moment of making a decision to change the location and renaming it represent today the full score as excellent strategic management of events and tourism at the national level. This renowned European rally championship was renamed Rally Bulgaria and his new place position was fashionable ski resort Borovets. Rounding this strategic approach represents the date of implementation of this rally, which is positioned at the end of June or early July. This in itself meant that while efforts

around the organization, resort hotels in Borovets at that time of year were closed, restaurants closed, shut down all service facilities or reduced maximum capabilities of this center to work in that part of the year. This ski resort during the summer months simply functioned because of the capacity sustainability. Quality of the tracks where we had to hold the rally was the high points with the European champions who wore the rally itself attract quality pilots from many countries of Europe. From other side, geographical position near the capital city of Bulgaria – Sofia, does attract a lot of viewers. But important is that the first year of implementation of this rally was marked by problems of functionality of hotel facilities and services of the center. At the same time records the fact represented the earnings of hotel facilities and services that it was operational. For the second year of holding the rally in the Bulgarian ski resort Borovets this mountain resort has grown in the potential of functioning throughout the year. As mentioned above, all facilities at Borovets functioned maximally during Rally Bulgaria 2011 when the rally became part of the World Rally Championship with the presence of the world's elite pilot. The size of this top sporting event in the true sense of the word travel to regenerate all the other towns that gravitate around the tracks where it was implemented. From a tourist point of view effective benefits are calculated as the greater of the promotional aspect of the rally. With this are confirmed principles of strategic management in tourism and that they complement the overall functioning well in sports tourism. If this model is excellent in those days was implemented from President of Bulgaria auto federation, at past three years organizations takes company „United Business sport & events”. These companies took over management and organization of Rally Croatia and also change the location of its maintenance while retaining the name. Structural format is changed by doing the latter case the difference of Rally Bulgaria; the company has more competitive vehicles with top pilots who make a comprehensiveness of strategic operations of the entire business. This in itself brings a new quality by directly managing the finances and entities can see the interest of this event. Unlike the Bulgarian model of managing this type of event's based mostly placed at the state capital to promote the state and development of tourism, the Croatian model is comprehensive and multifunctional with the approach through sport and top athletes to manage investors throughout the year. Increase the quality of the Croatia Rally evident and expectation is that it will flow first to realize its potential. Additional potential of this rally given the fact that the company that manages the rights rally is Italian rather than Croatia, which in itself implies the possibility to manage the equity interests in increasing tourists and functional connectivity of logistics and other aspects that are essential for the development of tourism in general. Making a comparative analysis between two events, perhaps ideologically different but structurally equal approximately represent an excellent basis for further development.

Research

The research was done by comparative analysis of data and facts posted on the official websites of the two matches.

The two AI portals of official annual publications are getting the required parameters: category of the competition, the coefficient value of the rally under International Automobile Federation, number of participants, number of viewers. The collected data show the following - Historic Rally Bulgaria was older and dates from 1969, and Croatia Rally 1973. Rally Bulgaria One change from the golden sands in Borovets, Rally Croatia, also at once they change route from Zagreb to Rijeka. Rally Bulgaria from 1971 are drives with most high coefficient 20 at European Rally Championship and is the recognized event the Bulgarian state especially in the period when driving at Golden Sands and brings the eponymous name. Croatia Rally 1993, driven by a factor 2 and in 1996 received rating 10th The highest achievement of Rally Bulgaria 2011 when the same drive in the World Rally Championship, Rally Croatia's crowning achievement is when driving this year's European Rally Championship.

Concluding observations

The evolution of this format gives events model for a regional approach to implementation. Modification of routes for realization of these sporting events that would pass through two or three countries will give added impetus to the junction of investors, regional approach to strategic management in tourism and development of interstate relations and joint appearance on third markets.

For this base can take Rally Sweden, which is part of the World Championship and where tracks pass through Norway, but the model and the format is taken from the functionality in the interest of satisfying

the quality of paths needed to deliver the top racing games. However the findings of the comparative analysis of the two rally competitions in Bulgaria and Croatia, along with the choice of the top quality tracks, near the mentalities and functional potential development will bring out each state with its neighbors through the development of sport, sport and tourism as a whole, to be the basis for developing local tourism business, promotion and trade in goods and goods through expanded tourism markets. Taking the successful methods and forms of motor sports but with a different type of capital and results that realize the same is evident today in Qatar, Abu Dhabi and Dubai. From all this more clearly confirms the basic hypothesis, while acknowledging that the development of the sport represents a generator of sports tourism and comprehensiveness, multi functionality, media inexhaustibility represent a great potential for tourism development at all.

Changing the management and approach of overall ideological organization of this event is prerequisite for changing the focus of local government, region and state in terms of positioning their priorities for further operation. The speed of implementation of formats and methods of tourism activities through sports events ensures standard and the programming benefit in all segments.

Strategic planning in motor sports is distinctive, multifunctional structure which if correct is more successful

The development of this segment presents and represents a fundamental parameter for assessing the maturity of local government, region or specific country of challenges to be overcome in its operation of each plan.

STRATEGIES FOR SPORT TOURISM DEVELOPMENT (CASE: THE MUNICIPALITY OF BAR, MONTENEGRO)

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ABSTRACT

This paper examines different strategies for sport tourism development in Bar, Montenegro. Taking into consideration characteristics of Municipality Bar, authors want to give appropriate guidelines and define optimal strategy for the further development of sports and recreational tourism in this municipality.

For the purposes of this study several scientific methods were used including major strategic tools. Authors have conducted a survey specially designed for the purpose of this work.

Research shows that Municipality Bar has a good basis for the development of sports tourism, but there is a lots of barriers which can be removed by providing high-quality planning, good implementation of strategies, by raising awareness of local people about the importance of sport tourism development in order to increase economic and social benefits. Further more, Municipality Bar does not have defined strategy of sport tourism development, which means this paper can be used as guide for strategy definition.

Key words: *destination, development, strategy, sport tourism*

INTRODUCTION

Sport, together with religion and health, is one of the oldest motives that generated travel and tourism development. There are not many forms of selective tourism, especially at such great scale, that can trace their roots as far as 776 BC. (Ancient) Olympic Games were the earliest documented example of sports tourism and the touring element was an important part of the sport (Weed, Bull, 2012).

Today, the relationship between tourism and sports activities is now so well established that sports tourism is recognized as a field of study in its own right and there are several books devoted to the subject. At it's most successful, sports tourism will draw the greatest number of tourists to any one site on the planet (Holloway, Humphreys and Davidson, 2009).

Connection between tourism and sport is two-sided: sport can be part of leisure tourism or can be exclusive motive for tourism travel. Therefore, sport is an important activity within tourism while tourism and travel are connected with many types of sport (Hinch, Higham, 2011).

There are numerous definitions of sport. Usually, it is defined as some form of physical activity, be it competitive or recreational, structured or unstructured, goal orientated or participatory. In all of its diversity, sport involves engagements with people as competitors, co-participants, spectators, officials and hosts/ guests. Indeed even individual sports, some of which take place in extreme isolation (e.g., mountain

running, ultra-marathon and solo yachting), involve interactions with other people (Hinch & Higham, 2009).

Regardless of the definition, it is undisputable that sport presents great chance for further development of one tourist destination that aims to be recognized on tourist market and attractive to people who are directly or indirectly connected to sector of sport and recreation.

THE MUNICIPALITY OF BAR AS SPORTS TOURIST DESTINATION

Primary destination elements

Natural characteristics

The municipality of Bar is located in the south of Montenegro, between the Adriatic Sea and Skadar Lake, edged by the municipalities of Budva, Cetinje and Ulcinj. We can say that the municipality of Bar has advantageous geo-traffic position. The municipality of Bar is a port city, too. (Radović, 2010)

The total length of the coastline is more than 46 km, which makes 16.6% of the Montenegrin coastal region. Beaches in place called Čanj (797m) and in Sutomore (1070m) are classified as the most beautiful beaches of the Montenegrin coast. These beaches, including beach "Topolica", are protected monuments of nature (Radović, 2010)

Ratac Peninsula, an area of 30 ha, is natural monument that is emphasized by panoramic view and natural beauty. It is also protected as a nature reserve. (Radović, 2010)

Part of Bar Municipality is Skadar Lake National Park. Pine and white bark forests are classified in category II and III, according to the International Union for Conservation of Nature (IUCN). (Milović, Mustafić, 2001)

Flora and fauna of the municipality of Bar are also very characteristic. There are lots of meadows, fields, vineyards, orchards and unique forests. The municipality of Bar is well known by olive trees. One of Montenegrin branded products is olive oil produced in the Bar. (Milović, Mustafić, 2001)

Special segment of flora is aromatic plants that are usually collected by local people. Well known is plant "pelin" that is used for producing herbal tea and honey. There are also exotic plants such as palm trees, cactus, eucalyptus, and ornamental plants.

Very different animal species can be found in the area of Bar. Most of the animals have inhabited the mountains around Bar such as mountains: Rumija, Sozina, Sutorman and Lisanj. The wild dog or jackal, foxes, wolves, rabbits can be found there. On the Skadar Lake birds' nests, wintering or relocated 281 species of birds have the status of international importance for birds (IBA) and is on the list of the world's aquatic habitats of international importance (RAMSAR). Today, Skadar Lake is the biggest settlement of pelicans in Europe. (Milović, Mustafić, 2001)

Bar has Mediterranean climate that is characterized by long, dry summers and mild, wet winters due to thermal influences of the Adriatic Sea. An average winter temperature in Bar is 9.1 degree. There is small number of days when the temperature drops below zero. Summers are very hot and dry with an average temperature of 22.6 degrees. The swimming season lasts from mid-May to mid-October, when the water temperature rises to 26 ° C. Autumn is usually long and pleasant, much warmer than spring. (HMZCG, 2013)

Demographics

The municipality of Bar has been developing and growing during the time and the number of inhabitants has been gradually increasing. In this regard, the population in Bar has doubled compared to 1948 year.

Today, in the municipality of Bar live 42,048 inhabitants. Males constitute 49.16% and women 50.38% of the total. Majority of population is between 50 and 54 years old. The average age of population in the municipality of Bar is 36.9 years. Population of the municipality of Bar is composed of nine ethnic groups, most Montenegrins, Serbs and Albanians. In this area, population is mixed of Christian and Islamic denomination. (MONSTAT www.monstat.org connection: 05.01.2013. 11.47h)

Economic characteristics

Trade, tourism and hospitality, construction industry, transport sector are the basis of the economy of the municipality of Bar. The share of Bar in GDP is 6.78% and it is over 219 million euros.

GDP per capita in the municipality of Bar is much higher than the average GDP per capita at the national level. Most employees work in the field of tertiary and quaternary sector, around 82% of those who working in the municipality of Bar. About 17% of employees work in the secondary sector. Within the primary sector, which includes forestry, agriculture and fisheries, there are a small number of employed people. (Group of authors, 2007)

In the municipality of Bar operates 97 industrial companies. In industrial enterprises is employed 12.06% of the total employees in Bar. The industry of Bar consists of 5 production branches: food industry, metal processing, printing industry, mining and quarrying and processing of chemical products. The most important companies are "Aragana" belonging to metal processing industry and products blinds, doors and other products, "Olioprom" company that produces the olive oil, then printing shop and other companies. (Group of authors, 2007)

There are 6 state owned companies operating in the utilities sector in the municipality of Bar and these companies employ 4.91% of the total employed person. They are: PE "Cultural Center," PE "Communal activity", PE "Water and Sewage," PE "Rumija" and the public service "Radio Bar".

A significant number of companies is also registered in the service sector such as engineering, financial, business and other services. Although there is great potential for agricultural development in Bar, we can not say that this industry branch is developed enough. The largest share in agriculture has growing olives, pomegranates, figs, and citrus fruit, wine production and livestock. In Bar, there is also great potential for development of fisheries, because this area is rich in sea and lake fish. (Group of authors, 2007)

Cultural and historical heritage

There is a lots of historical and cultural sites in the municipality of Bar such as Old town of Bar, church St. Vita's church, St. Lovra church, remains of cathedral from VI century, castle of Prince Nikola (now it is museum) including park and promenade full of palm trees. Three churches located at Spic have two altars, Orthodox and Catholic, which evidence about traditional religious and cultural tolerance. There are also remains of the medieval town called Nehaj and ruins of famous monastery the Ratac's cape. There are numerous cultural and historical monuments in the place called Crmnica. The remains of the monastery Precista Krajinska are situated in the place called Krajina. Old town of Bar, built on a rocky hill 150m above sea level, is the most important cultural and historical monument in the municipality of Bar. It is archaeological research site. The priest Dukljanin wrote famous book in Bar called "Ljetopis" that describes life and manners of people who used to live there. (Radović, 2010).

Olive tree, located at Mirovica place, is a symbol of the municipality of Bar and monument of nature that has been protected by law since 1963. It is more than 2000 years old and it is the oldest tree in Europe. Legend tells it used to be place where warring parts pacified. (Local Tourist Organization Bar, www.visitbar.org connection: 06.06.2013. 10:37h)

Secondary destination elements

Accommodation

Tourist accommodation is concentrated in the coastal region of Bar's Riviera. There are 48 accommodation units. In the municipality of Bar is 8,858 guest rooms. The number of beds is 20,662, the number of permanent beds is 18,278, while the number of additional beds is 2 384. Number of households with private rooms for rent, apartments or houses is 1 290. More than 15% of total Montenegrin accommodation units is situated in the municipality of Bar and more than 20% of accommodation units located at costal region of Montenegro. Just two 4**** hotels exist in this municipality. On the other hand, there are numerous children, youth and workers' resorts and campsites. The number of accommodation capacities in the municipality of Bar is significantly higher than in the municipality of Kotor, the municipality of Tivat and the municipality of Ulcinj, but significantly lower

compared with the municipalities of Budva and Herceg Novi. (MONSTAT www.monstat.org connection: 06.06.2013. 11.05.h)

Sports facilities

For sport activities, the municipality of Bar offers sport facilities within the hotel and schools. There is Sport center "Topolica" that greatly stimulates the development of indoor sports.

Sport hall "Topolica" is one of the most modern sports centers, not only in Montenegro but abroad. The area around the center of the 6.3 acres is an attractive for the future development and investment in new sport facilities.

The hall has a ground floor and two floors, with a gross building area of 8,500 square meters, while the area of the base is 3,600 square meters. On the ground floor there is a playground for basketball, handball, volleyball and other indoor sports of 1 290 square meters and capacity of 2,625 seats. (The official website for the sport center, Topolica" www.topolica.com realized connection 07.04.2013.godine at 20:34 h)

Outdoor sports facilities in Madžarica are organized in the framework of the Public Company "Sport Center". Sport grounds on Madžarica are near the shoreline. Grounds cover an area of 102,188 square meters. There is a parking space for 200 vehicles on the north side of the complex (LTO Bar www.visitbar.org connection: 10.06.2013. 10.20).

The main football stadium has a running track and stadium capacity of 2,000 spectators. Near this the other football stadium field with artificial turf with capacity to 1,000 spectators. The complex also includes the old tennis court, a recently there are built four new tennis courts. Not far away, there are two separate grassy parts that are used for training in open space.

Apart from outdoor sports to Madžarica, all major indoor competitions in indoor sports take place in the gym of the school "Yugoslavia" (tennis, handball, basketball and volleyball) with a capacity of 1,500 seats. Indoor competitions in small sports clubs take place in the hall of the Agriculture School. Due to the lack of urban indoor and outdoor space for sports, the best school grounds and rooms are rented out for sports competitions and training, as well as for recreation, which allows the rational use of space for sports in the city.

This year, the municipality of Bar has got another hall with capacity of 2,800 seats plus telescopic stands around the pitch which is open to individual sports.

Apart from these already build capacities we cannot neglect the fact that Municipality of Bar lays in a natural valley with significant amount of free space that can be used for future sport capacities.

Gastronomy

As the coastal city, seafood mostly characterizes the cuisine of the municipality of Bar, such as fish, octopus, shrimp and squid. Bar is also famous for traditional and specific way of preparing milk, cheese, honey, mushrooms, lettuce and different kinds of pie. Bar is famous for olive production and olive oil is usually consumed.

There are many restaurants in Bar, where you can taste a variety of dishes of national and Mediterranean cuisine. All kinds of fish, meat, seafood, various stews, soups, cakes and other pastries are just part of restaurant offer in the municipality of Bar. (NTO www.montenegro.travel connection: 10.06.2013. 18.23h).

There are numerous pizzerias, fast food restaurants and cafe bars. The municipality of Bar does not have a 5***** restaurant, but has nine 4-stars restaurants, two 3 stars restaurants and there is a 1* restaurant and 2** restaurant.

Events

Traditionally, every year a large number of events are organized in Bar, whose aim is to maintain past traditions and cultural life and affirmation of Bar as a tourist destination. The most famous cultural events held in Bar are: International TV Festival, Meetings Under The Old Olive Tree, Festival of wine and bleak, Olives, Bar Guitar Fest, Summer with the Stars, the Bar Chronicle, Days of ecology, Tourism and Culture

days of suburbs, Days of Mrkojevićs', meetings of farmers, growers, fruit growers and beekeepers. (National Tourism Organization, www.montenegro.travel connection 21.05.2013. 12.32h)

However, in addition to cultural events, the municipality of Bar hosts many sport events that take place each year. Among the most important sport events held in the municipality of Bar are: sport games in Crmnica place, swimming marathon, an event Port cup and the International athletic meeting. It is important to note that the Municipality of Bar hosted a major, international, sport events such as European Championship for Cadets 2010, the International Judo Tournament "Montenegro open 2011", Balkan Championships in beach volleyball, Regional basketball camp organized by the Embassy of USA volleyball tournament "Port Cup 2011", III International karate tournament "Trophy Bar", European Winter throwing Cup, European Championship in judo for cadets, the Balkan Championship in volleyball for cadets, World Handball Championship for cadets, qualification match for the European Championship in Denmark, the European volleyball Championship for cadets. (LTO Bar, www.visibar.org connection: 21.05.2013. 12.32h).

STRATEGIC ANALYSIS OF MUNICIPALITY OF BAR AS SPORTS AND TOURIST DESTINATION

Sample

For the purposes of this survey two types of closed questionnaires were created, one for local people and one for tourists and athletes. The questionnaire designed for the local population contains the 17 questions, excluding questions about respondents. The questionnaire was completed by 57 citizens of Bar who are directly and or indirectly involved in the sectors of tourism and hospitality industry, as well as sports and recreation sector. The gender of the respondents was almost equal, 50.4% male, 49.6% female. The majority of respondents were from 20 to 30 years old. Over 87% of respondents are engaged in sport professionally; train regularly; engaged in sports from time to time for recreation. The questionnaire designed for athletes and tourists contains the 8 questions, excluding questions about respondents. The questionnaire was completed by 50 professional athletes, coaches and tourists who come to Bar for preparation, competition, rest and recreation. Exactly 78% of respondents were men, the rest women. The majority of respondents were between 20 and 30 years old. The collected data were analyzed by statistical method using IBM SPSS software.

Results

Local people

On the question „do you believe that sports and recreational tourism in the Municipality of Bar is well developed“ just 13 respondents or 22.8% answered that they believed that this type of tourism in the municipality of Bar is well developed, while 43 respondents or 75.4% answered that they do not believe that sports and recreational tourism in the municipality of Bar is well developed. In correlation with these answers were respondents' assessments of former sports tourism development in the municipality of Bar. It is emphasized that local people think that sports-recreational component is important factor for choosing right destination and this attitude has 41 respondents, or 71.9% of the respondents.

Even 31.6% of the respondents or 18 respondents, slightly agree with that tourist facilities in Bar can satisfy the needs of professional athletes, while 22.8% of respondents moderately agree with this statement. On the other hand 14% of respondents agree with it a lot.

Over 73% of respondents do not agree at all /slightly agree or moderately agree with that the municipality of Bar is ready to organize major sports events (for seniors).

The predominant number of respondents (68.4%) does not agree at all or slightly and moderately agree with the statement that the existing facilities in the function of sport tourism are at a satisfactory level.

A large number of respondents (89.5%) agree with the statement that it is important to improve the quality of service and variety of sports and recreation facilities in the municipality of Bar. In addition, the majority of respondents believe that local people cannot finance the development of sports tourism in the Bar.

Exactly 92% of respondents agree with that the building of the swimming pool will greatly enhance the development of sports and recreational tourism in the Bar.

More than half of respondents agree about that programs for spare time of athletes who visit the Bar are poor (59.6%). More than 21% of respondents agree with this attitude very much.

Even 87.7% of the respondents say that there is no institution that has supported or helped them improving or establishing business related to sports tourism. This is the reason why the respondents negatively rate attitude to encouraging local people to engage in sports tourism. Opposite of this, 82.7% of respondents say they would deal with sports tourism if they had a chance. Some of respondents would open a restaurant with a special offer for athletes. Some of them would open gym, built and / or upgrade accommodation facilities, open a specialist sports shop, a travel agency that would deal with sports tourism, etc. In addition, 78.9% of respondents would participate in training programs to earn more about sports tourism or to broaden their actual knowledge and improve their skills in the field of sports tourism. Respondents are asked to answer the question "how do you involve local people in the tourism development of the municipality of Bar?"

The most common answer is that "it should be done by raising awareness of local people about the importance of sports and recreational tourism as a strategic industry of Bar", which is given by 33.3% of the respondents, or nineteen. Over 26% of respondents, or 15 respondents think that local people should be involved in the development of tourism in Bar by giving financial support or subventions to people interested in sports and recreational tourist business or to people interested in producing products and services that can be sold to this market segment.

The lowest percentage of respondents' answers that local people should be involved in sports events' organization and implementation which will appeal athletes and people who are looking for recreation and it would be great chance for further sports tourism development in municipality of Bar. More than 15% of respondents believe that local people could be involved in sports tourism development through their special education. It means to learn what sports tourists need or to learn foreign languages. Over 17% of respondents believe that the local people could be involved in sports tourism development if the country has developed a sports and recreational tourism independently. Table no.1 shows us how respondents have rated some of the obstacles to the development of the sports tourism in the Municipality of Bar.

Table 1. Obstacles to sports tourism development

Obstacles to sports tourism development	Poor offer of attractions and products for sports tourists	Poor Bar's transportation connections to other destinations	Lack of playgrounds, courts, playing halls
Average rate	5	3.2456	4.4912
Obstacles to sports tourism development	Lack of accommodation and hospitality capacities	Poor promotion of sports-recreational tourism in Bar	Insufficient engagement of travel agencies
Average rate	4.2456	4.3158	3.8246

Legend: 1 – not important; 2 – moderately important; 3 – important; 4 – very important; 5 – of crucial importance. Source: Authors

Athletes and tourists

Over 75% of the 50 respondents say that sports tourism in the Bar is not sufficiently developed. Table 2 gives the average rate of respondents' individual attitudes. The respondents express their agreement or disagreement with several attitudes using numbers: 1 - disagree, 2 - agree a little, 3 - moderately agree, 4 - agree, 5 - agree very much

Table no.2. Responders' attitudes towards sport tourism development

Attitudes	Average rate
Restaurants offer in the municipality of Bar can satisfy needs of professional athletes	3
The municipality of Bar has a sufficient number of recreational facilities	3.02
The municipality of Bar has a sufficient number of accommodation facilities ready for professional athletes acceptance	3.16
Existing facilities (playgrounds, courts, halls for training) in the Bar are at a satisfactory level.	3.14
The municipality of Bar is ready to organize major sports events (senior).	3.38
Tourist capacities can satisfy professional athletes' needs.	3.1
Gyms situated in Bar are well equipped.	3.88
Special relax programs are available to athletes in hotels or in wellness and spa centers	2.58
The construction of the swimming pool would greatly enhance the development of sports and recreational tourism in Bar	4.68
Offer of programs for athletes' spare time is poor.	3.5

Source: Authors

From the Table no.2 we can see that the respondents are at least consistent with the premise that special programs for relaxation are available to athletes who come to Bar. Situation is similar when we talk about restaurant offer in the municipality of Bar that could satisfy needs of professional athletes. On the other hand, almost all respondents agree to the statement that the construction of the swimming pool will greatly enhance the development of sports tourism in the Bar. Respondents moderately agree with other premises.

Extremely high percentage of respondents disagree with the statement that the sports events in the area of Bar are well organized, even 72 respondents or 36% of them disagree and 14 respondents or 28% of the respondents agree with this paragraph.

Respondents majority use sports facilities situated in Bar for their training such as: primary school's hall, sports center Topolica, football stadium and gyms. The second part of respondents use outdoor running tracks, indoor basketball courts, tennis courts and other sports facilities by the sea.

SWOT analysis

The term SWOT is an acronym of these words: strengths, weaknesses, opportunities and threats. SWOT analysis brings together a tourist organization or destination's main strengths and weaknesses as generated by the internal environmental assessment, and the threats and opportunities and competitor analysis from the external environmental assessment. (Beech, Chadwik, 2006)

Based on results of survey we can form SWOT analysis of the municipality of Bar as sports and tourist destination.

Strengths:

- Diversity of supply in a small space
- Climate

- Good geographical position
- Good transport links: Sozina tunnel and vicinity of the airport Golubovci, port and railway Belgrade – Bar
- Natural resources
- Food and beverages
- The existence of a sufficient number of sports and recreational facilities
- A small distance between the sports / recreational facilities, which creates the opportunity for using many of them
- Kind local people
- Political stability
- Undiscovered destination
- National Park Skadar Lake
- Educational institutions for training of personnel in the field of sports and recreational tourism
- Local people want to participate in training programs in the field of sports and recreational tourism
- Maintenance of sports events of international importance

Weaknesses

- Insufficient development and perception of the municipality of Bar as a destination of sports and recreational tourism
- Lack of vision that sees Bar as a destination for sports and recreational tourism
- Insufficient use of natural resources for the development of sports and recreational tourism
- The „gray“ economy
- Lack of commitment of institutions in providing support, assistance and help to local people who deal with sports tourism and hospitality
- Weak stimulation of sports and recreational tourism developing in the municipality of Bar by institutions that are essential
- Insufficient accommodation and hospitality facilities tailored to athletes
- Service quality and variety of sports and recreation offer in the municipality of Bar is not at the high level
- Existing capacities in the field of sports and recreational tourism are not at satisfactory level
- Poor offer of programs for leisure time for tourists and / or athletes
- Lack of willingness to organize major sport events
- Poor promotion of sports and recreational tourism
- Poor offer of attractions and products for sport and leisure tourists
- Inefficient compliance with the principles of sustainable development
- Insufficient use of IT
- Undefined sport – recreational tourist products
- High seasonality of tourism
- Lack of research related to sports and recreational tourism
- Lack of development strategy of the municipality of Bar as sports and recreational destination
- Non adequate usage of tourist resources
- Inadequate supporting infrastructure (water supply, wastewater, solid waste, road infrastructure, electricity, parking places)
- Unplanned construction
- Non-compliance with the standards of the countries where sports and recreational tourists come from
- No major investment and funding for the development of sports and recreational tourism
- Lack of interest of local people in sports and recreational tourism

Opportunities

- The increasing of worldwide demand for destinations and tourism that is focused on sport and recreation
- Modern trends in tourism that include this type of tourism
- The increasing worldwide demand for high - quality tourist facilities
- Eligibility for sustainable development
- Ongoing integrations into the European Union
- Increasing number of people who participate in sport
- The increasing presence of IT technology in purpose of promoting destinations
- Low – cost airline companies
- New lifestyle trends
- The level of awareness about the significance of psycho-physical health is higher

Threats:

- Global Social - Economic Crisis
- Strong competition
- Sale of real estate outside the state
- Impacts of climate changes
- High electricity prices
- Environmental pollution
- Market turbulence

BCG matrix

The Boston Consulting Group (BCG) matrix, also called the product portfolio matrix, is one of the methods for determining strategic options and/or investments of organizations. The matrix consists of four categories or quadrants: stars, question marks, cash cows and dogs. (Rainey, 2010) The BCG matrix assesses products/SBU in terms of their market share and market growth and from this analysis; organizations should be able to plan their future portfolios. (Pender, Sharpley, 2006) This helps tourism managers to ensure the long-term viability of the tourist product, and inhibits management from making decisions quickly that may be wrong and destroy the success of the SBU. The matrix also allows tourism managers to be aware of the product's needs. By analyzing the tourist product in isolation, and not comparing it with other products within the SBU, the manager may recognize certain trends (growth may be decreasing while market share remains strong) that would otherwise remain hidden. (Moutinho, 2011) The municipality of Bar as a sport and recreational tourist destination can be placed in the "question mark" cell because the growth rate of the tourist market is extremely high, but the municipality of Bar occupies a low market share. We can say that the municipality of Bar could be a „star“ if a set of steps were taken. We discuss it in the last chapter.

Tourist destination life cycle

The tourist area life cycle (TALC) and Butler's model of resort development are derived from the product life cycle concept in marketing (Howie, 2003). It is very useful model for destination planning, organizing and for control tourist destination developing. Using this tourist destination life cycle model managers should be able to position destination at any of particular stages such as exploration stage, involvement stage, development, stagnation, decline and rejuvenation stage. (Butler, 2006).

We could position the municipality of Bar as a sports tourist destination in the development stage. It means that sports tourism is recognized as an opportunity for the development of the municipality, and in recent times more attention is paid to the improvement of existing services for specific market niches, such assignments of athletes and fans of sport and recreation.

STRATEGIES FOR SPORT TOURISM DEVELOPMENT

After the strategic analysis authors have dealt with strategies for the development of sports tourism in the municipality of Bar. Creating adequate strategy for the destination development includes defining appropriate vision and mission. Considering it, vision of Bar would be:

Provide necessary quality to athletes and to people who are looking for recreation in order to achieve the best sports results and excellent physical and psychological condition; constantly improve destination's offer in accordance with the requirements of the tourist market; create a recognizable brand destination that is attractive to professional athletes and amateurs; develop sports-recreational tourism, which will be in function of creating a year-round destination; create a comprehensive system for the performance of sports and recreational activities at the destination including all important institution's support.

The mission of the municipality of Bar as a sport and recreational tourist destination would be:

Bearing in mind the vision of the future tourism development, the municipality of Bar will be a destination that will provide high quality sports and recreational programs throughout the year. The municipality of Bar will take a distinctive place at the market by innovative products and high quality infrastructure. Sports and recreational tourism will become an inevitable component of the overall tourist offer in Bar and the city will become year-round destination. Creating a high quality sports and recreational tourist offer is a task for all stakeholders led by the local management.

The developing strategy which should be implemented in the municipality of Bar is focus strategy based on differentiation. It is important to segment tourist market into several special niches and make unique tourist products and services that worth more than competitors' products and services.

Defining several tourist products is essential for further development of Bar as tourist destination. It means creating tourist products that are attractive to athletes and to people who want active vacation and recreation, too. Some of tourist products that could be developed in the municipality of Bar are: hike and bike, mountain bike, water sports, nautical sports, sports preparations, sports fishing, adventure parks and other theme parks, indoor and outdoor sports, sports events.

Also, authors suggest the following to be implemented:

- To increase the number of high category tourist capacities;
- To improve the quality of existing accommodation facilities (primary and complementary), and trying to adapt it to the international quality standards;
- To improve the overall infrastructure;
- To upgrade existing sports facilities and to build new ones;
- To create a clear and recognizable image of Bar in target markets;
- To maximize market share and expand it by new tourist products;
- To have a unique product, which will provide added value to selected market's segments of consumers;
- To attract professional athletes with better purchasing power and to increase tourist consumption;
- To introduce new facilities through planned projects; to extend business throughout the year;
- To improve communication between local, national and international sports associations;
- To train management and employees in the tourism, sports activities and other activities related to sports and recreational tourism (medicine, science, etc.)
- To encourage cooperation between sports and tourist organizations and between the public and private sectors because of better coordination of events.

It is useful to emphasize that destination management is crucial for tourism development and management. Including good marketing strategy, this is necessary condition must be fulfilled in order to achieve sustainability of sport tourism development and to ensure guests' satisfaction and loyalty.

CONCLUSION

Considering the analysis of the municipality of Bar as a tourist destination, the results of research and strategic analysis of Bar as a sports and recreational destination we can conclude that further development of sports and recreational tourism in Bar requires good cooperation between the administrative authorities, local communities, tourism industry and sports associations.

Raising awareness of local people about the importance of sport and sport tourism for the economic and social growth and destination development is a very difficult task and a great challenge with which, sooner or later, the management of the municipality must cope with. Furthermore, development of sports and recreational tourism has to be one of the priorities not only for Municipality but also the for Local tourist organization and for stakeholders who are directly and / or indirectly related to sport tourism industry.

Sports events organized in Bar can greatly help in building an adequate image of Bar as a sport tourist destination. However, all sports events should be well planned and better implemented, bearing in mind that the municipality of Bar recently started to win market of sports and recreational tourism.

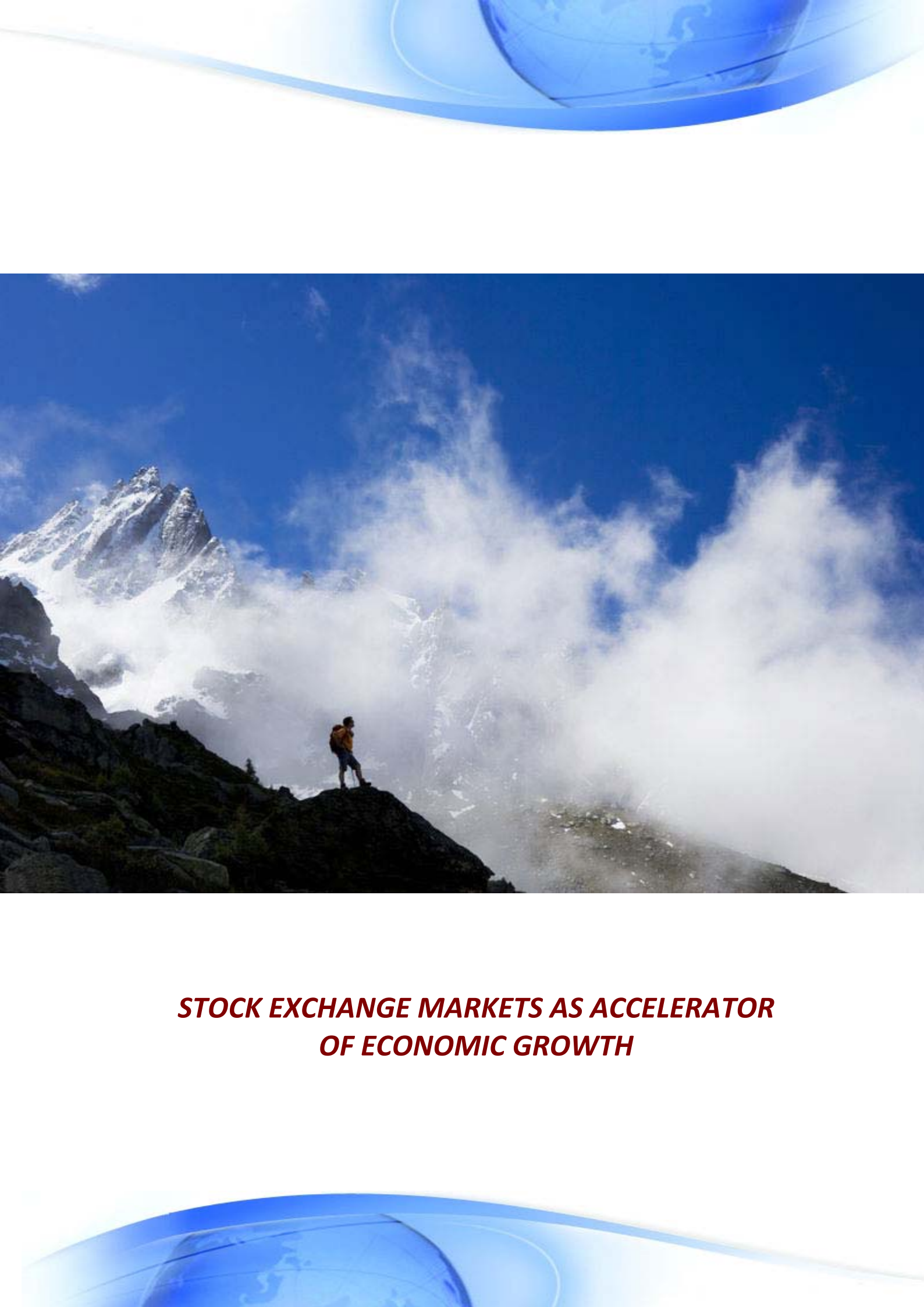
Staff training, recruitment and selection of professionals for employment in this, highly specialized sector, may speed up the process of raising the quality of sports and recreational tourism that is being developed in the municipality of Bar.

New sports facilities could improve existing sports and recreational tourist offer of the municipality of Bar. Although certain steps towards the development of sport tourism have been taken, we believe that tourist destination Bar has potential for a better and more intensive development of this type of tourism. With strong-will and strong support from the local and national management and with joint efforts of all stakeholders our municipality can be developed to fulfill its potentials with the aim of overtaking the competition in relative short period of time.

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Hidro-meterološki zavod Crne Gore
Turistička organizacija Bar



***STOCK EXCHANGE MARKETS AS ACCELERATOR
OF ECONOMIC GROWTH***



FUNDAMENTAL ANALYSIS AND DISCOUNTED FREE CASH FLOW VALUATION OF STOCKS AT MACEDONIAN STOCK EXCHANGE

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Abstract

We examine the valuation performance of Discounted Free Cash Flow Model as one of the most reliable stock valuation models on two stocks quoted at the Macedonian Stock Exchange (MSE) in order to determine if this model offer significant level of relevancy for stock values determination. We have find that stock values calculated with DCF model are very close to average market prices which suggest that market prices oscillate near their values. We can conclude that DCF models are useful tools for the companies' enterprise values calculation on long term. The analysis of our results derived from stock valuation with DCF model as well as comparison with average market stock prices suggest that DCF model is relatively reliable valuation tool that have to be used for stocks at MSE.

Key words: *valuation, securities, free cash flow, equity*

Introduction

Valuation of an asset can be determined on three ways. First, as the intrinsic value of the asset, based on its capacity to generate cash flows in the future. Second, as a relative value, by examining how the market is pricing similar or comparable assets. Finally, we can value assets with cash flows that are contingent on the occurrence of a specific event as options (Aswath 2006).

The basic idea of intrinsic valuation is that, the value of any asset is the present value of the expected future cash flows on the asset, and it is determined by the magnitude of the cash flows, the expected growth rate in these cash flows and the uncertainty associated with receiving these cash flows.

In accordance with the DCF method, the value of a company is a function of three major variables: the expected net cash flows, the expected growth of these cash flows, and the required rate of return. The net cash flows are the result of the company's income generating potential (or earning power) (N.Nenkov 2010). The future growth in earnings depends on the growth of this earning power. The required rate of return (or cost of capital) depends on the level of risk of the company's operations and its financial leverage. Finally, the value of the company can be expressed as a function of the earning power, the expected growth in earnings, and the level of risk. (Damodaran 2006)

Market price is more closely related to long-term "expected earnings" (or "average earnings", or the "the earning power"), rather than to temporary deviations in current earnings, which are within the acceptable range. This fact outlines the close relationship between relative valuation and discounted cash flow valuation, since both are based on expected average earnings or cash flows in the long run (N.Nenkov 2010).

We examine how precise is DCF valuation in stock market price predictions at MSE.

Fundamental Analysis and Discounted Free Cash Flow Valuation of Granit-Skopje SC Stocks at Macedonia Stock Exchange

We start examination using Discounted Free Cash Flow (DFCF) model for two companies: Granit SC Skopje and Vitaminka SC Prilep. We present in this paper whole process of comprehensive DFCF valuation for both companies. After completed valuation we compare stocks' intrinsic values with average stock market prices at MSE in order to see if market prices are near stock values.

Granit SC, Skopje is construction company with main activity as projecting, construction and audit in construction industry. Company has its own branches in Germany, Russia, Albania, Bulgaria, Ukraine, Croatia and Montenegro.

Using model of DCF as well as Fundamental Analysis of audited financial statements we evaluate Granit SC, Skopje stock (ISIN Code: GRNT) as well as all public available information for that company. Fundamental analysis enables us to derive basic assumptions in order to forecast company Free Cash Flow. In order to create Pro-Forma Income Statements and for fundamental analysis we use company's key data for period 2006-2010, as follows:

Table 1 Data from Granit SC, Skopje Financial Statements (in million denars)

	2010	2009	2008	2007	2006
Total Income	3.486.889	3.927.692	2.989.679	2.239.916	2.093.443
EBIT	243.598	198.295	190.473	30.857	82.469
EBT	296.915	336.924	400.508	348.138	267.076
Equity	3.291.195	3.074.020	2.857.524	2.376.777	2.143.208
Total Liabilities	2.754.292	4.291.078	2.227.526	2.284.316	2.248.485
Total Asset	6.045.487	7.365.098	5.085.050	4.661.093	4.391.693
Market Capitalization (25.08.2010)	1.697.091	2.398.321	1.812.112	6.443.705	1.714.565
EBITDA	525.149	452.844	339.347	30.857	230.082
WC	448.009	790.004	482.198	350.962	205.048

Using data from financial statements, we proceed with fundamental analysis and derive basic ratios (liquidity, activity, leverage and profitability), as well as make cross-sectional analysis using averages for similar companies and industry averages in the region of South-East Europe (SEE). Fundamental analysis results will be used for determination of basic assumptions for DCF Valuation Model development.

Table 2 Fundamental analysis of Granit SC, Skopje

	2010	2009	2008	2007	2006
ROS	6,98%	5,04%	6,37%	1,37%	3,93%
EPS	99	109,69	130,40	113,35	86,96
ROA	4,84%	4,57%	8,21%	7,69%	6,07%
ROE	8,90%	10,96%	15,04%	15,40%	13,37%
P/E	5,81	7,42	4,52	18,51	6,42
BV per Share	10.117,04	10.00,86	866,87	735,82	650,27
P/B	0,51	0,81	0,68	2,85	0,86
Dividend perShare	10	20	23,00	23,00	22,73
Dividend Yield	1,69%		3,89%	1,09%	4,07%
NetProfit Margin	8,29	8,57	13,66	15,54	12,75
Current Ratio	1,17	1,20	1,24	1,17	1,093
Quick Ratio	0,76	0,97	0,84	0,75	0,78
Inventory Turnover	1,04	2,68	1,55	0,99	2,65
Total Assets Turnover	1,14	1,39	1,09	0,97	1,05
Debt Ratio	45,55	58,26	45,77	99,75	51,19
Debt Equity Ratio	20,27	57,01	36,85	28,13	4,74
Total Assets/ Equity	6,48	7,94	5,46	2,45	4,71

Table 3 Cross-Sectional Analyses

	P/E	P/S	P/B	ROE
Granit	5,81	0,61	0,81	8,90
Putevi Uzice (Serbia)	6,08	-	0,85	13,92
Industry average SEE	8	1,85	1,02	-

Company fundamental analysis started with analysis of key derived data from financial statements (Balance Sheet and Income Statement) in absolute value, as well as their trend analyses (historical per year). This enable us to extract sales data, EBIT as well as Net Income for the company. Our goal is not only to analyze change in financial position of that company, but also to determine basic reasons for its growth or decrease in absolute value or as ratios - profit margins.

We proceed with analyses of company assets and assets sources (liabilities and equity) as well as their historical comparison. Beside previously mentioned key data we also determine company's EBITDA and NWC which are necessary for DCF Model. We determine ratios (liquidity, activity, leverage and profitability) that will be used also for company relative valuation. Calculation of ratios as well cross-sectional analyses (comparison with similar companies in SEE environment) will be used in order to determine if stock price is undervalued or overvalued.

We can see that Granit has 12% sales decrease in 2010 compared with 2009 when it has 30% sales increase compared with 2008. It has kept same level of percentage in sales of 55% (COGS/Sales). EBIT has increase for 22 % in 2010, which is significantly higher than in 2009 when it increased for 4%, while Net Income has decreased for 12% in 2010, as well as 14% in 2009. Granit has increased its Net Income in 2008 for 15% compared with 2007, so it is evident that crises in 2009 has negative impact on company performance. Company has decrease of Net Profit Margin for 4% in 2010 and now it is 8,29%. Company has 40% growth of Assets and 90% growth of Liabilities. In 2010 company has reverse trend and decrease of asstes for 18%. Company liabilities has decreased in 2010 for 36%. We can also see that company use 30% from Net Income for dividend payments.

Liquidity ratios analyzes (current ratio – 1,17 as well as quick ratio – 0,96) shows that company may have soon problems with liquidity.

Leverage ratios show that company use gearing until 2010 which means that it was risky (Debt/Equity – 57% in 2009). However Debt/Equity ratio in 2010 is 20,27% which suggest that company decreases leverage.

Profitability ratios P/S is 0,61% which is above the industry average and P/E is 5,81 (22% decreases compared with 2009 when it was 7,42) and it is below the construction industry averages. With Du Pont analysis we calculate ROE = 8,90 in 2010, which is decrease compared with 2009, when ROE was 10,96 %, which means that return on capital was decreased for 19% and the trend of its decrease continue (in 2009 it decreased for 4% compared with 2008) and is bellow the industry averge.

Considering the fact that company has continues increase of Net Income and is has relatively stable ratios, as well as compared with cross-sectional analysis with the region of SEE we can see that stock price is undervalued.

Based on fundamental analysis we derived following assumptions necessary for DCF valuation. First, we determined sales growth rate. Expected sales growth rate was forecatsed in interval from 5 - 10%, based on company management expectations, as well as calculation of expected rate of growth. We determine historical reinvestment rate as 93% as well as ROCE, that is 5,5%, which enables to determine expected growth rate as 5,11%. We make assumption in the model that sales growth rate will decrease every year for 1% until fifth year, when we use constant rate of growth of 5%, while in one simaulation we forecast constant rate of growth of 3% forever.

Second, we determined basic model assumptions as: COGS/Sales = 55%; General, Administrative and Selling Expenses/Sales = 27%; Cost of Debt = 9%, 10%, 11%; Cost of Equity (Table No.) = 16,5%; Cost of Capital = WACC = 14,991, 15,135, 15,279% (Table No.); CAPEX/Sales = 8%; Depreciation = 9% (Table No.); $\Delta NWC/Sales = 60\%$; Tax Rate = 10%. We use Discounted Free Cash Flow to Firm model for company valuation in order to evaluate value of all investment opportunities of the firm compared with available cash flows that can be directed both to shareholders or creditors. For evaluation of Free Cash Flows to Firm we calculate NOPAT (EBIT (1-T)).

Based on assumptions as well as calculated forecasts, we project Pro-forma Income Statement, for FCF evaluation with three different growth rates (10%, 7% and 5%). On next table we present Pro-Forma Income Statement with 10% growth rate:

Table 4 Pro-Forma Income Statement and FCF forecasting for Granit SC, 10% sales growth rate (forecasting 2011-2016 in mil.denars)

Гранит АД Скопје/04.08.2011	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales	2.239.916	2.881.446	3.927.692	3.48.6889	3.835.577	4.180.779	4.515.242	4.831.309	5.121.187	5.377.247
% growth		13%	14%		10%	9%	8%	7%	6%	5%
COGS	840.533	1.224.754	.383.088	1.092.748	(1.956.144)	(2.132.197)	(2.302.773)	(2.463.967)	2.611.805)	(2.742.396)
% margin	62,4%	57,5%	40%	31%	51%	51%	51%	51%	51%	51%
Gross Profit	1.399.383	1.656.689	1.574.604	2.394.141	1.879.433	2.048.582	2.212.468	2.367.341	2.509.382	2.634.851
% margin	62%	57%	40%	68%	49%	49%	49%	49%	49%	49%
Gen,Sell,Adm.Exp	529.638	592.103	824.557	669.200	(1.035.606)	(1.128.810)	(1.219.115)	(1.304.453)	(1.382.720)	(1.451.856)
% from sales	23%	20%	20%	20%	27%	27%	27%	27%	27%	27%
Depreciation	184.556	230.978	254.549	281.551	(310.042)	(341.098)	(374.638)	(410.526)	(448.567)	(488.511)
% of fixed assets	8%	8,8%	9%	9%	9%	9%	9%	9%	9%	9%
EBIT	30.857	108.369	198.295	243.598	533.784	578.673	618.714	652.361	678.093	694.483
% margin	1%	3%	5%	6,9%	13,9%	13,8	13,7%	13,5%	13,2%	12,9%
Tax	41206	37547	11626		53.378	57.867	61.871	65.236	67.809	69.448
%					10%	10%	10%	10%	10%	10%
NOPAT					480.406,1	520.806	556.843	587.125	610.284	625.035
Depr.+ NOPAT					790.448,6	861.904	931.481	997.651	1.058.851	1.113.546
CAPEX			313.605	(-)	(306.846)	(334.462)	(361.219)	(386.505)	(409.695)	(430.180)
% of sales			8%		8%	8%	8%	8%	8%	8%
ΔNWC	99%	29%	20%	(-)	(209.213)	(207.121)	(200.677)	(189.640)	(173.927)	(153.635)
% of change of sales					60%	60%	60%	60%	60%	60%
Free Cash Flow					274.389	320.321	369.585	421.507	475.230	529.731
Long term rate of growth - g										5%
WACC										14,991%
Vn-terminal value										5.567.182
Discount rate (1+wacc)					1,149	1,322	1,520	1,748	2,0105	2,311
DFCF of Vn										2407977
DFCF					238.617	242.246	243.065	241.073	236.365	229.124
Vo										3.838.470

After determination of discounted value of FCF (V_0) we add the value of debt and decrease for the amount of money and money equivalents and get Enterprise Value which divided with total amount of stocks outstanding gives us stock intrinsic value:

Table 5 Enterprise Value calculation for Granit SC for 10% growth rate (in denars)

Discounted value of FCF (V_0)	3.838.470
Money and money equivalents	(120.478)
Debt	189.048
Enterprise Value (EV)	3.907.040
Stocks outstanding	2.946.340
Value of stock	1.326

Table 6 Calculation of Fixed Assets and Depreciation

	2009	2010	2011	2012	2013	2014	2015
Fixed Assets	3.032.234	3.339.080	3.673.543	4.034.762	4.421.267	4.830.962	5.261.142
Depreciation	281.551						
	0,09285266						

Table 7 Cost of Equity calculation (CAPM) for Granit SC - Skopje

R _{free} - T-Bonds	5,5
Beta (β)	1
R _m -Risk Premium	5
Country Risk Premium	6
R _e -Cost of Equity	16,5

Table 8 WACC Calculation for Granit SC – Skopje

	%	%	%
E/E+D (equity financing)	0,83	0,83	0,83
Cost of equity	16,5	16,5	16,5
D/E+D (debt financing)	0,16	0,16	0,16
Cost of Debt	9	10	11
(1-T)	0,9	0,9	0,9
WACC	14,991	15,135	15,279

In first scenario for Granit SC we forecast high sales growth rate of 10% and its decrease every year for 1% until 5% when it stays constant forever. Second scenario is with 7% sales growth rate and 3% constant growth rate (g), while third scenario is with 5% constant rate of growth forever.

As discount rate we use WACC, and make simulation with three different costs of debt (9,11 и 12%), and got three different discount rate. We are calculating intrinsic values for three different scenarios with three different discount rates. For each scenario we determine Granit stock intrinsic values.

Table 9 Pro-Forma Income Statement and FCF forecasting for Granit SC, 5% sales growth rate (forecasting 2011-2016 in mil.denars)

[illegible]

Table 10 Pro-Forma Income Statement and FCF forecasting for Granit SC, 7% sales growth rate (forecasting 2011-2016 in mil.denars)

GRNT	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales	2.239.916	2.881.446	3.927.692	3.486.889	3.730.971	3.954.830	4.152.571	4.318.674	4.448.234	4.581.681
% growth		13%	14%		7%	6%	5%	4%	3%	3%
COGS	840.533	1.224.754	2.383.088	(1.092.748)	(1.902.795)	(2.01.6963)	(2.117.811)	(2.202.524)	(2.268.599)	(2.336.657)
% margin	62,4%	57,5%	40%	31%	51%	51%	51%	51%	51%	51%
Gross Profit	1.399.383	1.656.689	1.574.604	2.394.141	1.828.176	1.937.866	2.034.760	2.116.150	2.179.635	2.245.024
% margin	62%	57%	40%	68%	49%	49%	49%	49%	49%	49%
Gen,Sell,Adm.Exp	529.638	592.103	824.557	669.200	(1.007.362)	(1.067.804)	(1.121.194)	(1.166.042)	(1.201.023)	(1.237.054)
% from sales	23%	20%	20%	20%	27%	27%	27%	27%	27%	27%
Depreciation	184.556	230.978	254.549	281.551	(309.265)	(338.642)	(369.488)	(401.569)	(434.611)	(468.645)
% of fixed assets	8%	8,8%	9%	9%	9%	9%	9%	9%	9%	9%
EBIT	30.857	108.369	198.295	243.598	511.548	531.419	544.076	548.539	544.000	539.324,7
% margin	1%	3%	5%	6,9%	13,7%	13,4%	13,1%	12,7%	12,2%	11,7%
Tax					51.154	53.142	54.408	54.854	54.400	53932,47
%					10%	10%	10%	10%	10%	10%
NOPAT					460.393,4	478.277,8	489.669	493.685,3	489.600,1	485.392,3
Depr.+ NOPAT					769.658,8	816.920,5	859.157,9	895.254,3	924.211,5	954.037,4
CAPEX			313.605	(-)	(298.478)	(316.386)	(332.206)	(345.494)	(355.859)	(366.534)
% of sales			8%		8%	8%	8%	8%	8%	8%
ΔNWC	99%	29%	20%	(-)	(146.449)	(134.315)	(118.644)	(99.661)	(77.736)	(80.068)
% of change of sales					60%	60%	60%	60%	60%	60%
Free Cash Flow					324.732	366.219	408.307	450.099	490.617	507.435
Long term rate of growth - g										3%
WACC										15,135%
Vn- terminal value										4.307.027
Discount rate (1+WACC)					1,15135	1,3256	1,5262	1,7572	2,0231	2,3294
DFCF of Vn										1848985
DFCF					282.044,4	276.265,3	267.525,5	256.140,5	242.496,5	2.17.839,2
Vo										3.391.296

Table 11 Stock Value calculation for GRNT for 5% growth rate (in denars)

Discounted value of FCF (V ₀)	3.528.187
Money and money equivalents	(120.478)
Debt	189.048
Enterprise Value (EV)	3.596.757
Stocks outstanding	2.946.340
Value of stock	1.220

Table 12 Stock Value calculation for GRNT for 7% growth rate (in denars)

Discounted value of FCF (V ₀)	3.391.296
Money and money equivalents	(120.478)
Debt	189.048
Enterprise Value (EV)	3.459.866
Stocks outstanding	2.946.340
Value of stock	1.174

Table 13 Assumptions and Scenarios for GRNT

Assumptions for GRNT			
$\beta = 0,59$, $R_{free} = 5,5$, R_m (risk premium) = 5			
Cost of Debt	9%	10%	11%
WACC	14,99%	15,14%	15,28%
Scenarios	Price		
I- 10% growth rate, $g=5\%$	1.326	1.306	1.287
II- 7% growth rate, $g=3\%$	1.188	1.174	1.160
III- 5% growth rate, $g=5\%$	1.255	1.237	1.220

Source: Authors calculations

Year	2010	2009	2008	2007	2006
Total Income	1.223.783	1.147.522	1.152.579	1.051.045	936.938
EBIT	53.466	64.250	58.561	49.650	39.728
EBT	42.466	47.686	33.601	32.349	28.788
Equity	448.771	528.344	458.672	455.896	456.903
Total Liabilities	553.593	583.765	648.092	696.182	410.504
Total Asset	1.077.496	1.106.064	1.106.764	1.152.078	867.407
Market Capitalization	379512,5	606.450	619.497	1.436.005	153.862
Net Income	130.606	80.888	131.737	102.394	85.280
Working Capital	39639	87353	12081	5523	85258

In accordance with DFCF Model, and with assumptions that we make as well as average 7% sales growth rate in next five years we got stock price of 1.174 denars. Compared with several key ratios, GRNT stocks is undervalued (August 2011, GRNT- price 600 denars)

Fundamental Analysis and Discounted Free Cash Flow Valuation of Vitaminka-Prilep SC Stocks at Macedonia Stock Exchange

Using model of DFCF as well as Fundamental Analysis of financial statements we evaluate Vitaminka-Prilep SC (ISIN Code: VITA), using company's audited financial statements as well as all public available information for that company. Company is working in food industry and is mature company. Fundamental analysis enables us to derive basic assumptions in order to forecast company Free Cash Flow. In order to create Pro-Forma Income Statements and for fundamental analysis we use company's key data for period 2006-2010, as follows:

Table 44 Data from Vitaminka-Prilep SC, Financial Statements (in thousand denars)

Using data from financial statements, we proceed with fundamental analysis and derive basic ratios (liquidity, activity, leverage and profitability), as well as make cross-sectional analysis using averages for similar companies and industry averages in the region of South-East Europe (SEE). Fundamental analysis results will be used for determination of basic assumptions for DCF Valuation Model development

Table 15 Fundamental analysis of Vitaminka SC, Prilep

	2010	2009	2008	2007	2006
EBIT/Income (ROS)	3,84%	5,95%	5,08%	4,72%	4,24%
EPS	455,02	589,73	414,93	399,47	355,50
ROA	3,19%	4,31%	2,97%	3,13%	3,32%
ROE	7,03%	9,02%	7,34%	7,17%	6,46%
P/E	10,42	12,71	18,44	44,39	5,34
BV per Share	6.473,27	6.534,05	5.646,88	5.569,35	5.501,12
P/B	0,73	1,14	1,35	3,18	0,35
Dividend per Share	159	158	195,00	187,00	183,00
Dividend Yield	3,27%		2,54%	1,05%	9,63%
NetProfit Margin	3,32%	4.15%	2,91%	3,07%	3,07%
Current Ratio	1,09	1,236331	1,026711	1,011578	1,228541
Quick Ratio	0,70	0,85	0,46	0,51	0,86
Inventory Turnover	4,44	4,39	3,11	3,18	2,29
Total Assets Turnover	1,98	1,76	1,79	1,56	2,29
Debt Ratio	51,37	52,77	58,55	60,42	47,32
Debt Equity Ratio	83,11	88,13	86,51	90,79	22,66
Total Assets/ Equity	4,33	4,55	4,89	4,77	5,24

Table 16 Cross-Sectional Analysis

	P/E	P/S	P/B	ROE
Vitaminka	10,42	0,52	1,14	7,03
Swislion	13,41	-	0,69	5,13
Industry Average	12,44	2,83	1,66	2,17

Vitaminka SC, Prilep has 6% sales increase in 2010 compared with 2009 and 2008 when it has almost same 10% sales increase compared with 2007. EBIT is lower in 2010 for 17%, which is reverse trend compared with 2009 when it was 10% higher compared with previous year, while Net Income decrease for 11%. Vitaminka Net Income in 2009 has 42% increase. Company has decrease of Net Profit Margin on 3,32% in 2010 and this is 11% decrease compared with previous year. *N 2009 Net profit Margin has 2% increase compared with 2008.* Company has 5% decrease of Liabilities as well as 15% decrease of equity. Vitaminka did not make dividend payments in 2010 and 2009.

Liquidity ratios analyzes (current ratio – 1,09 as well as quick ratio – 0,70) shows that company may have soon problems with liquidity.

Leverage ratios show that company use gearing and it makes her risky (Debt/Equity – 83,7%).

Profitability ratios P/S is 0,58% and P/e is 10,42 which is below the industry average.

With Du Pont analysis we calculate ROE = 7,3% in 2010, which is 21% decrease compared with 2009, when ROE was 9,2% and was 2% higher than in 2008. Vitaminka ROE is below the industry average.

Considering the fact that company has continues increase of Net Income and is has relatively stable ratios, as well as compared with cross-sectional analysis with the region of SEE we can see that stock price is overvalued.

BA

Based on fundamental analysis we derived following assumptions necessary for DCF valuation. First, we determined sales growth rate. Expected sales growth rate was forecasted in interval from 3 - 8%, having in mind that company beside 2007 has deinvestments. In accordance with Vitaminka historical records as well as expected rate of return calculation we determine expected rate of growth.

With analysis of historical reinvestment rate as 36% as well as ROCE, that is 8,07%, which enables to determine expected growth rate as 3%. We make assumption in the model that sales growth rate will decrease every year for 1% until fifth year, when we use constant rate of growth of 3% forever.

Second, we determined basic model assumptions as:

- COGS/Sales = 55%;
- General, Administrative and Selling Expenses/Sales = 27%;
- Cost of Debt = 10%;
- Cost of Equity (Table No.) = 11,99%;
- Cost of Capital = WACC = 10,547; 10,835; 11,1595% (Table No.);
- CAPEX/Sales = 10%;
- Depreciation = 9% (Table No.);
- Δ NWC/Sales = 7%;
- Tax Rate = 10%.

We use Discounted Free Cash Flow to Firm model for company valuation in order to evaluate value of all investment opportunities of the firm compared with available cash flows that can be directed both to shareholders or creditors.

Based on assumptions as well as calculated forecasts, we project Pro-forma Income Statement, for FCF evaluation with three different growth rates (8%, 5% and 3%). On next table we present Pro-Forma Income Statement with 8% growth rate:

Table 175 Pro-Forma Income Statement and FCF forecasting for Vitaminka SC, 8% sales growth rate (forecasting 2011-2016 in mil.denars)

VITA/ 04.08.2011	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales	1.051.045	1.152.579	1.147.522	1.223.783	1.321.686	1.414.204	1.499.056	1.574.009	1.636.969	1.686.078
% growth		8,8%	-0,44%		8%	7%	6%	5%	4%	3%
COGS	754.063	788.971	615.947	723.114	(793.011)	(848.522)	(899.433)	(944.405)	(982.181)	(1.011.647)
% margin	71%	68%	53%	59%	60%	60%	60%	60%	60%	60%
Gross Profit	49.650	363.608	531.575	500.669	528.674	565.681	599.622	629.603	654.787	674.431
% margin	28%	31%	46%	40%	40%	40%	40%	40%	40%	40%
Gen,Sell,Adm.Exp	225.086	234.858	325.465	178.657	(356.855)	(381.835)	(404.745)	(424.982)	(441.981)	(455.241)
% from sales	21%	20%	28%	14%	27%	27%	27%	27%	27%	27%
Depreciation	52.744	67.782	70.343	77.140	(85.625)	(95.044)	(105.499)	(117.104)	(129.985)	(144.283)
% of fixed assets	7%	11,3%	10,8%	12,5%	11%	11%	11%	11%	11%	11%
EBIT	49.650	58.561	64.250	53.466	86.193	88.802	89.378	87.517	82.820	74.906
% margin	4,7%	5%	5,6%	4,3%	6,5%	6,2%	5,9%	5,5%	5%	4,4%
Tax					(8.619)	(8.880)	(8.938)	(8.752)	(8.282)	(7.490)
%					10%	10%	10%	10%	10%	10%
NOPAT					77.574,36	79.922,05	80.440,38	78.765,46	74.538,52	67.415,73
Depr.+ NOPAT					163.199,8	174.966,2	185.939,4	195.869,4	204.523,9	211.699,5
CAPEX	(-)	(-)	(-)	(-)	(132.169)	(141.420)	(149.906)	(157.401)	(163.697)	(168.608)
% of sales					10%	10%	10%	10%	10%	10%
ΔNWC	(-)	6%	(-)	(-)	(6853,185)	(6476,26)	(5939,655)	(5246,695)	(4407,224)	(3437,635)
% of change of sales					7%	7%	7%	7%	7%	7%
Free Cash Flow					24.178	27.070	30.094	33.222	36.420	39.654
Long term rate of growth - g										3%
WACC										10,547%
Vn- terminal value										541.191,1
Discount rate (1+wacc)					1,105	1,222	1,350	1,493	1,650	1,825
DFCF of Vn										296530,2
DFCF					21.871,25	22.150,74	22.276,24	22.245,18	22.059,85	21.727,31
Vo										428.860

After determination of discounted value of FCF (V_0) we add the value of debt and decrease for the amount of money and money equivalents and get Enterprise Value which divided with total amount of stocks outstanding gives us stock intrinsic value:

Table 18 Enterprise Value calculation for Vitaminka SC for 8% growth rate (in denars)

Discounted value of FCF (V_0)	428.860
Money and money equivalents	(30.021)
Debt	132.130
Enterprise Value (EV)	530.969
Stocks outstanding	78.250
Value of stock	6.785

Table 19 Cost of Equity calculation (CAPM) for Vitaminka SC - Prilep

R_{free} - T-Bonds	5,5
Beta (β)	0,59
R_m -Risk Premium	5
Country Risk Premium	6
R_e -Cost of Equity	11,99

Table 20. WACC Calculation for Vitaminka SC-Prilep

	%	%	%
	0,65	0,65	0,65
E/E+D (equity financing)	11,99	11,99	11,99
Cost of equity	0,34	0,34	0,34
D/E+D (debt financing)	9	10	11
Cost of Debt	0,9	0,9	0,9
(1-T)	10,55	10,85	11,16

Table 21 Enterprise Value calculation for Vitaminka SC for 6% growth rate (in denars)

Discounted value of FCF (V_0)	414.482
Money and money equivalents	(30.021)
Debt	132.130
Enterprise Value (EV)	516.590
Stocks outstanding	78.250
Value of stock	6.601

Table 22 Enterprise Value calculation for Vitaminka SC for 3% growth rate (in denars)

Discounted value of FCF (V_0)	404.727
Money and money equivalents	(30.021)
Debt	132.130
Enterprise Value (EV)	506.836
Stocks outstanding	78.250
Value of stock	6.477

Vitaminka SC stocks valuation with DCF model also has three scenarios. First, with 8% sales growth rate and its decrease every year for 1% until 3%, when stays constant forever. Second scenario is with 6% growth rate and 3% constant growth rate while third is with 3% constant growth rate. We make same calculation of discount rate WACC with three costs of debt (9,10 и 11%), and get three different discount rates. For every scenario we determine VITA stock prices as follows:

Table 23 Assumptions and Scenarios for VITA

Assumptions for VITA			
$\beta = 0,59$, $R_{free} = 5,5$, R_m (Risk Premium)= 5			
Costs of Debt	9%	10%	11%
WACC	10,55%	10,85%	11,15%
Scenarios	Price		
I- 8% growth rate, $g=3\%$	6.785	6.591	6.354
II- 6% growth rate, $g=3\%$	6.601	6.388	6.191
III- 3% growth rate, $g=3\%$	6.477	6.271	6.080

Source: Authors calculations

In accordance with DCF Model, and with assumptions that we make as well as average sales growth rate of 6% in next five years we got stock price of 6.388 denars. Compared with several key ratios, VITA stocks is undervalued (August 2011, VITA- price 4.995 denars).

Conclusion

When we use DCF model and calculate stocks values we did it only for one year (last year in valuation), because this model has applicability only when analysts make forecasting for the future. Values calculated with DCF model are very close to average market prices which suggest that market prices oscillate near stock values, which follows us to conclusion that DCF models are reliable tools for calculation of companies' enterprise values on long term. Investors that use this model can get long-term picture for real

stock value as well as enterprise value, which is solid ground for investment decision-making and picking stocks that promises higher yields in the future.

However, use of DCF model is most complex and asked from analysts to have deeper knowledge and experience in stock valuation. This method offer relatively safe forecasting for stocks' intrinsic value, as it can be seen from comparison of our results. Having in mind that construction of this model based on relatively big number of unknowns variables and the need of bigger number of forecasts, stock valuation has to be made as simulation with different assumptions (as it was done in our research). Practice shows that all complex valuations always finished with DCF valuation. The analysis of our results derived from stock valuation with DCF model as well as comparison with results gained from other two models, suggest that DCF model is tool that has to be used at MSE, together with relative valuation. Furthermore, we have seen that dividends politics are very difficult for forecasting and are not stable and also because market does not offer relevant information for use of P/E and other relative multiplies. Values gained from DCF model and relative valuation and with their mutual check analysts offer relevant base for stocks intrinsic values calculation at MSE.

Stock values calculated with DCF model are also very close to average market prices which suggest that market prices oscillate near stock values, which means that DCF models are safe tools for calculation of companies' enterprise values on long term. The analysis of our results derived from stock valuation with DCF model as well as comparison with securities average stock market prices, suggest that DCF model is tool that has to be used at MSE. Values gained from DCF model are relevant base for stocks intrinsic values calculation at MSE.

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MANAGERIAL ECONOMICS IN CONTEMPORARY ECONOMIC CONDITION

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ABSTRACT

Managerial economics is a relatively young branch of the economy. Her field of research extends and interlaces achievement of Microeconomic, Mezzo economic and Organizational Sciences. It offers a simplified treatment of managerial decisions and forecasts for sales, production and cost function, avoiding application of econometric treatments designed functionality and easy and simple applicability. Although economic theory is not the only tool used by successful managers, it is still very important and has a strong influence on the adoption and implementation of their decisions, they achieve the goals of the existence of the company, often maximizing profits.

Effective managerial decision-making is finding the best possible solution to a problem. If there is only one possible solution, then there is no problem in making decisions. Existing the several possible alternatives, the best one that gives results as a function of optimal contribution to the achievement of management objectives. The process of finding the best definition of a management decision or the best resolution of a problem, actually constitutes the process of economic optimization, that is the focus of managerial economics.

Key words: *Managerial Economics, profit, decision making, optimization, costs.*

Managerial economics is a relatively young branch of the economy. Her field of research extends and interlaces achievement of Microeconomic, Mezzoeconomic and Organizational Sciences.

Managerial economics is a complete and comprehensive scientific area, which does not require any special prior knowledge of macroeconomics.

Managerial economics not only retains the upholding of immanence and its superiority over the classical economics of the enterprise, which is only part of it, but it must be conceived most complex cognitive segment Manager: seeing the future (closer or more distant) environment in which to place the decision in the function and purpose of making profit.

Managerial economics systematically and carefully develops and applies concepts of the most pragmatic preparation and business decision making.

It offers a simplified treatment of managerial decisions and forecasts for sales, production and cost function, avoiding application of econometric treatments designed functionality and easy and simple applicability.

Definitely, Managerial Economics is the microeconomic, mezzoeconomic and organizational science, which treats a multidisciplinary approach, using information from the whole plethora of scientific fields in the elaboration and preparation of cost-effective management decisions.

In modern economic conditions the role of managers in companies, non-profit institutions and state institutions, it becomes increasingly important, and requirements for improving the utilization of available resources in all types of organizations become more transparent.

Information age of the middle 90's of the last century to create an overload of information managers, leading to paralysis and denial of the intuitive analysis in decision making. Dynamic changes in the

economic environment led to hindering the estimates of supply and demand in the market, which emphasized even more timely and efficient "on-site" preparation, adoption and implementation of crucial executive decisions of management.

The top manager is set to enable the integration of accounting, financial, marketing, personnel and production function by determining organic access the performance of the organizational structure of the company.

Taking into account the dominant role of demand for the products of the company in sizing the profitability and success of the overall operation, specifically addressed the analysis of production and demand, as well as relations between supply and demand of the company. This logically leads to the development of targeted economic forecasting and methods for improving the accuracy and efficiency of its results as a basis for real managerial decision making.

The analysis of costs and production are highlighted so definitely understand the managerial aspects of economical use, transformation and allocation of factors of work and employment levels of the company.

Anticipation the analysis of market structure, providing a foundation to advance the impact of external economic environment and the determination of price segments along with the state's role in the market economy and the overall limitations in this sphere are distinguished as a separate area crucial to the management of firm.

Finally, the planning of investments in new industrial enterprises is used as a real method for applying marginal analyzes and long-term strategic planning and control not only the company, but also to highlight the vital role for society as a whole, given that management making investments contribute to the allocation of functional use of sources of funding and the private and public capital.

Macroeconomics consists of studying and analyzing the behavior of individual segments of the economy, such as individual consumers, workers and owners of capital, firms and individual markets for goods and services, businesses, assessing the selling prices, volume of production, propaganda activities, research and development and how to make investment decisions.

Although economic theory is not the only tool used by successful managers, it is still very important and has a strong influence on the adoption and implementation of their decisions, they achieve the goals of the existence of the company, often maximizing profits.

Profitable solutions require people to understand how the real world that is often too complicated for understanding without resorting to simplification and generalization of the theory, which allows them to enter into complicated problems, using simplified assumptions to reduce confusion.

Avoiding the uncertainty, managers, using the economic way of thinking about business change, made predictions and explanations that are valid in the real business environment. Value in use managerial economics lies in the creation of economic models and analyzes to create a logistical framework that will be used in describing and predicting managerial experience in practice.

Managerial economics is also a mezzoeconomic science, because its range is seen in connection with a commercial enterprise branch, field or industry in which he conducted his activity, and compare it with and overcome their eventual uneconomical and unprofitable states and movements within the created economic relations and structures in the area.

Managerial economics is a topic worthy of study because it offers answers to the myriad fundamental economic issues and open application and pragmatic solutions, such as:

- How managers make good operational decisions and plan exactly?
- Why do some occupations continue to be well paid while others offer only minimal financial compensation?
- How to effectively motivate employees?

This underlines the importance of the economic factor as a challenge for managers. The answers to these questions illustrate the vital importance of managerial economics when making management decisions. Successful managers create and make good business decisions, and one of the most used tools for their success is just managerial economics, i.e. , managerial economics is micro mezzoeconomic science that uses economic theory and methods to business and administrative decision-making. Using procedures and techniques in the field of economic analysis, economic forecasting, mathematical and statistical techniques, accounting harmonization, computer simulations and socio-ethical profiling,

managerial economics connects traditional economy with decision sciences to develop vital tools needed for managerial decision making.

The value of managerial economics can be seen in the listing rules to improve managerial decisions and suggests how managers should be made certain activities to successfully achieve the goals of the organizations. Managerial economics also helps managers understand how economic factors are reflected in the organization and to describe the economic consequences of managerial behavior.

Managerial economics can be used to identify practical ways that could reach any target organization. For example, a firm that deals with small business and having rapid sales growth, in order to reach the optimal size of production, the firm's managers can use managerial economics to identify pricing and production strategies that would help To achieve the objectives set out for a short period faster and more effectively. Managerial economics suggests rules for production and marketing that will allow the company to maximize profits, that allows them to achieve their optimal combinations of the elements of production and sales.

Managerial economics perspective has application in the profit and nonprofit sectors. For example, the manager of a nonprofit institution (hospital) are struggling to provide the best possible medical care given the limited medical staff, equipment and other necessary resources. The use of managerial economics, he can determine the optimal use of limited resources.

Managerial economics helps managers to reach operating rules that will offer the most successful use of human and capital resources. To set appropriate rules for decision making, managers must accurately understand the economic environment in which they operate.

A basic law of existence in nature is the law of reproduction, and basic economic law is the law of expanded reproduction, which is accomplished by returning the value of the input elements of reproduction increased profits.

Successful management decisions are measured with greater or lesser Profit in respect of investments. Managers who can generate the highest profits for companies that run not only satisfy the desires of the owners (shareholders), but themselves create and image makers profitable businesses.

It is necessary to understand the nature of profits to understand the theory of the firm and the firm's role in the modern economy.

Profits are key elements in the complex economic system, or the system will fail without profits and profit motives. Even in planned economies, where state ownership is more common in terms of private, for profit motive is increasingly used for proper utilization of resources, or reduce costs. Definitely, Profits and the profit motive have a dominant share of the growing role of proper allocation of economic resources worldwide.

The total cost for the normal functioning of the company include both types of resources.

Financial expenses for the purchase of resources provided to the market and which are then transformed into production are called explicit costs, while non-financial values of the resources provided by the owner of the firm representing the implicit costs.

In reality, the profits they earn different companies have major differences. Profit is obtained by determining the net profit in the amount of money value and as a percentage of total sales in terms of value of equity. While business profits may be measured in money or as a percentage of sales, the economic concept of normal profit margin is calculated by the realized rate of return on equity (ROE - return on stockholders' equity). This term is defined as net profit, defined accounting, divided by the value of the firm.

Some of the variations in the rate of return indicate the degree of risk that should be necessary to compensate investors if a business is much more risky than another. In the drug industry, for example, new discoveries of effective therapies for serious diseases is usually a good move in the long run.

Profit margins reflect differences in economic profits caused by a wrong business decision, which ultimately means that investors will receive indicators generated negative results from investments. The current accounting practice fails to include costs for advertising and research and development investment as a long term effect. Because advertising, research and development costs are calculated as or treated as consumed immediately, and not written off during their actuality, unrealistic values expressed Profits may cause refraining from making venture for some companies.

Commercial enterprise (company) is a combination of people, physical and financial capital and information (financial, technical, marketing).

During its operation, the company managers perform synchronization of the activities of the activities of the company, which engaged: the owners (shareholders), management, employees, suppliers and customers.

Each national economy has affected business because companies pay taxes, provide employment and produce most of the social product. Firms exist because they are useful for producing and distributing products and services.

They are economic entities and are best analyzed in the context of economic models. One of the most sophisticated models is called the theory of the firm.

In simplified form of this model, the company is treated as an entity for which the main objective has maximum rate of profit. Top managers of the company are treated as someone who will try to maximize profits in closer and more distant future.

Today attaches great importance to the prediction uncertainty and time dimension of the value of money, which include such elements in increasingly complex model. In this more complicated model, the primary focus of the firm is to maximize long-term profitability as the only goal in the economic model for the behavior of firms.

When the manager of the company is also the owner of the business, unlike most modern companies, which are run by professional management teams that have very little or no own shares can arise conflict between the owner and managers.

These conflicts arise from differences in the objectives of owners and managers. Owners require managers to maximize the value of the firm, which usually means achieving maximum profits.

Even though accomplishing the maximum rate of growth of the firm sometimes coincide with maximizing profits, in certain conditions of operation, most management decisions for determining the selling price, the production and sales volume of that determined leadership and propulsive or companies with the most accelerated and the most stabile business growth, not always are performing maximizing the value of the company.

The owner or shareholders enter into a management contract with the manager, before which the task of achieving the objectives of the owner or maximization of the value of the firm. The implementation or operational running of the company, may be a divergence in compliance with all provisions of the management agreement by the Manager, which is a problem of moral hazard, i.e. the second side (the owners), not enough instruments to achieve insight in compliance, which cannot effectively punish or reward the activities of the managers.

Market share for products could erode when a propulsive firm will lose contact with the buyers for breach of some basic principles. Not only that future success depends on adequate delivery of products and services to customers, but also complete the future survival of the company depends on it. Established and easily adjustable rivals are ready to realize benefits from extravagance and problems of certain firms in relations with customers. The following will show the basic economic concepts and fundamental principles of economic analysis. These concepts are essential in all aspects of managerial economics and describe the principles of demand, costs and profits. The proper determination of basic economic relations, tools and techniques of optimization can be used to find the best choice of action that could model the solution of any problem in managerial decision making.

Effective managerial decision-making is finding the best possible solution to a problem. If there is only one possible solution, then there is no problem in making decisions. Existing the several possible alternatives, the best one that gives results as a function of optimal contribution to the achievement of management objectives. The process of finding the best definition of a management decision or the best resolution of a problem, actually constitutes the process of economic optimization, that is the focus of managerial economics.

Adoption of optimal decisions for various business activities is essential and important skill for all managers. Prior to making the best possible decision under the given conditions, the managers are required to analyze income and expenses arising from that decision.

Managerial decision is optimal if it leads to the best results under the circumstances. For finding the best solution (decision), it is necessary to apply the principles of the theory of optimization. These principles in reaching an optimal solution to the usual formal presentation ideas that are often used in everyday life.

The marginal decisions entail selecting the levels of different business activities, such as number of employees, volume of production budget for advertising to increase or decrease certain business objectives, such as income, expenses, profits or the value of the firm, which cost core that needs to learn managers in making optimal decisions.

The analysis of the use of a simple, yet powerful method for finding the optimal level of business activity or any kind of activity actually represents an analytical technique that economists call "marginal analysis". It forms the basis of theories for maximum profit, manufacturing, supply of factors of production, variety of sales, including even consumer behavior.

Behind running it on marginal analysis in business decisions stand the idea that the manager when reviewing specific business needs it more or less to adjust to real opportunities to achieve the best result. The manager should assess how changing the business activity will affect profits, but the cost to the company resulting from the implementation of the activity. If the change in the level of business activity caused greater increase in profits compared to the increase in costs or alternatively, greater decline in the cost of declining profits, the net profit that the firm receives from the activity will increase. Under such circumstances, managers will continue by adjusting the level of activity until the net profit is viable, which means the action has reached the optimal value or level.

This reasoning forms the fundamental logic of making optimal decisions. Understanding this logic, allows managers to make good decisions, and at the same time to avoid some common types of errors when making business decisions.

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QUALITY IN HIGH EDUCATION IN REPUBLIC OF KOSOVO

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ABSTRACT

Idea for increasing the quality of educational system in High education in Kosovo. Through representing the opportunities for quality implementation. Important elements are co-operation between institutions of higher education of the countries with well developed educational system. Kosovo is evaluated to have a considerable number of university institutions, meanwhile a high number of students which seek a place with quality.

Work represents specifications which are connected to high education and shone by concrete proposals for implementation which will be elaborated at next points, applicable according to the quality standards.

Keywords: *high education, quality in education, standards in quality, producing quality*

INTRODUCTION

The quality of education project, which one could see from two points. Especially in Republic of Kosovo. In openly way quality of higher education could be daily for users that's needs education(results) in accordance with norms and quality's standards.

In closely way, the higher education (which one could do with university's preparation and professional quality). Every time, in cooperation with higher education institution, than coder of production that needs for society, state and professionalism creation in accordance with norms and quality's standards[1].

From this sight, welfare's process and quality of higher education should identification from users of this activity.

Users of quality in higher education always should search in some spaces, like student's population, which have usage in out trade from quality, which arrive from institution of higher education.

The quality system in higher education should arrive standard's quality. In this context, like in the other models the quality system is one or more aspects. Ideas ant stands in this direction can change in dependence from countries, culture to cultures, determinations usages and same things like those. Pearled with evolution of education system, the quality system should have in consideration final proposing with national propose for higher education and Bologna process propose, too[2].

THE QUALITY OF HIGHER EDUCATION PERIODONTAL VIEW

In this part, is too important the creation of international system's agency for quality insurance in higher education.. (Insurance European system of quality). Every country evolves education system for needs and with norms and international quality standards international. This is important for our country, too, Republic of Kosovo[4,5,6].

In all every the world exists too many organizations, from which could be done. Verification of quality system or verification from the third parties. In different countries are recognize those organization, like p.s. in Europe is recognize the well know European Consortium for Accreditation in high Education-ECA, which is foundation in November, 2003 and it's mission is reciprocity recognize ached to guarantee the quality in institution of higher education. In USA are recognize the well know professional organization for Accreditation, which are from different subjects.

STANDARDS AND DIRECTION FOR INSURANCE OF QUALITY IN EUROPE'S SPECIES IN HIGHER EDUCATION

The project for quality implementations in institutions of higher education should be in plan systematic way. In this aspect should define the mission and vision with quality. In this context, is clarity the ambition of quality and clarify determination to the quality definition. In this aspect we could define this points him higher education:

- the quality is instrument to get the point
- the quality is system to arrive in continuing
- the quality should be enough for users
- the quality is the way how we can find the recognizes and to make psychologies changes to the users etc.

Before that implementation will start the system of higher education, is too important to give the answers for some questions which are in table no.1. Parallel with evidently determination featured in table no.1 ore featured concepts for quality putting.

The question how it can putt the concept of quality in institution of higher education.

1. How could evolve the system of quality (where could be under back and key the elaboration and the verification of project, whey and how, how the process could be organize)?
2. Which definition we can use first?
3. Which approach we can pick up, as p.s. In accordance norms ISO, EFQM and the other standards (or something new with especially value?
4. Which sectors and which activities can be under lock and key in project (presentations, searches, services, management) etc[3].
5. From which corner of value and trust can be under fack and key from intern or extern way.
6. Which gauge is locked for following and understanding?
7. Which confederates and systems of quality's are with strategy of education institution
8. Which employees from institution can be locked in the project in implementation of quality system and how ?
9. Which system should be in function (information system)
10. How will prepaid instructive personal of education.
11. How and what should undertake for the best of students
12. Which politic of communication is in system of quality's (reciprocity recognize).
- 13.

Table.1. Table of Prishtina University students for the period 1991/92-2004/05

TABLE OF PRISHTINA UNIVERSITY STUDENTS FOR THE PERIOD 1991/92-2004/05

Academic year	In Albanian		In Turkish & Bosniac lang.		Total		
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Total
1991/92	15826	3796	0	0	15826	3796	19622
1992/93	11867	3812	0	0	11867	3812	15679
1993/94	8481	3612	0	0	8481	3612	12093
1994/95	7769	3763	0	0	7769	3763	11532
1995/96	9231	4574	0	0	9231	4574	13805
1996/97	10880	5495	0	0	10880	5495	16375
1997/98	10813	5902	0	0	10813	5902	16715
1998/99	9987	5037	0	0	9987	5037	15024
1999/00	14225	7833	0	0	14225	7833	22058
2000/2001	14596	5681	0	0	14596	5681	20277
2001/2002	16664	4534	0	0	16664	4534	21198
2002/2003	20755	2420	0	0	20755	2420	23175
2003/2004	24466	2324	119	0	24585	2324	26909
2004/2005	24862	3706	264	0	25126	3706	28832

The system of quality in higher education should be directionally based on ISO 9001 standards or based to the other references in theory and practice are many different though for standards in higher education[5,6,7].

It's important the contact with university's from evolution's countries, which can be model for countries that they're in transition.

In following part, featured the structure and conditions that , in accordance with standards and for insurance of quality as like as higher education in European countries ENQA.

The standard no.1. Politics and procedures

- always evolving written politics and procedures in quality insurance
- putting the globosity of quality

The standard no. 2 Consideration, Monitoring and periodic view

-model's putting inconsideration of quality

The define of monitoring way

- plans putting and procedures for periodic view

The standard no. 3. Student's consideration

- alignment of models for consideration
- alignment of procedures and rules for periodic view

The standard no.4. Insurance of quality for instructive cadre

- to define clearly the way of instructive coder.
- the standard no.5. Treasure for students protection
- the evolve of treasure in infrastructure's protection and the species for teaching
- the define and evolve of student's protection way

The standard no.6. Information system

- the evolve of information system in organization strategy

The standard no.7. Public information

- the information about teaching programs
- the communicate evolving in quality direction in higher universities institutions

One base of requests from standards no.1.

The institution should define politic and procedures for quality insurance and reward system. Institution should define the culture of quality and to direction evidently the quality, which is good for their needs. It should define the strategy in continual way for quality evolution. The politic should be openly and could be locked in rules for students and the other interesting parts.

The politics of quality should have these future elements:

- te from instructive activities to institutional activities.
- te institutional strategy in quality context
- te organization of systems insurance of quality
- te system organization in quality insurance.
- te department responsible and cathedras, faculty's schools and the other organization in education system about quality insurance.
- te locked of students in process of quality insurance
- te finding easier way, which politics can be implementation in consideration?

On base of standard no.3. The institutions should have the mechanism for consideration, the periodic view and programs monitoring and system of reward and consideration.

For this process should regard like:

- publishing evolution and dairy for the future for quality of students.
- the define and pacification in teaching program.
- the specific model of define (using full time, or less time, dedicated specification in learning from distance) dependency from specifics and education sorts, as academics learns, specialist, etc.
- shows of best ways in teaching
- procedures for teaching programs for parts which aren't under lock and key in teaching plan in accordance with standards.
- monitoring and evolution about student's progress
- periodic view of programs that are locked in intern and extern.

- reversion of employments, trade persons and labor power in well-known institutions.
- the participation of students in activity for quality insurance.

Consideration of students is one well known elements in higher education, which represent in standard no 3. In this standard should define open creativity public, role can change time. From procedure to role for student's consideration could wait:

- that undertaking which are projected and should have institutions intent.
- to be good for that aspect.
- to have criterion for consideration.
- to be used from persons this can understand the student's consideration in direction to quality plans.
- to insurance opportunity, in that way that could do consideration from many professors.
- that student to have his right in anguses of illness or the other reasons.
- annotation to insurance the consideration in harmony with institutions polities.
- to be verification from administrate and to be for users version.
- always students should be certifying, well-known with consideration strategy.

I'm standard no 4. The institution should do all what it needs, because it should have good harmony for quality of instructive eiders. It's important to insurance quality coders, which have new well-known. In institutions should define clarify procedure for future coder of consideration. It should define minimal request and conditions in quality contest, which should have employed cadre. Education should have cadres which should be training to arrive the quality in accordance with standards. Anytime, when haven't present that are training we should stop instructive activity[6].

The request for treasure insurance of students are define in standard no.5. Here we have physic treasure, like p.s.; libraries informatics cabinets or any consultant and the other things like those. All this should be easy for students that are projected for their needs. Educations institutions should have program and procedures, monitoring with efficacy ambition and affectivity[6,7].

The request for information system is define in standard no.6.in accordance with institutions should insurance to done information system .Information system which is in quality system and his functioned, it dependence from to many reasons, as like as;

- The class of success for students
- The eanployment class of diplomated students
- Students enjoying with instructive and cadres
- The indicator institution ling with locked process and something same.

Always, information system should define in accordance with some institution and their performances in standard no.7.are define conditions for public's information. Information should be in quality aspect and quantitative of teaching process and consideration. For this condition, organization should define responsibilities and to have programs of information, which wants, plan and other considerations, information's for procedures of teaching presentations. The information should have in consideration from employments, former students, and students, too like first condition should be information that is true, objective and understanding.

CONCLUSIONS

The system of quality standards and their implementations is global process, which is true expansion. With this, the request applied. This shows the system of higher education. In this context before in Japan like in Europe and America too are evolving many institutions And associations for accreditation and implementation of quality in studies program, studies condition, and the other elements with quality in higher education institutional. In Republic of Kosovo ore in standards. Especially to process implementation of Bologna in public institutions. Private institution are in accreditation faze. Needs for standard is necessarily to arrive a quality education. The quality system in higher education could be shows in base in accordance with ISO 9001 model, the model EFQM in accordance with the other European foundation, or in accordance with the other European standards and global standards. In different literature can find opportunities for implementation. This active result of conditions in university of Republic of Kosovo and positive effect with European universities. In this description are represent same directions that could be used as continuing base for same universities for this model quality system.

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STOCKS VALUATION AT MACEDONIAN STOCK EXCHANGE WITH DIVIDEND DISCOUNT MODEL: IS IT OBSOLETE OR STILL APPLICABLE IN PRACTICE

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Abstract

The simplest model for valuing equity is the dividend discount model (DDM). Many analysts viewed it as outmoded, but much of the intuition that drives discounted cash flow valuation is embedded in the dividend discount model. There are also specific companies where the dividend discount model remains a useful tool for estimating value. The basic task of these research is to examine if dividend discount models offer relevant and safe valuation of long-term securities at Macedonian Stock Exchange (MSE) examined with practical valuation of securities on Macedonian Stock Exchange.

Practical analyses and DDM valuation made on trading securities at MSE has helped us to identify problems in use of DDM valuation models, causes for differences between valuation and market prices and to determine basic parameters for implementation of valuation on Macedonian financial market. We find that DDM models are usefull tool for bank stocks valuation at MSE, while for other companiesvaluation we suggest use of diiferent approaches, like DCF and relative valuation.

Key words: *valuation, securities, free cash flow, dividends, equity*

Introduction

Valuation plays a key role in many areas of finance - in corporate finance, mergers and acquisitions and portfolio management. The value of an asset comes from its capacity to generate cash flows. The value of the firm/asset is the present value of expected future cash flows generated by the firm/asset. When valuing assets and firms, we need to use discount rates that reflect the riskiness of the cash flows. The cost of debt has to incorporate a default spread for the default risk in the debt and the cost of equity has to include a risk premium for equity risk. It is crucial for analysts to measure default and equity risk, and more importantly to come up with default and equity risk premiums. (Damodaran, Damodaran on Valuation: Security Analysis for Investment and Corporate Finance 2011). The risk premium is a fundamental and critical component and measures what investor demand as a premium for investment in risky investment. However, the most critical input in valuation is the growth rate to use to forecast future revenues and earnings. The best way of estimating growth is to base it on a firm's fundamentals.

The simplest model for valuing equity is the dividend discount model. Many analysts viewed it as outmoded, but much of the intuition that drives discounted cash flow valuation is embedded in the dividend discount model. There are also specific companies where the dividend discount model remains a useful tool for estimating value.

The free cash flow model does not represent a radical departure from traditional dividend discount model. (DeMarzo 2008) The versions of FCF valuation model are simple variant on the dividend discount model. Beside above mentioned, this study presents fundamental principles of relative valuation. In discounted cash flow valuation, the objective is to find the value of assets, given their cash flow, growth and risk characteristics. In relative valuation, the objective is to value assets, based upon how similar assets are currently priced in the market through use of multiplies.

The analysts faced with the task of valuing a firm/asset or its equity has to choose among different approaches – discounted cashflow valuation or relative valuation and within each approach, they must also among different models. These choices will be driven largely by the characteristics of the form/asset

being valued – the level of its earnings, its growth potential, the sources of earning growth, the stability of its leverage and its dividend policy. (Arnold 2008)

The basic task of these research is to examine if dividend discount models offer relevant and safe valuation of long-term securities at Macedonian Stock Exchange (MSE) examined with practical valuation of securities on Macedonian Stock Exchange.

Practical analyses and valuation made on trading securities at MSE has helped us to identify problems in use of valuation models, causes for differences between valuation and market prices and to determine basic parameters for implementation of valuation on Macedonian financial market.

In context of above mentioned aspects, this study can be viewed as a solid contribution for practical implementation of valuation models in real sector and financial market of the Republic of Macedonia.

Companies Stocks Valuation at Macedonian Stock Exchange with Two Phases Dividend Discount Model

Stock Valuation of Komercijalna Banka, SC-Skopje

We make valuation of Komercijalna Banka stocks (ISIN Code KMB), using Two Phases Growth Model - Dividend Discount Model (DDM). Practice shows that DDM are commonly used for stocks valuation, especially when it is difficult to determine companies' free cash flows to equity. We use two phases growth model when we forecast expected growth rate in next period to be higher compared with the period of stable growth

Stocks issuer is from banking sector and quoted on market segment of stock-exchange quotation. Komercijalna Bank has 2.279.067 stocks outstanding.

We use bank's audited financial statements to derive key data for the period 2008-2010 as follows:

Table 1

Derived data for Komercijalna Banka

(in 000 denars)

Years	2010	2009	2008
Total Income	5.132.375	4.837.341	4.786.292
EBIT	1.413.583	1.058.005	1.537.178
Net Income	1.432.072	1.075.130	1.378.667
Equity	8.005.880	6.953.252	6.259.292
Total Liabilities	62.824.926	53.756.126	48.840.074
Total Assets	70.830.806	60.709.378	55.099.366
Market Capitalization	6.525.436	5.594.971	5.491.749

Source: www.kb.com.mk

Fundamental analysis of Komercijalna banka shows that Bank has 23,5 million euro Net Income in 2010 which is in fact 34% increase compared with 2009. In 2009, Bank has 17,5 million euro Net Income, which was decrease of 22% compared with 2008. This result in 2009 due to the influence of world economic crises which reach its pick at 2009 and was spread on Macedonian economy. Partially this was also influenced by Macedonian Central Bank restrictive monetary policy during the whole year. Bank total income has increased for 6% in 2010, compared with 2009 when it has 13,6% decreased, and in the same time Bank operational expenses increase for 4,1%.

Using data from financial statements, we make fundamental analysis and derive ratios necessary for valuation, as well as make cross-sectional analysis using averages for banks and banking industry averages in the region of South-East Europe (SEE).

Table 2

Bank Financial Ratios

Years	2010	2009	2008
EBIT /Sales (ROS)	27,54%	21,87%	32,12%
EPS	711,03	538,05	690,32
ROA	2,02%	1,77%	2,50%
ROE	17,89%	15,46%	22,03%
P/E	4,56	5,20	3,98
BV	3.974,98	3.479,75	3.134,14
P/BV	0,82	0,80	0,88
Dividend per share	200,00	170,00	190,00
Dividend Yield	6,17%	6,07%	6,91%

Source: Authors calculations

Table 3

Cross –Sectional Analysis with the banks from the region of SEE

	P/E	P/S	P/BV	ROE
KB	4,56	1,61	0,82	17,87
Komercijalna Banka – Belgrade	6,89	2,17	0,62	6,13
Zagrebacka Banka- Zagreb	10,10	1,93	0,91	10,67
Agrobanka -Belgrade	2,78	-	0,18	6,53
AIK Banka –Nis	3,19	-	0,40	12,65
Universal Banka - Belgrade	4,22	-	0,25	5,87
Provredna Banka- Zagreb	9,67	1,94	0,87	13,74

Source: <http://www.mojedionice.com/>; <http://www.belex.rs/trgovanje/hartija>

Using data from financial statements as well as ratios we derive all necessary parameters for valuation. First, we determine Komercijalna banka dividend payout ratios (28%), dividend yield (as ratio between current dividends and share market price = 6,17%), we determine constant growth rate (g) and evaluate cost of equity, as sum of dividend yield and growth rate.

Table 4

Data for valuation

EPS	711
Dividend payout ratio %Div	28%
Dividend	200
Price	2.900
Dividend Yield	0,0617
Rate of growth- g	5%
Required rate of Return- Re	11%

Source: Authors calculations

In order to determine expected growth rate, we are multiplied retention rate and return on equity (ROE). We use this rate for Net Income per Share forecasting for following years, until the year when we expect stable and constant growth. We use as assumptions in the model 5% constant growth rate from fifth year. We make Net Income forecasting per years in order to determine dividends per year. In last year we calculate Terminal Value, using Gordon model for constant growth.

Stock value will be determined with DDM for dividend with constant growth rate with formula as follows:

$$P_0 = \frac{Div_1}{1+r} + \frac{Div_2}{(1+r)^2} + \dots + \frac{Div_N}{(1+r)^N} + \frac{Div_{N+1}}{r-g}$$

In this model we have assumption that Bank will held same retention ratio as well as dividend payout ratio from Net Income per Share (EPS) in the following years.

Model Assumptions:

Retention Rate (RR) = 0,72;

Return on Equity (ROE) = 18;

Growth rate = 0,72*18=12,96.

Table 5

Dividend Forecasting

Valuation date 25.04.2011

Starting from first to fifth year, Bank Net Income per Share will have 13% growth rate and from sixth year, 5% constant growth rate forever. By multiplying EPS with dividend payout ratio we determine dividends for six years. We use dividend in last year in order to calculate Terminal Value as follows:

$$P_5 = \frac{D_5}{r-g} = \frac{367}{0,11-0,05} = 0.113,2$$

We discount dividends as well as Terminal value with cost of equity (11%) and derive stock intrinsic value. Compared with key bank ratios from the region of SEE as well as industry averages, as well as with valuation that we made using DDM we calculate intrinsic value of the stock 4.678,40 денари, which suggest that stock market price is undervalued compared with its value (3.200 denars, April 2011).

Stocks Valuation of Alkaloid SC- Skopje

We continue stock valuation of Alkaloid SC-Skopje (ISIN Code ALK). For valuation we use dividend model with two phases growth rate. Alkaloid is blue- chip company from Pharmacy industry, quoted on market segment of MSE, with total number of outstanding shares 1.431.35, in which number 8.507 are priority stocks (0,59%).

Using data from financial statements as well as ratios we derive all necessary parameters for valuation. As above presented we determine dividend payout ratios (as percentage), dividend yield (as ratio between current dividends and share market price), we determine constant growth rate (g) and evaluate cost of equity, as sum of dividend yield and growth rate.

Table 6

Data for valuation

Net Income per Share (EPS)	401
Dividend payout ratio %Div	41,5%
Dividend	166,66
Price	4.800
Dividend Yield	0,0345
Constant Rate of Growth (g)	5%
Required Rate of Return Re	9%

Source: Authors calculations

In this model we have assumption that Alkaloid will keep same retention ratio as well as dividend payout ratio from Net Income per Share (EPS) in the following years.

Model Assumptions:

Retention Rate (RR) = 0,59;

Return on Equity (ROE) = 8,70;
Growth rate = 5,16.

Table 7

Dividend Forecasting**Valuation date – 25.04.2011**

	1	2	3	4	5	6
% growth rate of Net Income per Share	10%	10%	10%	10%	10%	5%
EPS	441.1	485.21	534	587	646	678
% Div	41.5	41.5	41.5	41.5	41.5	41.5
Dividends	183	201	221	244	268	281

P₀=5.617,61

Starting from first to fifth year, Alkaloid Net Income per Share (EPS) will have 10% growth rate and from sixth year, 5% constant growth rate forever. By multiplying EPS with dividend payout ratio we determine dividends for six years. We use dividend in last year in order to calculate Terminal Value as follows:

$$TV = \frac{268}{0,09 - 0,05} = 6.700,36$$

When we have Terminal Value we add dividend value in sixth year and discount them all with discount rate (cost of equity - 9%) and derive stock intrinsic value of 5.617 denars

Companies Stocks Valuation at Macedonian Stock Exchange with Dividend Discount Model – Gordon Model

We proceed valuation of stocks for same companies, blue chips from Macedonian Stock Exchange Index (MBI-10) with Dividend Discount Model (DDM), Gordon model for five years time horizon (2007-2011).

We are using companies' data for paid dividends for each year, and with same discount rates and rates of constant growth, as previously determined for the purpose of use of the DDM model with two phases growth rates.

Finally we will compare results with previously determined values with the DDM model with two phases growth rates aswell as average stock market prices.

Using Gordon model, we determine stocks value from 2006-2011:

Table 5

Calculation of stock value for Komercijalna Bank SC Skopje

KMB	g=5%	r=11%
Year	Dividends	P ₀ =D ₁ /r-g
2006	165	2.887,5
2007	190	3.325
2008	190	3.325
2009	170	2.975
2010	200	3.500
2011	200	3.500

Source: Authors calculations

Table 6

Calculation of stock value for Alkaloid SC Skopje

ALK	g=5%	r=12%
Year	Dividends	$P_0 = D_1 / (r - g)$
2006	80,5	1.207,5
2007	100	1.500
2008	123	1.845
2009	136	2.040
2010	150	2.250
2011	-	1.626,603

Source: Authors calculations

Based on data from MSE we derived the average stocks market prices for our two analyzed companies for the period 2006-2011:

Table 10

The average stocks market prices

	2006	2007	2008	2009	2010	2011
KMB	5.174	6.957	5.397	2.651	3.096	3.372
ALK	4.606	9.665	7.536	4.240	4.155	4.233

Source: www.mse.com.mk

In next table, we present all calculated values as well as average values for the years of calculation:

Table 11

Summary of data

	2006	2007	2008	2009	2010	2011	Average
KMB (average price)	5.174	6.957	5.397	2.651	3.096	3.372	4.441
KMB (DDM Two Phase)						4.678	4.678
KMB (DDM)	2.887	3.325	3.325	2.975	3.500	3.500	3.252
ALK (average price)	4.606	9.665	7.536	4.240	4.155	4.233	5.739
ALK (DDM Two Phase)						5.617	5.617
ALK (DDM)	1.207	1.500	1.845	2.040	2.,250	1.626	2.093

Source: Authors calculations

In previous table, beside calculated stock values with two valuation models, we added another column at the end with the average stock market prices for all years, in order to compare which of calculated values gravitated closer around average price. The final goal is to determine if DDM valuation model is reliable for stock valuation.

The use of this model for valuation of stocks of Komercijalna Bank shows that Gordon model is reliable and offer more relevant data for analysts for stock value calculation, except the period of “boom” at MSE. Valuation of both stocks with two-phase growth rate DDM shows that market value oscillated over stocks intrinsic value. On the other side, use of DDM Gordon model for calculation of stock value for Alkaloid offer results that have significant deviation from average market prices and average stock prices are significantly higher than their intrinsic values. Significantly big discrepancies between average prices and intrinsic values calculated using two valuation models in 6-years time series lead us to conclusion that dividend discount model is not useful for use for companies quoted at MSE. This results leads us to conclusion that DDM models are usefull tool for bank stocks valuation at MSE, while for other companies we suggest DCF and relative valuation.

Conclusion

Valuation plays a key role in many areas of finance - in corporate finance, mergers and acquisitions and portfolio management. The value of the firm/asset is the present value of expected future cash flows generated by the firm/asset.

The simplest model for valuing equity is the dividend discount model. Many analysts viewed it as outmoded, but much of the intuition that drives discounted cash flow valuation is embedded in the dividend discount model. There are also specific companies where the dividend discount model remains a useful tool for estimating value.

The analysts faced with the task of valuing a firm/asset or its equity has to choose among different approaches – discounted cashflow valuation or relative valuation and within each approach, they must also among different models. These choices will be driven largely by the characteristics of the form/asset being valued – the level of its earnings, its growth potential, the sources of earning growth, the stability of its leverage and its dividend policy.

The basic task of these research is to examine if dividend discount models offer relevant and safe valuation of long-term securities at Macedonian Stock Exchange (MSE) examined with practical valuation of securities on Macedonian Stock Exchange.

Practical analyses and DDM valuation made on two trading securities at MSE has helped us to identify problems in use of DDM valuation models, causes for differences between valuation and market prices and to determine basic parameters for implementation of valuation on Macedonian financial market.

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In context of above mentioned aspects, this study can be viewed as a solid contribution for practical implementation of valuation models in real sector and financial market of the Republic of Macedonia.

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THE IMPACT OF MANAGEMENT STRUKTURES AND THE GLOBAL ECONOMIC CRISIS ON EMERGENCE OF NEW FORMS OF ECONOMIC CRIME

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Abstract

Modern criminal law today is faced with an extremely difficult task in setting new standards and measures to detect and prevent new forms of crime. Misuse of free economic trends and processes by entities actively involved in them as holders of responsible positions, as well as enterprises and corporations themselves are more and more concern of law enforcement. On the one hand, the emergence of new forms of abuse and misuse of the legal regulations of business economics and the emergence of new actors as perpetrators of criminal offenses, corporations themselves as legal entities, and on the other hand, market conditions, global economic crisis, as elements that can contribute to the emergence of new and enabling existing forms of financial and general economic crime. This paper aims precisely to answer the question or at least to set up hypotheses that deserve more detailed analysis of the possibility of the influence of the economic crisis on the emergence of new forms of crime or the opposite, impact of these forms of crime on the global economic crisis and the business economy.

Keywords: *economic crime, legal entities, economic crisis, offenses*

Introduction

Economic crime, as set of different acts that abuse the legal regulations that govern and regulate economic processes, today modern criminal justice systematize as the so-called "unconventional crime", or as "new forms" of crime. Reasons for this appearance and the necessity (because their basic forms exists as long as a state), lay ahead in more frequent perform of a new forms of violation of the rules of economic performance, the emergence of new actors as offenders of the offenses of this field, new methods and tools that are used to perform unlawful acts, as well as the thin border between permissible and unlawful economic activity and its abuses.

Secondarily, from the point of view of the growing interest in the criminal justice analysis of economic appearance and processes, here it should be mentioned, the consequences of such criminal activity, disorganization of the economic system, a high level of "gray economy" and ultimately disruption of social relationships. Economic crime has clear signs of organized crime, primarily because of the basic motive for his execution, the role and influence of the state in its existence, the incorporation of legal entities as subjects of the offenses, but also the organization in act.

Hence, the more evident it becomes the necessity to develop a individual strategy for its prevention, but also broader legal and economic analysis of its appearance and action, the factors that influence and the conditions that allow its existence, development and avoiding a criminal prosecution.

The global economic crisis, whose negative impact is felt by the business economy and everyday economic processes, directly affect the creation of conditions for development of organized criminal activities, to perform various abuses in business operations, smuggling, illegal trade, money laundering of illegally acquired assets and so on. On the other hand, the frequency performance of these forms of crime, have a positive impact on the occurrence of economic instability, which can ultimately may lead to wider global business disruptions and systemic crisis.

Recently the world was once again in a world economic and financial crisis, whose impact on the entire social life is enormous and can have serious consequences for a longer period, and whose recovery will be neither easy nor short. Some authors rightly note that the long-term consequences of the global economic crisis on economic and social plan can be more imply harsh than those visible in the short term, hence the short-term economic adjustment can easily be transformed into a long-term developmental issue (Lin, 2009: p.2).

One of them may be long-term instability of the whole social system, and thus of the political and legal system, as well. Instability of the legal system, the absence of the existence of rule of law, are mentioned as one of the reasons for the emergence of various systemic abuses, which can create favorable conditions for existence of economic crime, on the one hand, and on the other, they could be reasons or a consequence of the existence of economic instability or economic and financial crisis. As we previously mentioned, corporations are major actors in the execution of these illegal activities, but their criminal responsibility in many cases can be controversial or complicated for processing and sanctioning.

Enterprises, legal persons who legally perform certain economic activities today are the most common perpetrators of economic crime. In the English language is created the expression "corporate crime", as a special term for economic crime whose perpetrators are enterprises.

The reasons for the prevalence of economic crime of legal entities is that assumption to commit any form of economic crime is approach to activity or existence of opportunity, that can appropriately be used to achieve illegal profits through economic activity.

For committing economic crime is characteristically, taking seemingly legal activities commonplace in the performance of certain professions, therefore its perpetrators are mostly commercial entities or the company itself. On behalf of the company, increased profits, maintain the competitiveness of the firm in the market, preventing the acquisition of better financial and market success, are committed acts such as, tax evasion, embezzlement, money laundering, credit fraud, accounting fraud, violation of the right competition, virtual bankruptcy, corruption, etc.. When in the commission of the offense cooperate, together several different companies from different countries, often it comes to organized crime, which means criminal activity of more legal commercial entities that occasionally, when it will have the chance, but not coincidentally, shared or planed organized and committed criminal activity.

Such a form of criminal activity is known in examples of evasion of customs duties and subvention frauds to the detriment of the EU budget. Frequently, it comes to producers, processors and exporters who jointly organized the execution of the fraud, often with corrupting public officials and financial controls.

According to a published Italian court report, this form of organized crime contains most offenses of fraud to the detriment of EU Agriculture Fund (Lettieri, 1993: 93).

Hence, the necessity for sanctioning is straightforward, but first of all for elimination of factors that lead to the creation of conditions for the existence of such forms of crime, especially with a suitable punishment mechanism, but also by preventive measures that will lead to stabilization of the economic system, financial crisis, as one of factors for appearance of this form of crime.

Economic crime as unconventional crime

Unconventional crime is considered today as one of the main problems of the modern state, as it is injected in complex economic and political activities, and its growing forms and characteristics are periodically updated and amended, which shows that in this case it is a dynamic, and not a constant appearance.

Such arguments are related to the definitions and the structure of the appearance as such, which decades ago was made by her famous theorists who practiced research in this area. Let us not go too far, for these data speaks classification of Midedendorff (Midedendorff, 1979: 12), made three decades ago, who in the forms of "new" crime, places precisely economic crime, along with traffic offenses and abductions and terrorism. When nowadays we are talking about the types and forms of so-called unconventional crime, here surely some of these forms will miss, and a large part will be supplemented, for example, corruption, money laundering, financing of terrorism, corporate crime, environmental crime, cyber crime, etc..

Most of the structure of this "new" crime, constitute precisely certain forms of economic crime, especially corporate economic crime. Analysis and definition of these forms of crime is an extension of the original forms of the so-called "*white collar crime*", tossed somewhere in the 30s of the last century by American criminology, crime which is antipode of "*blue collar crime*" that move toward to some broader analysis of

crime, not only as a legal but also as a socially negative phenomenon called "Crime under the protection of the law", the product of a radical new criminology¹.

Modern forms of economic crime are characterized, primarily with nonviolent performing offenses by persons who enjoy a high status in society, abuse their position to carry out the offenses, within and outside of their profession, disorder of the economic system, economic relations and processes, avoiding justice with various protective mechanisms, the movement of the borders between permissible and illicit, using legal gaps etc.. All this provides fertile ground for the development of their illegal activities, which often, among the public, are not assessed as illegal or criminal, but rather as something that happens because of the skills and knowledge of the perpetrators, the economic system and their ability to adapt and use privileges and benefits.

But, if these benefits mean disruption of free economic relations, privileging one at the expense of others, creating conditions for unfair competition, avoiding the payment of various fees, it is criminal behavior in a broader sense, and in criminal law sense if such behavior exercised the legal existence of an offense provided in the criminal Code.

Here it should be emphasized that the mere execution of the offenses in this area, depends on the economic system in a country, planned or market economy, state influence in functioning the economics processes through various subsidies, privileges, etc., or private, state and social ownership, relations in the business economy and impacts on it.

Criminal responsibility of legal entities

Dilemmas can the legal entity commit an offense and should it be sentenced with criminal sanction are already a historical question in Europe. Such changes in the approach to this issue contribute today, almost all modern European legislation to be present a tendency to accept criminal responsibility of legal persons and its escalation. Despite the fact that European criminal justice systems are still divided over the issue of the liability of legal persons to commit offenses, those who provide and those who do not know, the old division of the Anglo-American system that traditionally has known criminal responsibility of legal entities and continental law system, which usually do not know, today was deleted.

The reasons for this kind of situation, certainly arises from international and European legal documents that provide it (Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, United Nations Convention against Transnational Organized Crime, Convention on the protection of the environment through criminal law, Convention on Cyber-Crime, Convention on the protection of the European Communities' financial interests and its protocols). Apparently, the dispute between both conceptions for delinquent ability of legal persons-theory of fiction and theory of reality, pointed out the second one, which the necessity of punishment of legal persons, argue with growing the importance as a basic subjects in legal and economic life, with their own rights and responsibilities and business capacity (Kambovski, 2006: 30).

Thus, the UK criminal law recognizes criminal responsibility of legal entities in all its jurisdictions (England, Wales, Scotland and Northern Ireland). English common law since the mid-19th century provides criminal responsibility for legal entities, primarily for the so-called regulatory offences i.e. offenses which are not applied to ordinary citizens, but are part of the norms that regulate trade and other activities of public interest, such as, sale of alcoholic drinks and so on., which apply only to persons who chose to participate in it, themselves (Spencer, 1997: 290), as well as conventional crime. The main difference between these two types of crime in terms of criminal liability of legal entities is that for regulatory offenses is provided strict liability, and for other offenses requires the existence of fault (mental element) (Barnes 2000: 73). In cases of strict liability it's not raises a issue of fault, but it is sufficient to perform an act by legal entity which is prohibited by law (Spencer, 1997: 291).

Leader in continental European countries in terms of the criminal responsibility of legal entities is the Netherlands, which introduces back in 1950 for certain offenses, and from 1976 for all offenses. Criminal responsibility of legal persons is provided for all offenses and is based on the criminal responsibility of the head of business and persons who are charge and responsible in a company, of higher or lower rank (Vervaele & Klip, 2000: 660-661). Following the example of the Netherlands and other European countries have introduced criminal responsibility of legal entities in their criminal law.

¹ More for the concept of Critical criminology ideas, you can see also in, Contemporary critical criminological research by Walter S Dekeseredy, Routledge Tailor&Francis group, <http://uploadpa.com/beta/12/oft79wi0o86kuqyrzer.pdf>, p. 75-78

So, Portugal has entered a legal entity in the criminal law in 1984 by a special law (Décret-Loi 28/84), for economic and financial offenses in cases where the responsible person committed an offense for the benefit and on behalf of the legal entity. The amendments to the Criminal Code of 2001 introduced criminal responsibility for legal persons for corruption offenses². Swedish criminal law imposed it in 1986 and although it does not recognize criminal responsibility for legal entities, the Criminal Code provides a special kind of fines for legal entities that can be imposed on a legal person, if the offense that performed the individual, is result of disregard a specific business obligations or otherwise it's a serious offense³. Norway introduced in 1991 with Art. 48-a of Criminal Code, Iceland in 1993 with Art. 19 a to 19 c Criminal Code, and France in 1994. In France, Article 121-2 of the Criminal Code of 1994, impose criminal liability for legal entities for offenses, in the situations that are provided by law: legal entities are criminal responsible in cases provided by law, for offenses committed for their benefits by their authorities or representatives.

Liability of a legal entity does not exclude the responsibility of the individual as a perpetrator or accomplice. As a fundamental principle it's accepted the principle of cumulative liability of the legal entity or individual (Kambovski, 2004: 360). Criminal Code does not declare explicitly for model of criminal responsibility of legal persons, but the Court of Cassation decided to get right to the indirect model of responsibility in case of intent offenses (Delmas-Marty M. & Manacorda, 2000: 309-313). Among other things, the model contains a very wide repertoire of sanctions for legal persons, and the penalty for responsible legal entity do not tied to the type and degree of fault of the individual.

Criminal liability is introduced in Finland in 1995 and it is limited to offenses expressly set out in the Criminal Code and is a combination of staged responsibility and autonomous responsibility⁴ of legal persons in the sense of "organizational fault" (Art. 9 CC). In Denmark it is introduced in 1996 and exists only if it is expressly provided by law⁵, in Belgium in 1999⁶, in Slovenia in 1999⁷ in Hungary in 2001⁸, in Switzerland in 2003⁹ and in Czech Republic in 2005¹⁰.

European countries that not recognize the responsibility of legal persons for committing offenses can be divided into three groups considering their attitude towards the human rights and theories on this issue. The first group includes countries whose criminal law not only does not recognize the criminal responsibility of legal persons, but also the adoption of such liability would be contrary to the constitutional provisions. These include Greece and Italy where constitutional barriers to introducing criminal liability of legal entities representing the provisions under which the penalty prescribed by criminal law (criminal sentence) provided exclusively for individuals under the principle of guilt¹¹. However, during 2000 and 2001, Italy introduces the liability of legal persons for certain offenses, but for them prescribed non criminal sanctions¹².

In the other group are include countries in which the introduction of criminal liability of legal persons does not cause constitutional problems, but may cause problems in the criminal legal area. Thus, in Germany and Austria the criminal liability of legal persons is not contrary to constitutional principles, because they do not include the principle of fault, but is contrary to the criminal legal principles. Criminal legal science in these countries, most strongly opposed to the introduction of liability of legal persons for criminal offenses, and considers it is contrary to the criminal legal dogmatism and the classical principle of fault, based on the free will of the individual and social ethics rebuke (Lewisch & Parker, 2001, : 718-722). Yet, in both countries are stronger voices, for the introduction of legal entities in the criminal law (Dannecker, 2003: 284).

² See Report on the Implementation of the Convention, www.oecd.org/dataoecd/51/59/2088284.pdf

³ See also, National report of Sweden, in: The implementation of the Corpus Juris in the Member States, Volume III, 815-856, p.825

⁴ See Report on the Implementation of the Convention, www.oecd.org/dataoecd/14/20/2386203.pdf

⁵ See Report on the Implementation of the Convention, www.oecd.org/dataoecd/39/57/2018413.pdf

⁶ See Report on the Implementation of the Convention, www.oecd.org/dataoecd/39/57/2018413.pdf

⁷ See also in Derenčinović, Derenčinović Davor, Zakon o odgovornosti pravnih osoba za kaznena djela, Zagreb: Nocci, 2003, p. 31

⁸ See Report on the Implementation of the Convention, www.oecd.org/dataoecd/14/54/2386997.pdf и www.oecd.org/dataoecd/32/23/2510372.pdf

⁹ See SCC, <http://www.assetrecovery.org/kc/resources/org.apache.wicket.Application/repo?nid=27c441aa-99e0-11dd-a54c-ad500b823220>

¹⁰ See Report on the Implementation of the Convention, www.oecd.org/dataoecd/13/40/2385959.pdf

¹¹ See National report of Greece, in: The implementation of the Corpus Juris in the Member States, Volume II, Antwerpen: Intersentia

¹² See Report on the Implementation of the Convention, www.oecd.org/dataoecd/39/61/2019055.pdf

In Germany for a long time legal persons are punished for offenses, but not under the criminal law, but under Tort Law. Austrian criminal law knows neither criminal nor administrative liability of legal persons, but only civil-legal responsibility, in which for the members of the legal entity, that is individuals, can be imposed penalties, fines, confiscation of objects, compensation, etc.. For legal persons, in Austria cannot be imposed, neither punitive nor misdemeanor sanctions (Höpfel, 2000: 32). However, the result of the fulfillment of the obligations arising from Art. 3 and 4 of the Second Protocol to Convention on the protection of the European Communities' financial interests, (*Official Journal C 221*, 19/07/1997 P. 0012 – 0022) accept criminal responsibility of legal persons is a Draft law for the punishment of legal persons. And in the third group can be placed states like Spain and Luxembourg who also do not know the criminal responsibility of legal entities, but believes that its introduction would cause incompatibility with the applicable legal principles or institutes¹³. However, while the Luxembourg law does not recognize corporate liability in any form, Spain in the Criminal Code of 1995 prescribes sanctions for legal persons who are placed in side-effects, and whose legal nature is in dispute¹⁴.

Conclusion

Analysis in this paper clearly shows that the causal link between the global financial crisis and economic crime, especially corporate crime, is mutual, with an immediate impact on both phenomena, on one another. Global financial and economic crisis, on the one hand leads to a general destabilization of the social system, less social control, structural problems in the economic system, in business economy, increasing of poverty.

Abuse of economic processes and the relationships in the business economy, is causing long-term general destabilization of the system, as well as of the economic, political and legal system. Such a destabilization may cause conditions for the existence of legal and systemic gaps, which create opportunities for various abuses of official position, authority, business relations, competition, avoidance of tax liabilities, and the absence of social control and so on.

This paper, as we mentioned early, does not aim to answer the questions which will give the key of these dilemmas, but to set up hypotheses about the existence of causation between these two socially negative phenomenon, which certainly resulted from the brief analysis in this paper and should continue to be the base for further research that will provide appropriate mechanisms to resolve one or even these two global social problems.

¹³ For a full description see in, *The implementation of the Corpus Juris in the Member States*, Volume III, Antwerpen: Intersentia, 2000, p. 533-635

¹⁴ See *Rapport national espagnol*, Bacigalupo E., in: *The implementation of the Corpus Juris in the Member States*, Volume III, Antwerpen: Intersentia, 2000, p. 719-792

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THE ROLE OF TNC IN ECONOMIC RELATIONS

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Abstract

Transnational companies (TNC), still called and multinational companies are the basic carriers of international movements of capital. Reality in the modern world economy suggests that TNC are characterized by important and distinctive role in international relations in a way that continually is open by new questions, who through analysis are discussed and answered.

Key words: TNC, capital, international relations, economy

INTRODUCTION

TNC can be defined as large economic entities that have head office only in one international economy and who possessed and managed with other companies own affiliate office (daughter-firm) in the other international companies, and which goal is to supply maximization on their profit. When are followed the activities on TNC is affirmed and complexity on their counteract and on the affecting on a way of modern human life.

STRATEGY, INTERNATIONAL TRADE AND ORGANIZATIONAL STRUCTURES IN TNC

UN (United Nations), the transnational company marked her as company that:

- Forms units in two or more countries, regardless of the actual shape or area on action on that unit;
- Act within the system making decisions that allowing coherent policy and united strategy for one or more centers where are made the decisions;
- Has that relation units (own or in some else way), that one or more units, the same time significant can affect on activities on others, and there by special to perform mutual exchange of knowledge, resources and responsibility.

By transnational companies, is expect to pay special attention on the selection of individuals, who not only had to possess the necessary skills for appropriate workplace, but that can embedded in cultural norms of the company. Each company depending on their degree of internationalization on their act, has available different strategies that can be implemented in the work. Differentiation on strategies is seen in difference that exists on degree of centralization or decentralization in decides, on horizontal differentiation, in the need for coordination on work, on mechanisms for integrations, such as and on existence conditions for the occurrence of ambiguity. Transnational company, as global companies govern much of the world production and trade, so because of that are capable to affect in achieving on developed plans and programs, such as on developed and undeveloped countries in world. Can be said that strengthening again on the position of international private capital on the world economic scene largely coincides and with place and role on transnational corporations (TNC) in modern international relations and world economic development. In fact, in modern conditions, are known two international monopolies:

1. Classic international cartels that are representing monopoly unions of large companies from several countries, about separation and monopolization on world markets; and
2. Transnational companies that perform monopolization on world economy based on his working affiliates and acting in many countries on world.

Transnational companies are the result of the strong concentration and decentralization on the capital and their therefore internalization. Through the use of functional integration and establishing of technological and structural dependence with application of new technologies, TNC are setting rigid conditions in international trade. On this way, they are forming mechanism on which acting, continuously are excluding the competing countries or companies from international trade or are adapting in the role of outsiders. The mechanism of acting on TNC in international flows is creating a system on interfirm markets. With him TNC build closed realms where relationships between master companies and affiliates build closed markets, which whit in take place on certain system on exchange based on administrative, arbitrary set, on other way called transfer pricing. Internal exchange, between parts on TNC are becoming more significant part of the international exchange, maintaining a very strong position on this companies on world market. Internalization reflecting on "internal" division of labor indicates efforts on TNC in conditions on unstable international relations, to provide more stable conditions for acting and trading. On that way, with strengthen on their own positions reduce uncertainty on their acting that, from other side, initiates increase on uncertainty in working on other economic entities.

Internalization, is circumvention on system on international law and economic relations and creating on own system on trading that is less sensitive on environment and changes that arising in that environment. Consequences on that way on acting on TNC, especially are: entry mechanism of administration in world trade and circumvention on acting in classic market mechanism, deformation and disorder on international world trade flows, enrichment on TNC and destitute on domestic country, given with that, that transfer prices are ideal form for transfer of realized profit from affiliates in master company, and sometimes and strategic, and on the contrary. Officially and formally, the profit on affiliate is express reduced, thus is avoid the payment, taxes, duties and other charges, with what is reduced budget revenues on domestic country, disruption of the process of globalization and on process of liberalization on world trade, etc. But, as advantages as they arise for domestic-countries on TNC from work on this economic entities are: transfer on capital and technology, better balance of payments on country-domestic, opening opportunities for the new work places, connecting with world and enhance the competitive abilities on local companies) greater availability of products on local customers and the ability to export to third countries, development on entrepreneurship and management, ability for attracting foreign capital, ect. In addition to that, that TNC are acting on areas on many countries, or based on that, that their head office is in master country. While their affiliates are located in many different countries, the question for their organizational structure is not only formal question for their organizational scheme, but question closely related with process on managing on TNC, that has their influence on national and world economic trends. As commonly applied forms on organizational structuring in TNC are occurring in the following types:

1. *Mother-daughter relation*. Before the Second World War when tastes on customers on many different economies were different, and when were existing many differences in industrial standards, and barriers that national governments practiced in international trade were large, economically powerful corporations generally has operated at national and decentralized basis. They had established abroad their own affiliates that had working with minimal guidance from the master company.
2. *Divisional structure (with division on international working)*. After the Second World War had declined differences between tastes on customers (but wasn't eliminated), industry standards had become more informed and has been declining trade barriers that had laid notional governments. These continuous developments had affected on organizational on TNC. Many American TNC developed organizational structure based on the product divisions, by which one division had given to be international division. So, if one firm have product A, B and C products in USA, she has special domestic division for any of these three products and fourth division for their international activities.
3. *Structure of product divisions*. In many cases international divisions in TNC have becoming larger from all other divisions together, so in 50-ties and 60-ties years, TNC formed the global oriented product divisions that are offering more logical and effective managerial structure. This trend continued until 90-ties years.
4. *Model of integrated networks*. Is applied during 80-ties and 90-ties years, TNC are one integrated network of separated and interdependent resources and facilities that operates in different markets.

Each unit on some way, creates competitive advantage for TNC as all generally. Emphasis is placed on the coordination of other parts on TNC, as in order how will be realized the greatest possible benefits.

EXTERNAL RELATIONS OF BUSINESS POLICY OF TNC

Business policies of TNC, very often are arising as determinants on external-trade policy on one country. Inability to correct on conditions that dictated multinational economies, especially in conditions when two-thirds from total world trade is realized through them, forcing the state to adjust on external-trade policy to the same them, certainly in line with national needs and opportunities. TNC, while are affecting on scope and structure on external trade of master countries (generally developed countries) and countries in which are located their affiliates (affect is realized through system on internal prices), they as financial, production and scientific-technological giants, with goal to protect their interests, often are confused and in national policies of the countries. Necessity to respect the provision of the commercial policies on TNC is particularly enhanced in the cases on the country in development, because the same are impossible to provide domestic accumulation, neither or favorable credit arrangements for financing on their economic development, are turned to import capital through foreign direct investments, joint venture and other forms on transfer on technology, such as international leasing, franchising, related trade and etc, that TNC, with their working get more applied. Actually, countries in development, creates a favorable political and economic environment to attract affiliates on multinational companies on their territory. Conditions for their establishment and acting, for transfer of profits abroad, for transfer of capital abroad by closing the affiliate, way of organization and manage and etc, in national legislation are regulated generally according to business polities on multinational companies.

TNC – ACTUALITIES

Thanks on their own size, TNC possess impressive economic, political and social power. In economic sense, they can enhance or destroy a local economy, and in case in smaller countries even and some national economies. Global acting on TNC is real challenge for governments of countries. Decisions that are decided in head office on corporations can be increased, or to reduced the level on employment in some country, to compromised or to enhanced security on some country, or lead to higher or lower depending of some country to another. Evolution on world market and world economy, development of communication, infrastructure requirements and scientific – technological development, such as concentration and centralization on capital are coming as basic factors for emergence and development on transnational corporation – TNC. They have big economic meaning especially because of fact which they made significant changes in the content and way of managing in the field of international trade. Actually, act of transfer of production from one to another country is new, quality higher and more complex form on external – trade exchange and cooperation, as a replacement for classical export of goods and services. Economic power of the biggest TNC nowday is bigger and from economic power on many national economies. As entities on international economic relations, TNC, impose their own relation and often are fixed economic system and economic policy on separated countries. Because of that many countries endeavor to establish mechanism which will have control on acting on these powerful economic entities. Among other things, are attempting and on international level for correcting the negative effects from activities on TNC, by introducing codes on behavior, and forming international institutions that will follow and will performed technical analysis on their activity. Centre for monitoring on TNC trough UN (United Nations) announces that in the world there are 422 biggest TNC whose individually are realizing annual turnover of over 1 billion dollars. Biggest part from this companies come from USA – in the group of 422 biggest, 233 are American, while others have domicile in Germany, England and Japan, and in several other Western European countries. They controlled 90% from total investments in developed countries and have 1/3 of the gross – national income in these countries. TNC their working are infiltrating all areas on economic activity and especially in modern and expansive sectors on working. In undeveloped countries, still, their production activity basically is focused on extractive industry, and in recent times and the processing industry on more developed between undeveloped countries such as to propulsive, but labor – intensive sectors – electronics, for example. Trying to avoid or at least to mitigate negative consequences by frequent changes on the market conjuncture of separated products, TNC today are often oriented to conglomerates to work, actually to

diversification of the production structure – enriching and expanding on its production program. Italian TNC FIAT, for example, despite car factories, have and steels, factory for boat engines, tools, stuff for greasing, its an owner of the newspaper “Le Stampa”, etc. Petrol TNC today, more often are turn, figuratively speak, in energy and becoming owners on coal mines, they are experimenting with new energy sources and etc., and in their product program include and other products that often haven’t had connection with their basic activity. On this way, TNC any loss of a product are compensating with profits received from production and realization on other products.

DEDUCTION

Transnational companies, really, are gigantic economic empire, but their basic motto and therefore stay as – the battle for profit. They upgrades means of production and provide a significant contribution in world economic development, but they doesn’t do that because of the development, but because of the profit. Transnational companies has brought the world in 21-st century because they upgraded the technology on production on those sectors from economic reproduction in which are treating soles of the biggest steps in history humanity. As for undeveloped countries, they, despite all, haven’t choice and must open the doors for entry in foreign capital, that means and for transnational corporations in their economies because, that is one of the important assumptions for their development and going out from the area of poverty and hopelessness.

CONCLUSION

Transnational corporations are the biggest world giants who decides for many national economies, leads them also. TNC by their recognizable role are affecting to many countries with emphasis on their equity and domestic production. The objective is maximization of its profits. By their acting, undeveloped countries may be more affected than the developed, and all that is subsequently with increased costs such as paying taxes, tariffs, etc. The strategy on TNC is perceived in the difference of centralization or decentralization in decision making. Organizational structures can be shaped into many forms, but in practice the most common form appears it on the network operation of business units or entities, and consequently on that fact, between various sectors from home country and subsidiaries in the other countries is functioning the international trade. Foreign – trade policy of one country is affecting to business policy in TNC on which there are established the standards and extents, for the activities on TNC, on a way where is controlled and regulated foreign – trade exchange. TNC earnings are over 1 \$ billion dollars annually and for them today we can say that currently is their conglomerate working, concerning the diversification on the productive structure or enrichment or expanding on their own productive program.

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DEVELOPMENT AND IMPROVEMENT OF BUSINESS HIGHER EDUCATION THROUGH IMPLEMENTATION OF STUDENTS LEARNING OUTCOMES ASSESSMENT PLAN (SLOAP)

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Abstract

This study presents new vision how to upgrade business higher education at the Faculty of Economics at University of Tourism and Management in Skopje (UTMS). This paper is result of analyses of best practices of leading higher education institutions as well authors experience in higher education and business education and practice.

The UTMS is orientated to introduce best practices and objective standards in order to offer high-quality business education for its students. UTMS has mission for permanent implementation of quality improvement measures as a way to achieve high professional and academic standards and become part of prosperous and respective Universities. In order to achieve this goal, UTMS plan to use additional measures, outcomes assessment as a way to measure institutional effectiveness, as well as effective technique for identifying where changes and improvements are necessary. UTMS has developed Students Learning Outcomes Assessment Plan (SLOAP) as a way to reach this goal.

Based on permanent analysis of students needs as well as business sector suggestions about desirable level of knowledge, skills and competence of the students from Faculty of economics, gained from conducted evaluations, UTMS decide to make additional improvement and development of business education.

This process have 4 phases: 1) evaluation of students attitude towards curricula and the instructors efficiency, 2)preparation of the SLOAP (Student Learning Outcomes Assessment Plan) document, 3) implementation of two direct measures from the SLOAP through assessment analysis and action planning, and 4) monitoring changes and improvements made as a result of action planning.

The first phase was completed in spring semester 2012, as well as second one with development of Comprehensive Exam and Capstone Course as direct measures. Complete SLOAP also has indirect measures like student satisfaction inventory, course evaluations, alumni, and employers' surveys, and a variety of other student learning outcomes assessments.

UTMS plan to use first two direct measures for Student Learning Outcomes Assessment as pilot project, and if it shows success whole process of SLOA can be implemented as permanent methodology for success improvement at UTMS.

This process will be also used to develop a strategy for improving the effectiveness and quality of the Faculty of Economics and its programs.

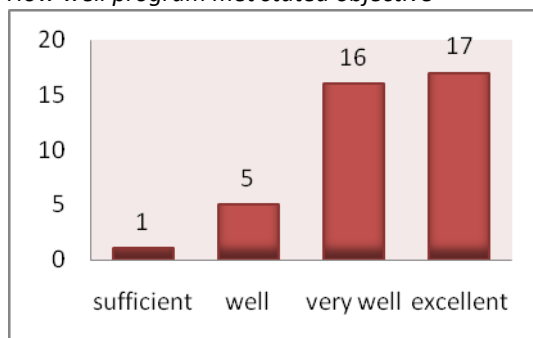
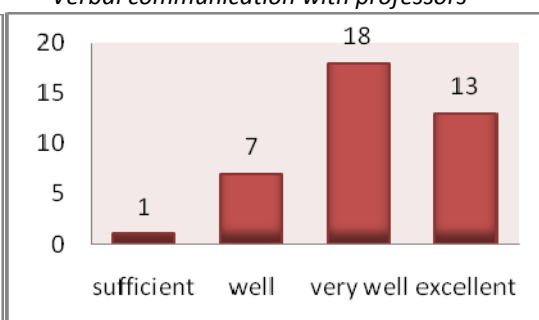
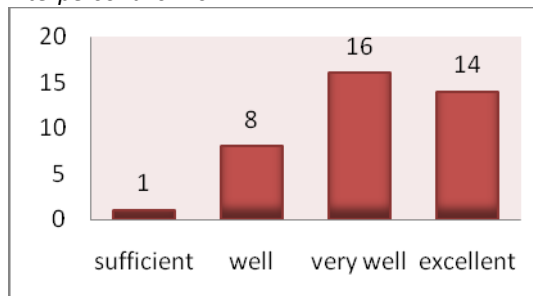
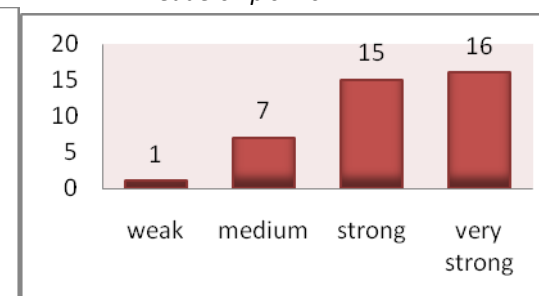
Key words: assessment, study, program, business, education

Introduction

University of Tourism and Management in Skopje (UTMS) has conducted evaluation in order to get perception of students from final year (3rd year) at the Faculty of Economics about their attitude towards curricula and the instructions efficiency, the skills acquired at the UTMS to be evaluated. The students were also questioned about existing subjects and possible curricula extension. The program for statistical quantity data processing for the analysis of the responses was used for this questionnaire.

The table reports with the results are presented as follows:

Table 7-16

Instructions efficiency*How well program met stated objective**Overall quality of the instructions received**Written communications with professors**Verbal communication with professors**Interpersonal skills**Leadership skills**Critical thinking and problem-solving skills**Decision making skills*

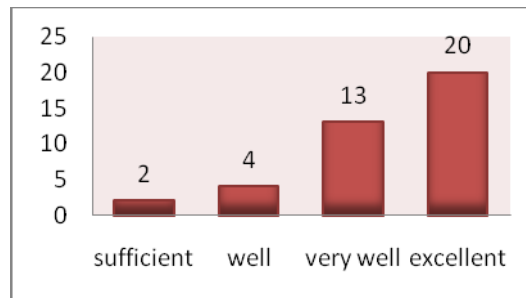
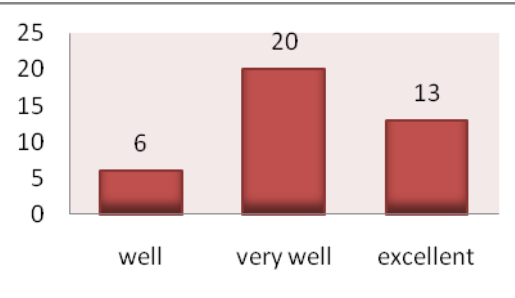
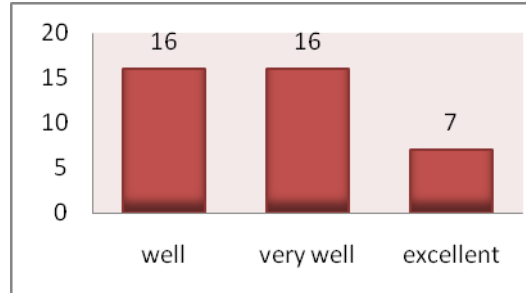
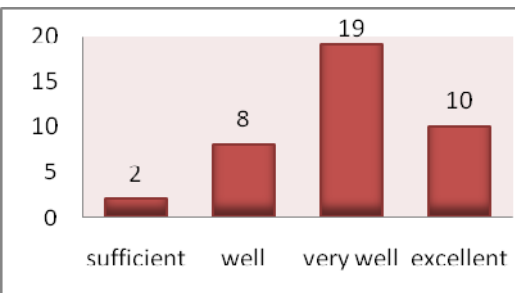
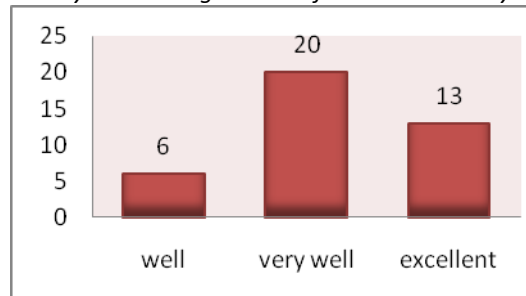
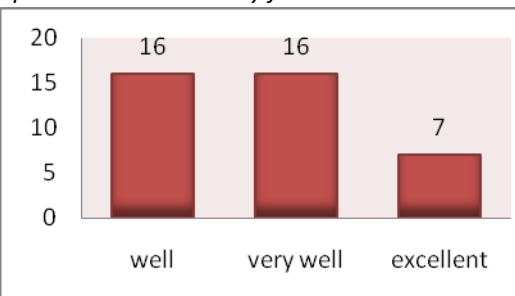
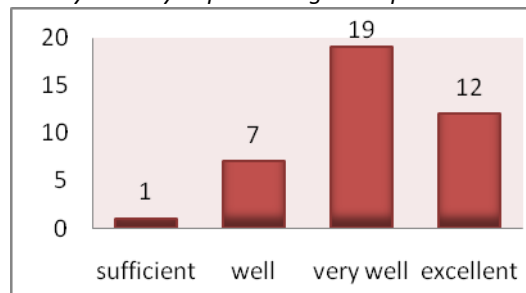
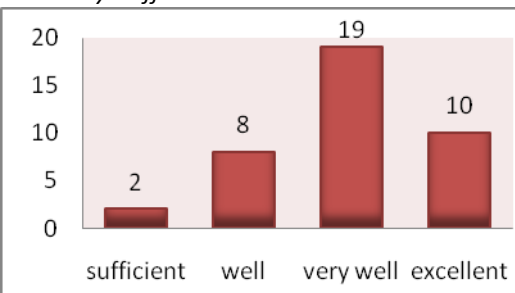
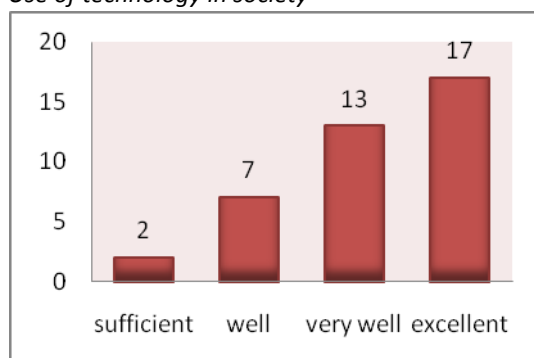
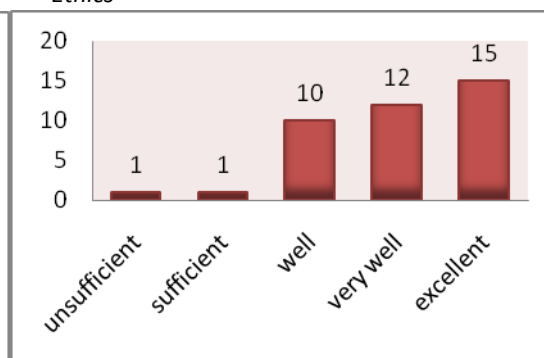
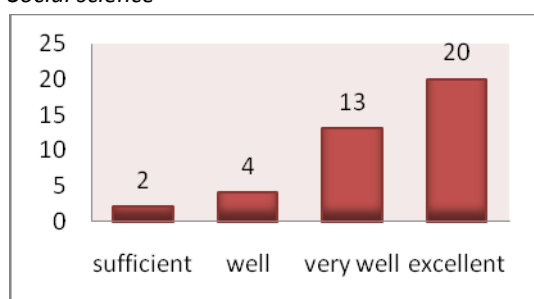
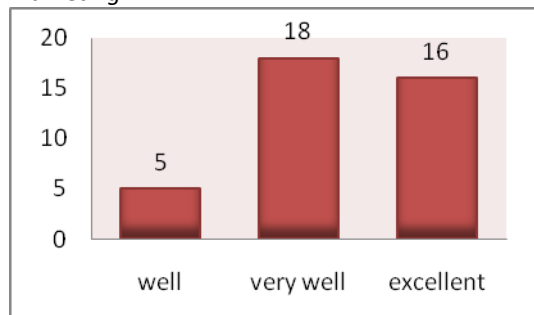
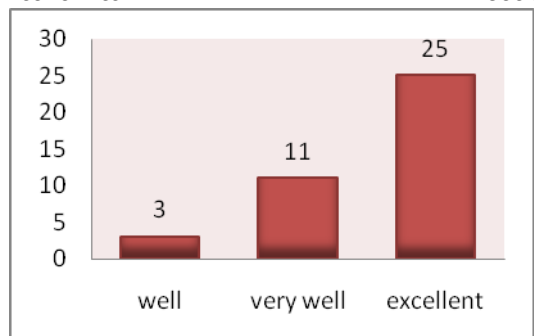
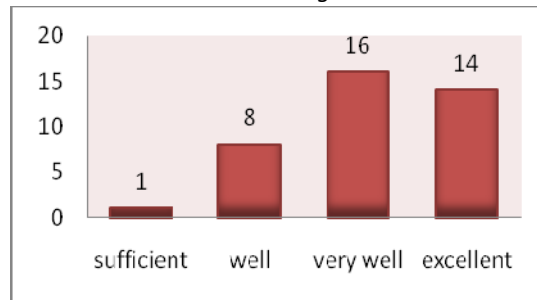
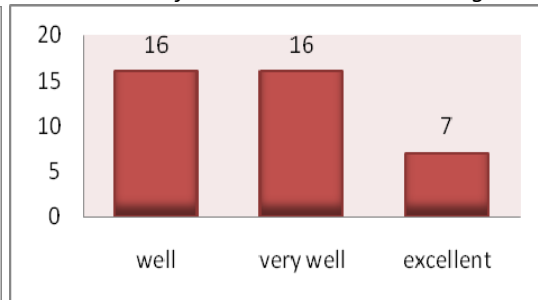
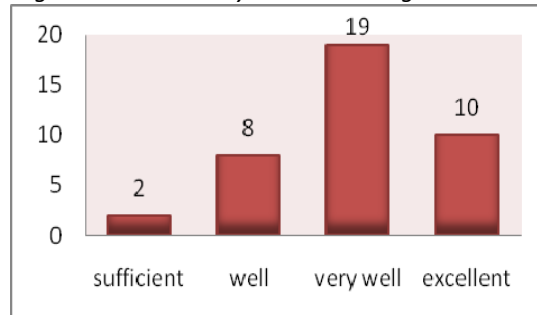
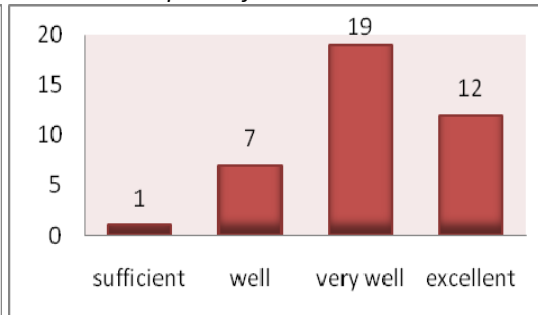
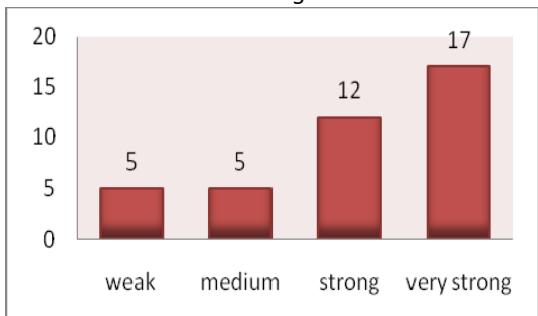
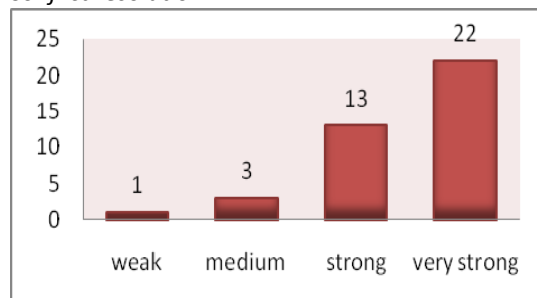
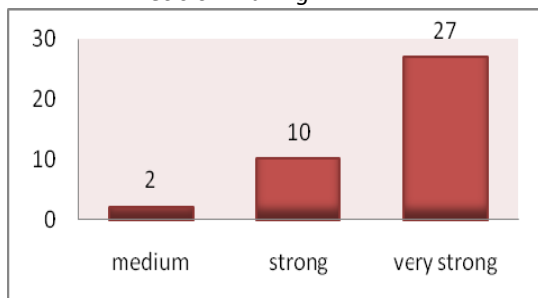
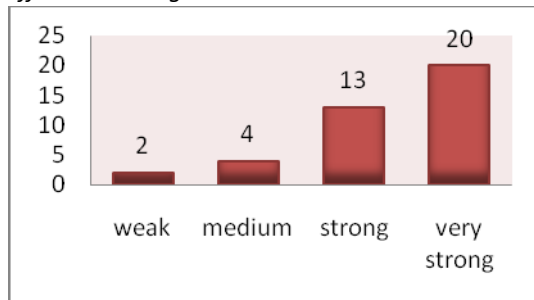
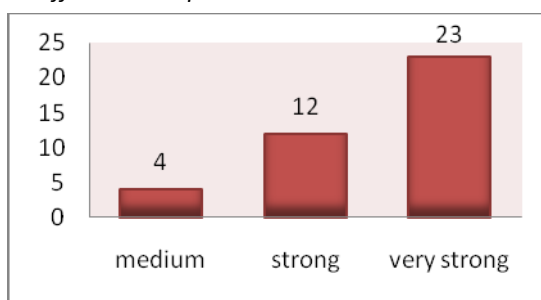
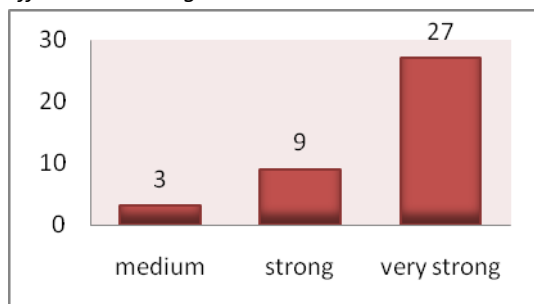
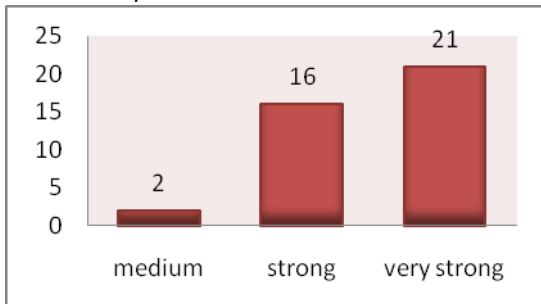
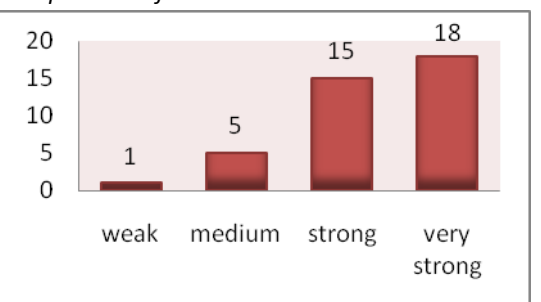
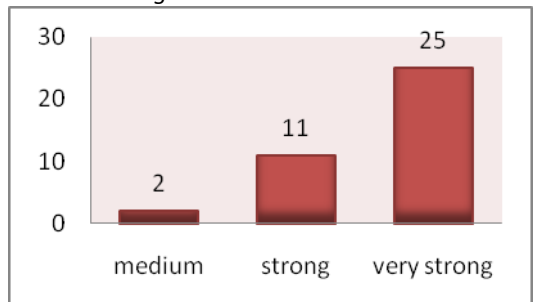
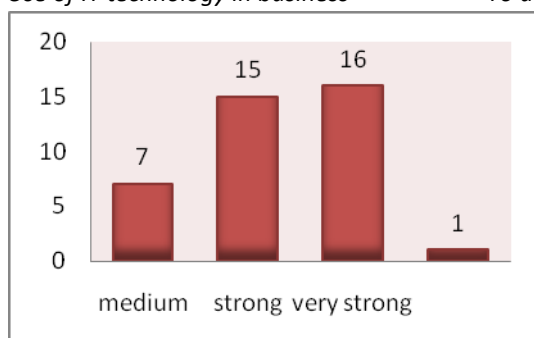
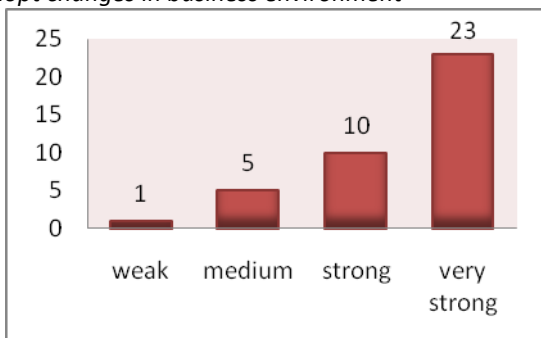
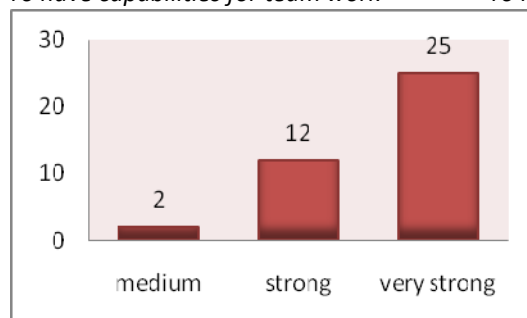
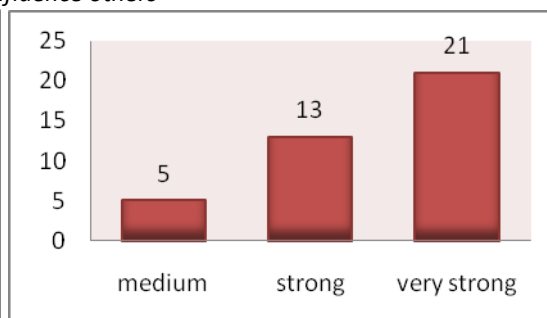
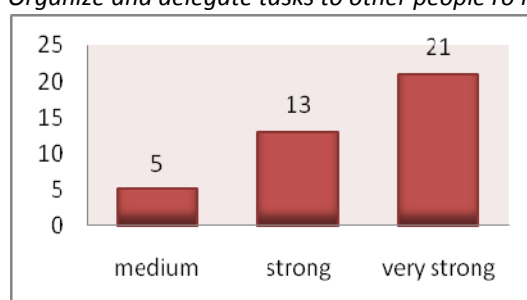
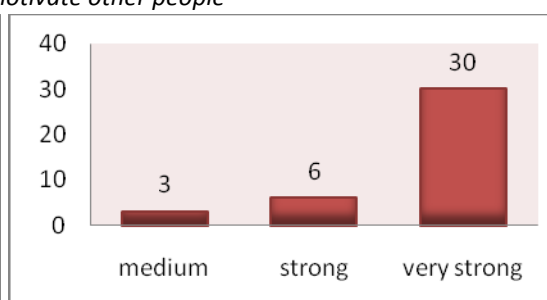
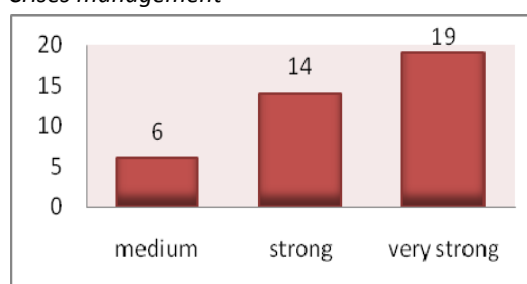
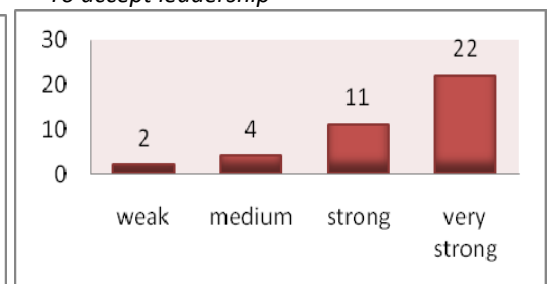
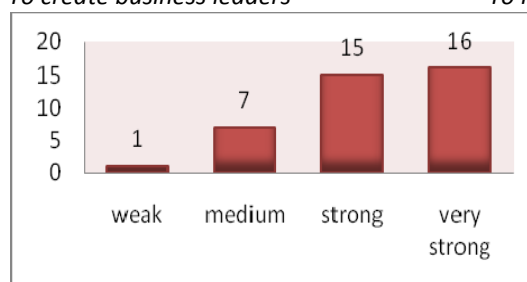
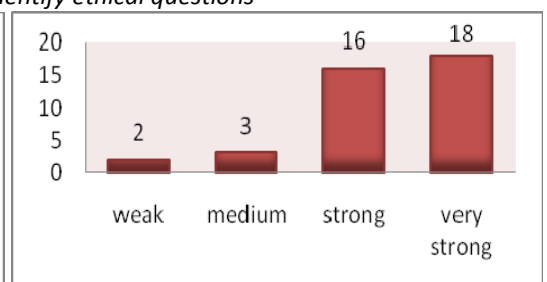
How well your program meet your needs*The helpfulness of your program to your work and interests**The knowledge and skills gained at your program**The content of course taken**Faculty's knowledge in their field**Faculty's responsiveness and timely feedback**Faculty's clarity in presenting concepts**Faculty's effect on student motivation*

Table 17-48

Skills acquired, curricula evaluation and possible curricula extension*Use of technology in society**Ethics**Social science**Operating management**Marketing**Finance**Economics**Social, ethical and legal business environment*

IT in business decision making*Quantitative technics for business decision making**Organizational Theory and HR management**Global aspects of business**Strategic business planning**Critical Thinking**Conflict resolution**Decision making*

Effective writing*Effective oral presentation**Effective listening**Critical opinion**Understanding non-verbal communication* *Locate important information**Use of IT technology in business**To adopt changes in business environment*

To have capabilities for team work*To influence others**Organize and delegate tasks to other people**To motivate other people**Crises management**To accept leadership**To create business leaders**To identify ethical questions*

After evaluation results analysis and conclusions where students as well as business community expect additional curriculum and instructor works improvement, UTMS develops organizational approach towards business education improvement and made some concrete steps and changes. There is no doubt that students emphasize their needs to gain more leadership competences, as well better tools for management and business leadership, like IT, quantitative techniques, effective writing and oral presentation skills. Leadership competences became more and more popular and desirable skills at student population.¹⁵

¹⁵ (Hugs 1996)

In order to achieve excellence in business education it is not necessary to have good education, in terms of well developed teaching process, but effective linkages with the “real world” of business. The students’ and faculty achievements comes exactly from the business and industrial interrelation.

One of the most successful things that The Faculty has achieved with the business and industrial area are as follows:

a) Advisory Boards

The advisory board works on guiding the students in their carrier and future profession. It is a team of people who will advise and guide the students during their studying.

b) Career Center

Career Center have significant role in sharing their experiences and knowledge acquired during their long work. They permanently guide students during their studies and contribute to their improvement and development of professionally competitive staff.

c) Guest Speakers

The faculty engages guest speakers and organizes lectures, presentations on certain professions, trendy profession, deficient professions, so that the students can have better perspective according certain questions. The lecturers are representatives from some well known companies and enterprises with which the Faculty has established mutual cooperation and they are leaders in their working area.

This past period, during the teaching process we could note visits and lectures of eminent experts from different areas, who on their great pleasure contributed to the improvement of the content of certain disciplines.

Beside above mentioned UTMS has developed Student Learning Outcomes Assessment Plan (SLOAP) at Faculty of Economics (system of two direct and three indirect measures) as methodology for assessment, in order for evaluation of students, but same methodology can be implemented on whole University on other six faculties (Tourism, Sport Tourism, Marketing, Public Relation Management and Human Resources Management). This type of assessment (Student Learning Outcomes-SLO) can be considered as a single, standardized process for the whole institution.

UTMS will use reactive mode of outcomes assessment, which means that results take place first, and it is the results that are assessed followed by a determination of whether changes and improvements are needed. After analyzing the information gathered from the assessment of the outcomes, UTMS will prepare Action Plans to address the changes and improvements that are needed. UTMS is aware that successfully executed action plans will result in desired outcomes.

STATEMENT OF NEED FOR SLOAP, DEFINITION, PURPOSE, GOALS

The Faculty of Economics at the UTMS, will use SLOA plan to ensure additional control of the quality of study that offers to its students, and to foster its accountability to its students, faculty, support staff, and business community. This will help to check and compare student academic results performed at each course with additional measures that analyses whole study program and student effectiveness to use received knowledge at University on practical situation and case studies. Students will also be fully aware that they will have additional check of their individual knowledge at the end of each academic year (instrument - Comprehensive exam) as well team work (instrument - Capstone). This will enhance their responsibility not only for passing individual exams, but also to remember passed courses longer and to generate practical experience for solution of practical problems.

This will also have strong impact among the public’s expectations of higher education. This can also be strong marketing instrument for enrollment of new student, because public in Macedonia and neighbor countries will be aware that UTMS use comprehensive methods to check what the students learn, and additional measure that students will learn what they need to know to obtain personal success and fulfill their public responsibilities in the twenty-first century.

UTMS has declared mission that want to provide the highest quality learning experience for its students within its means. UTMS focus on achieved student learning is critical not only to promoting and improving effective curriculum and co-curricular learning experiences and programs, but also to enhance the public perception of the value of higher education.

This new improved SLOA Methodology will be also positively percept from business community, because it is in accordance to their expectations to receive strongly qualified graduates and to employ only employees with strong academic and professional knowledge. Additional measures planned with SLOAP will also ensure that UTMS graduates have the skills and knowledge necessary to help their companies succeed in a competitive, global environment.

The process of implementation of SLOAP will help University to identify its strengths and weaknesses, guide us to increase effectiveness in achieving our mission, widen University accountability to own students, faculty, staff and business community, and to guarantee continued growth. The process involves making expectations explicit and public, setting due dates, setting appropriate criteria and high standards for quality learning, continually and systematically gathering, analyzing and interpreting data to determine how well performance matches the previously set goals.¹⁶

The core purpose of implementation of SLOAP is to enhance the functioning of the Faculty of Economics and to provide additional tools to check student learning outcomes. UTMS hopes that this will create a more unified and dynamic student body in accordance with the standards of the international business community. University goal is to accomplish three broad purposes of Outcomes Assessment: to assist learning, to measure individual achievement and to evaluate previously designed programs. It should also build a basis for the Business programs to evolve and improve with greater satisfaction from students, faculty, staff and business.¹⁷

CHARACTERISTICS AND ADMINISTRATION OF SLOAP

An Student Learning Outcomes Assessment Plan should determine the efficiency and effectiveness of the Faculty of Economics programs and the institution as a whole. The Plan should identify concrete measures for additional measurement of students learning outcomes as well changes and improvements that are needed at all levels, institutionally, pedagogically, administratively, and propose practical action plans for these changes.

There are several characteristics which are entailed in the Student Learning Outcomes assessment:

- Well planned systematic and ongoing process;
- It flows from and provides information and data into the university faculties and department's mission, goals and objectives;
- It is designed to improve the teaching and learning process;
- It provides evidence to support of changes and improvements;
- It is the responsibilities of faculty, staff, students and administration;
- Faculty in curriculum development, students in teaching quality;
- Staff in support services, and businesses in hiring and employer satisfaction.¹⁸

The Faculty of Economics has to provide several committees which are responsible for developing and administering the Student Learning Outcomes Assessment Plan:

1. Institutional Oversight of Academic Assessment and Program Review Committee. Membership includes: Vice-Chancellor for Education, Vice-Dean of the Faculty, and 3 professors and 3 assistants. This Committee will be responsible for the academic portion of the work and has the responsibility of assessing the institutional progress and the outcomes as a whole.

Responsibilities of the committee:

- Disseminating common information about assessment;
- Analyzes and reviews reports and provides feedback and suggestions on matters;
- Works with the committees of the Faculties;
- Reviews assessment plans to ensure their full implementation;

¹⁶ (Tichy 1993)

¹⁷ (IACBE 2008)

¹⁸ (IACBE 2008)

- Measures the direct and indirect outputs and incomes;
- Provides support for assessment.

2. Institution Education Committee (Assessment). Membership includes: one faculty member elected from each academic department (departments: economics, accounting and audit, finance and financial policy, marketing, management, public relations).

Responsibilities of the committee:

- Collaborates with Institutional Oversight of Academic Assessment and Program Review Committee about assessment;
- Measures the outcomes of learning (direct and indirect);
- Provides reports and measures on academic matters;
- Reviews programs for Business;
- Engages the faculty and students in review process;
- Monitors the effects of learning and its outcomes;
- Recommends changes to the education system;
- Designs measures to assess the education;
- Disseminates assessment measures for the education;
- Reviews, analyzes and makes decisions about the outcomes of learning, based on the data and reports collected.

3. Institutional Committee. Membership includes: Dean, Secretary General, Assessment representative from each department and three students from each program.

Responsibilities of the committee:

- Publication of assessment results;
- Provides assessment report to support curriculum revisions and proposals;
- Serves as a Faculty committee to respond to program viability reviews and questions;
- Organize wide forum for discussion of assessment activities;
- Develops and distributes guidelines and schedules to departments and programs for assessment and program review.

The Dean of the Faculty of Economics will request that the current staff and the academic advisors support the Dean in development, implementation and administration of SLOAP.

4. Institutional assessment Programs Reporting Guidelines and Processes:

The assessment data will be collected and completed by the end of the spring semester 2013. The committees responsible for each department should prepare annual assessment report by August 15.

The summary reports will be used to guide future planning decisions. The summary reports should cover the following points:

- Learning Objectives: learning objectives of each course
- Multiple Measures: Faculty of Economics has developed assessment measures to determine the extent to which each student has achieved the previously set objectives (students' presence at the lectures, students' activities during classes, essay writing, preparation of thesis or projects, permanent assessment of knowledge through three partial exams, final exam, and cumulative exam). Besides the above mentioned measures, there are other measures like Comprehensive Exam and Capstone. Through use of different methodology professors will be able to assess students results from different perspective.¹⁹
- Various assessment activities: Each professor collects data for students' presence at classes, activity, partial exams and final exam. Maximum number of points for knowledge, skills and competence is 100. Skills and competences provide 22 points. During the classes the teaching staff develops discussions with students and assesses their knowledge during classes, student papers and presentation, as well essay writing (maximum number of points for class presence is 2, for activity is 4% and for essay writing is 6). Students are encouraged to work on papers and their presentation and their effort can result in maximum 10 points (valuation is performed through standardized rubrics for assessment of oral and written capabilities). Students have

¹⁹ (IACBE 2008)

partial exams (maximum number of points is 48, or 1 exams with 16 points, while final exam is 30). Maximum number of points is 100, whereas at least 40 points are necessary to pass the exam.

- Evidence to support goals and objectives: collection of data, analysis of the collected data, and the connection i.e. relationship and support of the goals set and their accomplishment. UTMS possesses platform - software which records the students results-software which records and permanently stores records on every student (their grades, in particular) which enables following their development throughout the years.
- Review process: At the end of semester, the Dean of the Faculty of Economics presents, analyzes and reports the findings concerning the level of knowledge the students get, measured by the unified standards previously set at the university. The collected and analyzed results of new two direct measures from SLOAP will be presented at the Rector Council with further analyzes of the previous results and offer of suggestions.
- Change as a result of the assessment: The suggestions and findings which have been previously recorded can be used in development of different measures that can be put forward as a way to enhance student results.²⁰

STUDENTS LEARNING OUTCOMES ASSESSMENT PLAN - DIRECT AND INDIRECT MEASURES

The Faculty of Economics has identified two direct and three indirect student-learning measures that will be used by the academic business unit in outcomes assessment of Business programs:

- A direct measure of student learning, that deals with actual learning that has taken place (e.g. a skill was learned or student learned how to do something).
- An indirect measure, that deals with characteristics associated with learning, but the results only imply that learning occurred (e.g. student's perceptions of learning experiences).

There are a number of different types of direct and indirect student learning measures that can be used. However, the Faculty of Economics will use the following direct and indirect measures:

Direct Student learning measures:

1. Comprehensive Examination

The comprehensive examination (the first direct measure) is designed for whole degree program. In the development of internal comprehensive examination, all academic departments participated and created Major Field Test in Business which contains 120 multiple-choice items, grouped in major areas (Accounting about 16% of the questions, Economics, about 16% of the questions, Management about 17% of the questions, Quantitative Business Analysis and Information Systems about 16% of the questions, Finance about 12% of the questions, Marketing about 12% of the questions and Legal and Social Environment about 10% of the questions). Questions are formulated by identifying the most important learning objectives in each course as determined by the faculty and set forth in the course syllabus. The comprehensive exam includes questions from each of the required courses in the business core. For the required courses beyond the business core in a major, a similar procedure will be followed (e.g. identify the most important learning objectives in each syllabus for the required courses beyond the business core). This means that the comprehensive examination always has two parts:

- the first that deals with the business core curriculum, and it is usually common to all majors, and
- the second that deals with the required courses beyond the business core in a major.²¹

The Business Test is intended to²²:

- Measure students' academic achievement in the multidisciplinary subject matter representative of undergraduate business education.
- Provide information to students regarding their level of achievement.
- Provide information to faculties regarding the achievement of their students; information that can be used by the institution to assess their performance relative to their specific mission objectives.

²⁰ (IACBE 2008)

²¹ (IACBE 2008)

²² (Wechsler 1958)

- Provide information to facilitate development of appropriate goals and educational programs, and to enhance the accountability of undergraduate business education.

2. Capstone Course²³

The second recommended direct measure of student learning, a capstone course, is an integrative course that utilizes the student's knowledge gained from the business core curriculum and the required courses beyond the business core in a major. The Faculty of Economics developed the capstone course, according to which students need to complete a course project. The groups will consist of students who will need to work on a team project. Frequently, the project teams compete with each other in project development and presentation.

The Faculty of Economics has prepared rubrics to evaluate the results for the two direct student-learning measures. UTMS has all assessment instruments, along with their associated rubrics, and they are included in the SLOAP.

Indirect Student learning measures

1. Employer Survey

The employer survey will be used to gain information on the employer's perception of a student's abilities and skills in the workplace. In addition to the above, a representative sample of employers will be asked to complete a survey assessing the quality of the students who graduate in one of our degree programs.²⁴ This assessment instrument, along with its associated rubric, is included in the appendix of the SLOAP.

2. Alumni Survey

UTMS will use Alumni Survey as the second indirect student learning measure in order to gain a student's perception of his/her learning experience. Having in mind that this instrument usually is administered three to five years upon graduation of the students, the UTMS will use this instrument for generation that graduate in 2009 at Faculty of Tourism and students that graduate at Faculty of Economics in 2012. This assessment instrument, along with its associated rubrics, is included in the appendix of the SLOAP. Every 5 years a random sample of 30 alumni will be asked to complete a survey to assess the quality of their educational experience.

3. End-of-Course Evaluation²⁵

Course evaluations are required for all courses every term. These findings will be compiled at the end of the year to help assess faculty effectiveness, quality of course delivery and content.

STUDENT LEARNING OUTCOMES ASSESSMENT PURPOSE

The purpose of students learning outcomes assessment is to review the results of an institution's operations (both academic and non-academic) and determine if the intended outcomes were realized.

Outcomes assessment includes examining the student learning results of the each functional units of University.

The Faculty of Economics makes distinction between: Intended Outcomes (objectives) and Realized Outcomes (accomplished objectives).

The learning objectives refer to the material that students should learn in the course (intended outcomes) and they can be found in the course syllabus. When intended outcomes are actually accomplished, the results are realized outcomes.

Student learning objectives (intended outcomes) generally address the following:

1. Graduates of the Business program will possess an integrated knowledge of the functions and systems of business.
2. Graduates of the Business program will have developed strong interpersonal and communication skills necessary to succeed in the business environment.
3. Graduates of the Business program will have strong technological skills including the use of the Internet, word processing, spreadsheets, and presentation software.
4. Graduates of the Business program will be able to demonstrate the capability of applying business concepts to real world projects.

²³ (IACBE 2008)

²⁴ (IACBE 2008)

²⁵ (Wechsler 1958)

5. Graduates of the Business program will perform effectively and efficiently in business managerial positions.
6. Faculty, administrators, and staff of the Faculty of Economics create an environment that fosters excellence in learning.
7. The Business program provides the necessary education and experiences that enable graduates to be effective leaders in a global business environment.

An students learning outcomes assessment plan developed for the evaluation of the programs at the Faculty of Economics includes:

1. Techniques that will be used to measure whether the intended outcomes of student learning are realized, using both direct and indirect student learning measures.
2. Copies of the instruments will be used in measuring student learning outcomes, along with rubrics to evaluate the results.

CONCLUSION

Development of SLOAP is a valuable instrument and part of continuous process for measuring the effectiveness of a business unit and its programs. The whole process of SLOAP is based on definition, measurement, and continuous improvement of educational outcomes, understood as a process critical for the identification of necessary changes and improvements.

The Faculty of Economics develops and plans partial (only direct measures) implementation of this outcomes assessment process in spring semester of current academic year (2012/2013). This process includes an student learning outcomes assessment plan, identification of necessary changes and improvements, integration of those changes into the institution's planning process, and documentation of realized outcomes.

The first phase of Implementation of SLOAP is the development of written outcomes assessment plan and its Appendices. Implementation will be realized through execution of assessment tools/instruments in accordance with Action plan, external and internal assessment activity, analysis and evaluation of results of assessment activity.

After the analysis and the evaluation of assessment results as well as identifying changes and necessary improvements, Action plans for performing the identified changes and improvements will be prepared and necessary actions will be implemented.

There is a possibility that some changes of the SLOAP will be made over the first few years after its implementation provided some instruments or technique do not produce the assessment results desired by the institution.

UTMS expects concrete results from Realized Outcomes of Action Plan as Improved student outcomes (learning outcomes, skills development, personal development outcomes), enhanced operational effectiveness (learning environment, teaching effectiveness, etc.), achievement of strategic plan goals/objectives, increased student satisfaction, increased faculty and staff satisfaction.

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STRATEGY OF STOCK VALUATION BY FUNDAMENTAL ANALYSIS

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Abstract:

Common stock valuation presents one of the most complex tasks in financial analysis. When it attempts to answer on question: „what causes stock price movements? “Then the answer would not relate only on economic factors. There are numerous factors that affect the stock price and they are almost impossible to predict. As one of the best ways to fight against many factors that make the uncertainty, arises fundamental analysis. Fundamental analysis is one of the most widely used methods for estimating price movements of securities which essentially analyses the impact of micro and macro-economic factors on the business of the corporation in order to predict future economic and financial effects. Fundamental analysis also examine various financial statements with the aim to asses a real value of company's stock. This work has the task to systematize knowledge about fundamental analysis, so it can serve as a good base for future research.

Key words: *fundamental analysis, financial indicators, intrinsic value, discount models, stocks.*

INTRODUCTION

Fundamental analysis is considered to be one of the easiest ways of companies valuation. The main aim of fundamental analysis is to reveal the actual current value of the company. One of the main aims of fundamental analysis is prediction of future profits, dividends and the risk in order to calculate the true value of the stocks. It is not enough just to find a successful business, it is necessary to find companies that worth more than other investors estimate.

Important role in fundamental financial analysis play financial ratios. Financial ratios are used for compare of companies that perform the same or similar activity and which are roughly the same size. According to Abardanell and Bushee (1997) for analysts there is economic justification to trust in many (not all) fundamental indicators. Ultimately, their work shows macroeconomic variables such as inflation, GDP, etc. condition the relationship between fundamentals and future earnings. The same authors (1998) proved that the fundamental analysis can be used to predict future abnormal returns. Reinganum (1988) examined 222 companies whose stock price has increased extremely and has proved that it is possible with the help of nine combinations of fundamental and technical variables to identify extreme winners. Reinganum investigated that the extreme winners have a low P/B ratio, the recent positive news in returns and increasing price momentum. Mukherji, Dhatt and Kim (1997) investigated that fundamental variables on stocks in Korea were positively related to book-market, sales-price, and debt-equity ratios, they were also negatively related to firm size, and not significantly related to earnings-price ratio or beta. According to Yu-Hon and Mole (1998) more than 85% foreign exchange dealers in Hong Kong rely on both fundamental and technical analysis for predicting future rate movements at different time horizons.

There are two approaches to the security analysis: top down approach that represents an investment strategy that is based on the analysis of the economy in general, and then analyzes the sectors and companies inside. Another approach is called bottom up approach and presents a strategy where investor first focuses on a particular company, exploring the business model and growth prospects. Security analyst deals with the past, present and future of the company. The fundamental feature of fundamental analysis is that the actual value of company meets their financial characteristics, then the possibilities of growth, the amount of risk and cash flows. Fundamental analysis can be defined as an attempt to calculate the discounted present value of all payments that the investor will receive from some stocks. Each movement from that level indicates that the stock is overvalued or undervalued. Therefore, each investor is interested in buying stocks with a market value less than the true value. The theory that all stocks reflect all available information is called the theory of market efficiency. The theory of market efficiency suggests that it is useless to seek the help of fundamental analysis because they do not exist. Strong form efficiency states that market prices reflect all information. If we restrict ourselves to the tests carried out in research

carried out by Barbić (2010) Croatian capital market does not meet the weak form of efficient market hypothesis.

IMPORTANCE OF MACROECONOMIC AND SECTOR ANALYSIS

As stated earlier in this paper the main focus of fundamental analysis is to predict future earnings that stock will achieve. Since the company's success largely depends on the global economic situation. Fundamental analysts must consider the business environment within which company operates. Hondroyiannis and Papapetrou (2001) conducted a study in which they found that domestic macroeconomic activity affects the performance of the domestic stock market. There are sectors that are more sensitive to the state of economy in general and the sectors that are less sensitive. Flannery and Protopapadakis (2002) used extensive dataset to study the impact of macro conditions on equity returns. They found that six of the 17 macro variables are strong risk factor candidates: CPI, PPI, Balance of trade, Unemployment, Housing starts and Monetary Aggregate M1. According to Shiblee (2009) key factors that affect stock price behavior are: GDP, unemployment rate, inflation and money supply.

The key macroeconomic variables are:

Gross domestic product — presents a measure of total final goods and services produced within a country in a given period. Real GDP takes nominal GDP and corrects it for inflation. GDP can also be taken as a measure of success and strength of a country.

Unemployment rate — can be defined as a social phenomenon in which a part of the working-age citizens cannot employ appropriate to their abilities and qualifications. According to Gonzalo and Taamouti (2011) increase in the anticipated unemployment rate is in general a good news for stock prices. When unemployment rate is high, the Fed decreases the interest rate which in turn increases the stock market prices.

Interest rate — High interest rates reduce the present value of future cash flows, and contribute to the reduction of investment activities. In general decrease in interest rates will cause the withdrawal of funds from the debt securities into equity securities.

Budget deficit — presents the difference between government spending and revenues. Increasing the budget deficit mainly affects the capital market.

Inflation — before we define the term we recall that the price index measures the average price level. Inflation means a rise of price level in the general. One of the most common measure of inflation is the consumer price index known as the CPI. CPI is a measure of the average price change of the consumer goods basket and service that people pay in a certain period of time. Research conducted by Lifang, Paresh and Zheng (2010) reveal that unexpected inflation announcements negatively affect stock returns while expected inflation has very little impact in the announcement study. The research was conducted in the medium-term study.

Sentiment — Positive or negative sentiment will greatly affect the amount of traded securities, and the direction in which prices will move. Baker and Wurgler (2003) said that their main empirical finding is that the cross-section of future stock returns is conditional upon beginning of period proxies for investor sentiment. Specifically, when sentiment appears to be high, stocks that are likely to be relatively attractive to optimists and speculators and at the same time unattractive to candidates for arbitrage.

Sector analysis — is important as well as macroeconomic analysis. Zagreb Stock Exchange under the National Classification of Activities which conducts the Central Bureau of Statistics, Croatia categorizes sectors in 38 categories. Each sector is variously sensitive to economic trends. Classifying companies by sectors will diversify specific risk. It would be ideal to buy companies that are negatively correlated with each other.

FINANCIAL STATEMENTS AND FINANCIAL INDICATORS

The basic financial statements used in the analysis of securities are: balance sheet, income statement, cash-flow statement and notes to financial statements. These financial statements are the primary source of information for investors, creditors, suppliers, etc. It is important to always keep in mind that the people who write financial statements always want to achieve their attractive appearance to gain the confidence of creditors, investors, suppliers and all others who directly or indirectly doing business with the company. Extra precaution is always a good idea.

When it is talking about financial indicators, it is important to choose peer group. Peer group analysis means to establish a benchmark, but first it is important to choose companies which perform the same activity (which compete in the same markets, have similar assets, and operate in similar ways).

Below are given financial ratios:

Liquidity ratios measure the ability of a company to meet its maturing short-term obligations. Liquidity indicators show ability of companies to avoid insolvency.

Financial leverage ratios measure how much is measured from foreign sources. *Financial leverage ratios* shows how many assets is financed by shareholders equity and how many from liabilities. *Profitability ratios* show the financial efficiency of the company's business or the ability or probability that some investment after the commissioning of a new capacity will achieve increased return on invested capital, or the investments will give a greater financial result with the least investment.

Asset turnover ratios measure how efficiently the company uses its resources. They point to the speed of circulation of assets in a business process. *Market value ratios* measure economic status of company on the marketplace. P/E ratio shows how many times the market price of the stocks is greater than the stock earnings. Many analysts believe that the stocks with low P/E ratio will find investor before than stocks with high P/E ratio. Stocks with high P/E ratio may be more favorable than stocks with low P/E if it is expecting growth of earnings and dividends. EPS calculates individual earnings per stock. P/B ratio (also known as Market to book ratio) calculates by dividing the market price of the stock with the stock book price. Some analysts believe that the book price can present limit below which the market price cannot fall.

Liquidity ratios

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current Liabilities}}$$

$$\text{Cash Ratio} = \frac{\text{Cash}}{\text{Current Liabilities}}$$

Financial leverage ratios

$$\text{Debt ratio} = \frac{\text{Total Liabilities}}{\text{Total assets}}$$

$$\text{Debt-equity ratio} = \frac{\text{Total Debt}}{\text{Total equity}}$$

$$\text{Long-term debt ratio} = \frac{\text{Long-term debt}}{\text{Long-term debt} + \text{Total equity}}$$

Asset turnover ratios

$$\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{Inventory}}$$

$$\text{Days' sales in inventory} = \frac{365 \text{ days}}{\text{Inventory turnover}}$$

$$\text{Receivables turnover} = \frac{\text{Sales}}{\text{Accounts receivable}}$$

$$\text{Days' sales in receivables} = \frac{365 \text{ days}}{\text{Receivables turnover}}$$

$$\text{Fixed asset turnover} = \frac{\text{Sales}}{\text{Net fixed asset}}$$

$$\text{Total asset turnover} = \frac{\text{Sales}}{\text{Total assets}}$$

Profitability ratios

$$\text{Profit margin} = \frac{\text{Net income}}{\text{Sales}}$$

$$\text{Return on assets (ROA)} = \frac{\text{Net income}}{\text{Total assets}}$$

$$\text{Return on equity (ROE)} = \frac{\text{Net income}}{\text{Total equity}}$$

Market value ratios

$$\text{Price-earning ratio} = \frac{\text{Price per share}}{\text{Earnings per share}}$$

$$\text{Earnings per share} = \frac{\text{Net income} - \text{Divid. on Preferred Stocks}}{\text{Average Outstanding Shares}}$$

$$\text{Market to book ratio} = \frac{\text{Market value per share}}{\text{Book value per share}}$$

INTRINSIC VALUE AND DIVIDEND DISCOUNT MODELS

Intrinsic value is calculated on way to estimate the present value of expected cash flows of assets. Each asset has a value which is determinate by cash flows. In finding intrinsic value it is objective to find assets that is valued less what it should be according to the cash flow, growth and risk characteristics.

Intrinsic stock value V_0 is defined as present value of all cash payments to investor, discounted according to risk adjusted interest rate k . If we estimate that intrinsic value exceeds the market value of the stocks, then the stocks are undervalued and good opportunity to buy if they are liquid.

$$k = r_f + \beta[E(r_M) - r_f]$$

k = required rate of return on the stock

β = systematic risk

$E(r_M) - r_f$ = risk premium on M

M= market portfolio

$$V_0 = \frac{E(D_1) + E(P_1)}{1 + k}$$

V_0 = intrinsic value

$E(D_1)$ = expected dividend yield

P_1 = stock price at the end of the year

P_0 = current stock price

From the formula above it can be set following formula which will represent dividend discount model (DDM) of stock prices:

$$V_0 = \frac{D_1}{1+k} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} \dots + \frac{D_n}{(1+k)^n}$$

The formula cited above excludes capital gains, but the reason is that capital gains will be determined by predicting dividend at the time when stock is sold. Simplified, we can assume that future dividend will pursue growth, which is labeled by g . Therefore, the equation is presented as follows:

$$V_0 = \frac{D_0(1+g)}{k-g} = \frac{D_1}{k-g}$$

This equation is also called constant – growth DDM or Gordon's model. This approach to valuation constraints to business subjects with stable growth rate, provided that there is important to understand two basic problems of the model.

- Growth rate of dividends last forever (assuming that earnings and revenues are growing at the same rate)
- What is a reasonable stable rate? The rate which is selected has to be less or equal to the rate of economic growth. Analysts do not agree about this rate due to uncertainties with estimates of expected inflation. The assumption that the growth rate of dividends has to be constant over time is difficult to achieve because of the earnings volatility.

Pages (1999) investigated whether the assumption of a permanent growth rate of dividends is consistent with a constant discount rate. He was not able to find a simple model with standard specification, that would be consistent with nonstationarity in dividends, so valuation in the present context stayed an open question.

Although DDM model can be commercially used in analysis, it is important not to forget the first point that was mentioned, and that is; *growth rate of dividends last forever*. In real life, the companies go through its life cycles in which dividends are paid different at different stages. In the mature profitability stage, company is slowing down since there are no profitable opportunities.

CONCLUSION

Fundamental analysis uses future and present data in order to estimate the fair stock market value and to predict future value. It usually begins by analyzing the macroeconomic environment, analyzing sectors and then financial statements in order to determine the real value of the company. The aim of the analysis is not only to find a successful company; the aim is to find the companies that are worth more than other investors estimate. On the market, investors have equally available information, but only the most apprehensive are awarded for finding best opportunities. Many findings said that professional traders do not trade purely on the economic fundamentals, but they surely take them into account, when making decisions. Fundamental analysis is not a guarantee that the investor will realize high profits on stocks, but certainly has an important role in achieving this aim.

The purpose of this paper was to summarize a complete overview of fundamental analysis, and to serve as starting point of future research

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FORECASTING CROATIAN STOCK MARKET INDEX: CROBEX

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Abstract:

Forecasting stock returns is considered one of the hardest tasks for every potential investor. This paper attempts to predict the movement of Croatian stock market index Crobex on Zagreb Stock Exchange. Main aim of this paper was to empirically examine the best univariate Autoregressive Integrated Moving Average model for forecasting. This research examined ARIMA (p;d;q) model on weekly closed prices of Crobex from 01/01/2011 to 01/01/2013. First it was necessary to meet the stationary condition. While checking the conditions of stationarity, data series were observed by ACF, PACF plots and by Ljung–Box Q statistic and Augmented Dickey–Fuller test statistic. After differencing, statistic showed that the data is stationary and the next step was to find the best ARIMA model. The most important criteria that were used are: R-squared, Adjusted R-squared, Akaike information criterion, Schwarz criterion and Hannan–Quinn information criterion. After checking the exceptionally large number of models it was found the model that suits best, according to the criteria.

Keywords: *Croatian Stock Market, Crobex, Forecasting, ARIMA.*

INTRODUCTION

Due to the strong impact of the global economic crisis Croatian stock index Crobex showed no signs of recovery since 2008. Pessimism and the possibility of expanding the debt crisis played an important role in the exceptionally low stock turnover and a large decline in the prices of the aforementioned year. In order to gain better perception of the crisis that affected Croatian capital market we have described the historical movement of the Crobex in the past 13 years.

Timeline of movement stock index Crobex since 2001 flowed mainly at levels below 1000 points with occasional testing these levels. At the end of 2001 the index rose at 1000 points which became his new level of support. At these levels, along with testing new resistance level Crobex remained until the third quarter of 2005 when new resistance level was broken and converted into support level. For about one year index remained at that level. In the third quarter of 2006 Crobex prospered and climbed at 3000 points. In the first quarter of 2007 Crobex showed a strong desire to continue the progression and the index break 4000 points and within just 6 months of testing he jumped for then huge 25% and climbed at 5000 points. The level of 5000 points was few times tested in this period and finally peak was reached at a level of 5392 points. In January of 2008 bad news for capital market started. Crobex sunk below 5000 points at the level of 4000 points around which fluctuated until the middle of the first quarter 2008 when the price continued its correction and went below 4000 points. As the bottom could not be seen, at the end of the third quarter of 2008, price collapsed below 3000 points. In mid – November of 2008 price declined below 2000 points until the end of the fifth month of 2009 when the index started to fluctuate at a level of around 2000 points to the present day.

Crobex is an official stock index of the Zagreb Stock Exchange. Only those stocks that are traded more than 90% of the total number of trading days in the six-month period may enter into the composition of the index Crobex. Approximately every six months revision on stocks is conducted. Rank of each stock that meets the requirement of trading days shall be determined on the basis of the free float market capitalization and stock turnover.

Each of the above criteria shall be given a weighting of 50%, with a mean or a weighted market share to be calculated. Crobex index included 25 shares with the highest mean. The index is calculated as the ratio of free float market capitalization and the free float of market capitalization on the base date. The share of free float of market capitalization of individual stocks with a total market capitalization of index Crobex may not exceed 15%. The index is calculated according to the formula that follows:

$$I_t^j = \frac{\sum_{i=1}^n p_{i,t}^{t,j} \cdot q_{i,T} \cdot f_{i,T}}{K_T \cdot \sum_{i=1}^n p_{i,T} \cdot q_{i,T} \cdot f_{i,T}} \cdot B \quad (1)$$

I_t^j Crobex index value on day t at time j

$p_{i,t}^{t,j}$ last price of share i on day t at time j

$q_{i,T}$ number of shares i in the issue of their portion on revision day T

$f_{i,T}$ free float factor of share i on the last day of the month preceding revision day T

B index base value, set at 1000 on 01 July 1997

$p_{i,T}$ last price of share i on base date or the day preceding its inclusion in the Crobex index

(in case of subsequent inclusion)

K_T index base adjustment coefficient on revision day T

The base date which is taken to calculate the equity index is 01 July 1997. The base value amounts to 1000 points. Audit is carried out every six months, or every third Friday in March and September.

BOX–JENKINS METHODOLOGY

To predict future trend or prices there are two basic ways that we can use; causal methods and calculate influence of fundamental indicators on trend and prices or we can forecast using technical analysis and historical patterns. ARIMA belongs to the use of technical analysis. According Orsag (2003) technical analysis focuses on conditions in the capital markets, studying the changes in price and volume of trades, supply and demand, etc. Here are used indicator series from capital markets such as are indices and averages. More about technical analysis see in (Ivanovic 1997; Orsag and Dedi 2011). There are several different methods of analyzing and forecasting time series — naive models, moving averages, exponential smoothing methods, single-equation regression models, Autoregressive Integrated Moving Average models. Box–Jenkins technique, credited to George Box and Gwilym Jenkins, used an iterative approach of identifying a potentially useful model from a general class of models. Box–Jenkins methodology uses both the autoregressive and the moving average techniques for forecasting and tries to find best combination of two methods. Word „best“ is associated with model that most accurately predicts future trend. A time series Y_t is said to follow an integrated autoregressive moving average model if the d^{th} – difference $W_t = \Delta^d Y_t$ is a stationary ARMA process. If W_t follows an ARMA (p;d) model, it can be said that Y_t is an ARIMA (p;d;q) process. The current value Y_t is autoregressed on the past p observations: $Y_{t-1}, Y_{t-2}, \dots, Y_{t-p}$. ARIMA model therefore have three model parameters, one for the AR—(p) process which present number of autoregressive terms, one for the I—(d) process which present the number of seasonal differences and one for the MA—(q) process which present number of lagged forecast errors in the prediction equation. An autoregressive model generates, a new predictor variable using the Y variable lagged one or more periods.

The general form for the autoregressive class of models in the Box–Jenkins methodology is show in equation that follows.

$$Y_T = \beta_0 + \beta_1 Y_{T-1} + \beta_2 Y_{T-2} + \dots + \beta_p Y_{T-p} + \varepsilon_T \quad (2)$$

Y_T = Forecast Y value for the time period T

$Y_{T-1}, Y_{T-2}, \dots, Y_{T-p}$ = Y values for time period T lagged 1, 2, ..., p periods.

$\beta_0, \beta_1, \beta_2$ = Regression coefficients

ε_T = Random error component at time T

β_0 = Constant (if the data are differenced, the constant can be left out of the equation)

Box–Jenkins methodology, consist of several procedures: 1st phase—identification; 2nd phase—assessment; 3rd phase—diagnostics; and 4th phase—forecasting. Limitations of ARIMA models can only deal with time series that are stationary in the means and variances. If the data isn't stationary then differencing must be used to achieve stationarity.

LITERATURE OVERVIEW

Kalu (2010) investigated forecasting of the Nigerian Stock Exchange by ARIMA (p;d;q) model and his model failed to match market performance between January 2009 and December 2009. U-statistics indicated that ARIMA (1;1;1) forecast of the NSE index outperformed the naive model. Kalu concluded that economic crisis destroyed the correlation between the NSE index and its past. Kalezić, Cerovic and Bozovic (2007) used ARIMA models for estimating inflation rate. They concluded that ARIMA is very effective model in assessing future course of the inflation. Al-Shiab (2006) examined univariate ARIMA forecasting model for predicting Amman Stock Exchange (ASE). Jiban, Hoque and Rahman (2013) successfully examined the best ARIMA model for forecasting daily share price of Square Pharmaceuticals Limited (SPL). Jarrett and Kyper (2011) used ARIMA for predicting Chinese Stock Market. They concluded that daily prices of Chinese stock equity securities have an autoregressive component, and they indicated that the use of intervention analysis is very useful in explaining the dynamics of the impact of serious interruptions in an economy and the changes in the time series of a price index. Bonini et al. (2007) forecasted Italian monthly stock prices by ARMA model. Their resulting model showed both a robust fitting capability when tested in the in-sample period and a good predictive capability when applied to an out of sample period of monthly Italian stock market returns. Junaidi (2011) empirically examined predictability of time series of earnings and stock patterns by means of Autoregressive Integrated Moving Average model. His first hypothesis stated that there is ability in predicting earnings income, and it's statistically supported. Second hypothesis stated that there is the ability of earnings in predicting price pattern that hypothesis was also statistically supported. Zhang (2009) compared ARCH and ARIMA model in stock price forecasting. He concluded that ARCH model has smaller relative error, so ARCH model fitted better than ARIMA.

METHODOLOGY AND DATA

Aim of this paper was to predict Crobex price movement using only the available information which are contained in the historical movements so the time series could be generated. Time series that will be used for forecasting represented weekly closing prices from January 2011 till January 2013. As described at the beginning, major growth on capital market started in 2004 and it lasted to 2008 when a large drop happened. In order to calculate as accurately forecasting as possible, there are chosen time series from 2011 where is no high market volatility recorded and 2011 together with 2012 provides actual data that will be used in prediction of 2013. This research used total of 105 weekly data, 52 weeks in 2011 and 53 weeks in 2012.

Table 8. Crobex descriptive statistics in period: 01/01/2011–01/01/2013

Mean	Median	Max.	Min.	Std. Dev.	Observations
1907.34	1803.90	2311.50	1623.08	226.29	105

Two years were taken in sum 105 observations. To select the best ARIMA model data are split into two periods: estimation period and validation period.

The process of making ARIMA model involves the following steps:

- 1) Collection of input data that would be used for prediction.
- 2) Displaying data graphically and by correlogram in order to determine their stationarity, and conducting certain tests that will confirm stationarity [autocorrelation, partial autocorrelation, Ljung–Box Q-test, Augmented Dickey–Fuller test (ADF-test)]. If the data are not stationary it is necessary to implement certain procedures to ensure that information will become stationary.
- 3) The ARIMA models are in the third step assessed by using the Ordinary Least Squares (OLS) method. In order to choose the best ARIMA model there are used following criteria: The Akaike Information Criteria (AIC), Schwartz Information Criteria (SIC), Hannan–Quinn Information Criterion.

First the data were shown graphically to check stationarity. If the data is not stationary there must be suitable transformation steps conducted. In graph that follows it were generated 105 weekly values which are realization of stochastic process.

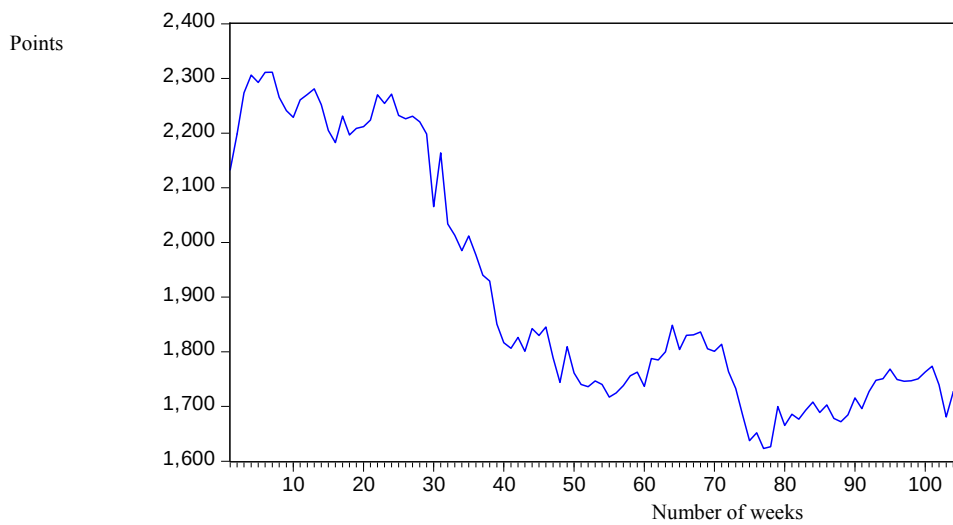


Figure 1. Weekly prices of stock index Crobex

From Figure 1, it can be noticed that observed time series is nonstationary, but it is certainly necessary to conduct a formal statistical control. In this purpose, the test of Autocorrelation Function (ACF) and Partial Autocorrelation Function (PACF) were used.

Table 9. Correlogram of original data of weekly Crobex time series

Sample: 1/01/2011– 31/12/2012

Included observations: 105

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. *****	. *****	1	0.980	0.980	103.66	0.000
. *****	. .	2	0.960	0.004	204.12	0.000
. *****	** .	3	0.931	-0.232	299.56	0.000
. *****	. .	4	0.901	-0.046	389.87	0.000
. *****	. .	5	0.872	0.041	475.22	0.000
. *****	* .	6	0.839	-0.081	555.13	0.000
. *****	. .	7	0.809	0.040	630.24	0.000
. *****	* .	8	0.777	-0.066	700.11	0.000
. *****	. .	9	0.747	0.033	765.41	0.000
. *****	. .	10	0.715	-0.052	825.87	0.000
. *****	. .	11	0.683	-0.036	881.64	0.000
. *****	* .	12	0.649	-0.066	932.56	0.000

The correlogram indicates high and slowly declining values of empirical Autocorrelation Function and Partial Autocorrelation Function. All values of Autocorrelation Function are positive, and after observed 12 weeks relatively high, for $k=12$ is 0.649. Higher—order autocorrelation was tested by Ljung–Box Statistics. The value of Q—statistics for $k=1$ is 103.66, which also indicates autocorrelation. Finally, the analysis of p—value at each unit lag ($k=1$) indicate the existence of autocorrelation, which confirms that the observed time series is nonstationary.

One of the basic characteristics of the stationary process is rapidly declining values of Sample Autocorrelation Function (SACF). However, in addition to previously mentioned, formal statistical tests have to be conducted in order to determine whether the time series of Crobex weekly closing prices is stationary or not. For this purposes the Dickey–Fuller test statistics was conducted.

Table 10. Unit root testing of original weekly Crobex data*Null Hypothesis: Crobex has a unit root**Exogenous: Constant**Lag Length: 1 (Automatic—based on SIC, maxlag = 12)*

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.057914	0.7299
Test critical values: 1% level	-3.495021	
5% level	-2.889753	
10% level	-2.581890	

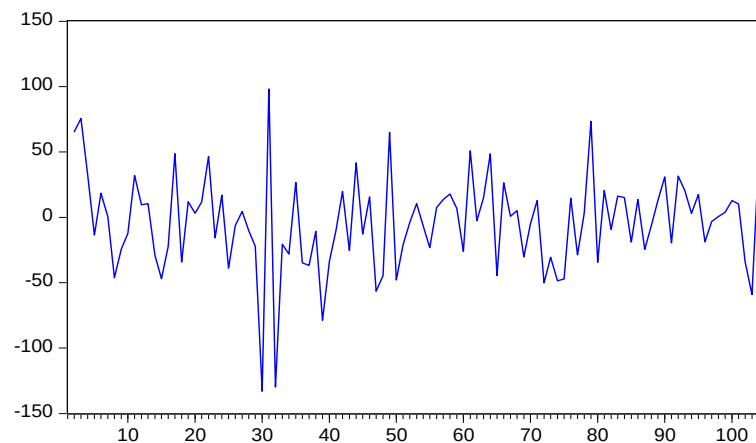
*MacKinnon (1996) one-sided p-values.

*Augmented Dickey-Fuller Test Equation**Dependent Variable: D(Crobex)**Method: Least Squares**Sample (adjusted): 17/01/2011– 31/12/2012**Included observations: 103 after adjustments*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CRO(-1)	-0.016553	0.015647	-1.057914	0.2926
D(CRO(-1))	-0.152550	0.096736	-1.576981	0.1180
C	26.51611	30.07147	0.881770	0.3800
R-squared	0.037183	Mean dependent var		-4.445049
Adjusted R-squared	0.017926	S.D. dependent var		36.07521
S.E. of regression	35.75040	Akaike info criterion		10.01969
Sum squared resid	127809.1	Schwarz criterion		10.09643
Log likelihood	-513.0142	Hannan–Quinn criter.		10.05078
F-statistic	1.930938	Durbin–Watson stat		1.991599
Prob(F-statistic)	0.150381			

Augmented Dickey–Fuller test is a test for unit root in time series analysis. It was a negative number; the more negative it is, the stronger the rejection of the hypothesis is. In the previous table, values of Dickey–Fuller test values are given (ADF = -1.057914). Comparing to the critical values of ADF test, at the significance level of 1%, 5% and 10%, it's clear that empirical ADF is greater than critical, which confirms null hypothesis that the time series shown on the table 3. was not stationary.

In order to remove nonstationarity, the weekly Crobex prices are differenced. According to Jiban, Hoque and Rahman (2013) differencing is comparatively simple operation that involves calculating consecutive changes in the values of the data series. Differencing is used when the mean of a series is changing over time to time.

**Figure 2.** Differenced weekly prices of stock index Crobex

Differencing is simple operation that involves calculating consecutive changes in the values of the data series. Figure 2. showed differenced weekly prices of stock index Crobex. Chart indicates that the values of series fluctuate randomly around zero (average level). The following correlogram is correlogram of 1st differenced values of the observed time series. The next step also confirms that statistically.

Table 11. Correlogram of differenced data of weekly Crobex time series

Sample: 01/01/2011– 31/12/2012

Included observations: 104

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
* .	* .	1	-0.159	-0.159	2.7178	0.099
. *	. *	2	0.151	0.129	5.1843	0.075
. .	. *	3	0.039	0.084	5.3506	0.148
. .	. .	4	0.038	0.038	5.5091	0.239
. .	. .	5	0.057	0.053	5.8740	0.319
* .	* .	6	-0.142	-0.147	8.1285	0.229
. *	. *	7	0.177	0.123	11.679	0.112
* .	. .	8	-0.093	-0.021	12.665	0.124
. *	. .	9	0.096	0.059	13.743	0.132
. .	. .	10	-0.047	-0.024	14.005	0.173
. .	. .	11	0.025	0.000	14.077	0.229
* .	* .	12	-0.106	-0.140	15.434	0.219

The value of empirical Autocorrelation function vanished in the first lags (as opposed to the values shown on correlogram shown on the Figure 2), which indicated stationary of differenced time series. This conclusion was confirmed by Ljung–Box values (Q-test Statistics for k=1 is 2.7178) which were on this correlogram extremely small. The stationary was also tested through Dickey–Fuller test.

Table 12. Unit root testing of differenced weekly Crobex data

Null Hypothesis: DCRO has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=12)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-12.01252	0.0000
Test critical values: 1% level	-3.495021	
5% level	-2.889753	
10% level	-2.581890	

**MacKinnon (1996) one-sided p-values.*

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(DCRO)

Method: Least Squares

Sample (adjusted): 3 105

Included observations: 103 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DCRO(-1)	-1.159802	0.096549	-12.01252	0.0000
C	-5.075320	3.545180	-1.431612	0.1553
R-squared	0.588260	Mean dependent var		-0.500971
Adjusted R-squared	0.584184	S.D. dependent var		55.47359
S.E. of regression	35.77148	Akaike info criterion		10.01141
Sum squared resid	129239.5	Schwarz criterion		10.06257
Log likelihood	-513.5874	Hannan–Quinn criter.		10.03213
F-statistic	144.3007	Durbin–Watson stat		1.986748
Prob(F-statistic)	0.000000			

ADF value (ADF statistics = -11.98825), which was less than critical values at all levels of significance indicated that differenced data of Crobex time series was stationary. For processes which are nonstationary, and need to be differenced to become stationary, it can be said that they have integrated order d , because it's necessary to differentiate d —times to achieve stationary. Nonstationary values of Crobex weekly prices have integrated order $d=1$.

The table below shows the parameters estimated by Ordinary Least Square Method (OLS) and other statistical analytical values for multiple models. After the estimation, the model which best reflects the pattern data series was chosen.

Table 13. Crobex first difference weekly ARIMA (p;d;q) statistic

Variable	R ²	Adj. R ²	AIC	SIC	HQC
AR(1)	0.007	0.007	10.012	10.038	10.022
AR(2)	0.009	0.009	9.970	9.996	9.980
AR(3)	-0.022	-0.022	9.999	10.025	10.010

Table 6. (continued)

Variable	R ²	Adj. R ²	AIC	SIC	HQC
AR(4)	-0.021	-0.021	10.008	10.034	10.019
AR(5)	-0.020	-0.020	10.013	10.039	10.023
MA(1)	0.006	0.006	10.038	10.064	10.049
MA(2)	0.018	0.018	10.026	10.052	10.036
MA(3)	-0.005	-0.005	10.050	10.075	10.060
MA(4)	-0.007	-0.007	10.051	10.077	10.061
MA(5)	-0.003	-0.003	10.048	10.073	10.058
AR(1) MA(1)	0.030	0.020	10.008	10.059	10.029
AR(2) MA(2)	0.009	-0.001	9.990	10.041	10.011
AR(3) MA(3)	-0.021	-0.032	10.018	10.070	10.039
AR(4) MA(4)	0.068	0.059	9.937	9.989	9.958
AR(5) MA(5)	0.158	0.149	9.841	9.894	9.863
AR(10) MA(10)	0.214	0.205	9.798	9.852	9.820
AR(15) MA(15)	0.276	0.267	9.747	9.803	9.770
AR(16) MA(16)	0.482	0.476	9.399	9.456	9.422
AR(17) MA(17)	0.317	0.308	9.681	9.737	9.703
AR(18) MA(18)	0.436	0.429	9.498	9.555	9.521
AR(20) MA(20)	0.477	0.470	9.445	9.502	9.468

From the series of models which have been assessed, as the best model was chosen model ARIMA (16;1;16). Namely, the ARIMA (16;1;16) model has the highest value of R square, and the smallest values of the Akaike info criterion (AIC=9.399), Schwarz info criterion (SIC=9.456) and Hannan–Quinn criterion (HQC=9.422).

Once the correct model is selected, it is possible to show actual, fitted and residual form of Crobex weekly closing prices.

Table 7. Correlogram of residuals of weekly Crobex time series

Sample: 05/05/2011–31/12/2012

Included observations: 88

Q-statistic probabilities adjusted for 2 ARMA term(s)

Q-Statistic probabilities adjusted for 2-tailed tests						
Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. .	. .	1	0.020	0.020	0.0354	
. .	. .	2	0.065	0.065	0.4275	
. *.	. *.	3	0.116	0.114	1.6868	0.194
. .	. .	4	0.024	0.016	1.7394	0.419
. .	. .	5	0.045	0.030	1.9334	0.586
. * .	. * .	6	-0.114	-0.133	3.1837	0.528

.*		.		.		.		7	-0.102	-0.113	4.2054	0.520
.*		.		.*		.		8	-0.102	-0.101	5.2420	0.513
.*		.		.*		.		9	-0.127	-0.093	6.8572	0.444
.*		.		.		.		10	-0.095	-0.059	7.7808	0.455
.		.		.		.		11	-0.046	0.005	7.9994	0.534
.		.		.		.		12	-0.020	0.017	8.0419	0.625

The correlogram of residuals shows that the values of Autocorrelation function, as well as Partial Autocorrelation functions, are relatively small. In addition, there are small values of Ljung–Box test values, as well as p—values. From this correlogram can be concluded that there is no autocorrelations of residual, which is further evidence of series stationary.

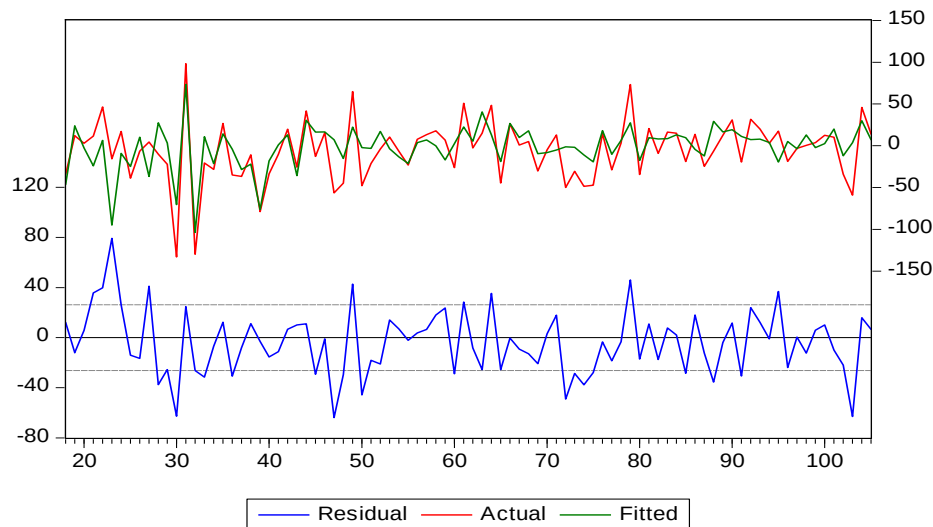


Figure 3. **Actual, fitted and residual form of ARIMA (16;1;16) model of forecasting Crobex weekly prices**

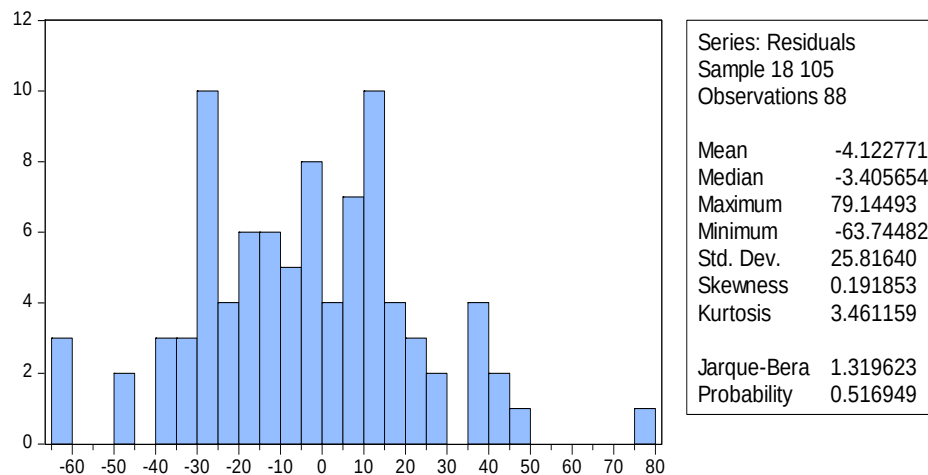


Figure 4. **Histogram of residuals Jarque–Bera testing**

Figure above presented histogram that showed residuals and Jarque–Bera test. Jarque–Bera test uses the coefficient of skewness and kurtosis of the residuals estimated using the least squares method. It is testing whether the estimated size differ significantly from the values of these measures for normal distribution. Hypothesis H_0 says that “error of relations are normally distributed” it rejects as false if $JB > \chi^2_{\alpha}$ or alternatively if the empirical significance level of p is less than the theoretical level of significance α . As it can be seen from the figure above probability $0.516 > \alpha$, null hypothesis was accepted as possible.

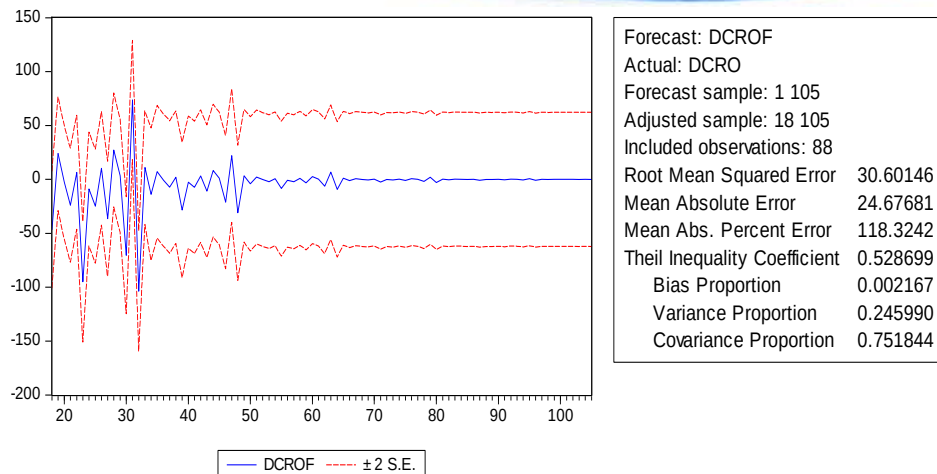


Figure 5. Forecast of Crobex weekly prices, Theil Inequality Coefficient

Figure 5 above shows Thiel's inequality coefficient. Thiel's U presents measure how good are time series estimated in comparison to a corresponding time series of observed values. As more Thiel's U tends to zero, the better forecasting method is. Our Theil Inequality Coefficient was equal to $0.528699 < 1$ and confirmed that ARIMA model outperformed naive model.

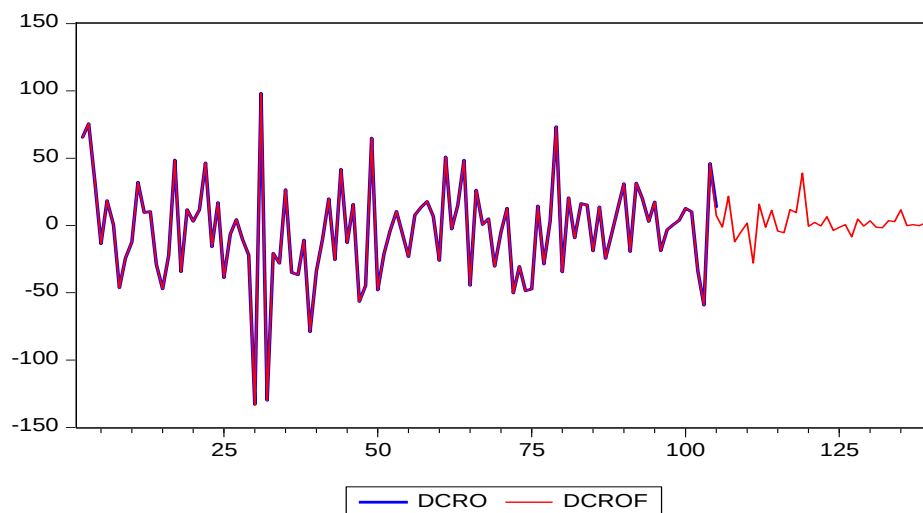


Figure 6. Forecasting with ARIMA (16;1;16)

On the previous figure it can be noticed that bold line presents actual data in sum 105 weeks, thin line presents forecasted period of 35 additional weeks. These values are also presented in the table below.

Table 8. Actual and predicted values from ARIMA model

No. of week	DCRO	DCROF	No. of week	DCRO	DCROF
101	10.2100	10.2100	121	N/A	1.3424
102	-33.9600	-33.9600	122	N/A	-0.3603
103	-59.1100	-59.1100	123	N/A	6.4792
104	45.9900	45.9900	124	N/A	-3.6530
105	13.8500	4.4815	125	N/A	-1.4874
106	N/A	-1.2028	126	N/A	0.5409

107	N/A	21.6296	127	N/A	-8.3713
108	N/A	-12.1951	128	N/A	4.7528
109	N/A	-4.9655	129	N/A	-0.4046
110	N/A	1.8058	130	N/A	3.3854
111	N/A	-27.9460	131	N/A	-1.2575
112	N/A	15.8665	132	N/A	-1.5935
113	N/A	-1.3506	133	N/A	3.5534
114	N/A	11.3018	134	N/A	2.8427
115	N/A	-4.1981	135	N/A	11.6600
116	N/A	-5.3197	136	N/A	-0.1829
117	N/A	11.8624	137	N/A	0.4021
118	N/A	9.4900	138	N/A	-0.1079
119	N/A	38.9248	139	N/A	1.9408
120	N/A	-0.6106	140	N/A	-1.0943

Tabel above showed DCRO which presents differenced actual Crobex data and DRCOF which presents forecasted values for next 35 weeks.

CONCLUSION

Box–Jenkins method or in other words ARIMA doesn't assume there is any particular pattern in the historical data of the series to be forecast, this method uses both past values of Y and past error terms in the forecasting process to produce the model. This research was conducted to find ARIMA model that best fits to forecast of given time series. In this paper weekly data were used from January 2011 till January 2013. While testing the original time series with AC, PAC, Q-stat, ADF, it was concluded that the time series is not stationary. First requirement of ARIMA model was to work with stationary data. It was very important to meet first condition, so the time series was differentiated. After rechecking the stationarity of obtained data next step was to find suitable ARIMA model. Using iterative process, over 200 models were tested. According to criteria R^2 , Adj. R^2 , AIC, SIC, HQC best model was chosen, it was model (16;1;16). This model was tested by Jarque–Bera whether the tested sample have skewness and kurtosis which matches to normal distribution, and the answer was positive. Statistically speaking $> \alpha$, null hypothesis was accepted as possible. Theil Inequality Coefficient was equal to 0.528699 which is less than 1 and that confirms that ARIMA model outperformed naive model.

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FACTORING PERSPECTIVE: CROATIA VS EUROPEAN UNION

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Abstract:

This paper points out the problems of liquidity, disposal and obtaining funds, inability to collect receivables, delayed payments in times of economic and financial instability and dynamic business upheavals and uncertainty. As a contribution to resolve these issues new alternative methods of financing for business are imposing, one of them is factoring. Although most countries don't have adequate legal framework, factoring has emerged as the dominant form of financing, whose current status and development points to the prospects of development in the future. In terms of measures and actions which are taken to combat these issues, as well as legislation, many efforts are made at international level in European Union and in Croatia. Overview and description of the factoring development, and indications for further development are presented in relation to the world, the European Union and the Republic of Croatia. This paper also describes factoring comparison among European countries.

Keywords: *factoring, liquidity, delayed payments, Republic Croatia, European Union, receivables.*

INTRODUCTION

The Republic of Croatia is in the process of accession to the European Union, that process, despite all kinds of problems, requires significant changes to the system-wide.

The change has occurred in the whole system of the economy, especially in the financial system. Changes to legislation that had to be coordinated with the European Union have led to significant changes in the area of financial services. Republic of Croatia in the opening negotiations in the 2007 year in Chapter 9 — Financial Services, adopted a series of new laws and amendments to existing ones, for the purpose of transferring the *acquis* such as: the Law on Amendments to the Law on Mandatory and Voluntary Pension Funds, Financial Collateral Law, Takeover Law, Accounting Act, Companies act, Law of Obligations, The Law on the Croatian National Bank, Insurance Amendment Act, Capital Market Act, Electronic Money Act, Credit Institution Law, Act on Settlement Finality in Payment and Financial Instruments Settlement, Law on Deposit Insurance, Act on Financial Conglomerates, The Act on Criminal Offences Against the Capital Market.

Elapsed, and the current situation in Croatia indicates a problem of illiquidity resulting in stagnation of development, operations, and even the whole economic system. Subject of this paper is directed towards factoring, as progressive and alternative model which is offered as one possible solution to overcome the current lack of liquidity of certain businesses and to improve their competitiveness especially because of its development in the world, which has not developed its full potential in Croatia yet.

Such a funding model allows inflow of funds before maturity claims, and thus facilitates the increase in current assets, continuous operations, improves cash flow, ensures the smooth functioning, improves competitiveness and collection of receivables and collectability risk as well as exchange rate risk becomes problem assigned to factoring. Thanks factoring many smaller businesses can engage in international trade, while taking care about exported but unpaid goods is left to factor.

The aim of this paper is to present the European Union as a business environment in which Croatia will operate in the near future. Aims of this paper presents the research and development of the state and factoring in the world, the European Union and the Republic of Croatia, with hints of its development, as authors contribution to popularization of this financial model which exist in the world for a longer time, but it is not sufficiently used as an opportunity to overcome insolvency of businesses.

Based on collected data about factoring in the world, the European Union and the Republic of Croatia, current status, previous development, and indications of development in the future are described and analyzed with comparison between the situation and development in relation to neighboring countries.

REPUBLIC CROATIA IN EUROPEAN UNION

In order: to establish a dialogue, regional cooperation, to improve economic relations, of the developments of free trade zone, the harmonization of legislation, to improve cooperation in many other areas, the European Commission in 1999. proposed creation of the *Stabilization and Association process* for countries of South Eastern Europe (Albania, Bosnia and Herzegovina, Croatia, Macedonia and Serbia).

Based on the adopted proposals, Stability Pact was adopted, which was a political document of European Union, whose strategic goal was stabilization in Southeast Europe through the countries of the region closer to Euro-Atlantic structures and the strengthening of mutual cooperation. The signing of the Stabilization and Association Agreement October 29th, 2001. The Republic of Croatia for the first time entered into contractual relations with the EU. That was the most important formal step in the process of the Croatian joining EU before applying for full membership (February 2003). Is obtaining a positive opinion of the European Commission accompanied by the recommendation to open negotiations with the Republic of Croatia membership (April 2004), acquiring candidate status (June 2004), accession negotiations (October 2005) and the signing of the Treaty of Accession to the European Union (December 2011).

According to the provision of the Croatian accession to the EU, as the date of entry July 01, 2013 year was set, under condition that all Member States of the European Union and the Republic of Croatia has ratified, and the instruments of ratification deposited by June 30, 2013 year (Ministry of Foreign and European Affairs 2011, 5).

Republic of Croatia: part of European financial regulation

One of the most important tasks, goals and achievements of the European Union, as well as all regulations is progress on the establishment of a single, open, common internal market. Unique internal market in the European Union on the territory of all member states allow free movement of people, goods, services and capital, which means that there are no restrictions to the free provision of services, including financial services.

Full liberalization of capital transactions in Croatia occurred since January 01st, 2011, respectively it is possible to open an account abroad, granting of loans to non-residents as well as the movement of cash out of the country without restrictions, and Croatian citizens and entrepreneurs can do business with financial institutions from member countries of the European Union.

The benefits of such unique and integrated European financial market is a better protection for investors and reduction of unnecessary bureaucracy, greater asset liquidity, the interdependence of individual national financial markets and its components, and the companies will easier find sources of funding on liquid European market, where the competition will reduce the cost of capital.

Many developed European countries in recent years, significant attention devote to the role of law in financial system of the country, which contributes to better functioning markets. In front of legal economic systems of the member states of the European Union, there is the challenge of creating an efficient and effective legislation. Legislation deletes links to national territory and national legal regulations, regardless of the diversity of the member states in terms of its cultural, political and other views, or differences in legal positions, in application and enforcement of the legislation. So Croatia pays special attention to financial regulation, in accordance with the development of new institutional infrastructure of their own financial markets and with redefining role of existing institutions (Bozina and Stajfer 2009, 51).

Strategic Development Framework till 2013 as a program document which the Croatian Government on August 4th, 2006 brought, describes how to ensure progress in a competitive market economy within the framework of the welfare state adjusted for conditions of 21st century. The general starting points of openness and membership in the European Union are, competitiveness and adequate level of social security. The basic starting point, but also the message of this strategy is that growth, development, employment, social inclusion and justice can only be achieved by simultaneous and coordinated action in a number of strategic areas such as: human resources, knowledge and education, infrastructure, information and social cohesion, macroeconomic stability and efficient financial market, sustainable and

balanced regional development, accompanied by the new role of the state is transformed into an effective and efficient service to citizens and businesses.

The smooth and efficient functioning of the market mechanism is only possible in the institutional and legal framework that ensures financial discipline, protection of creditor and property rights, and respect of contracts, and rapid exit of inefficient firms from the market. This requires an independent, impartial and above all, an effective judiciary. On the structure of each market and the economy as a whole, then on the dynamics of growth, business environment and ethics itself directly affects the stability, predictability, and above all the quality of the legal system.

Besides the already transferred the acquits of the European Union, which Croatia has transposed into its legislation, it will be transferred, as was indicated in the report on the fulfillment of obligations under Chapter 9 Financial Services (2009, 2–3) and, following the new directive and decision: The decision on the Commission (2009/79/EZ) establishing the Committee of European Insurance Supervisors and Pensions, Commission Decision (2009/78/EZ), establishing the Committee of European Banking Supervisors, Commission Decision (2009/77/EZ), establishing the Committee of European Securities Regulators, 2009/27/EZ Commission Directive amending certain Annexes to Directive 2006/49/EZ of the European Parliament and of the Council as regards technical provisions concerning risk, 2009/14/EZ and Directive of the European Parliament and of the Council amending Directive 94/19/EZ on deposit insurance schemes, in terms of the degree of coverage and delay payment. Institutions that are responsible for the implementation of the acquits in this chapter are the Croatian National Bank (HNB), the Croatian Agency for Supervision of Financial Services (HANFA), Ministry of Finance (MFIN), the State Agency for Deposit Insurance and Bank Rehabilitation (DAB) and the Central Depository & Clearing Company Inc. (SKDD).

Regulation of suppression of delayed payments

European regulation of delay in payments was made in 2000th year — Directive 2000/35/EC (about suppression in late payments in commercial transactions). The measures that have been introduced by Directive are related to: the obligatory payment penalties in case of late payment, even if the mentioned is not agreed, introduction of the concept of “unfair practices” in payments should be abolished; and establishing the obligation of Member States to ensure the implementation of the procedures enforced collection (if the same is not disputed) for a period of 90 days after the date of initiation. In 2009 proposed are amendments to the directive which are based on the key role of public sector and also propose the introduction of the obligation to pay within 30 days for public sector. It is proposing enlargement of penalties for nonpayment (next to obligations to pay interest on arrears) reimbursement of expenses and one-time penalty of 5% of the amount of delay proceedings (Croatian Banking Association 2010, 18).

The new Directive of the European Parliament and Council on combating late payment- in commercial transactions — Directive 2011/7/EU, issued on February 16th 2011 year. Maximum allowable payment period in the contracts is 60 days, except for those who are willing to extend loans to customers for an extended period of time. Lender may, without prior notification, charge interest the debtor in case of delay in payment and in countries that have adopted the Euro — interest rate is at least 8% higher than the reference rate of the European Central Bank, and in countries which have their own national currency reference rate is paying and it is set by the National Central Bank. Minimum interest amount is 40 euros, and gives the lender the right to collect costs if they exceed this amount. Member states of the European Union must ensure creditors payment of arrears in court for a maximum of up to 90 days. The application of this Directive is mandatory for all member states that it must implement in its legislation till 16. March 2013 year, and its comes into force Directive 2000/35/EC will expire.

In the Republic of Croatia very big problem is charging receivables which proves condition of 73.358 businesses that are in the blockade because of debts. State is better charging their claims thanks to new authorities of the Tax Administration, and contrary entrepreneurs find very difficult to charge what they build and deliver. Therefore, in the Republic of Croatia with the aim of introducing better financial discipline from the first January 2012, enters into force law on deadlines and fulfillment of financial obligations (NN 125/11), on which are regulating the terms of fulfillment of financial obligations and legal consequences of delay.

The Republic of Croatia was among first countries who began to apply the European Directive on payment in commercial transactions (Directive 2011/7/EU) which worked out the legal framework for the prevention of delayed payments. The Act implements the provisions article 3., 4. and 7. new Directives on

suppressing late payments and introducing criminal responsibility of the debtor to late payments as an “authentic Croatian contribution to the combat against delayed payments” (Safranko 2012, 457).

According to the Croatian Law on deadlines, fulfilling financial obligations, maturity in all types of transactions (public and private sector) is limited to 30 days, and only in exceptional cases, if it is expressly stated in the contract and objectively justified, for 60 days. Monitoring the implementation of this law among the entrepreneurs and persons of public law conducted by the Financial Police. Statutes of limitations for criminal proceedings amount to three years (relative limitation period) or six years (absolute limitation period) from committing offenses. In preparation is a law on financial transactions and bankruptcy settlement that should define strict rules and bankruptcy, and shorten payment deadlines.

The Republic of Croatia is in the process of reform of the financial system and compliance of financial regulation with the European Union, and has introduced and implemented a series of measures that will contribute to the development of the financial system and the overall economic development of the country.

ILLIQUIDITY IN THE REPUBLIC OF CROATIA

Illiquidity is one of the most difficult problems of our time, which in larger or smaller extent affected all economic systems, equally relates to natural and legal persons, and causes most grief to those who make business decisions. In a significant extent illiquidity is present in the countries in transition and less in countries with developed market economy. A problem of illiquidity and insolvency is in relationship with performance of business entity, as one of its most important indicators. Insolvency is condition when business entity is unable to settle its obligations. Thus, liquidity, financial management, competitiveness and profitability of the business entity is in direct interdependence with charging claims, which is particularly evident in periods of crisis, i.e. in conditions in which economic growth come to the fore when the difficulties in obtaining additional liquid funds, or because of reduced supply or because of high interest rates.

The importance of maintaining the liquidity and solvency in the economic crisis is reflected in the fact that every financial crisis begins at the time of termination payment obligations (Zelenika and Srdoc 2011, 173).

The problem of inability to pay the maturity in the Republic of Croatia is a continuing problem which can be seen by data written by financial agencies — FINA about pending payment orders to business entities (legal and natural persons who have registered economic activity) in July 2012th year amounting to 43,85 billion. Because of uncommitted basis for payment (July 31, 2012) blocked the 231.492 citizens (total debt of 43.85 billion kunas) of which legal persons constitute 52,5% and cover the largest part of the total amount of uncommitted basis for payment (82,4%).

Certainly it should point on the structure problem of business entities that have been blocked for more than 360 days that make up 77,4% (56.778) compared to businesses that have been blocked to a year to make up 22,6% (16.580) which means that most of the outstanding liabilities relating to the payment to which it is waiting for more than a year. This also is a concerning data which is related to the amount of blocked business entities, who are in long-term blockade (more than 360 days) which make 82,2% of the total debt (36.06 billion) and the fact that within this group is dominated by those which have been blocked for 5 or more years.

As we can Croatian economy problem of illiquidity illustrate, in Table 2 and Figure 1 is presented tabulation of the number of insolvent businesses, and tabular and graphical representation of the amount of overdue payment orders in the last 15 years, according to data collected by financial agencies FINA and the Croatian National Bank.

Table 1. Illiquid/insolvent businesses and the amount outstanding commitments in the Republic Croatia: 1998–2012. (000 kn)		
Month/Year	Number of illiquid/insolvent business entities	Amount reported Outstanding commitments
XII/1998	48.894	15.703.456
XII/1999	59.736	28.653.558
XII/2000	64.951	22.634.338
XII/2001	64.742	19.807.964
XII/2002	58.193	16.764.652
XII/2003	45.568	15.088.724
XII/2004	48.887	14.281.128
XII/2005	55.340	14.953.579
XII/2006	60.946	16.624.848
XII/2007	66.849	19.320.171
XII/2008	52.386	18.492.246
XII/2009	64.028	27.111.583
XII/2010	75.660	35.819.134
XII/2011	71.028	41.689.207
I/2012	71.874	41.693.620
II /2012	72.588	42.771.104
III/2012	72.959	42.430.185
IV/2012	72.401	43.471.768
V/2012	74.196	44.556.695
VI/2012	74.087	43.952.220
VII/2012	73.358	43.850.453

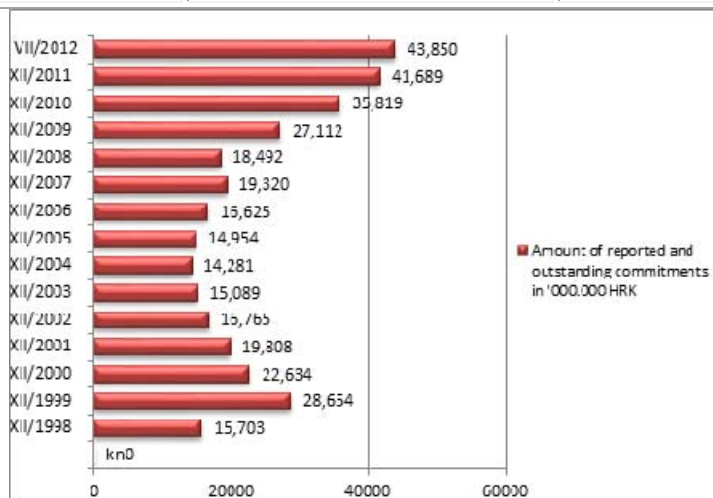


Figure 1. Outstanding commitments in the Republic of Croatia: 1998–2012.

State of illiquidity in the country and business entities was due to market disruptions and the impact of the global economic crisis. In order to restore liquidity and solvency of the debtor, Croatia is taking measures which represent balance between the need to resolve the financial difficulties of the debtor and allow relatively settlement of all creditors as the need of urgency and efficiency of the procedure. Specifically in cases where regular collection is not possible it leads to forcible collection or payment by execution. Thus from the January 01st, 2011 the application of the new system began implementation of the funds foreclosure (Law enforcement on compliance with the financial resources and the Ordinance on the manner and procedure of implementation of the funds foreclosure), by which was introduced a unique procedure, unique calculation of default interest and unique system of reporting. Conduction of enforcement at all kuna and foreign currency debtor, in all banks is possible without the consent of a business entity, which makes the system more efficient and facilitate the quick checkout, and reducing the costs of the proceedings funds foreclosure.

Bankruptcy cases, according to the High Commercial Court of the Republic of Croatia solving them also point to the need for more efficient and faster methods to solve because it is very worrying that there are currently 89 bankruptcy cases taking longer to 10 years, 166 procedures lasting more than five years, and more than 287 more than three years. A World Bank study, *"Doing Business 2012"* in its annual report ranks countries on the basis of regulations that enhance business activity or restrains them, and a regulatory environment that is more conducive to the starting and operation of a business entity, and includes 183 economies. In the category of speed and ease of implementation of the bankruptcy proceedings (*Resolving Insolvency*) Republic of Croatia ranks 94th (out of 183 countries), and it is worse than the average countries in Eastern Europe and Central Asia. In this category is far worse than some of the neighboring countries such as Austria, which was ranked on 21st place, Italy 30, Czech Republic 32, Slovenia 39, Montenegro 52, Macedonia 55th, 64th Albania, Bosnia and Herzegovina 80, Poland 87, and only slightly better than Serbia's 113th. Furthermore, in the Report of the World Bank (*Doing Business 2012*) in the category of ease doing business the Republic of Croatia ranks 80th place which is better than some of the neighboring countries such as Albania, which is on the 82nd place, Italy 87, 92 Serbia, Bosnia and Herzegovina 125, but up in regards to Macedonia 22, Austria 32, Slovenia 37, Hungary 51, Montenegro 56, 64 Czech and Poland 62.

The adoption and entry into force of the new Act on financial operations and bankruptcy settlement in the Republic of Croatia, with a certain reform of bankruptcy law, the enforcement of laws and regulations, will significantly contribute to solving the crisis of illiquidity and insolvency in the economic sector. In its content, the Law on financial transactions and composition regulate financial operations, deadlines for meeting financial obligations and legal consequences of default of financial obligations, business subjects in terms of illiquidity and bankruptcy settlement process. In addition, the Croatian Government adopted the Regulation on the criteria, standards and procedures to delay payments, installment payments and the sale of debt, write-off or partial write-off receivables (Narodne novine No. 76/12) which entered into force on July 9th, 2012 which applies to non-public benefits (except for the concession fee), thus attempting to significantly ease the position on entrepreneurs. With the possibility of delays and installment payment, this Regulation allows sales, remission or partial write-off receivables in particular individuals who must meet its requirements.

PURCHASE OR SALE OF RECEIVABLES: FACTORING

Difficulties in the economic environment which is characterized by inadequate economic growth, great uncertainty and risk, illiquidity and insolvency of many businesses and in connection therewith, major problems in the area of financing and lending to the national as well as international level, are trying to get through by new specific models, techniques and contractual instruments.

Factoring business has imposed in modern business practice as a very successful way of funding and lending businesses (Spasic 2009, 129).

Simplified, factoring is the purchase of others receivables (debts) or financial instrument by which factor (factor-house, factoring-company, factoring-organization or bank that has a special department) finances business entity on the basis of the future (outstanding) receivables that have arisen from sales of goods and services in the domestic or international market for a fee (Ivanovic, Baresa, and Bogdan 2011, 190).

The factor buys receivables for a fee before the deadline of payment, takes over billing jobs, dunning, accounting affairs and risk on receivables (Markovic 2000, 58). In the moment when factor charge more

than discounted price paid for purchased receivables, factor makes profit (Ivanovic 1997, 261). Factoring is not a loan and there is no further liability on the balance sheet of a business entity, although it allows financing of the current capital (Klapper 2005).

The emergence of factoring operations reaches back far into history. Some of its tracks are located in the Roman Empire (Rutberg 1994), and some traces are from ancient civilization of Mesopotamia, during the region of King Hammurabi (Papadimitiou, Phillips, and Wray 1994, 11). A first name for the buyer of goods in contracts (*agents and factors*) appears in the 15th century in trade settlements organized by European traders in the colonial countries where merchandise is bought up. It was a primitive type of factoring, which initially took the form of commission sales because buyers-factors, guarantee their customers that goods will pay ultimate customer or would pay merchandise in advance. As a special form of financing factoring is developed in the late 19th century in Anglo-American history, particularly in the textile industry where through factoring 95% of turnover was traded. Specifically, he was developed from commission jobs that U.S. agents had imported textiles from Europe (mostly from England) ensuring manufacturers of textile storage and sale of their goods. In this form, factoring allowed trading between distant parts of the world and between unfamiliar partners (due to underdeveloped and developing communications technology transportation) and represented a mix of shipping operations and purchase of receivables through the storage and guarantee of payment, as well as a mix of classic shopping agents (dealership) for finding customers for the imported goods, or commission sales where the commission agent is selling goods (in his name) for his client (for somebody else) and for their work he received certain commission.

Through its historical development factoring took on different forms and adapting to global changes, the needs of participants in the factoring business, generally economic and political situations and circumstances, thus resulting in different kinds and types of factoring applied in business practice. According to the spatial attributes it can be differed — domestic and international, according to a number of factors — direct and indirect, to the right of recourse which arises from the contractual relationship between the participants with recourse and non-recourse, according to notice of the creditors claim cession — published and unpublished, and according to the maturity of the client's receivables that factor redeems — past due and outstanding. International factoring — although it is more complex (legal, political, foreign exchange, interest rate risks etc.) for exporters is especially convenient because it frees them from the risk of checking the creditworthiness of customers, default risk, political risk etc., and at work it occur unless client- cedent, buyer-debtor, two factors — one from the country of cedent (exporter) and one from country of debtor (importer). Considering that in the factoring business are two factors involved, such a system is called a two-factor system. Second factor that is correspondent who is involved in the business, knows the country's economic system buyer-debtor, or importer, opportunities, language, business culture, and have the necessary information and data on the solvency of the foreign companies that can in a short time deliver to the factor of the sellers or exporters land. In international trade transactions with developing countries where credit information's are often not available, and additional problems may present frauds, false receivables, non-existent customers, etc. and underdeveloped legal framework, lack of business records and credit bureaus that can provide valid information about business entity debtor, the role of factors correspondent has a very important role.

Economic purpose of factoring stems from its advantages: *first*, funding, and one that currently allows an entity to assess liquidity (cash) resources — transforming the company's own current asset from receivables to cash, *second*, insurance billing, by the factor (*del credere*) where factor is responsible for the collection of claims and waives the right to claim refund in the case of debtor default (eg. due to insolvency), and *third*, receivables management client, where the factor assumes responsibility for all other activities related to debt collection — contacting debtors, examination of creditworthiness, warnings, receivables analysis, e-factoring information, etc. (Ivanovic, Baresa, and Bogdan 2011, 199).

Factoring in the legal theory

Factoring in the legal theory (*Factoring contract, deu. Factoringvertrag*) implies a contract in which one party (the factor) agrees to take over (outstanding, short-term) receivables of the (client), on the way it collects them, in his own name and for its own account, and to client immediately or before deadline pays equivalent value of receivables and under certain conditions ensures payment, and the customer agrees to pay factor for this appropriate compensation.

Although factoring contract is a widespread practice in the business, legally he is not sufficiently processed, nor are the grades of its content unique (Gorenc 2007a, 3). Relations between factor and the client are regulated by the factoring contract in which the “client obliges to offer for sale all his short-term receivables to factor from the contract for the delivery of goods or services prior to maturity and to pay the factoring fee, and the factor undertakes to take the offers, in principle of underwriting risk of billing from client’s debtors, by which generally he manages the clients receivables” (Gorenc 2007b, 129).

In all formal contracts factoring client (old lender-cedent) agrees that its receivables against the debtors transfers to the factor (new lender-assignee). This transfer of some forms of factoring contract is explicitly called assignment (cession), while in others simply states that the client “cedes” to factor in case he buys them. From the form of the contract and from a unique perspective in legal science, considers Gorenc (2007b, 129), follows that the factoring contract still contained a legal institute of contractual cession.

In legal theory and laws of some countries there is no unified stance in view of terminological, conceptual and legal determination of a factoring contract (Brkic 2011, 177).

In the structure of relations in factoring there is *precontract* (factoring) that binds factor and his client on the assignment of receivables, or the client binds that its receivables will offer to factor for the purchase, and factor agrees to accept the offer if it meets the creditworthiness of client (acceptance of the offer is not unconditional), and a precontract is basis for concluding a number of other special agreements, then the *cession* — an effective transfer of receivables from client to factor, and the *main contract* or basic contract which factor client and his debtor are concluding.

In this relationship between creditor and debtor in factoring business is coming to the change on the side of the lender. In the case of a valid transfer of receivables to another person, the transferor or former lender will cease to be a creditor, and the receiver will become the lender of certain receivable, and that receivable and debtor will stay the same (Slakoper, Kacer, and Luttenberger 2009, 183).

In legal theory and in the different legal systems of the countries there are certain differences in terms of understanding legal nature of factoring and its regulation which created difficulties in business practices, particularly during the realization of the international factoring business. A great contribution to the unification of some of the most important issues in the field of international law, including factoring, there is the International Institute for the Unification of Private Law — UNIDROIT (*International Institute for the Unification of Private Law*) that counts (at 31 December 2011) 63 states: Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Canada, Chile, China, Colombia, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Germany, Finland, France, Greece, Vatican, Hungary, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, Nicaragua, Nigeria, Norway, Pakistan, Paraguay, Poland, Portugal, Republic of Korea, Republic of Serbia, Romania, Russian Federation, San Marino, Saudi Arabia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States, Uruguay and Venezuela. Due to significant role played by factoring in the development of international trade, and recognizing the importance of the adoption of uniform rules and standards in order to establish a legal framework that will facilitate international factoring, 1988th in Ottawa has been created and adopted UNIDROIT (*Convention on International Factoring*). In this Convention word was about main characteristics that must be included in factoring, and that are: *first*, there must be a clause on the transfer of the assignments of receivables that arises from commercial contract about purchase of goods or services, and the subject of factoring can not be purchase agreement in which one or both sides, are physical persons, *second*, there must be a regulation for informing the debtor of the assigned receivable, and *third*, factor must provide at least two of the following four services (financing through advance payments, protection against the risk of default, debt collection and receivables management). Among the signatory countries in which the Convention entered into force in national legislations are (UNIDROIT 2012, 39): France (1995), Italy (1995), Nigeria (1995), Hungary (1996), Germany (1998), Latvia (1998), Ukraine (2007).

In a further effort to improve legal regulation in this area, few years later, the United Nations Commission on International Trade Law — UNICTRAL (*United Nations Commission on International Trade Law*) has in 2001. adopted the Convention on the Transfer of Receivables in International Trade.

PERSPECTIVE OF FACTORING DEVELOPMENT: WORLD TRENDS

Many countries have faced in times of financial crisis with great difficulties that threatened the economic and financial systems, and finally the overall economic development of countries and the global economy. Many businesses, faced with limited credit expansion, with difficult access to resources necessary for smooth execution business turned to a new alternative system of financing — factoring. Factoring as one of many financing possibilities was accepted by many world countries, which are currently developing it. International Association of factors — FCI (*Factors Chain International*) was established in 1968. and represents the largest global network of leading factoring companies around the world which aims to facilitate international trade, associate financial services, and encourage the growth of international trade.

Members of FCI provide services of domestic and international factoring in all the continents, and include a group of 257 members from 71 countries, namely: 33 from Europe (124 members), 13 from North and South America (36 states), 6 from Africa (9 states), 19 from Asia and the Pacific (88 states). It is shown graphically in Figure 2. Transactions of FCI members that make up nearly 80% of the global volume of international factoring.

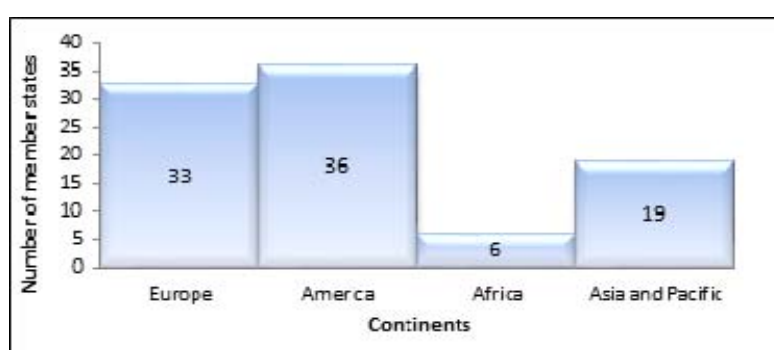


Figure 2. Representation of member states FCI by continents in 2011.

According to the report of FCI in 2011. the total factoring volume achieved for the that year amounted 2,015,413 million euros, or more than 2 trillion euros, an increase of 22% compared to the previous year (2010. – 1,648,229 million euros). Achieved volume of domestic factoring in 2011. amounted 1,741,137 million euros (in 2010. – 1,402,231 million euros), which presents an increase of 24% compared to previous year, and international factoring amounted 274,276 million euros (2010. – 245,898 million euros), which presents an increase of 11% compared to previous year.

Total factoring turnover (in the domestic and international factoring) in 2010. and 2011. By individual countries according to the annual report of FCI (FCI 2011, 21; 2012, 23) is shown in Table 3.

Table 3. Factoring turnover by country (domestic and international): 2010–2011 (in million EUR)									
	Number of companies		Domestic factoring		International factoring		In total		Index
Countries	2010	2011	2010	2011	2010	2011	2010	2011	
EUROPE									
Austria	5	4	6,646	7,009	1,661	1,977	8,307	8,986	108,2
Belgium	6	6	24,203	28,704	8,000	9,500	32,203	38,204	118,6
Bosnia and Herzegovina	1	1	30	30	15	15	45	45	100,0

Bulgaria	7	7	400	800	150	210	550	1,010	183,6
Croatia	19	20	2,736	2,153	57	116	2,793	2,269	81,2
Cyprus	3	3	3,400	3,700	50	58	3,450	3,758	108,9
Czech	8	8	3,425	3,865	985	1,250	4,410	5,115	116,0
Denmark	6	6	5,000	5,510	3,000	3,650	8,000	9,160	114,5
Estonia	4	4	992	972	235	192	1,227	1,164	94,9
Finland	5	5	10,800	11,050	1,600	1,950	12,400	13,000	104,8
France	11	12	127,193	141,410	26,059	33,170	153,252	174,580	113,9
Germany	100	100	99,411	119,120	30,125	38,140	129,536	157,260	121,4
Greece	12	12	13,465	12,685	1,250	2,046	14,715	14,731	100,1
Hungary	22	22	3,024	2,455	315	362	3,339	2,817	84,4
Ireland	8	8	18,947	17,047	1,250	1,283	20,197	18,330	90,8
Italy	45	45	125,777	142,686	17,968	32,496	143,745	175,182	121,9
Latvia	8	9	235	200	93	171	328	371	113,1
Lithuania	8	8	590	795	950	1,339	1,540	2,134	138,6
Luxembourg	1	1	177	177	144	3	321	180	56,1
Malta	2	2	105	150	31	50	136	200	147,1
Netherlands	5	4	25,000	30,000	10,000	16,000	35,000	46,000	131,4
Table 3. (continued) (in million EUR)									
	Number of companies		Domestic factoring		International factoring		In total		Index
Countries	2010	2011	2010	2011	2010	2011	2010	2011	
Norway	7	7	13,150	14,334	1,925	2,061	15,075	16,395	108,8
Poland	14	18	12,823	14,200	3,387	3,700	16,210	17,900	110,4
Portugal	14	15	18,800	24,812	1,956	3,067	20,756	27,879	134,3
Romania	13	13	1,300	1,922	500	660	1,800	2,582	143,4
Russia	28	33	12,083	20,944	80	230	12,163	21,174	174,1
Serbia	12	13	430	726	70	200	500	926	185,2
Slovakia	6	7	701	810	280	361	981	1,171	119,3
Slovenia	5	4	550	410	100	140	650	550	84,6
Spain	23	24	101,796	109,083	11,113	13,042	112,909	122,125	108,2
Sweden	40	40	17,760	28,259	1,000	1,000	18,760	29,259	156,0
Switzerland	5	8	3,500	3,352	500	98	4,000	3,450	86,2
Turkey	70	74	34,931	25,591	4,057	5,278	38,988	30,869	79,2
Ukraine	25	25	530	933	10	22	540	955	176,9
United Kingdom	44	42	210,745	249,664	15,498	18,416	226,243	268,080	118,5
Total in Europe	592	610	900,655	1,025,558	144,415	192,253	1,045,069	1,217,811	116,5
AMERICA									
Argentina	5	5	330	455	20	20	350	475	135,7
Bolivia	1	1	18	32	0	3	18	35	194,4
Brazil	1,120	1,112	49,000	45,580	50	43	49,050	45,623	93
Canada	53	51	3,158	4,981	565	303	3,723	5,284	141,9
Chile	130	148	15,108	20,000	1,314	1,500	16,422	21,500	130,9
Columbia	30	30	2,726	4,790	58	200	2,784	4,990	179,2

Honduras	3	1	5	0	155	30	160	30	19,7
Mexico	11	11	14,507	21,058	31	16	14,538	21,074	145,0
Panama	12	17	600	700	0	0	600	700	116,7
Peru	9	9	2,613	2,267	99	194	2,712	2,461	90,7
United States	300	300	85,000	90,000	10,000	15,000	95,000	105,000	110,5
Total in America	1674	1,685	173,065	189,863	12,292	17,309	185,357	207,172	111,8
AFRICA									
Egypt	5	4	50	100	150	100	200	200	100,0
Mauritius	2	1	122	127	3	0	125	127	101,6
Morocco	4	4	905	1,226	166	180	1,071	1,406	131,3
South Africa	5	5	14,895	21,238	225	140	15,120	21,378	141,4
Tunis	4	4	260	297	35	43	295	340	115,3
Total in Africa	20	18	16,232	22,988	579	463	16,811	23,451	139,5
ASIA									
Armenia	4	4	10	10	4	4	14	14	100,0
Kina	23	30	119,960	229,952	34,590	44,918	154,550	274,870	177,9
Hong Kong	15	12	6,000	15,044	8,400	2,344	14,400	17,388	120,8
India	11	12	2,600	2,650	150	150	2,750	2,800	101,8
Indonesia	-	1	-	0	-	3	-	3	-
Israel	6	6	1,300	1,300	350	350	1,650	1,650	100,0
Japan	7	4	97,700	110,195	800	1,050	98,500	111,245	112,9
Jordan	1	1	35	0	8	12	43	12	27,9
Korea	2	10	0	0	5,079	8,087	5,079	8,087	159,2
Lebanon	1	1	354	310	96	17	450	327	72,7
Malaysia	6	30	1,030	840	28	210	1,058	1,050	99,2
Qatar	1	1	20	45	3	30	23	75	326,1
Singapore	9	8	3,800	4,370	2,000	2,300	5,800	6,670	115,0
Taiwan	18	20	30,300	76,000	36,700	3,800	67,000	79,800	119,1
Thailand	10	13	2,000	3,070	95	10	2,095	3,080	147,0
United Arab Emirates	4	4	1,800	1,000	200	750	2,000	1,750	87,5
Vietnam	7	7	40	42	25	25	65	67	103,1
Total in Asia	125	164	266,949	444,828	88,528	64,060	355,477	508,888	143,2
AUSTRALASIA									
Australia	19	19	44,830	57,300	85	191	44,915	57,491	128,0
New Zealand	7	7	600	600	0	0	600	600	100,0
Total in Australasija	26	26	45,430	57,900	85	191	45,515	58,091	127,6
TOTAL	2,437	2,503	1,402,331	1,741,137	245,898	274,276	1,648,229	2,015,413	122,3

Markets that have shown fascinating growth related to the previous year are: *a)* on the European continent — Serbia (85%), Bulgaria (84%), Russia (74%), Ukraine (76%), Sweden (56%), Malta (47%), Latvia (39%), Portugal (34%), Netherland (31%), *b)* on American continent — Bolivia (94%), Colombia (79%), Mexico (45%), Canada (32%) and Chile (31%), *c)* on the African continent — South Africa (41%), Morocco (31%), *d)* on Asian continent — Qatar (326%), China (77%), Korea (59%), Thailand (47%), *e)* Australia (28%). Largest index increased volume was achieved Qatar (326,1) compared to the previous year.

Some markets in 2011 have achieved worse total volume compared to 2010. Among which are: *a)* on the European continent — Luxembourg (-44%), Turkey (-31%), *b)* on American continent — Honduras (-81%), and *c)* on the Asian continent — Jordan (-72%) and Lebanon (-27%).

The development of new markets, address the fact that international factoring covers more transactions in today's market environment, and business entities (importers and exporters) no longer have problems with the local customs, language, distance and cultural differences as each business entity uses the services of the factors of its own country.

Differences in the development and realization of factoring volume is probably due to the different business environment, different institutional framework, legal framework and its effectiveness, efficiency of the judiciary as well as various information infrastructure in some countries.

FCI market share compared to the world factoring volume in the last 36 years according to the annual report presented the significant increase compared to the world factoring volume is illustrated in Figure 4.

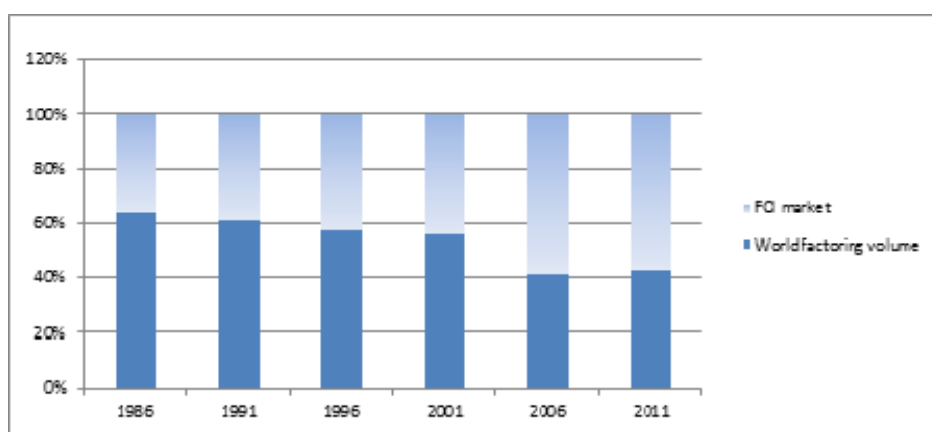


Figure 4. FCI market share (compared to the world factoring volume): 1986–2011.

Factoring has become well established in developing countries, and has the support of government offices and central banks around the world. Factoring has been accepted as a vital financial need of small and medium-sized companies, and shows a trend of seeking factoring services by large companies. Almost all large banks have specialized departments of factoring subsidiary, which promote factoring service for businesses of all sizes. Due to the similarity of functioning of domestic and international factoring, many exporters realize that international factoring and FCI can help them become more competitive in a changing and complex international market (FCI 2011).

Based on the analyzed situation and current development of the factoring market in the world, it is expected that he will continue to develop especially due to of its positive features and advantages, particularly in an international environment, then because of spreading factoring business in emerging markets, because of tendency of its development and regulation, and its further promotion, due to the dynamic changes in the economy and ever-presented problem of liquidity, that can override this method of funding, or at least help fund business.

PERSPECTIVES OF FACTORING development: REPUBLIC OF CROATIA

Factoring is present only ten years (since 2003) in Croatia, though in the world has long existed and as a system is well developed. Many businesses in Croatia are not yet familiar enough with the financing through factoring and therefore they are insufficiently using it, whereby only larger businesses are better informed.

Factoring business in Republic of Croatia perform credit institutions and companies registered to carry out factoring operations. Establishment and operations of companies that perform factoring business in Croatia are not regulated by law, but the legal framework for the supervision of such companies is defined by the Croatian Agency for Supervision of Financial Services, and the way of doing business is regulated by the Accounting Act and anti-money laundering and terrorism financing, as in other laws and regulations

which regulate business enterprises in the Republic of Croatia. Credit institutions which carry out factoring operations within their registered business activity are in the responsibility of the Croatian National Bank. Croatian Agency for Supervision of Financial Services (HANFA) is authorized, pursuant HANFA's law (Narodne Novine br. 140/05 i 12/12) perform supervision over legal persons who are engaged in the business of factoring. Statistical reports for companies registered to conduct factoring, collected from companies that HANFA knows, indicate that the factoring business on June 30th, 2012 — were performing about fifteen companies.

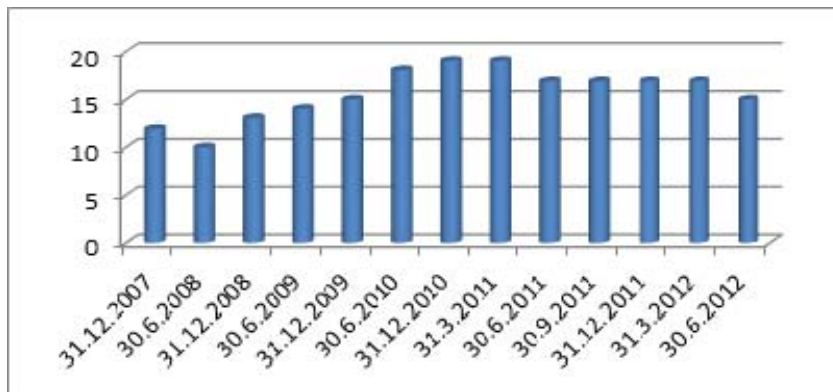


Figure 5. Number of factoring companies in Croatia: 2007–2012.

Based on data from the annual reports of FCI, volume of domestic factoring in Croatia in the last two years has decreased from 2,736 million euros in 2011 to 2,153 million euros in 2010, that is fall for 18,8%, unlike the volume of international factoring, which increased from 57 million euros in 2010 to 116 million euros in 2011, or increased by 103,5% (Table 5).

Table 5. Volume Turnover by type of factoring in Croatia: 2010–2011. (in million EUR)			
Year	Domestic factoring	International factoring	Total
2010	2,736	57	2,793
2011	2,153	116	2,269

According to the processed data from the annual reports of FCI and the total volume achieved by Croatia in the factoring business shows that the factoring volume in Croatia had rising trend, while in observed period 2004–2010 was constantly growing, and in 2011 had a slight decrease (Figure 6).

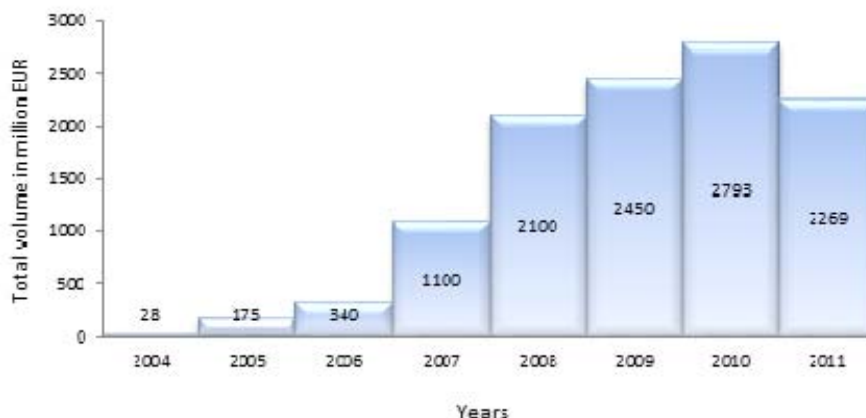


Figure 6. Total factoring volume in the Republic of Croatia: 2004–2011.

Croatian market largely followed global events such as the deepening debt crisis in the Eurozone and slowing economic growth, uncertain financial market, a large illiquidity and insolvency, particularly in Croatia, which affected the results achieved in factoring transactions. However, factoring must continue with developing and improving its products and services in order to expedite the process of manufacturing, in order to ensure and facilitate the operations of enterprises, their competitiveness, continuity and growth of the businesses, above all to facilitate businesses obtaining new jobs have stimulated the development of competitiveness in the European environment.

In this endeavor the Croatian Chamber of economy in June 19th, 2012 established the association of factoring companies Croatian Chamber of Commerce in order to promote and protect the common interest, and the development of factoring business in Croatia. As one of the priorities of this society is education about factoring, considering on the insufficient education of the Croatian market for this financial instrument. In an effort to improve the development and transparency, and regularization, in preparation is creation of factoring law, whose legal and regulatory framework would surely contribute to the development of the factoring business

Increased illiquidity on the market, and recognizing uses which factoring provide, especially as fast and flexible way of financing where no additional insurance is needed (for example mortgage), has prompted demand for this alternative way of financing and revenue growth of factoring companies. Although many efforts have been made in the Republic of Croatia, in terms of legislation that will contribute to improving financial discipline businesses, and solving the crisis in the economy, it remains an open question of the efficiency and effectiveness of its implementation and process that take some time to test and adjustment. Therefore, the predictions for the future development of factoring business in the Republic of Croatia are optimistic and positive.

PERSPECTIVES OF FACTORING DEVELOPMENT: EU COUNTRIES

In the mid of 20th century many advantages of factoring influenced the process of its spread from America to Europe, so it can be later adopted even in the Member States of the European Union. Factoring in the European Union has a fifty year history. First Factoring businesses in Europe (Germany and Finland) dated from 1959 year. Today, in 16 EU countries exist national associations of factoring organizations, which are sometimes part of national leasing associations (Brkic 2011, 179).

According to the analyzed data FCI in 2010 and 2011 total factoring volume achieved in 2011 year for the 27 member countries amounted to 1,141,728 million euros (in 2010 – 970,964 million euros), and compared to the previous year, has made an increase of 17,6%.

Realized total volume of domestic factoring 27 member countries of the European Union in 2011 was 957,445 million euros (in 2010. – 833,265 million euros), which is 124.180 million more than the previous year. Realized total volume of international factoring member countries in 2011 amounted to 184,233 million euros (in 2010. – 137,701 million euros), which is 46,532 million euros more than the previous year. The highest total volume of factoring operations have United Kingdom (268,080 million euros), Italy (175,182 million euros), France (174,580 million euros), and Germany (157,260 million euros), Spain (122,125 million euros), and smallest are Luxembourg (180 million euros), Malta (200 million euros), Latvia (371 million euros). In comparison to the 2010th it is noticeable increasing of international factoring for 33,8%, and increasing of domestic factoring for 14,9% in the member states of the European Union, from which it can be concluded that the larger is tendency of international factoring growth, although in the total factoring activities of European Union member states dominate domestic factoring in relation to international factoring (84% share of domestic factoring versus 16% share of international factoring). Some member states of the European Union in 2011 compared to the previous year achieved significant growth: Bulgaria (84%), Sweden (56%), Malta (47%), Lithuania (39%), Portugal (34%) and the Netherland (31%). Total number of factoring companies in 27 member countries of the European Union in 2011. amounted 429, and compared to the previous year, only increased number of companies was recorded in Poland (from 14 to 18 companies).

In total realized factoring market volume in the amount of 2,015,413 million euros in 2011., European Union member states achieved 1.141,728 million euros, which represents 56% volume share of the total volume. Also, in the previous 2010th in total realized factoring volume of 1,648,229 million euros, member states achieved 970,964 million euros, which makes a share of 59% of total volume. With respect to the

proportion that achieved in the total factoring volume, the member states of the European Union in relation to the world represent a very important and dominant market.

Factoring volume in most member states of the European Union in the observed period of eight years (2004–2011) is generally on rise (Table 7 and Figure 7), while milder drop was only reached in 2008 and 2009 when most of the countries was affected by the global economic crisis, so it can be assumed that the factoring Volume of EU member states in the future will keep increasing.

Table 7. Total factoring volume per EU member states: 2004–2011. (in million EUR)								
Member-states EU	2004	2005	2006	2007	2008	2009	2010	2011
1. Austria	3,692	4,273	4,733	5,219	6,350	6,630	8,307	8,986
2. Belgium	13,500	14,000	16,700	19,200	22,500	23,921	32,203	38,204
3. Bulgaria	0	0	35	300	450	340	550	1,010
4. Czech	2,620	2,885	4,025	4,780	5,000	3,760	4,410	5,115
5. Denmark	6,780	7,775	7,685	8,474	5,500	7,100	8,000	9,160
6. Estonia	3,920	2,400	2,900	1,300	1,427	1,000	1,227	1,164
7. Cyprus	2,140	2,425	2,546	2,985	3,255	3,350	3,450	3,758
8. Finland	9,167	10,470	11,100	12,650	12,650	10,752	12,400	13,000
9. France	81,600	89,020	100,009	121,660	135,000	128,182	153,252	174,580
10. Germany	45,000	55,110	72,000	89,000	106,000	96,200	129,536	157,260
11. Greece	4,430	4,510	5,230	7,420	10,200	12,300	14,715	14,731
12. Hungary	1,375	1,820	2,880	3,100	3,200	2,520	3,339	2,817
13. Ireland	13,150	23,180	29,693	22,919	24,000	19,364	20,197	18,330
14. Italy	121,000	111,175	120,435	122,800	128,200	124,250	143,745	175,182
15. Latvia	155	20	276	1,160	1,520	900	328	371
16. Lithuania	1,040	1,640	1,896	2,690	3,350	1,755	1,540	2,134
17. Luxembourg	285	280	306	490	600	349	321	180
18. Malta	0	0	1	25	52	105	136	200
19. Netherland	19,600	23,300	25,500	31,820	30,000	30,000	35,000	46,000
20. Poland	3,540	3,700	4,425	7,900	7,800	12,000	16,210	17,900
21. Portugal	14,700	16,965	16,886	16,888	18,000	17,711	20,756	27,879
22. Romania	420	550	750	1,300	1,650	1,400	1,800	2,582
23. Slovakia	665	830	1,311	1,380	1,600	1,130	981	1,171
24. Slovenia	185	230	340	455	650	650	650	550
25. Spain	45,376	55,515	66,772	83,699	100,000	104,222	112,909	122,125
26. Sweden	14,500	19,800	21,700	21,700	16,000	18,760	18,760	29,259
27. United Kingdom	184,520	237,205	248,769	286,496	188,000	195,613	226,243	268,080
Total	593,360	689,253	769,026	877,810	832,954	824,264	982,365	1,141,728

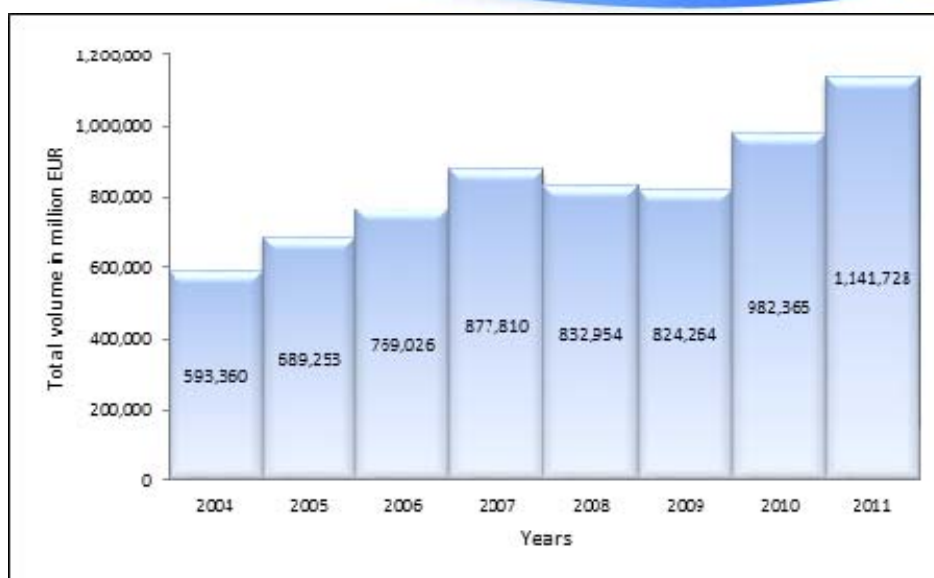


Figure 7. Total factoring volume of the member states of the European Union: 2004–2011.

Observing and comparing annual growth of factoring volume in Republic of Croatia in period 2004-2011. (According to reports FCI) in relation to Slovenia as a Member State of the European Union, but also to the neighboring countries — Serbia and Bosnia and Herzegovina as a future member of the European Union, we can conclude that Croatia achieves growth of factoring volume till 2010. and then in 2011. has smaller decline, and in relation to other countries considered, Croatia has achieved far greater overall volume. Slovenia achieves volume growth as Croatia till 2010. and also recorded a smaller decline, but the total volume achieved is far less than Croatian, but larger than Serbia and Bosnia and Herzegovina till 2010, and in 2011. has smaller volume than Serbia (Table 8 and Figure 8). Line of annual growth factoring volume for all countries ranged upwards till 2010. then in 2011. it has registered a downward trend (except Serbia).

Table 8. Factoring volume: Croatia, Slovenia, Serbia and Bosnia and Herzegovina: 2004–2011. (in million EUR)								
Countries	2004	2005	2006	2007	2008	2009	2010	2011
Croatia	28	175	340	1,100	2,100	2,450	2,793	2,269
Slovenia	185	230	340	455	650	650	650	550
Serbia	0	0	150	226	370	410	500	926
Bosnia and Herzegovina	0	0	0	0	0	35	45	45

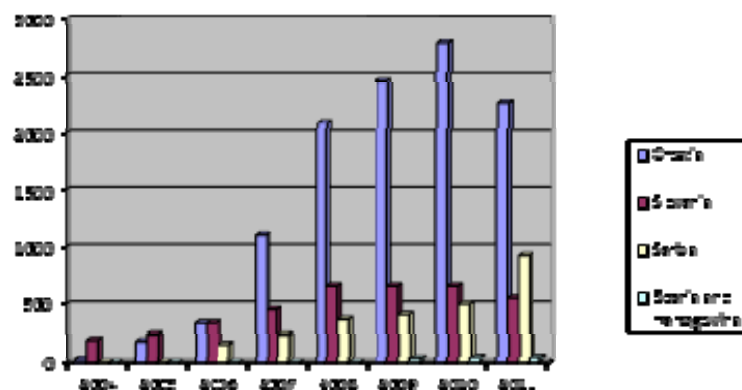


Figure 8. Factoring volume: Croatia, Slovenia, Serbia and Bosnia and Herzegovina; 2004–2011.

Factoring volume in Republic of Croatia compared with the member countries of the European Union in the observed period of 8 years (2004–2011) generally follows the trend of development. In the research area of factoring activities, Republic of Croatia doesn't lag behind other member states of European Union that can be economically and territorially compare to it, and also are in the process of transition. Since the liberalization process started later in some member states such as the Republic of Croatia, it follows that the level of the financial system, legal system, and regulation of business conditions is worse than in the developed countries, so development of factoring market is conditioned by business environment in which it operates.

In a smaller number of member states of the European Union, there is direct legislation about factoring business, the purpose is contribution to further development in factoring especially international. The Croatian economy in which the payment or collection of debts and the repayment of the loan is very questionable and poses a major problem, this model of financing as an alternative has a great potential and a bright future in terms of its use and application in the business.

CONCLUSION

As a future member of the European Union, Croatia is included in the stable political and economic environment that will provide better social and economic development, and in environment that offers a range of development opportunities; Croatian interests will be represented in decision-making in the European Union that have an impact on domestic and foreign policy, on the development of policies that affect the future of Europe and the long-term development of Republic of Croatia, and will be part of the EU's internal market and thus will have better access to capital, equipment, knowledge, and technologies, access to funds dedicated to environmental protection, subsidies for agriculture and reduction disparities between regions and member states, and will open a variety of educational and employment opportunities, in other member-states for Croatian citizens, and will be better to cope with the processes and consequences of globalization, and will influence the development of Croatian society and society as a whole. Joining and with membership in the European Union, and exercising its functions, the Republic of Croatia is implementing strong reforms in all areas of economic and legal system, and is in the process of adjusting its legislation with European Union regulations. The smooth and effective functioning of the economic and financial system is only possible in the institutional and legal framework that ensures financial discipline, the creditor and property rights, and respect for contracts, and therefore the impact and role of law is invaluable. In January 2012, in the Republic of Croatia new act on deadlines to fulfill financial obligations came into force, and in preparation is a law on financial transactions and bankruptcy settlement, which will certainly contribute to the introduction of better financial discipline and at least partially solve the problems of late payments and illiquidity in Croatia.

The consequences of the financial crisis on the entire economic system, financial instability, difficulty in obtaining funding, illiquidity and insolvency, inability to perform and untimeliness of collections, are just some of the problems that are many businesses facing. In such circumstances, the crucial is role of

management which must keep adequate business policies, efficiently track finances and make strategic decisions.

As one of the possible contributions to solve the problems of liquidity and solvency, become part of everyday life and entered into every pore of society and now is offering alternative way of financing through fees and financing liabilities through factoring. Using this model, a company doesn't have to take credit and go further into debt, what is a good solution to the problem of liquidity and solvency, and allows continuous business cycle and contributes to the improvement in liquidity and business growth and competitiveness in the market.

Global trends in research suggest factoring prospect of further development and increase the volume of what was accomplished in 2011. (compared to 2010. increase of 22%), and it is expected that factoring will continue to develop. In support of this conclusion is the fact that the importance of factoring is notable to market, which means that the economy is increasingly recognizes the benefits and positive effects of such alternative financing.

Global trends in the development of factoring monitors Croatia, and on this point Croatia is not behind any of trends in member states of the European Union. Member states of the European Union showed increase total factoring volume for 17,6% in comparison to previous (2010) year greater tendency to increase international factoring (33,8%), although the share of domestic factoring is (84%) of the total volume is greater than international.

Factoring market in Croatia has generally followed global events, and in the first half of 2012 recorded an increase in revenues and transaction volumes in the domestic, export and import factoring. Increased liquidity in the market, and businesses recognizing the benefits that factoring provide, particularly as a fast and flexible financing method, by which is not important additional insurance. However, factoring has not yet met its full potential, it must continue to develop and improve, and its regulation is needed, transparency and education of business entities is needed to accelerate the manufacturing or service process, ensure and facilitate business competitiveness, continuity and growth, and ultimately to facilitate businesses getting new jobs and encourage the development of competition in the European environment. In an effort to improve the development and transparency, and regularization, in the preparation and development of the factoring, whose legal and regulatory framework would surely contribute to the development of the factoring business. Finally, future development of factoring will depend upon financial crisis, which will return confidence in the market, and Croatian accession to the European Union will have a psychological impact on businesses and their potential partners, and to growth in confidence in the Croatian economy, and that will certainly open up new prospects for the development of factoring.

Considering the recent Croatian history in its economic and social development on the global trends, the Republic of Croatia as a future member of European Union, regardless of the great difficulties with which it currently carries, it can be considered, as a worthy participant in the market of European and international environment, especially in the field of international factoring business.

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STRATEGIC ADJUSTMENT OF TOURISM DESTINATION MANAGEMENT - NEW TRENDS

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Abstract

Given the complexity of the structure of tourism as a phenomenon and its dependence on a range of factors, on one hand, the characteristics of tourism demand and supply of heterogeneity on the other, and the whole network of intermediaries, it is necessary to provide quality strategic management of tourism activities at each destination level. Strategic tourist destinations management provides cohesion of all the relevant factors in determining the destination decisive step forward in the market compared to competitors.

In the recent past, there have been significant changes that have affected significantly determine strategic management at the destination. Some of the crucial innovations are: the definition of an integrated, rather than partial tourist products as a result of symbiotic natural and social attractiveness, communicative and receptive factors; Sustainable development of destination products: through application of 'carrying capacity' model, but apart of spatial includes economic and social dimension; Efficient organization of destinations and the growing need for clustering through spatial destinations linking and functional connectivity of key stakeholders in the destination. Clustering is inevitably accompanied with the forming of management structures on that level, in the form of destination management organizations (DMO) accordingly. Approach to quality management of tourist destinations has evolved from traditional approach to the crossing of the quality management system as a fundamental factor of the success of destination, which was formed in Total Quality Management, the system with robust standards in order to improve the and increase the flexibility and efficiency of operations. Updated anticipation of the market: A modified approach to the market in relation to any existing and potential market segment, and accordingly, a completely different approach and design of destination marketing strategies. In addition, it is necessary to implement benchmarking and diamond competitiveness model as key marketing tools allowing verification of market position in comparison to the competitors, but also taking into account all elements and tendencies in actual and potential tourist demand.

Therefore, a strategic destination management must take into consideration the above mentioned postulates and contemporary trends, in sense of efficient and comprehensive long-term destination management.

Key words: *strategic management, integrated tourist product, sustainable development, cluster organizations, TQM, anticipation of the market, marketing strategies, benchmarking, diamond of competitiveness model.*

INTRODUCTION

The aim is to analyze all the necessary system modifications concerning strategic destination management. First of all, it refers to creating an integrated, not partial tourism product, a new concept of organization and insisting on the principles of sustainability. Then to establish an adequate system of quality, choice of marketing tools such as benchmarking and diamond competitiveness and creating appropriate marketing strategies, which should result in adequate integrated destination management.

CONTEMPORARY DEFINITION OF INTEGRATED TOURIST PRODUCT

Tourism can be seen as a continuous process of formulation and implementation of development goals. Such a thesis is realized principle tzv.aktivnog approach to tourism development, in which the goals are not given, but are changing under the influence of changes in a person's overall environment and the tourism phenomenon.²⁶

Respectively, integrated tourist destination product is not mechanical or physical choise sum of partial tourist products,it is necessary to determine the criteria based on which a tourist product is treated as an integrated one.First of all,let us go through the universal defition that the satisfying of tourist consumers needsis possible only with a multitude of certain products and services.The choise of product is decided by tourist consumer.

Concluding on the mentioned,integrated tourist product of a certain tourist destination,would be combination of:²⁷

- attractions-combination of natural and social conveniences,
- accommodation conditions in destination (necessary accommodation facilities),
- accessibility of destination(infrastrucure,equipment).

Managing of a tourist destination and tourist destination integrated product is a complex process.,which includes planning,organization, leadership and controlling. Applying strategic management in tourism is specific because of the essential difference between management of material products and management of services and because of the heterogeneous nature of the tourist market. Strategic management in tourism is focussed on a number factors, planning a systematic steps to determine the optimal strategy and policies that will lead to the objectives of each particular tourist destination.

a.Tourist attractions envelope large spectrum of natural, anthropogenic,economy and other destination characteristic.²⁸.In terms of status conception,tourist attractions are defined asempirical connection of tourists,nukleus or sight and information.In wider terms,tourist attractions have features of the system including three elements:tourist or human factor,nucleus or central elements and marker or information.Tourist attractions shows up when those three elements are achieved and connected in one locality.²⁹

The status treatment of tourist attraction is its analysis on the hierarchy level. Such system or sub-system enables to see them in a wider,inzebral space of tourist destination.This demand analysisof their functioning or activity and of the way they lead.³⁰

Tourist attractions mostly consist of the elements out of hometown of tourists.Attractions demand continuous enrichment of planning,depending on features of tourist destinations.

The most common attraction characterisations are general images of attraction types when they are combined with elements of location, choise, observation or participation. Mentioned are more generalised by use of multi-dimension analysis.

More detailed and wider examples of attraction image are those that include beauties of nature, climate, culture,social, features, sport,recreation, education. This characterisation enables an impartial comparison of tourist destination with competitors.

Attraction,which are connected with spatial interaction,provide precise conception of their influence within tourist offer,which means conception of integrated tourist product.

Bakić and other authors speak of those as of tourist products of future.He points out that national and local tourist organisations need to pay attention and focus on:³¹

²⁶Vukonić, B., (1994),Turizam u susret budućnosti, Mikrorad d.o.o., Zagreb.,page 78.

²⁷Popesku J., (2011),Menadžment turističke destinacije, Univerzitet Singidunum, Beograd .,page182.and Middleton V.T.C,Clarke J.,(2002) . *Marketing in travel and tourism*, Butterworth-Heineman, Burlington, page 98.

²⁸Čačić K.,(1998), *Poslovanje preduzeća u turizmu*,Ekonomski fakultet,Beograd ,page 246.

²⁹Đukić A.,(2001), *Menadžmentprirodnihresursaiekologijauturizmu*,Veleučilište u Dubrovniku,Dubrovnik,page 113-115.

³⁰Same,page 114.

³¹Unković S., Čačić K.,Bakić O., Popesku J. ,(1991), *Savremeni tokovi u turizmu*, Ekonomski fakultet, Beograd , page 235-236.

- much wider involvement in offer of museums, galleries and monuments,
- promotion of old towns,
- range of culture and history varieties (language, customs, cuisine, folklore, etc.).

The basic motive which initiates travel of this kind of tourist consumers is learning about unknown cultures and traditions.³² All set can be the base for 'so-called' tourist destination built attraction. Management attractions is putting in focus defined in advance natural, culture-historical and built attractions, carefully planned, organized and controlled. Through mentioned element of integrated tourist product will be open destination strategic 'window' on local, regional and national level.³³

b. Accessibility is a location factor which in big deal enables emphasis and exploitation of original and produces element of destination. It includes communication factors-traffic potentials and their current and future exploitation. Two aspects of this location factors are emphasised: macro approach concerning accessibility of facility in relation to demand flow, and micro aspect concerning location of facility in relation to main factors of destination.³⁴

Lawson and Baud-Bovi point out that traffic accessibility is one of serious factors which determine of holiday and recreation.

In order to emphasise mentioned advantages of traffic accessibility to the maximum, the author of this work concludes that it is necessary to point out new trends in modern tourist behaviour, when it comes to transport:

1. transport cost of total expense falls down,
2. tourist clients rather choose more expensive accommodation, while saving on transport expense,
3. raise of air transport market part, with emphasis of 'low cost' segment,
4. regarding railway travel, trends demand different prices for certain market segments,
5. revolution of cost politics, in air and railway transport,
6. increase of cruising.

In order to enable a fast and efficient transport of travellers from their starting point out to tourist destination, and due to the frequent need for use of several means of transport cooperation and mutual effort of leading means of transport is necessary and must be coordinated on all levels.

Receptive (receiving) factors include organizational forms in area of accommodation, food, entertainment, recreation and leisure tourists. In other words, under these factors should include a variety of activities that are directly and indirectly involved in providing services to domestic and foreign tourists (hotel, F&B, store traffic, cultural institutions, utilities, etc.).³⁵

In order to exceed **accommodation conditions** in almost all tourist places and also on the level of particular tourist destination, it is necessary to take steps in two directions, first of all towards the improvement of accommodation and food and beverage capacities, and to solve the problems of not developed and non quality communal infrastructure. In order to solve the mentioned limiting factors of tourism development, as a part of solution of accommodation capacities, the following steps are generally suggested:³⁶

- development of all new accommodations capacities must be in accordance with minimal standards of four stars, except for the private accommodation and catering, when three stars are suggested, which as mentioned before, should be transformed into small hotels;

³² Swarbroke J., Beard C., Leckie S., Pomfret G., (2003), *Adventure tourism*, Butterworth-Hinemann, Burlington, page 63.

³³ Bakić O., Ljubojević Č., Bakić M., (2002), *Marketing strategija turističkih usluga*, Zavod za udžbenike i nastavna sredstva, Beograd, page 70.

³⁴ Čačić K., (1998), *Poslovanje preduzeća u turizmu*, Ekonomski fakultet, Beograd, page 247.

³⁵ Dobre R., (2005), *Osnove turizma*, Visoka škola za turistički menadžment, Šibenik, page 18.

³⁶ Turistička zajednica Županije Splitsko-Dalmatinske, *Analiza stanja i mogućnosti turizma uz izvješće o poduzetim i ostvarenim aktivnostima na pripremi turističke sezone 2006. godine na području Splitsko-Dalmatinske županije*, Split, 2006., page 51-52.

- development of new accommodation capacities should be more directed towards hotels and hotel blocks and less towards apartments and apartments blocks.
- development of new basic accommodation capacities with purpose for real estate sell on market should be strictly banned, except in the case of integral complexes of mixed purposes with hotels and villas,;
- development of new complementary capacities must be mostly directed towards camps with at least four stars, while the development of new tourist rooms should be disabled for a certain period of time;
- development of new accommodation capacities on separated building sites of catering and tourist purposes is suggested only under the conditions of clear owner's status, spatial, market and financial feasibility as well as endurance and integrating of development into surrounding with focus on partially developed areas, out of use.
- presence of 'brand' hotels which would have positive influence on tourism because it generates new demand, investments as well as 'know how'.

INSTITUTIONAL AND SUBSTANTIAL FRAMEWORK OF SUSTAINABLE TOURIST DESTINATION DEVELOPMENT

The concept of sustainable tourism is regulated by the Agenda 21, the document that shaped the sector for sustainable tourism in the United Nations. Mentioned document contains a global plan for sustainable tourism development in the global, national and local level.³⁷

When we talk about the European Union, the trend is that sustainable development is achieved by integrating environmental aspects into all forms of planning and sectoral policies. The tendency to apply an integrated approach and develop an integrated strategic planning is present today in all European countries and the developed planning systems.³⁸

The documents are defined by three interdependent dimensions of sustainable development:³⁹

- Economic sustainability-prosperity in a new and different social economic efficiency of all economic activity;
- Social sustainability-respect for human rights and equal opportunities for all members of the community, including equal distribution of profit and reduce poverty, recognition of and respect for cultural diversity and Environmental sustainability-protection and resource management, and strategic priority, non-renewable, minimize pollution (air, water and soil) conservation of biodiversity and natural heritage. National Sustainable Development Strategy (NSDS) in Montenegro, the term "sustainable tourism" involves the development of⁴⁰:
- respecting the economic, environmental and social principles in a balanced mutual respect;
- does not exhaust the natural resources, but uses them only to the extent provided remain available and future generations;
- keeping the cultural diversity and identity, and thereby stimulate the harmony of society and
- In addition, bearing in mind the satisfaction of tourists.

The essence of the concept of sustainable development consists in presenting the development prospects of a broader conception of phenomena related to mentioned. To is a comparative approach that suggests a connection and the inclusion of thinking in a prudent management, taking into account the spatial and temporal circumstances.

In order to seek maximum performance development last field is the need to be constantly adopted. Final goal is to reach a level where it would replace the concept of term life success.

³⁷ www.un.org/esa/sustdev.

³⁸ Maksin M., Pucar M., Korać M., Milijić S., (2009), Menadžment prirodnih i kulturnih resursa u turizmu, Univerzitet Singidunum, Beograd, page 6.

³⁹ Maksin M., Pucar M., Korać M., Milijić S., (2009), Menadžment prirodnih i kulturnih resursa u turizmu, Univerzitet Singidunum, Beograd, page 4.

⁴⁰ Ministarstvo turizma Vlade Crne Gore, (2008), *Master plan-Strategija razvoja turizma Crne Gore do 2020. godine*, page 79.

Accordingly, any form of economic development conflicts with the implications of the social aspects and cultural aspects of the structure of the population, from the customs, lifestyles, behavior patterns, ways of using leisure time, the behavior of tourists and others.

By Pasiновиć, sustainable tourism includes optimum use of resources, environment as a basic element in tourism development, respect for socio-cultural authenticity of domicile and the creation of community socio-economic benefits that the ultimate goal of poverty reduction.⁴¹

Among the potential negatives that promotes tourism are:⁴²

- uncontrolled development of tourism brings overcrowding of space and highlight the problem of noise
- increasing levels of air pollution
- increasing the level of pollution of surface and groundwater as a result of not adequate infrastructure
- develop an area where tourism can become unattractive due to inadequate policy construction of tourist facilities
- too many tourists at major tourist sites prevents access to the local population
- uncontrolled use of cultural and historical sites can lead to degradation of cultural and historical heritage.

The economic effects of tourism for local population can be visibly reduced if there is a significant employment of foreigners.

Accordingly, Policy of using natural resources in tourism development which departs from these principles, means behavior in accordance with the following assumptions:⁴³

- It is necessary to adopt and implement an active policy of land resource as well as long-term policies that must govern and manage not only the exploitation of natural resources and their use, but to plan and work to restore the resources that are renewable and nonrenewable natural resources, conserve and regulate the manner of their future use . In other words, unrestricted exploitation of natural resources to replace the real economy of space ('spaceship economy').
- Instead of a static approach to the use and protection of natural resources, based on legal and institutional categories of conservation importance and defensive, to introduce a dynamic approach in the way of treating natural resources.
- It is necessary to develop a permanent network of institutions for the preservation and restoration of natural resources;
- Use a variety of measures and instruments of economic policy, primarily fiscal nature which will aim to encourage a positive attitude towards the use and conservation of natural resources, and the introduction of various penalties for inefficient use of renewable resources, or collection of special premiums and rents for inadequate use of land, sea, etc. .
- It is the inclusion of local 'environmental institutions in the international institutions dealing with issues related to the exploitation and conservation of natural resources and environment.

Prerequisite of the concept of sustainable tourism implementation is to define the carrying capacity of tourist destinations. It is the "maximum number of tourists that will not adversely affect the physical environment as well as the local population and its interests." Carrying capacity of the destination relates to their physical, psychological, biological and social capacity, and it is important to consider that these capacities change overtime.⁴⁴

Thus, a system of sustainable development and eco-efficiency are strategic concept whose application creates more products with less use of energy and materials, less waste and pollution. These products, including travel, meet the quality needs of consumers, improve the quality of life and reduce all forms of pressure on infrastructure..

⁴¹Pasiновиć M.,(2006), *Menadžment prirodnih i kulturnih resursa*, Univerzitet Mediteran,Fakultet za turizam,Bar,,page 36.

⁴²Marušić M.,Prebežac D.,(2004),*Istraživanje turističkih tržišta*,Adeco,Zagreb,page 356.

⁴³Dulčić A.,(2001), *Upravljanje razvojem turizma*, Mate, Zagreb.,page 328-329.

⁴⁴Črnjar, M.i Črnjar,(2009),K.,*Menadžment održivog razvoja*, Fakultetza turistički i hotelskimenadžment, Opatija i Glosa, Rijeka, str.43.

To conclude, tourism, which is not sustainable, will endanger nature, which could result in the loss of interest of tourists to this destination. In contrast, the positive ecological environment, tourists will have a pleasant place to feel, and will actively take part with the locals in raising cultural tourism and protection of environmental devastation.⁴⁵

NEW TRENDS IN ORGANIZATION PART –IMPLEMENTATION OF CLUSTERS FORM

Modern approach to tourism development today is based on the coordinated actions of the public and private sectors in the tourism and travel industry organization in the form of clusters. It is a business in the form of agglomeration based mostly on a regional basis. This is the concept of sets necessary to fit the modern tourist developments and trends. Modern approach to pushing applications cohesiveness access a shared vision and coordinated action between public and private sectors, and create links within the industry.⁴⁶

Clusters division is creation of functional wholes which makes the whole space of macrodestination divide into parts which stand out as special, concerning the available tourist resources and according to tourist trends.⁴⁷

Therefore, it is necessary for setting up the cluster opens the way to the competitiveness of the tourism industry. Although a large number of countries and regions trying to use cluster model to analyze its economy a rare show fundamental changes in the economy of services based on clusters.⁴⁸

Forming of tourist regions starts the process of creation of regionally divided tourist products and inter-regional development of tourism.

Concerning principles, there are three kinds of regional tourist destinations:

- When the borderlines of cluster overlap the borderlines of administrative units;
- When clusters are defined independently of political borders;
- When clusters are within the area of a whole country but they do not overlap with the borderlines of administrative and political establishment.

Cluster is the answer to challenges posed by globalization process. In fact, it is a matter of domestic system being transformed for the purpose of achieving compatibility with the EU system. Clusters that have been created around a big destinations are particularly attractive to foreign market. At the same time a great number of small dependent firms have a great influence on high competitiveness and entrepreneurial power of the whole touristic and economic system.

As crucial benefits, resulting from the formation of clusters, we can mention enabling of decentralisation in tourism, separating of tourist product, regional tourist specialisation and enforcing of regional tourist identities.

Two basic approaches for clusterbuilding :⁴⁹

- (bottom up)
- (top down)

The "bottom-up" is being developed where the impetus for the creation of clusters comes from the business sector. The state in this case is limited to the moderator. The government and other relevant institutions accept existing initiatives and should provide support to strengthen the competitiveness and the creation of an appropriate structure of the cluster.

The "top-down" is present in situations where the state comes from the top cluster. In this approach, the government decides the policy of clustering, with realistic expectations that such a policy would increase the competitiveness of the national economy. Role of government is to take the initiative and execution of specific activities under the policy of clustering.

From the above divisions to build clusters, we can conclude, without the cooperation of the state and the entities included in the cluster can not be make serious cluster organization.

⁴⁵Vidučić V.,(2007),OdrživirazvojotočnogaturizmaRepublikeHrvatske, Naše more, Dubrovnik, page 44.

⁴⁶Gržinić J., (2006),Pozicioniranje konkurentnosti hrvatske turističke ponude, Fakultetekonomije i turizma Dr MijoMirković, Pula, page 60.

⁴⁷Magaš D.,(2003), *Menadžment turističke destinacije i organizacije*, Sveučilište Rijeka,page 9-10.

⁴⁸Murphy, P.M. i Smith, B.,(2000),The Destination Product and its Impact on Traveller Perceptions,Tourism Management,page. 43 .

⁴⁹Barilović Z., Funda D.,(2011), Klasterikaomogućnostgospodarskograzvoja, Visokaškolažaposlovanje i upravljanje, s pravomjavnosti „Baltazar Adam Krčelić“, Zaprešić,FAMNS International congress,page 5.

Finally, the implications of tourism and investment in tourism clusters on the economy are as follows:⁵⁰

- creation of new local requests for equipment, food and other supplies which accelerates the growth of existing and creation of new industries, revive business activity and new markets;
- growth of urbanization growth through constant construction and renovation of tourist facilities;
- State aid earnings growth of foreign currency that developing countries desperately needed to reduce the deficit, balance of payments;
- redistribution of capital between developed and developing countries;
- multiplier effect within the economy

TOTAL QUALITY MANAGEMENT ON DESTINATION LEVEL

The approach to quality of tourist destination has evolved from traditional and partial approach to systematic management of quality as a basic factor of destination success. Making of management structure on level of regional tourist destination as well as its regular organisation are just the prior conditions for creating of integrative strategic managing system of destination.

Managing the whole success or Total Quality Management is a system that provides required quality. Quality is, following that, the result of an elaborated system of managing the whole quality of destination. Total Quality Management tries to ensure achievement of goal which reflects in regular conceiving of integrated tourist product, in a way that suits a tourist consumer. That system ensures avoiding of worthless effort and unnecessary spending of all kinds of resources, because it enables achievement of goal according to wishes of tourists, in shortest possible time, with minimal expense.

The mentioned shows that quality of tourist product of destinations includes:

- flawless infrastructure,
- flawless work of human resources,
- working on all the problems as soon as tourist consumer points to them,
- real proportion of cost and quality of tourist product,
- informing guests in time etc.

Based on all the above mentioned, management of Total Quality of regional tourist destination means:⁵¹

- *quality led towards the guest*

Every TQM strategy must be formed so that it can foresee wishes of guest, and abilities of tourist subjects of destination to fulfill them. Quality is the result of market necessity, process of creating the quality is long and permanent.

- *Support of top management*

Condition for success of TQM is existence of a whole support from strategic managers who must know the ways and techniques of TQM so that they can understand and process of functioning of total quality management.

- *Continued advancing*

Continued advancing is the process of raise of quality of tourist product and services through the increase of profit followed by constant innovations.

- *Full involvement*

Total Quality Management depends on cooperation and contribution of the employed and quality of tourist subjects is maintained by efficient praising of the employed.

- *Shortening of time cycle*

Eliminating of tasks and activities that do not give added value

- *Prevention and not detection*

Philosophy of Total Quality Management is therefore not based on realisation of acceptable amount of mistakes, but on a concept without mistakes, and the main task of management is elimination of the cause of the mistake.

- *Management by fact*

All efforts in TQM must be supported with facts, so it is necessary to collect, analyse and compare data. It is necessary to design matters of business intelligence (business intelligence system).

⁵⁰ Janković S., (2010), Klasteri kao osnova regionalnog razvoja u turizmu, Univerzitet Singidunum, Beograd, page.16.

⁵¹ Cerović Z., (2003), Hotelski menadžment, Fakultet za turistički i hotelijerski menadžment, Opatija, page 41-42.

•*Development of partnership*

All subjects of destination must be open to surrounding, whether it is a public or private sector. It inevitably leads to their business connection.

•*Public responsibility*

TQM tourist subjects accept responsibility for placing of tourist products without mistake, for preservation of natural and cultural resources of destination, introducing new technologies, etc.

UPDATED MARKET ANTICIPATION-ADAPTED MARKETING STRATEGIES AND MARKETING TOOLS

Applying of managing strategies on level of regional tourist destination is a complex and delicate operation. We are witnesses that in the modern tourist motions, a constant adaptability and adaptation to modern tourist trends are necessary, therefore it is ungrateful to apply managing strategy that pretty soon could show as unefficient.

Special risk is the fact that managing the regional tourist destination depends on many factors, because it should not be forgotten that they are product of connecting of various tourist forms of local tourist destinations.

Limitative factors during marketing strategies selection are: ⁵²

- inconsistent tourist offer with tourist consumers requests, especially in accommodation scope and structure and services assortment,
- uninterested business subjects that over tourist product place own products, especially in out of room services.
- relative poor coordination and disorganization of stakeholders tourist policy ,
- very often expressed not market behavior, what it can be explained with a fact of marketing concept relative poor implementation and development,
- low product quality what effects negative consequences on other instruments of business and tourist policy and makes difficult marketing mix combination,
- nonexistence of long –term comprehensive and stable measures of economic policy through different forms of stimulating measures as credit, tax and land usage policy.

The author of this work stands up for applying of following strategies on level of regional tourist destination:

- strategies of segmenting of tourist market,
- strategies of selection of tourist product and,
- strategies of profiling of tourist image.

Now, we will turn to mentioned crucial marketing strategies and their development, Also, we will present in which situations and circumstances mentioned strategies are used.

1. STRATEGY OF TOURIST MARKET SEGMENTATION

Strategy of segmentation is closely linked with phenomenon of group behavior. Sociology and psychology are based sciences for mentioned phenomenon researching, but results of their exploration are used in different economic science. Different standards exist in determining of group belonging. Some of this criterions has influence on the occasion of product or services buying. Segmentation marketing strategy has just occupied in identification of consumers groups as market segments appropriate for product placing.

Marketing strategy of segmenting deals with identifying certain groups of consumers as market segments suitable for placing of certain product.

What is specific for strategy of segmenting is that it finds its best application in those activities which have high elasticity of demand, and one of the basic features of tourist demand is just the high elasticity. Whether it is about economic or non- economic factors, while on the other hand, tourist demand is non-elastic because of its basic features, such as great financial investments in accommodation capacities, selling of products ex ante and similar.

⁵² Bakić O, (1988)., *Strategijsko planiranje turističkog proizvoda*, Naučna knjiga, Beograd ,page 161-163.

As one of the basic reasons for applying of strategy of segmenting of tourist market is need for tourist offer of regional tourist destination, which is various by itself, to aim as good as it can towards potential demand.

What is necessary to mention is that strategy of segmenting of tourist market should not, in its performance, lead to discriminatory behaviour towards any group of consumers which does not fit the potential segments.

Strategy of segmenting is based on taking over the market in depth and each segment must have following features:⁵³

- it must be discrete, i.e. it can be different from other segment by using a specific feature
- it is measurable for use, i.e. those which cannot be measured cannot be market targets
- it is suitable for placing of tourist product belonging to a certain destination and
- it is perspective, i.e. as a segment, it enables placing in longer period of time
- In base of establishing of every segment, based on previously given criteria there will be monitoring from the perspective of possibility of applying of business politics elements. If there were not alternation in one of elements which would suit a certain segment, then there would be no point in segmenting applying, i.e. considering that segment.

2. STRATEGY OF SELECTION OF TOURIST PRODUCT

Marketing strategy of selection of tourist product is based on competing advantage making. Competing advantage in tourism is defined as certain characteristic with whom tourist destination or some tourist offer stakeholder are different in comparison with competitors.

In previous mentioned segmentation strategy is researched tourist research, but in strategy of selection of tourist product is tried to attract consumers attention, with permanent offer changes.

Product selection means spreading of products palette with new and different products involvement. Possibilities and range of selection are huge (from features of product to sign and name, colour, style of packaging and all the way through to the selling services). The heart of this strategy is based on informing consumers that tourist product is superior in some features, when compared to the competency one.

Bases for selection are following:⁵⁴

- physical characteristic of product,
- additional services diapason,
- human resources,
- tourist destination location,
- image of tourist destination.

3. STRATEGY OF PROFILING IMAGE

Strategy of profiling the image is based on postulate that consumer's decision on buying is not based only on functional features of product, but also on expression, i.e. influence that product has on them.

Image is powerful in area where tourist destination has valuable elements in its range of attraction, serving as basic references in promotion of conditions and comfort in destination. Specific messages and image that stimulate buying and amuse clients when choosing tourist destination, are dynamic developing power of destination.

Image profiling efficiency strategies depends on understanding potential interests and visitor's needs.

Image can establish picture of destination in public, as a place different from other destinations, based on its primary attractions. Promotional activity is of a crucial importance for achievement of the mentioned strategy. In order to form clearly profiled image of destination, it is necessary, first of all, to work on establishing of destination as a brand.

Due to the mentioned fact Ramsley and Ingram emphasize that brand and image as a inter-linked, i.e. connected to each other. Brand is product, service or concept which can be different from others, in the way that it can be available in sense of communication and market.⁵⁵

⁵³ Dobro R., Čivljak M., Rusković Župan P. (2004.), *Menadžment turističke destinacije*, Visoka škola za turistički menadžment, Šibenik, page 98.

⁵⁴ Kotler P., Bowen J., Makens J. (2003.), *Marketing for hospitality and tourism*, Pearson education, New Jersey, page 282-287.

First thing in process of forming a destination as a brand is establishing of basic value of mentioned concept. It must be useful, communicative, relevant and emphasised for potential tourists.

Basic preconditions for making and correct brand channeling are the followinf: ⁵⁶

- be realistic about tourist destination strong and weak points,
- Recognition of the brand value is of great significance,
- during brand forming destination is not desirable,
- find permanent financing sources,
- brand question is also emotion and impression searching which stay as a mental picture in visitors ;
- tourist expects good product design and known product identity,
- during the creation of the brand destination making whole positive and negative influences should be predicted from external and internal environment,
- understanding of pull and push factors and stakeholders expectation is necessary,
- organization scheme making, what will provide development, management and brand quality maintenance,
- understanding of significance and possible contribution of respectable members and leaders of local society during the making of mark,
- using a positive foreign experience during brand forming and positioning .

ESTIMATION OF PRESENT AND PERSPECTIVE COMPETITIVENESS OF TOURIST DESTINATION BY BENCHMARKING AND DIAMOND COMPETITIVENESS MODEL

Considering increasing competition in tourist sector, it is necessary to do constant check of present market position, and according to it, an adaptation to modern trends.

In order to achieve competency advantage, it is necessary always to be one step ahead of competitors and consequently, to do constant comparison with competency destination or destinations., having the similar features in common. Process through which the constant comparison with competitors is done is called benchmarking.

Therefore, benchmarking is a continued process of identification, understanding and adaptation of product and other instruments of marketing in order to improve business. This process includes: ⁵⁷

- Comparing to the best, not limiting on the same area where activity is done,
- Comparing of product and other activities to equivalent activities of others,
- Comparing of products and services with products and services of competitors with best results,
- Comparing of technical solutions in order to choose the best equipment,
- Applying of best defined business process,
- Planning of future ways of development and active adaptation to new trends,
- Fulfilling and excelling consumers' expectations.

The ultimate purpose of benchmarking is to improve the contribution of the business, and not just from the standpoint of efficiency but also the effectiveness and management of the transformation processes. ⁵⁸

Destination diamond competitiveness is Porter's management model based on which explains the competitiveness of tourist destinations and analyze the factors affecting it. Consistent application of diamond competitiveness can be created based on the programmed which can eliminate competitive disadvantages and improve the competitive position of the destination on the tourist market in the medium and long term.

⁵⁵ Ransley J., Ingram H. (2001), *Developing hospitality properties and facilities*, Butterworth-Heinemann, page 42-43.

⁵⁶ Štetić S., (2007), *Brendiranje u turizmu*, Third Biennial International Congress, 'The hospitality and tourism industry in the global information society', The College of Hotel Management, Beograd, November 23 - 24, 2007., pp 723-725.

⁵⁷ Remko N., Delić S., Škrtić M. (1999), *Benchmarking (u strategiji marketinga)*, Mate, Zagreb, page 9.

⁵⁸ Karlof B. and S. Ostblom *Benchmarking* John Wiley and sons, Chichester 1995, page 4.

The elements defined in the custom of Porter's diamond of competitiveness are:⁵⁹

- tourism companies and suppliers which means the tourist offers or companies that are the main factors of the offer. Within this element includes the analysis of the competition between tour operators, their mutual cooperation, cooperation with the public sector, there are legal and prescribed norms of behavior which constitute the framework of companies;
- Conditions of demand, which means the analysis of demand .ie from the socio-economic characteristics, motivations of tourists, the level of sophistication of the demands of visitors, their behavior during their stay at the destination, customer satisfaction, destination image , the level of consumer protection.
- expanding tourism sector is an element that refers to the analysis of complementary activities in: trade network, travel agencies and tour operators, organizers of activities in the city, the F&B facilities .
- Factors of production are the element that is related to human resources, infrastructure, resources and attractions, technological and financial resources, research, development and innovation, etc..

So, the point is that through benchmarking methods and institutions diamond competitiveness of market positions, but also in comparison with its competitors improve internal performance destinations.

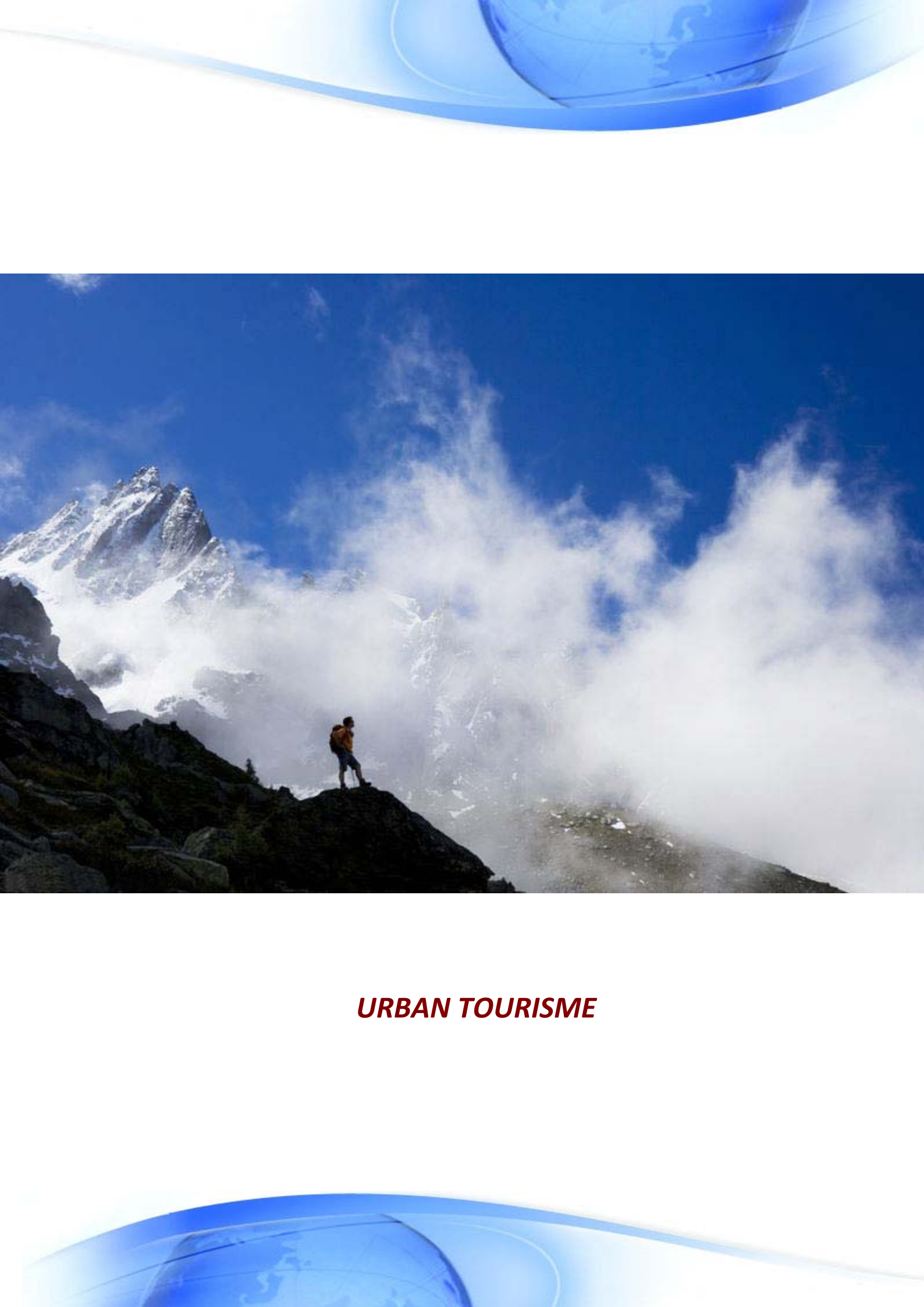
CONCLUSION

It can be concluded that today's strategic management of tourist destinations has to take into account the structural changes, such as clustering, and varying capacity parameters from the economic, environmental and social aspect. In terms of marketing management, the key is to insist on the quality of the integrated tourism product and application of total quality management model, and the use of modern marketing tools in measuring and assessing the competitiveness and current market position.

⁵⁹ Čerović S.,(2009),Strategijski menadžment u turizmu, Univerzitet Singidunum,Beograd, page 184-186..

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URBAN TOURISME



Affirmation of cultural identity tourism destination through city break travelling – Zadar city example

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Abstract:

With the progress of urban tourism, cities have evolved into a significant receptive market and assumed position of city break destinations. City break travel denotes a short city vacation motivated by the interest to discover different forms of identity in urban space. Cultural identity is a tourist resource which greatly adds to splendour of the urban tourist destination, because it provides competitive advantage in comparison with other destinations.

The study aimed to identify the most attractive tourist elements of Zadar cultural identity, revealing it as short city break destination. Therefore, the survey utilized directly city break guests and attempted to define which cultural identity elements they recognized as most attractive. Results indicated that guests appreciated more social than culture identity aspect. Hence, suggestions for improvement and additional affirmation of the City of Zadar cultural identity were provided.

Keywords: *urban tourism, city break travel, urban tourist destination, cultural identity*

Introduction

The growing trend of urban tourism which chooses an urban destination to escape from the everyday life and that is several times a year for short, usually weekend periods sets new demands to the cities which are becoming a significant receptive market, positioning itself on the tourism market as a city break destinations or destinations for a short city break. Many cities are increasingly taking steps to create a tourism offer and attract tourists, as well as develop special city tourist itineraries.

Modern tourism is developed in direction of increased number of short trips, and the destination choice depends not only on the visual attractiveness of the destination, but more about its identity features. Unlike other forms of urban tourism, city break travelling is not necessarily target motivated. The reasons for this type of tourism can be associated with a prominent interest to get acquainted with different identity forms of an urban space. Culture of a locality represents the basis of its identity. Various cultural forms make a certain area unique and recognizable.

Cultural identity as a synthesis of all material and spiritual-cultural products and activities is not associated only with the language and cultural heritage, but also with the way of thinking, values, food and humour, while its essence is constituted by the effort to be different from other people or unique.

Each urban tourism destination strives to communicate the essence of the originality and authenticity as its uniqueness, symbols and advantages. Therefore is very important to identify correctly the cultural characteristics and values which render the destination recognizable in the world market.

Urban tourism, concept and definition

Urban tourism as a specific form of tourism movement is focused on separate segment of tourist demand which is characterized by specific tourist motives (Page: 2003:25). The city as an urban entity represents complex tourist motives which can be associated with a great interest in getting to know the destination, its history, arts, lifestyle and heritage, as well as other forms of identity of an urban space.

The urban tourism is developed parallel to the development of the urban systems. Instigated by different motives which depend on the destination and type of attractions, urban tourism includes whole range of different activities; visiting friends, business affairs, professional meetings, sports and recreation, entertainment, sightseeing, shopping and education. Regardless the primary motive of tourist movements, tourists stay and retention in the urban centres is evident, as well as use of different types of services within them.

Although there are discrepancies in the definition of urban / urban tourism in terms that the urban denotes tourist travelling and content which take place in large urban agglomerations, whereas the civic tourism takes place in small towns, yet both interpretations indicate tourist attractions and modern urban area content, where tourism experiences expansion and becomes an important factor for economic development. Therefore all forms of tourism and services that take place in the urban space are considered to be urban tourism.

Urban tourism specifics

There are two main distinguishing characteristics of urban tourism in relation to other specific forms of tourism by Kolb (2006:73): Motivational heterogeneity: Unlike other specific forms of tourism which are based on certain dominant tourist motifs, city tourism offers ability to gratify different tourist needs, since it attracts a wide range of tourists of all ages and interests. Cities are constituted by various tourist attractive spaces, buildings and facilities, and each of them represents a special tourist product and motivational value for itself.

Uniformity and consistency of tourist demand, which is expressed in a relatively uniform annual number of tourists. Although tourism in the cities is not seasonally oriented, it should be noted that the seasonal concentration is smaller in major urban agglomerations or major administrative centres namely, and higher in cities which represent a significant seasonal tourist destination.

City break travelling

City break travelling represents a short break in the city, usually on weekends and at low cost. The fundamental distinction between city break travelling and other forms of urban tourism is:

Shortness of stay

City Break programs include a two-day or three-day visit to a town. Therefore they do not require a vacation; it is enough to take the day after or before the weekend.

Lack of planning

The decision to travel is made impulsively or few days in advance. Such travelling mode is supported by different on-line reservation systems.

The possibility of self-organization

City break travelling does not require a separate organization; it can be organized without the mediation of travel agencies, depending on available time and money.

Low prices

Prices of city break travelling include hotel or private accommodation (based on board or bed and breakfast) and transportation (bus, plane, railroad, ship), and sightseeing. The inclusion of the tour operators in road traffic and low-cost air carriers (low cost airlines) in the segment of civic tourism by organizing special tours to interesting cities especially contributed to the rising trend in the development of city break travelling.

Motivation

Besides the primary motifs of urban tourism such as the desire to tour cultural and historical sites, acquaintance with destination gastronomy offer, do shopping, business or anything else, city break trips do not have to be necessarily targeted motivated. Although they are intertwined by content and

motivation with other forms of urban tourism, the main motive of city break trip is often a journey by itself, stay outside of the usual environment and a desire for new experiences.

While a growing population of urban areas is seeking refuge in the peace and tranquillity of the village and preserved environment, an increasing number of people chooses just the urban destination in order to escape from everyday life.

Individualization of agency offers

Adapting to the trend of travel individualization and short city break duration, the agency offer develops tailor-made principle, according to which it creates individual travel itineraries, designed in accordance with personal preferences of the passengers. Such a type of tour package arrangement has an individual price, since the amount depends on accommodation, transport, schedule, as well as the accompanying program.

Accommodation

Rising trend in the development of urban tourism, monitored by processes of more pronounced individualized travel, encourages the development of a special kind of small, by design and interior, very interesting exclusive accommodation resources in cities known as boutique or designer hotels. In the case of city-break travelling, special wishes of passengers mostly relate to stay in just such a designed boutique hotels or special luxury hotels.

Communication

The communication in the city break travels requires special interpersonal skills communication since it concerns the immediate and direct communication at the level of guest – host, due to the shortness of stay and the absence of real communication feed back. Frequent guests shifts do not allow the development of better interpersonal relations between guest and host, as does the fact that the city break guests rarely return to the same destination.

Urban tourist destination

With the advent of urban tourism, cities in the global tourism market have become significantly receptive market, positioning themselves as a city break destination or destinations of short city break. Civic tourism as a specific and widely motivated form of tourism trends implies tourists stay and retention in the town centres, and the use of different types of services within them.

Reasons for this kind of tourism can be associated with great interest to get acquainted with the destination, its history, art, style life and heritage, as well as other forms of identity of an urban space. "Profiling themselves as a short city break destinations, cities develop specific civic tourism itineraries (elaborated travel plans)", (Page: 2003:91).

Under the influence of tourism, cities have experienced significant transformation. In the function of the development of tourism, cities have also changed their physiognomy. Construction of accommodation facilities, convention centres, multi-purpose halls, specific areas and enhancement of municipal infrastructure have changed the cityscape. In the city there are a number of places for tourism purposes where intense tourist activities take place.

City tourism development advances in accordance with its specific features. According to these specifics, the tourism development strategy is also selected, and Kolb (2006:103) lists them as:

Formation strategy of new attractions in the area which shall attract visitors; for example, the construction of a museum, aquarium or reconstruction of the harbour (coastal) part of the city

Use of cultural attractions such as theatres or city as a destination for concerts, such as creation of new festivals or already existing event, which is also attractive

To develop the city as a shopping destination, take advantage of the growing interest in the purchase and therefore develop large shopping complexes

Promote the city as a destination for conferences and exhibitions

Promote the night life which the city offers to attract tourists and especially younger - concept of city living 24 hours

Transformation of the city from transit in the complex tourist destination requires timely and easily accessible information provision. Daily requirements for different shopping information recommendations, cultural and entertainment content, day trips, and spending time in destination is

leading to dispersion and transformation of tourist information centres. Besides one central, a number of other centres on major tourist and transit points is hereby created, with objective to collect and disseminate tourist information.

Cultural attraction as city fundament

Tourist attractions represent the fundamental tourist resource. Offers elements which often have a decisive effect on the choice of travel destination are cultural attractions, too. Desire to discover the authentic heritage is an important motive for visit to a city, and often used in the promotion and creation of its identity.

“Cultural motifs are identified in the pursuit of discovering and learning about other cultures, people, their ways of life, music, art, folklore and dance” (Kušen: 2002:64). Originality, diversity and abundant cultural resources determine the level of quality of tourist attractions, which increases the value of the overall tourist urban destination offer.

Urban tourist is not detached from everyday life of an urban area, he or she is directly involved in it and aspires to get acquainted with the local culture, get in touch with local population, and meet the national folklore, gastronomy, visit festivals, museums, and galleries. Some cultural attractions can eventually grow and expand into a special tourist attractions (events, festivals), and thus contribute to the animation of static cultural attractions (monuments, museums).

According to Prentice (1995:62), tourists estimate attractiveness of the urban destination, taking into account several elements: infrastructure, traffic, visual identity, history, lodging, attractions, hospitality, retail, recreation, entertainment. Although the areas of interest are quite different, yet the increasing importance is attributed to cultural facilities.

Geić divides attractions to the primary, secondary and tertiary in terms of their motivational significance which puts cultural attractions in the primary group, considering them extremely important.

Table 1. Division of tourist attractions

Primary attraction (Basic motifs)	Secondary attractions attractions (Not main motive, but are important for tourists)	Tertiary Attractions (Complete stay comfort)
• Art • Culture • Business reasons • Lifestyle	• Accommodation • Shopping	• Traffic • Excursions • Working hours

Source: derived upon Geić (2011:328).

Tourist destination cultural identity

City tourism in terms of content covers a range of different activities, and it is encouraged by different motives. Modern tourists reach decisions on the choice of tourist destination depending upon whether an offer meets their demands and if it provides an unforgettable experience.

Although it really depends on the destination and type of attractions, most activities can be subsumed under unique concept of culture. “The transformation of city from the transit destination into complex tourist destination results in the perception of tourism as an activity which helps transforming cultural resources into tourism products” (Pančić Kombol: 2006:217). The cultural identity is a tourist resource which significantly contributes to the attractiveness of an urban tourist destination.

Reasons for tourists visit to a certain urban destination outside their places of residence may be motivated by an interest to learn about the history, art, heritage or lifestyle, and all stated can be called cultural identity. Cultural identity provides a certain authenticity of the destination, it is recognizable and different, and it is often utilized as basis for competitive advantage in relation to other destinations. Cities throughout the history have been crossroads, political, administrative and cultural centres, which today provides a rich variety of cultural events. Developing tourism, cities are opening up to the world, presenting their culture and customs, and building their own recognizable identity. Vukić (2009:281)

argues that the cultural identity of a City makes not only a tradition of cultural artistic heritage, natural beauties, existing services, but also existing identity of the actual population of the city.

Urban tourism product should possess a universal value, but also the elements of traditional and indigenous. Therefore, the preservation of the cultural identity represents an essential part for the development strategy of an urban tourism destination. In the growing market of urban tourism with increasing competition, the attractiveness of an urban destination will largely depend on correct identification of the cultural identity.

Zadar as urban tourist destination

Zadar is a city of exceptional history and especially valuable cultural heritage. Zadar tourism development is based on rich historical and cultural attractions as well as extraordinary opulence of natural resources. There are two groups of attractions which have equal importance in concept of tourism product and Zadar specialty as coastal tourism destination. The first group consists of natural attractions: the coast and islands, mild Mediterranean climate and natural and cultivated vegetation, adjacency to national parks.

The second group of attractions consists of protected cultural and historical heritage of ancient, medieval and Early Modern periods, cultural institutions and events. These attractions are located in the historic centre of Zadar, which despite significant changes has preserved its historical and cultural integrity and today represents the most vital part of the city. Another group of attractions enables the development of cultural and event tourism, which is becoming a mainstay in development strategies of urban tourism. Following the modern growth trends of city break tourism, the old town centre has become the tourist attractive area, offering the experience of culture, heritage, gastronomy, recreation and entertainment in one place, a blend of cultural heritage and contemporary architectural achievements such as the Sea Organ and Greeting to the Sun.

Besides richness of their cultural heritage and high level of cultural life of local people, cultural identity of the Zadar city is manifested by their system of cultural and civilization habits as a result of their openness to Europe and world, especially thanks to tourism. Therefore, it is particularly important to identify which elements of that identity ought to be included in the unique urban product.

Study

Aim and Purpose of study: The aim of this paper is to identify the most attractive tourism elements of cultural identity that will promote the City of Zadar as a desirable short city break destination. Therefore, the survey was conducted directly on a city break guests, which purpose was to find out which elements of the cultural identity they have recognized as the most attractive in order to provide suggestions for improvement and additional affirmation of other elements of the cultural identity of the City of Zadar.

Research methodology: The study was conducted through field research – test questionnaire on a representative sample of 500 city break guests who visited the town of Zadar in the period from 01.05 to 30.09.2012. All guests were located downtown in private and hotel accommodation, and filled the questionnaire at departure.

Description of the survey instrument: The survey questionnaire used as an survey instrument contained a total of 22 questions of different format, from those with the ability to choose only one of the multiple choice answers, to questions with the possibility of choosing between two or more of the provided answers. Questions were divided in three groups: socio-demographic data, social attraction and cultural attractions. Questionnaire has been translated in English, German, Italian and French language.

Study results

Socio-demographic data

The socio-demographic data was requested in the first part of the questionnaire (gender, age, education, nationality, number of children on vacation, frequency of visits to Croatia, planned duration of the holiday, date of stay, and whether the departure to vacation was performed individually or in organized form).

The study was conducted on a sample of 500 surveyed tourists. From the number, 230 examinees (46%) belonged to male, and 270 (54%) to female population. Slightly higher the percentage of women is explained by the fact that women, unlike men, often travel in groups of the same sex.

47% of the surveyed tourists were categorized in the life age ranging from 18-30 years, 39% from 31-45 years, 10% were in age 46-60, and 4% had over 60 years.

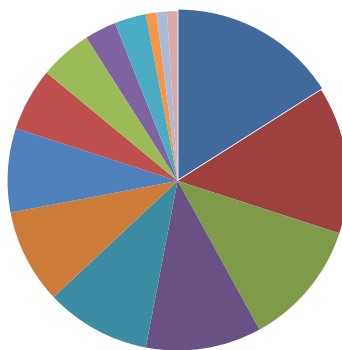
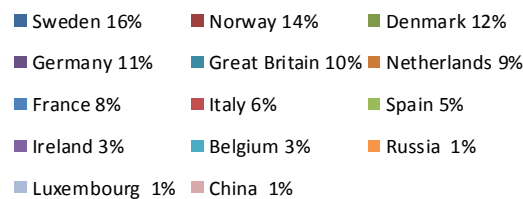
42% of the surveyed tourists have had secondary professional qualification (education), and 58% college and university education. 97% of the surveyed tourists have spent the city break holiday without children.

The first 98% of the surveyed tourists visited the destination for the first time and every year visit a different destination. 9% of the surveyed participants resided in the destination for less than 3 days and 57% of the surveyed participants resided in the destination for 3-5 days, whereas 34% stayed longer than 5 days.

A correlation between age and length of stay was noticed: Guests at the age of 46 - 60 and over 60 years stayed longer than younger people. 96% of the surveyed tourists arrived in their own arrangement, namely individually, which confirms the hypothesis that the city break travel does not require a special organization.

The structure of the city break guests can be read from the socio-demographic data: the average city break guest is a highly educated young person who visits the City of Zadar for the first time and stays in it for 3-5 days. The nationality data favours the thesis that the majority of city break guests come from Scandinavian and Western European countries. Share of the significantly present country in percentage is shown in Chart 1:

Chart 1: Nationality



Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Social attraction

Issues related to the social aspect of cultural identity are grouped according to the following topics: language, culture, life and work, opportunities for socializing and associations.

The quantified results obtained on basis of the responses of surveyed participants are stated according to the questionnaire set question.

What language did you use to communicate with the host (hotel / restaurant / shop)?

500 guests communicated in English language. Interestingly, none of the guests tried neither to communicate in their native language nor acquire the information whether the staff / host spoke their native language.

-Have you learned a Croatian word?

81% of the guests learned a Croatian word, while 8% of guests learned as much as two Croatian words. Only 11% of the guests did not learn any Croatian word. Majority of guests, 82% of them have learned the Croatian word "hvala-thank you"

During the stay in the City of Zadar, did you have the chance to meet local specificities related to:

Table 2. Living and working culture

Folklore	Traditional crafts	Gastronomy	Wine making	Handcraft	Nothing stated
5%	7%	51%	36%	1%	0%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Result of your stay in the City of Zadar and communication / relationship with local population is:

Table 3. Communication with the local population

Friendship	Superficial contact	Contact exchange	Conflict	No contact
2%	72%	25%	0%	1%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

The word mostly associated with the City of Zadar is:

Table 4. Experience

Authentic	Romantic	Exciting	Entertaining	Dull	Undesirable
3%	43%	20%	34%	0%	0%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Cultural attractions

The questionnaire contained questions related to tangible and intangible elements of City of Zadar cultural identity. The questions about the tangible elements of the cultural identity related to cultural sites and buildings, museums, monuments and natural heritage. The examined intangible forms of cultural identity were sports, literature, music, and film.

Which cultural institutions have you visited during your stay in Zadar:

Table 5. Cultural institutions

Gallery	Museum	Theatre	Church	Concert hall	Nothing stated
6%	9%	0%	47%	0%	38%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Which of the stated cultural attractions of the City of Zadar do you consider most interesting?

Table 6. Cultural attractions

Church of St. Donat	Greeting to the Sun	Sea Organ	City Walls	Nothing stated
2%	37%	58%	3%	0%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

During your stay in Zadar have you visited event related to:

Table 7. Cultural events

Sports	Literature	Music	Film	Theatre	Nothing stated
0%	0%	24%	13%	21%	42%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Have you visited national park or nature park during your stay in Zadar?

Table 8. Natural heritage

Yes	No
84%	16%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Do You think it would be interesting to organize cultural history and tradition of the City of Zadar workshops for tourists?

Table 9. Cultural workshops

Yes	No	I don't know
69%	27%	4%

Source: Prepared by the author on basis of the implemented study, Zadar, May / September 2012.

Evaluation of the study results with suggestion of measures

A specific evaluation of the study results can be given in basis of the attitudes and opinions which the participants have expressed by their answers set out in the questionnaire and on basis of the studies certain measures and activities for improvement and additional affirmation of the cultural identity of the City of Zadar can be suggested, too.

The results indicated that the unique language of communication between guest and host was English. Not only that the globalization processes which bring people spatially together were to blame for that, but they have also destroyed other language groups, imposing English as dominant language. The fact that neither a single guest has attempted to communicate in his/her native language, nor inquired whether the staff / host spoke his/her native language, indicates to necessity to implement certain measures, notwithstanding the reason of tourist staff education or low awareness of the guest.

A large number of guests learned at least one Croatian word (89%). From 445 guests who learned one or two Croatian words, 151 (34%) stayed at the destination longer than 5 days, 64% (285) stayed 3-5 days, while only 2% (9) were accommodated for less than 3 days, and therefore the experience of the language is associated with the length of stay at the destination. Tourism is not only an economic but a social phenomenon also, associated primarily with multicultural communication. In comparison with the world's major languages Croatian falls amongst the smallest, which is considered to be very positive in context of tourist attractions. Tourists retell the experienced and learned content, binding emotions with a specific area. A learned Croatian word represents something original, affirmative and attaching to cultural identity of the tourist destination.

The resulting forms of everyday life culture and culture of life and work of a certain area constitute a part of its identity and potential tourist attraction. Urban guest desires to meet a specific culture and participate in daily local community life. The study results indicated that out of other local features, city break guests have had the greatest opportunity to get acquainted with the City culinary (51%) and wine making offer (36%), which is explained by the seasonality of supply. Only the guests who stayed in Zadar during the Night of the Full Moon, the traditional festival of culture, food and Zadar region customs were able to encounter the handcraft and traditional crafts products, local folklore and customs. Therefore, it is suggested to organize festivals and special events which shall create a desire to visit destination even out of the season.

The vast majority of guests received some form of communication with the local population (99%) and not a single contact between the guest and the host resulted in conflict. Only 1% of guests have not accomplished contact with local population, which is associated with the length of stay in destination, because it concerned the guests whose stay was less than 3 days. City break guests do not stay in one tourist ghetto. Staying in the city centre they become a part of urban space everyday life and remain daily in contact with the local population. Overt and inner contact which renders possible real and true relationship between local residents / guests is a communication uniqueness which represents an essential element of the cultural identity of the city.

The emphasis in this survey questionnaire items was placed on a very important segment of tourist attraction, and it is the emotional experience of Zadar as a destination. The greatest number of 215 guests (43%) declared that they experience Zadar as a romantic city. Mostly 168 women (78%) have experienced Zadar as romantic city, while most men (64%) experienced Zadar as entertaining and exciting. No one

guest has experienced negatively the city as dull and undesirable. The data should be taken into consideration during selection of tourism development strategy, especially when creating new (derivative) tourist attractions. Considering the stirring of strong emotions, the tourist attraction primarily needs to be seen as a phenomenon which occurs simultaneously in the physical environment, and in the minds of tourists.

The research results indicate a very low interest rate for static and traditional cultural objects. The greatest number of visits 235 (47%) related to religious heritage, which is explained by the fact that the entrance to the church is free, while tickets for museums, galleries and theatres are charged. A noteworthy fact is that the guests who stayed for a longer time were increasingly interested in the cultural offer of the city, whereas those who stayed 3-5 days or less than three days, were more interested in gastronomy and entertainment. Considering the short stay of the city break guests, better collaboration and association of cultural institutions with the Tourist Board is suggested; namely package arrangements in form of a city card, which include discount on tickets to the city's museums and galleries, professional tour guide, theatre performances and concerts. The establishment of the special city tour itineraries is also proposed, as an elaborate plan of cultural programs which would make the City of Zadar a part of the tourist stories for such cities like those with UNESCO heritage, European fortified towns and etc. Organization of festivals and special events related to culture may also contribute significantly to the animation of static cultural attractions. Zadar Puppet Theatre is a special cultural value which has not yet discovered a way to affirm puppetry as Zadar cultural identity identification mark.

The guests have recognized Sea Organ and Greeting to the Sun as the most interesting tourist attraction (95%). Every city wants to gain an advantage over the competition by innovated and new cultural tourist attractions which are offered to urban tourists, create a new product and reduce seasonality. At the same time, it is necessary to ensure that a new tourist attraction blends into existing identity image of the city. This study demonstrated that the City of Zadar has succeeded to do so, because the urban installations Sea Organ and Greeting to the Sun have been recognized as new modern symbols of the city.

Competing equally to the tourist attraction, cultural events represent an inseparable part of the tourist identity. There are numerous Zadar Summer cultural events, and their attendance is associated to the month in which they occur. So the guests who have stayed in the city during the month of July have visited the Theatrical Summer event (21%), while those who stayed in August visited Zadar Film Festival and Musical Evenings in St. Donat (37%). Information that 42% of the guests have not yet visited any cultural event is particularly disconcerting. Cause of literary and sporting events non-attendance is deficiency and seasonal offer. There is an apparent underutilization of Zadar basketball phenomenon for tourism purposes. As an essential part of the City identity, Zadar basketball has been composed of legends and myths which categorizes this sports activity among first class monuments, along with the most prominent historical and religious monuments.

Zadar city identity uniqueness is composed even by its geographic position in the area with as much as 5 national parks and 2 nature parks. The appearance of the historic city core in the form of the peninsula is also significant. Natural attractions, coast and islands, mild Mediterranean climate, proximity to national parks contributes significantly to the attractiveness of tourist destination, so that the majority of city break guests (84%) identified Zadar as the ideal starting point for day trips. However, the content of these trips is patterned and adjusted more for mass tourism than city break tourism, which requires individual, imaginative and flexible approach.

Most of the guests (69%) expressed interest in some form of participation in workshops during their stay at the destination. 24% of them wanted to participate in the culinary workshops, 23% want to be part of the sports event, 16% of guests expressed interest in participation in workshops of the traditional crafts, 7% selected folk dances and songs workshops, and 5% turned to old way fishing workshops. Guests want to participate increasingly in local cultural values and in different ways also. Since there is no such a form of active guest participation in the acquisition of new experiences or knowledge typical for Zadar as an urban destination, the suggestion to shape a new and creative offer which will include various activities within the craft, tradition, language, art and culture through better cooperation between Sector of Culture and Tourism itself is provided. Active interpretation of cultural heritage and destination tradition allows human creativity and indigenous activity in certain space, thus contributing to the strengthening of interest to visit and stay in a tourist destination.

CONCLUSION

Urban tourism raises two seemingly opposing demands in front of every tourist destination; on the one hand the universality of the tourism product in terms of global acceptance is required, and on the other, the originality, authenticity and locality.

General trends indicate a growing demand for authentic destinations not only in shape of the tourist attraction, but also in shape of the integral cultural experience. It is precisely the cultural identity which denotes a certain authenticity to the destination, makes it recognizable and constitutes competitive advantage in comparison with the other destinations. Therefore, his preservation and identification of tourist attractive elements is imposed as a condition sine qua non in the development strategy of urban destinations.

City tourism development is advanced in accordance with its specific features. Pursuant to the research on the attitudes and perceptions of guests on various forms of cultural identity which was conducted in the City of Zadar, and in which participated guests who stayed in the city centre, its historic core, more and less attractive tourist elements of cultural identity were identified, which can serve as guidelines in choosing tourism development strategy.

Based on the research results, it can be concluded that the social aspect of the Zadar city cultural identity in comparison with the cultural has been more recognized by the guests. Elements of cultural identity which tourists have perceived positively are:

- Creating a positive link between tourists and the local population
- The perception of the city as modern, interesting and romantic environment
- Urban installations Sea Organ and Greeting to the Sun have been recognized as a modern symbols of the city

Negative elements can be interpreted as dominance of modern over traditional and active over passive. In this context the following items are recognized:

- Seasonality of the traditional forms of culture offer
- Lower attendance of the traditional cultural objects in relation to modern
- Lack of active interpretation of cultural heritage and traditions

Conclusion that Zadar puppetry and basketball as significant identity characteristics have not been well established in terms of tourist attractions was derived in the research.

Attractiveness of the destination does not exist outside the context of the tourism experience and can be measured only by perception and guest attitudes. The attractiveness of urban destination will depend largely on the correct identification of the cultural identity at the growing and increasingly competitive urban tourism market. On basis of the results acquired through the study, an idea in which direction Zadar as urban tourist destination should be developed can be conceptually completed.

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ANIMATOR ROLES IN ENRICHING THE CONTENT OF TOURIST STAY

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Abstract

For successful animation for visitors, animator must perform very complex, demanding and dynamic tasks. Professional performance of tasks implies the need animators to be a complete person. This means that he must have a sound education, but also to be specialized for certain activities. There are different types of animators so that their diversity mirrors the success of the hotel. Animators must have certain basic physical and psychological characteristics. So despite the knowledge and experience, animators must have inherent characteristics such as talent, humour, to be friendliness and so on. Sense of humour and ability to work with people is one of the important characteristics of a successful animator. Many hotels need animators who can entertain tourists and make their stay memorable resort experience, which will be a reason for return of tourists. One of the key factors for tourism success are animators. Today whole tourism sector is based on animation of the tourists.

Keyword: *animator, tourism, recreation, characteristics, tourists, hotels*

Introduciton

Animator is a tourist worker, who with their general characteristics must meet all required criteria and roles. His activity begins with the first contact with visitors, lasts for all throughout the tourist stay until their departure, which includes sending and promise that the next meeting will strive to meet all of their interests, preferences and desires. Because it is required he to have a specific character traits, and physical stamina. So, animators have to fulfil certain roles which might render it to be a complete person and to have everything that is in the function of enriching the content of tourist stay.

Psychophysical characteristics of the animator

Animators must be psychologically and physically healthy, which means that there must be a person without any mental and physical disabilities. By their external physical appearance, it must be on a higher level, i.e they must meet stringent criteria. His appearance may be one of the important criteria in terms of its final choice. He performs highly complex, diverse and subtle tasks.

For this purpose, for his election should take due account of its psychological and physical characteristics. In that connotation Butler between significant psychological and physical characteristics of the animators include:

- Personal and professional honesty;
- Sense of humor;
- Sense of providing services;
- Understanding of animating as art;
- Intelligence and common sense;
- Good psycho-physical health;
- Energy and enthusiasm;
- The ability for the organization.

PhD. Zdenko Cerovic also highlights a number of such features:

- Pleasing appearance - because the animators activity is related to the subjective judgment of the members of the group, his outward appearance should be adapted to the group;
- Optimal age of life - age of animators specifically determined and should be in accordance with the requirements of the group. It should be relatively young, with experience;
- A stand - given that animating is a dynamic profession, permanent change will not affect the proper situations and quick decision making when they occur certain conflict situations communicating with the group;
- Interest and engagement - Animators should be flexible, because they are changed according to the mood and attitude of the group, which is interested and involved to adapt;
- Honesty - with their interpersonal communication with the group should possess a high degree of honesty and never have to compromise the trust that has earned the group their verbal or nonverbal actions;
- Professionalism - in relation to members of the group should manifest a high level of expertise and knowledge. The only way he will gain great authority;
- Natural talent - given the fact that the animation is complex and specific activity, here the creativity comes to the fore. Primarily through Interpersonal communication animators have to spread a feeling of serenity, mood and balanced humor;
- Caution - because the animators work with a group that is heterogeneous, it should give the impression that he is an important prestige and personal ambition, but to every member should be especially careful, ready at any time to help him to solve his dilemma and fear and to satisfy his desires;
- Inclination towards art - animator should have a developed aesthetic sense of what is beautiful and appropriate and adequate way to convey the visitors;
- Confidentiality - must have faith in people and starts from the assumption that all people have the goodwill and positive intentions. In no case should show that questioning their human values;
- A positive direction - he should be a person who is oriented towards the good of the group members and care to achieve their personal positive experiences;
- Intelligence - it will help make it easier and faster to communicate with the group, because they can be worn successfully in all conflict situations, be rational in decision making, realistic and always cheerful;
- Good psycho-physical health - animator should be psychologically and physically healthy, because animation is a laborious and responsible activity and
- Vigor and enthusiasm - in the environment, by their actions, verbal and non-verbal contacts must act forcefully, confidently, with a high degree of enthusiasm and desire to achieve success.

These characteristics lead to the conclusion that the animator requires a wide range psychological and psychophysical features developed sense of hearing, sight and smell. It should be added and psychomotor properties, i.e art movement (coordination and grace), rapid response, running, which must be high, which comes to the conclusion that his health must not be violated. All these psychophysical characteristics should be targeted to meet the needs of visitors, because the animator must create a warm atmosphere filled with "serenity and mood."

Due to the above animators require the following important aspects of the scope of communicability:

- Easy verbal expression, it actually means that the animator should have a solid excuse with clear and correct emphasis. Those individuals who have certain disadvantages in terms of speech expression, some hearing damage, i.e who incorrectly pronounce certain consonants or vowels, in no way have to deal with this profession;
- Emotional resilience, which involves a high degree of self-control which should manifest animators in a number of different conflict situations;
- Tact, a feature that is supposed to possess animators especially to those visitors in the group requiring special attention, and to them should be more careful;
- Ability for remembering means to observe not only the major events, events but also the small details that animation process will be of great benefit;
- Ability skilfully to communicate, which feature many believe is the primary means of animators. The success of the animation depends on the communicability which reflects certain skills, habits, knowledge, personality traits and other psychological and physical characteristics. In this context, the animator must constantly be improved, because communication is the result of all the knowledge, skills and capabilities which he owns and which are manifested in the ability to clear speech, appearance, and other forms of communication.

In fact, it comes to verbal communication, which is very important because an animator is in constant and direct contact with visitors. The purpose of verbal communication is to act, assures recruit, which is especially important in animation because as previously pointed Interpersonal communication is the essence of animation. Animators must pay great attention to the verbal expression, which is achieved by constant practice. Except the way of excuse, he should raise his skill for speaking. Need to recognize and respect different cultures and areas where they come from visitors, which means that this form of communication should be improved to the highest level of professionalism. In this context it may be pointed out that Cicero as a result of perseverance and plenty of exercise by a man with a speech impediment became a backbone.

Animator is necessary to perfecting and non - verbal communication. The successful realization animation programs, animators use non-verbal cues such as body movement, tone, mimics, gestures, facial expressions that include smile. In this connotation of a prominent hotelier said: "The good thing of the hotel is important to determine the location and warm atmosphere in the hotel it is important to smile." Important role in non-verbal communication has a style of dress animator and his outward appearance, i.e appearance face, hair, hands, and more.

Roles that should meet the animator in relation with the visitors

Besides the psychological and physical characteristics for successful implementation to animation programs, animators must possess expert knowledge and everything in order for successful accession of the individual and the group as a whole. Namely, in a new and unfamiliar environment often some visitors are badly adapt. In order to address these situations in tourism, the most important role has the animator. To meet the complex requirements that are required of him, he should be emotionally and socially constructed personality, to have positive character traits and to be professionally trained to deliver programs of animation. In this context, Joost Kripendorf considered that animation should be run by educated animators with special personal characteristics and with the best pedagogical education. Such animation today is still rare, but often is misinterpreted and commercialize. Animators for successfully organize and realized animation programs must meet certain roles in terms of visitors, because he knows the various aspects of the tourism offer:

Figure 1. Schematic representation of the roles of animators

* Source: C. Finger - Benoit – Lectures on training animators , Rabac, 1988th

The basic features of the roles set out in the scheme under PhD. Zdenko Cerovic:

- Colleague

Animator to visitors should be set as a colleague, but not in the professional sense, but because they will be participating in the same activities during the tourist stay. We can say that success is the animator who to the guests will be set as a colleague and assist in animation programs.

- Driver

Group, animators and spiritual adviser of their activities. This role is particularly significant for those visitors who are more difficult to adapt to the new environment. Animator performs with all their knowledge, skills, dexterity and creativity and motivate guests stay active.

- Organizer

In order to successfully realization animation programs, animators need to be successful organizer, because visitors see it as colleague, counsellor and above all personality which they can rely.

- Universal

Animators need to know all the contents of the animation, but also should have a wider education and general culture. It actually means that he will be able to handle in any situation including even extreme cases.

- Specialist

Despite its universality, he should be a narrow specialist for a specific Animation activity.

- Ongoing guest holidays

First of all, animators tourism worker who encourages and organize animation activity. He has been an active member of the group. If so far, each group member will perceive as their counterpart.

- Host

Animator is a representative of the hotel, the place and the country as a whole. In every situation, he should made it clear he was proud to belong to the community that represents.

- Representative

This role of the animator does not give him any special powers, but means that it protects the interests of the hotel, resort, and even the country as a whole.

- Newsletter

Animator is the carrier of information to visitors. Namely, stay as a group or individual interested in their country of residence, population, its culture, customs and the like. Because animators need to dispose of a wide range of knowledge and information and will promptly inform the subjects who show interest.

- Partner in conversation

It is known that Interpersonal Communication is the essence of animation. It is actually a conversation between two or more persons. Through dialogue visitors get ranovidni information in their domain of interest and ask a number of questions in the process of animation. Through conversation animators will instruct guests in the direction that better exploit the benefits which allows tourist destination.

- Friend

If you establish a professional, but at the same time friendly relationship between animators and members of the group, the success of the animation is inevitable. But here it should be noted that friendship should in no case exceed the normal limits that would distort their roles and place in animating.

Professional profile of Animator

Starting from the fact that the animation is a very complex activity, logically raises the question of the need for a sound general and specialized education for all segments of the animation. Unfortunately, in these current conditions in our country still lacks a structured education of staff in this profile. The entities that are interested in this issue, i.e. who want to deal with this phenomenon should have a broad knowledge of all aspects of animation. Namely, from our point of view animators should have a university degree in the field of tourism or related areas. In addition they need to pass an exam for animators, which would consist of a theoretical and a practical part and it would be realized: School of Tourism and Hospitality - Ohrid, Faculty of Tourism and Business Logistics - Gevgelija, Faculty of Tourism Natural - Faculty of Mathematics Faculty and private tourism - Skopje. We believe that their scientific and professional staff, through specially designed curriculum to meet the demands imposed by modern trends in tourism, education professional animators. Successful monitoring of the modern tourist flows, animators should permanently perfected through participation in various courses, seminars and through their personal involvement by using additional literature, such as various textbooks, encyclopaedias, manuals and more.

In this context, according to PhD. Mirko Pelac and PhD. Mato Bartoluchi sports and recreational animation as appropriate experts to consider:

- Technicians sports recreation;
- Coaches separate activity;
- Senior organizers for recreation and
- Professors of physical education, recreation trained.

As most appropriate experts cultural - entertaining animation, PhD. Branko Buntasheski proposes: university art historians, ethnologist graduates, graduates musicologists or music teachers and graduates in tourism and hospitality. According to PhD. Branko Buntasheski animation outings and visits, could engage the following profiles: graduate in tourism and hospitality managers, graduate art historians, ethnologist graduates, professors of geography and the like.

Successful programming and implementation of the contents of the animation, animators have to be a complete person. It specifically means that he should have a broad general and tourist culture. Animators must have extensive knowledge of the socio-economic system of the Republic of Macedonia and the history of the Macedonian people, given the fact that visitors will be interested in our country, its social, political and economic regulation, as well as our national history. This field one should have improvisation. Given the fact that the animation in tourism activity concerned animators which aims to enrich the tourist guests, it can be noted that there is direct communication between the animator and visitors. For this purpose, it requires knowledge of tourism as a socio-economic phenomenon. In this context, it should be equipped with knowledge and information on the changes of tourist facilities in our country and elsewhere. He should also possesses great knowledge of the cultural and historical monuments and cultural institutions in our country. Information giving visitors own of tourist culture animators. The provision of information is a complex process sociopsychological interpersonal. Actually between animators and visitors. Because animators need to have domain knowledge and communicative activities. Animators should have basic knowledge in the field of psychology, especially the psychology of tourism and hospitality. This is because animators' residence during the tourist encounters different types of visitors that have different properties and exhibit different reactions. Professional profile animators would not be complete without the knowledge of foreign languages. Namely, every tourist-catering worker should have knowledge of foreign languages, and in particular it relates animator (minimum two world). It stems from the fact that he communicates with heterogeneous tourist table which has a variety of linguistic, cultural, religious and national characteristics. Besides general, animators should have specific specialist knowledge. In this connotation, it should have a knowledge of its expert and psychological profile, to know all aspects of animation in tourism, and possesses great knowledge about visual communication animation in tourism. Besides the above theoretical findings, according to PhD. Zdenko Cerovic, animators have to be someone who has some experience, i.e. practical need to have knowledge of the following:

- Work with microphone;
- Practical exercises in visual communication workshops;
- Specialized workshops creation objects in the domain of animation;
- Conducting games;
- Practically carrying hobbies and the like.

Concluding Remarks

It can be concluded that the animation should be a necessary part of the Macedonian tourist offer because only thus cannot reach their goals, it will familiarize visitors with the culture of our country in the widest sense. Given that this notion incorrectly svakja animation sometimes comes down to pure fun which can lead anyone who has little talent. This way degrade its function as a cultural activity, as well as function as a tourist animator worker. In order to address such adverse conditions, it is necessary to properly understanding the concept of animation, especially animators. Therefore, the animation must be run by professional animators.

Successfully animate visitors, animators have to perform very complex, demanding and dynamic tasks. Professional performance of tasks implies the need animators to be a complete person. This means that he must have a sound basic education, but also to be specialized for certain activities. Also he should have a sense of identifying the needs and preferences of visitors as well as organizing group. Animators need to have such a relationship in which members would perceive as an active member of the group. Thus need to create a psychological atmosphere. Especially prominent his mental, general and special abilities. Also, it should be dynamic, initiative, emotionally and socially mature person with a highly developed sense of humanity and responsibility. Animation to be successful, it should be carried out by all members of the hotel, ie, teamwork is necessary, and the animator is an equal member of the business team. Also, it is necessary to emphasize that the animation cannot and should not serve to cover up the shortcomings in terms of quality of service, because then it ceases to be animation.

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BISTRITA URBAN AREA & ITS INTERNATIONAL TOURISTIC FLOWS

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Abstract.

The touristic attractiveness of the city of Bistriţa resides in its medieval constructions (such as churches, fortifications, or old buildings) and its leisure opportunities; in addition, the presence of many economic companies generated a well-represented business tourism. The analysis of the origin of international tourists reveals a high percentage of tourists from several important EU countries, and thus the link between local and European tourism.

Keywords: *Bistriţa Urban Area, touristic potential, European tourism, touristic flows, cultural tourism, business tourism*

Introductory approach

Situated in a generous morphological-geographic site from the Bistriţa Depression, on the homonymous river, in a region featuring the fan-shaped opening of the Livezile – Bârgău depression corridor, Bistriţa experienced a dramatic geo-demographical expansion, from 14128 inhabitants in the year 1930 to over 80000 nowadays (including the hinterland comprising Slătiniţa, Sigmir, Unirea, Ghinda, Vişoara, and Sărata).

With an important location potential, Bistriţa polarizes road transport, as the main freight and passengers flows are taking place on the route Bârgău – Bistriţa, Bistriţa – Sărăţel, continuing on the Dipşa Valley till Teaca, towards Reghin, and on the route Bistriţa – Năsăud, through the Dumitra Depression, concentrating the most intense passenger transportation.

Tourist transportation, in particular, is carried out by bus and minibus, while an important part of international tourists benefit from the nearby airports from Tg. Mureş and Cluj-Napoca, using the plain. Regarding domestic tourist flows, the *Bucovina Axis*, over the Tihuţa Pass, the *Mureş Axis* on the Dipşa Valley, and the *Someş Axis* crossing Năsăud or Beclean, are the ones most used by tourist buses or minibuses.

Methodological references

The drafting and elaborating the present paper was based on the following distinct steps:

- Inventorying the main natural and anthropical features;

- Creating a database regarding the relation between the urban space of Bistrița, the tourism opportunities it comprises, and the domestic and international tourism flows;
- Thoroughly studying the tourism flows situation from a leading hotel, *Coroana de Aur*, the most representative accommodation unit for cultural, recreational, polyvalent, and business tourism;
- Elaborating and distributing special questionnaires to the administration of the above-mentioned hotel, and graphical representing the statistics offered from this unit;
- Analysing and interpreting the data, and formulating several conclusions regarding the realities and tendencies of tourism in Bistrița.



Figure 1. Location of Bistrița inside national and county territory

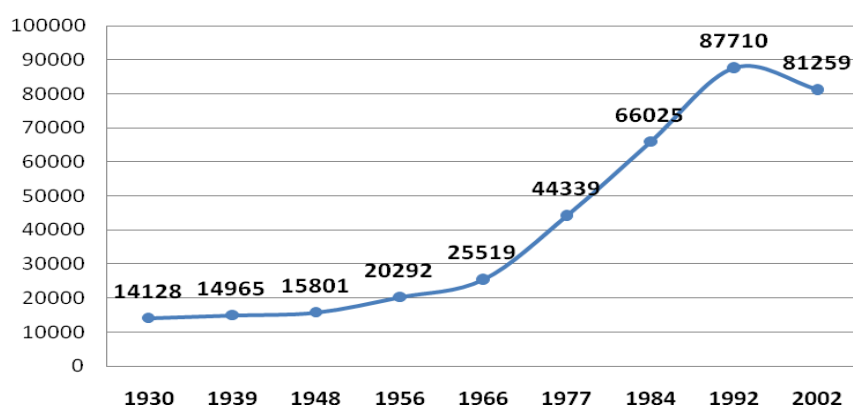


Figure 2. Demographic evolution in the Bistrița Urban Area

Touristic attractiveness features

The touristic patrimony of Bistrița comprises mainly of numerous medieval anthropic touristic objectives, represented by the Evangelic Church, the former church of the Franciscan Monastery, the Cooper's Tower, the architectonic complex Sugălete, the Silversmith's House, the Andreas

Beuchel House, also called the Ioan Zidaru House, the County Museal Complex, and, in addition, many leisure opportunities (baths, stadium, various sport facilities, playing rooms, SPA centers, etc.).



Figure 3. The Evangelic Church (14th century)



Figure 4. The church of the Franciscan Monastery (13th century)

The attractiveness of anthropic origin is strengthened by the presence of some original objectives nearby Bistrița, among which we mention: elements of saxon culture on the axis Unirea – Livezile (the evangelic churches and the Saxon House Museum), the impressive Romanesque church from Herina, dated back to the 13th century, the roman castra from Ilișua and Orheiu Bistriței, Hotel Dracula near the Tihuța Pass, traditions and ethnographic activities from the Bârgău Valley, etc.



Figure 5. Cooper's Tower



Figure 6. The architectonic complex Sugălete (16th century)

In a stable, millennia-long symbiosis, the nature of the Bistrița Depression and the inhabitants of its historical-geographical space worked together to realize a material and spiritual patrimony of high value and originality, which continuously attracts important flows of domestic and international tourists. Even if the German population, dominant for many centuries, emigrated almost entirely from Bistrița and its surrounding area, the remaining elements of their civilisation arouse even today the interest of foreign tourists, especially those coming from Germany (fig. 7). Thus, in the suburban space of Bistrița, on the

Unirea – Livezile axis, a former, representative Saxon building holding numerous artefacts of Saxon culture was transformed in a museum called „The Saxon House”. In the year 2011, for example, from the circa 30 thousand tourists visiting this location, 10.255 were from Germany, many of them descendants of Saxons emigrated from Transylvania. In the same year, the Saxon House was visited by 14.345 Romanians, 1.873 Moldavians, 651 Ukrainians, 530 Russians, 207 Dutch, and several smaller groups of other nationalities.

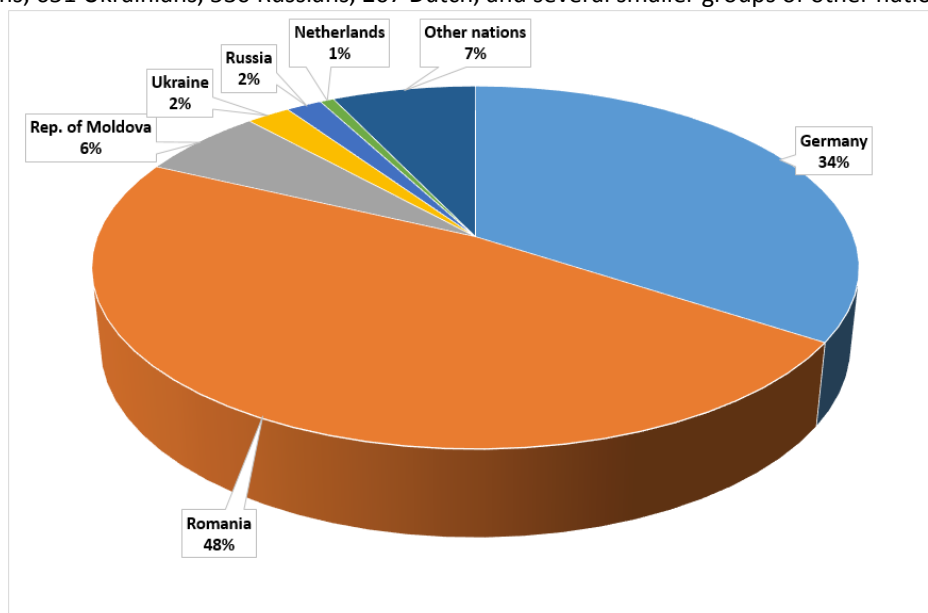


Figure 7. Chart showing the proportion of German tourists visiting the Saxon House from Unirea-Livezile in 2011

Passenger traffic – case study Hotel Coroana de Aur

The entire touristic potential (attractive resources and infrastructure) represent the static element of the analysed phenomena. It sustains the motivation for the recreational activity, favours its realisation, but only in the presence of tourists, as dynamic element. Without the presence of humans to utilize the recreational features of resources, to use the services of the infrastructure, tourism as human activity is inconceivable. That's why touristic flows are of major importance in Bistrița, too, as their intensity, frequency, and orientation determine the parameters of the process itself, as well as its linking to a wider area inside which passenger traffic is more or less intense.

In order to observe to which extent Bistrița's tourism is integrated in European tourism, we choose for our case study the "flagship" hotel of the town and the county, Hotel "Coroana de Aur" (*The Golden Crown*), which represents a true "mirror" of the area's international tourism. Thus, for a 5-year interval (2007 – 2011), the hotel provided some statistical data that we analysed and interpreted in order to formulate several conclusions regarding domestic and international touristic flows in Bistrița (table 1).

Table 1. Tourist arrivals at Hotel Coroana de Aur (Bistrița) between 2007 and 2011

Nr.	Country	Arrivals / year					Total
		2007	2008	2009	2010	2011	
1.	Romania	7934	8439	9114	7319	8812	41618
2.	Spain	1272	1405	1612	934	1009	6232
3.	Germany	1025	1137	1221	898	975	5256
4.	Italy	987	1190	1007	810	724	4718
5.	France	611	641	735	569	488	3044
6.	Austria	704	778	814	352	391	3039
7.	Holland	297	355	401	189	211	1453
8.	Belgium	175	136	203	180	129	823
9.	Hungary	116	162	197	87	82	644
10.	Russia	89	136	141	14	61	441

11.	Other European countries	710	811	1073	563	617	3774
12.	Countries from other continents	478	524	611	123	113	1849
	TOTAL, from which	14398	15714	17129	12038	13612	72891
	- International tourists	6464	7275	8015	4719	4800	31273
	- European tourists	5986	6751	7404	4596	4687	29424

Source: statistical data provided by the Administration of Hotel Coroana de Aur

The data are relevant for a relatively turbulent period of the last decade, 2007 – 2011, when the years of economic growth at national level, mirrored in a significant growth at local level (2007, 2008, and 2009) are marked by a positive trend in touristic flows, while in the year of crisis 2010 the regression of economic-financial activities is statistically observable in a clear decrease of touristic flows. Interesting is the year 2011, when, despite the deepening economic crisis, touristic flows record a modest increase compared to 2010 for domestic tourists and a quasi-stagnation for international tourists (fig. 8).

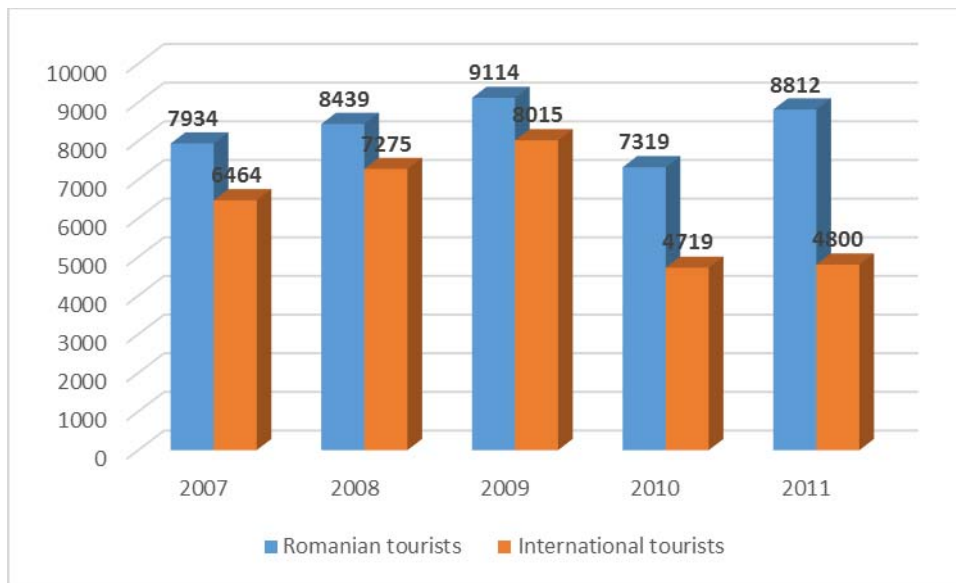


Figure 8. Comparison chart between the evolution of domestic and international tourist arrivals at Hotel Coroana de Aur in the interval 2007 – 2011

If we conduct a comparative analysis of all international tourists vs. European tourists, we can observe that Europeans hold a solid majority (fig. 9).

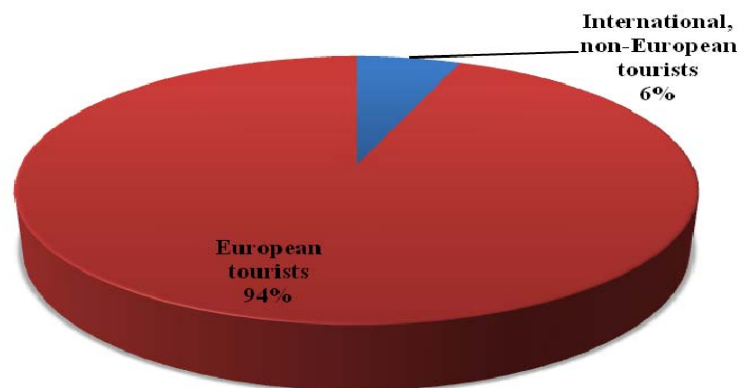


Figure 9. The amount of European tourists compared to non-European tourists accommodated at Hotel Coroana de Aur in the interval 2007 – 2011

The presence of tourists from the main European countries is explained either by the visiting saxon emigrants or their descendants, organised in big groups (Germany, Austria), or by the major interest shown by entrepreneurs with strong links to Bistrița's economic milieu (Spain, Italy, France, Holland, etc.). Besides, if we analyse European touristic flows in the studied interval basing on the motivation or interest of tourists, we will observe that approx. 45% are business travellers; almost the same percent are practicing cultural and polyvalent tourism (with interest in culture, leisure, sport, etc.), while approx. 10% are just transiting (fig. 10).

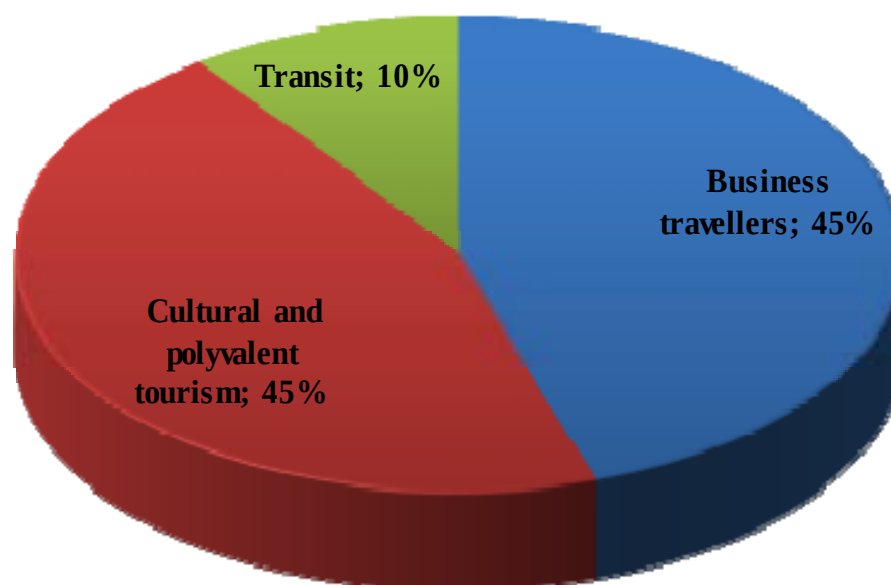


Figure 10. *Proportion of various types of tourism practiced by European tourists accommodated at Hotel Coroana de Aur in the interval 2007 – 2011*

The future of tourist flows seems positive (at least on short term), as the ascendant trend of arrivals in 2011, after their significant downfall in 2010, seems to continue in 2011, beyond harshening economic crisis. Thus, the number of tourists accommodated at Hotel Coroana de Aur in the first six months of 2011 increased by approx. 15% comparative to the same interval of 2010.

Conclusions

The existence of medieval touristic attractions, of many leisure opportunities, and numerous businesses offering products valued abroad support Bistrița as a interesting and attractive tourist destination.

The analysis of statistical data from the “flagship” hotel Coroana de Aur (*The Golden Crown*) allows us to conclude that from the significant number of international tourists benefiting from the accommodation services offered by the hotel, the majority are Europeans, among which most of them are EU citizens.

If we study the typology of tourism activities practiced by international tourists accommodated at Hotel Coroana de Aur, we can observe that business tourism, besides cultural and polyvalent tourism, cover each approx. 45%, while transiting tourists represent 10%.

Twinning with towns from other European countries (Germany, France, Belgium, Poland, etc.), featuring valuable tourist attractions and housing important businesses and companies, Bistrița became also by means of international tourist flows a town linked to present-day European passenger traffic.

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CULTURAL HERITAGE AS THE FACTOR OF GROWTH OF COMPETITIVE ADVANTAGES OF TOURISM IN THE REPUBLIC OF CROATIA

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Abstract

Contemporary tourists become more demanding and want to actively participate in the life of the destination on their vacation. During their vacation, they want to gain new life experiences and learn more. Cultural heritage is an integral part of the entire *habitus* of a certain society and makes the unique identity of the destination. It integrates art heritage (music, painting, sculpture, dances, etc.), way of life (changes through historical periods – folk costumes, gastronomy, enology), industries, economic activities (from agriculture to contemporary IT technologies), etc. The objective of the paper is assessment of the competitive position of tourism on the tourist market, with special emphasis on the impact of culture and cultural heritage on competitiveness of the tourist offer. The paper aims to prove that, by including cultural heritage in the tourist offer, unique and innovative products will be developed which will result in an increase in tourists' interest in staying in the destination and in increased consumption. Methods of deduction, comparison and desk research are, among others, used in the paper.

Keywords: *tourist offer, cultural heritage, competitiveness, Republic of Croatia*

INTRODUCTION

Contemporary tourist demand becomes more demanding. Contemporary tourists want to spend their vacation in destinations with a diversified offer based on realisation of added value for tourists. In the past decades, tourists' motivation for staying in a destination was vacationing, enjoying the sun and the sea, while contemporary tourists put emphasis on the former additional motives for staying in the destination, which are presently an integral part of the basic destination product. This is where the cultural heritage offer finds its place which has until now, despite exceptional developmental possibilities, been insufficiently valorised in terms of tourism. The cultural heritage offer in the Republic of Croatia (material and non-material heritage) is an insufficiently used market niche for the development of the tourist offer. Tourism and cultural heritage are mutually conditioned since tourism bases its development on resources, and cultural heritage, thanks to development of tourism, gains additional resources necessary for its revitalisation and preservation in the original form.

CORRELATION BETWEEN CULTURE, CULTURAL HERITAGE AND TOURISM

Diversified offer on the world tourist market stimulates destination management organisations to constantly create new and innovative products which will result in creation of new experiences and motives of tourists' arrivals with the objective to maintain and improve the competitive position on the tourist market. The number of tourists who travel because they are motivated by the wish to get to know cultural heritage is continuously rising. On their demand, destination management organisations have to continuously adjust to contemporary trends. The share of culture as the primary motive for arrival is about 7%, while it is proven to be the secondary motive in many more travels. According to the data by the World Tourism Organisation (WTO), culture, as the primary and the secondary motive of travelling, makes 60% of the total motives of tourists (analysed by Rudan according to the WTO, 2011). According to Deutsche Wirtschaftswissenschaftliche Institut für Fremdenverkehr (German Economic Institute for Tourism at the University of Munich, analysed by Rudan according to the DWIF, 2011), culture-motivated tourists spend in the destination 40% more money than tourists motivated by other experiences.

The above indicates that a great number of travels is, in fact, motivated by culture and visits to historical sites and sights. Based on the above, new and innovative tourist experiences should be created in historical, cultural and religious facilities. This requires much knowledge and skills, primarily in the field of destination management, as well as different profiles of experts in cultural management (culturologists, economists, sociologists, historians, etc.).

There are numerous definitions of culture in the world, and it is therefore difficult to create a unique definition which would integrate culture, tourism and cultural heritage.

Cultural tourism is not a narrowly defined concept. It is a rather broad term which includes many aspects of life and human activities (Jelinčić, 2008). Nuryanati (analysed by Jelinčić according to Nuryanati, 2008) points out that tourism related to culture and cultural heritage describes history in the present time. The above definition indicates that culture is exceptionally significant for development of a competitive tourist product, because a tourist product in its core represents story-telling and creation of new experiences, which is primarily possible on locations of cultural and historical non-material heritage. Cultural heritage may be viewed from two basic aspects (analogously to the concept of culture) as material (monuments, archaeological sites, statues, paintings, etc.) and non-material (dance, language, gastronomy, etc.) cultural heritage. Heritage tourism is tourism which deals with travelling to places with natural, historical and cultural attractions in order to entertain and teach about history, and to see how local and regional art, natural environment and culture relate to the present time. This form of tourism takes tourists to authentic places to experience history, local culture and to participate in the local events with the goal to get to know the life of the local community presently and in the past (adapted according to: Brooks, 2000). The objective of the tourist offer is to create a strong bond between cultural heritage and tourists – consumers of events on material and non-material cultural sites. This is why it is very important to design innovative tourist experiences based on modern trends on the tourist market, which are originality and uniqueness, with the objective to strengthen the competitive position of the tourist destination on the market. Cultural heritage represents a resource base for creation of a unique tourist experience.

When a tourist product of the destination is designed based on cultural heritage, special attention should be devoted to proper interpretation. Tilden (edited by Timothy, Boyd according to Tiden, 2003) states that interpretation is an educational activity which discovers the meaning and relations of the use of objects, using elaboration of facts, but also data collected by direct experience. The concept of story telling is a very old phenomenon and it is fair to say that it dates back to the dawn of time. In the beginning, stories were told by merchants, philosophers in ancient Greece, hunters, fishermen, and others who evoked interest in visiting locations on which the experience occurred. The first tourist stories were created by the so-called Grand Tour, which was an educational trip for rich European aristocrats (adapted according to Jelinčić, 2010). Interpretation does not necessarily have to fully correspond to actual historical events on a site; it can be adapted to the demand, i.e. wishes of modern tourists, which will stimulate their interest in consumption of the product (visiting sites, shopping for souvenirs, consumption of food and beverages, etc.) which will result in an increase in tourist consumption, and it will provide the destination with additional value of the offer, by which it will enable branding based on cultural heritage which will differentiate it from other competitive destinations. As stated by Telišman Košuta, a destination's brand cannot be produced like merchandise brands. Namely, a destination brand depends on its resource base (the landscape, people, history, and culture) and can basically hardly 'invent' a new topography or culture). Marketing experts and highly qualified managers in tourism and culture of the destination must discover the core value which differentiates a destination from its competition on the market (adapted according to: Telišman Košuta, 2011). A branded project significantly contributes to the creation of an integral 'story' about the destination. In addition to the above, integration of tourism and culture represents the possibility for the destination to increase the general standard of living of the local community, for example, through greater employment.

ANALYSIS OF THE STATE OF CULTURAL TOURISM OF THE REPUBLIC OF CROATIA AND COMPETITIVE COUNTRIES

The Republic of Croatia has its own developmental strategy of culture, tourism and cultural tourism, which makes it one of the few European countries which has established strategic development of the above-mentioned matter. This fact is also indicated by the results of the research in the sector of cultural

tourism, conducted in 2003 in five European countries: Great Britain, Holland, Finland, Cyprus, and Italy (Jelinčić, 2008).

According to the data by the World Tourism Organisation, about 37% of all international travels includes elements of culture, and it is predicted that until 2020, the demand for this product will rise by 15% annually. Also, the TOMAS research conducted by the Institute for Tourism indicated that demand for a cultural tourist product by foreign visitors who are already staying in some of the destinations on the Adriatic coast more than doubled in the past five years, but at the same time, the results indicated a relatively low level of satisfaction of the guests with the tourist offer based on cultural heritage (adapted according to: Ministry of Tourism of Republic of Croatia, <http://www.mint.hr/UserDocsImages/040709-kult-turizam.pdf>. (accessed June 02, 2013). There is a notable lack of research on the cultural offer in tourism of continental areas of the Republic of Croatia, which makes implementation of the above-mentioned Strategy and improvement of tourism competitiveness of the Republic of Croatia much more difficult.

During 2011, according to Eurostat's data, 14% of all tourist stays in the EU (EU-27), destinations, which lasted more than four days, were motivated by culture or religion. The greatest motivation by culture and religion was recorded in Austria, where 26% of all the stays were motivated by visiting cultural and religious attractions. If the structure of visitors of cultural and religious tourist attractions is analysed, it is evident that 13% of men and 15% of women visit the destination for its cultural heritage and religion. Regarding the age structure, the greatest share of tourists is older than 55. According to the same research, 11% of visits to the Republic of Croatia in 2011 was motivated by culture and religion. (Eurostat, http://ec.europa.eu/public_opinion/flash/fl_334_en.pdf. (accessed June 25, 2013)

It is fair to say that the tourist offer at Croatian cultural heritage sites has just started developing and that all the developmental potentials of the tourist product have not been used yet. This is especially significant for elimination of the impact of seasonality which marks the current image of tourism of the Republic of Croatia. It is exceptionally important to stimulate consumption of domestic tourists. Unfortunately, the local population's demand for tourist programmes in culture declined in the period of economic crisis from 2009 to 2011. According to data by the Central Bureau of Statistics in 2009, 6% of the total income of households in the Republic of Croatia was used for culture and recreation, while in 2011, this share was reduced to 5,3%. The expenditure for cultural services in 2011 amounted HRK 1225, or 74,3% of total expenditures allocated for cultural services (Central Bureau of Statistics, 2013, www.dzs.hr. (accessed June 25, 2013)).

According to the research by the Institute for Tourism in Zagreb, cultural and historical heritage is an important motive for selection of the Republic of Croatia for a holiday destination. Culture is the basic arrival motive for 34,6% of tourists, while urban and architectural arrangement of the location is crucial for selection of 34,5% tourists. Since cultural heritage is a basic element of a country's image, it is important to note that as much as 48,2% of tourists come to the Republic of Croatia for its image on the tourist generating markets. The greatest share is that of persons over 50 years of age (43,0%) and young people up to the age of 29 (37,2%). Also, it is important to note that the greatest number of cultural heritage visitors comes to vacation with their partners (40%). Cultural heritage is a motive for another arrival for 40,7% tourists in Croatian destinations (adapted according to: Group of authors, editors: Vrdoljak-Šalamon, B. and Gatti, P., 2012. <http://www.iztg.hr/UserFiles/Pdf/Projekti/Informacije/Hrvatski-turizam-u-brojkama-2012-Broj-01.pdf>. (accessed June 27, 2013)). Improvement of the tourist offer on cultural heritage locations will surely influence more significant profiling of the image of the Republic of Croatia which will result in higher audience rating and consumption in Croatian destinations.

Development of new tourist events must be synchronised with the Croatian Tourism Development Strategy as umbrella document which defines the guidelines of tourism development in the future. The Croatian Tourism Development Strategy until 2020, cultural tourism, especially material heritage tourism, is defined as the primary product of Croatian regions, which points to the fact that current tourism development has not sufficiently recognised all the possibilities offered by development of Croatian cultural tourism.

Therefore, among other things, if until 2020 the tourist offer wants to be based on cultural heritage, the Strategy should be based on the guidelines presented in Table 1.

Table 1.: Guidelines of Croatian Cultural Tourism Development until 2020

ew building	• New building of facilities for cultural tourism has a predominately brownfield character and relates to conversion and/or adaptation of different, currently unused industrial or military facilities in public ownership with the objective to create infrastructure for development of different events.
Priority activities of product development	• Making of the Action Plan of Cultural Tourism Development in co-operation with the Ministry of Culture, Ministry of Tourism and the system of tourist boards; • Investing in recognisability of numerous highly attractive individual cultural attractions (for example, UNESCO sites, archaeological findings, castles); • Identification of possibilities for development of new events with the potential of international recognisability and building of destination image; • Stimulation of development of cultural theme roads and paths (for example, historical roads, paths of UNESCO's heritage, religious paths), which also implies clear developmental criteria and management systems.
Other activities of product development	• Stimulation of implementation of the minimum level of touristification of cultural facilities (for example, working hours adjusted to tourists, basic interpretation in foreign languages); • Investment in cultural, entertaining and sports events, and especially in modern cultural production in cities (strategic and action plans, continuous education of employees, supporting promotion); • Designing a portfolio of highly attractive products of the culture of life and work, particularly where they support the image of cultural tourist destinations.

Source: Government of the Republic of Croatia, Croatian Tourism Development Strategy until 2020. (<http://www.mint.hr/UserDocsImages/130426-Strategija-turizam-2020.pdf>. (accessed June 20, 2013).

The above-mentioned Strategy should be implemented on all levels (national, regional and local) in order to achieve the maximum effect which is that littoral and continental Croatia should be recognised until 2020 as destinations of originality, rich and preserved cultural heritage, with clear developmental guidelines and objectives.

CULTURAL TOURISM AS A FACTOR FOR ACHIEVING TOURIST DESTINATION COMPETITIVENESS

Many authors tried to define competitiveness in tourism and tourist destinations. Thus, Ritchie and Crouch and Mihalič (Mihalič, 2000) point out that competitiveness of a destination is mostly influenced by a group of factors representing attractiveness of the tourist destination. According to Kušen, the characteristics of the attractiveness factors define the direction and intensity of development of a tourist destination in a receptive tourism area (adapted according to: Krešić, hrcak.srce.hr/file/113355. (accessed June 30, 2013)). Cultural heritage has the same effect on competitiveness of a tourist destination. It is one of the basic resources for tourism development (along with natural resources).

Analysing, understanding and monitoring the position of the tourist offer of Croatian cultural heritage in relation to international competitive environment represents an important element of successful tourist policy management on all levels (adapted according to: Institute for Tourism, http://www.iztg.hr/hr/konkurentnost/hrvatskog_turizma/o_projektu/ (accessed June 02, 2013)).

Analysing the current state of the cultural tourism offer in the Republic of Croatia, the conclusion is derived that rich cultural heritage represents an element of the tourist offer which is insufficiently used in terms of development of a high quality and competitive offer of the tourist destination. Certain European countries with a developed tourist offer in this segment may serve as a benchmark and marker for successful development of the tourist offer based on cultural heritage (Venice, Jerusalem, Rome, etc.).

Analysis of all the strengths and weaknesses of the cultural heritage tourist offer will influence improvement of the competitive position of cultural heritage in the tourist product of the Republic of Croatia. Opportunities and threats of such a tourist offer, in terms of their impact on cultural heritage will also be identified.

This will be achieved by a S.W.O.T. analysis of the cultural tourism offer on the example of the Republic of Croatia.

Table 2 : S.W.O.T. analysis of tourism based on cultural heritage – example of the Republic of Croatia

STRENGTHS	WEAKNESSES
High level of preservation of a great share of material heritage; High level of legal protection of material and non-material heritage; Rich tradition of cultural events; Rich non-material heritage (gastronomy, language, dances...); Favourable geographical position in relation to tourist generating countries; Tourist tradition; Good traffic connections.	Insufficiently developed awareness on the importance of preservation and valorisation of cultural heritage; Lack of experts in cultural management; Insufficient knowledge of cultural heritage in a tourist destination; Unrecognisable values of cultural heritage on the level of the Republic of Croatia; Disregarding the value for money principle; Impact of seasonality of the tourist demand; Insufficient recognisability of the offer on the tourist market; Strong and well-branded offer of competitive destinations (for example, Paris, Venice, etc.); Uneven experience-for-money relationship, insufficient marketing activities (promotion, strategic marketing planning, attempts to brand the offer)
OPPORTUNITIES	THREATS
Availability of funds from the Cohesion Funds of the European Union; Development of innovative tourist programmes and events based on cultural heritage; Application of contemporary knowledge and skills in designing of a model of preservation and renewal of cultural heritage; Branding of the cultural heritage offer; Inclusion of non-material heritage in the tourist product; Institutionalisation of the co-operation between cultural and tourist management	Untimely identification of contact points of tourism and cultural heritage; Excessive commercialisation of cultural heritage with the objective to develop a tourist product; Lack of understanding by the tourist destination's management for inclusion of cultural heritage in the tourist offer; Loss of originality of cultural heritage; Non-existence of a clear development strategy of cultural heritage in relation to tourism; Impact of pollution and natural disasters on material cultural heritage sites; Devastation of cultural heritage facilities under the influence of tourism; Strengthening of competitive tourist destinations.

Source: Author's analysis

From the above analysis (Table 2), the conclusion may be derived that strengths of Croatian heritage represent an insufficiently explored market niche. This also includes rich and greatly preserved cultural material and non-material heritage which was, for the above reasons, preserved in the almost original form (Palace of Diocletian, The walls of Dubrovnik, Euphrasian Basilica in Poreč and local vernaculars – Čići in the area of Čićarija, bell-ringers from the area of Kastav, lacemaking, etc.)

Material and non-material heritage on the UNESCO's list is especially significant (Istrian two-voice singing and playing the dual rankings, the Alka of Sinj, creation of gingerbread hearts, *bečarac*, *ojkanje*, the Cathedral of Šibenik, the Old Town of Hvar, etc. (UNESCO, <http://whc.unesco.org/en/statesparties/hr>, accessed June 02, 2013). This is also a weakness, because cultural heritage is insufficiently included in the tourist offer and world experiences in protection and promotion of cultural heritage through tourism are insufficiently implemented.

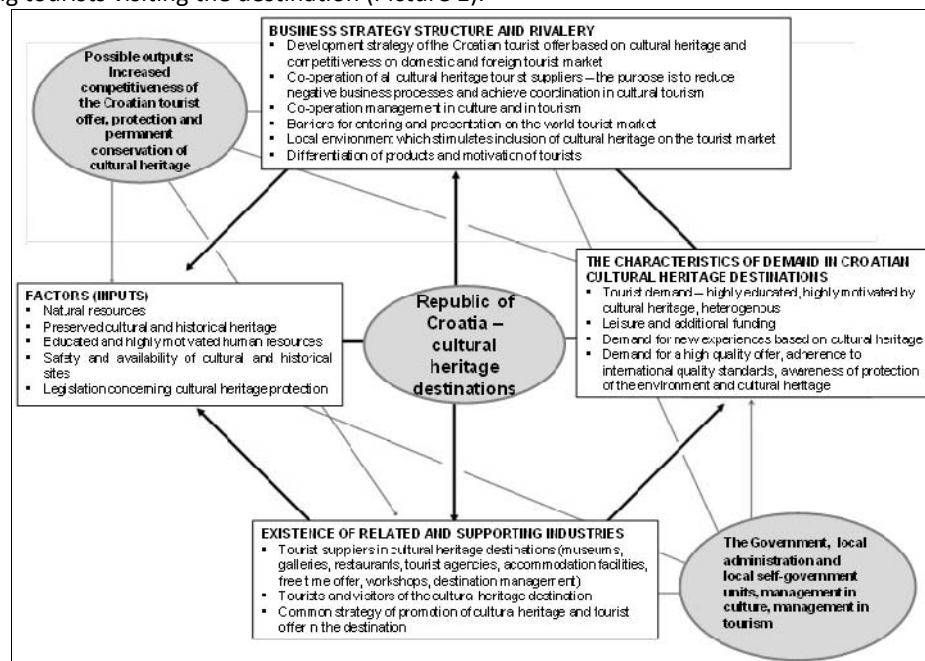
Opportunities for development are designing of a new tourist event based on the particularities of Croatian cultural heritage which is also the heritage of Central Europe, but there are also influences of the East in its territory which makes a unique colourism of cultural heritage as a foundation for the creation of a unique tourist product. Accession of the Republic of Croatia to the European Union will surely contribute to preservation and promotion of cultural heritage in tourism, while contemporary knowledge and skills of managers in tourism will enable successful presentation of the unique cultural heritage tourist product on the tourist market thus creating a constant bond with tourist demand.

The threats which the synergy of tourism and cultural heritage may bring are primarily threat of excessive commercialisation of cultural goods disregarding the carrying capacity of the material heritage, but also preservation of originality and identity of non-material cultural heritage. Tourist exploitation may lead to loss of connections between the local community and cultural heritage, and there is a threat of creating „false“ heritage based on tourist stories – experiences.

Demonja points out several problems which emerge in Croatian cultural tourism, such as insufficiently developed system of cultural statistics, insufficient knowledge of project coordinators of cultural management, centralisation and bureaucratisation of procedures, non-existence of a recognisable cultural tourist product, superficial knowledge of the local population about their own heritage, insufficient or poorly organised promotion, insufficient co-operation between the cultural and tourist sector, and non-existence of an advisory institution for organisers of cultural tourism initiatives (adapted according to: Demonja, <http://www.anthroserbia.org/Content/PDF/Articles/f384947fde3141749626c98490b3475a.pdf>. (accessed June 02, 2013)) The solutions for the above-mentioned weaknesses are impossible to summarise in a single paper, but by implementing common development strategies of cultural and tourist economy, especially on local levels, it is possible to contribute to more successful tourism development on the cultural heritage sites of the Republic of Croatia. Great attention should be devoted to continuous improvement of knowledge of managers in culture and tourism.

DESIGNING OF A TOURIST PRODUCT BASED ON CULTURAL HERITAGE

Based on the conducted analysis, it is necessary to design a new tourist product which will enable elimination of the weaknesses of the current Croatian cultural tourism offer, and to point out its strengths. This will also be assisted by creation of the Diamond of Competitive Advantages. It identifies all the external and internal factors which affect the destination's ability to fulfil the needs of more and more demanding tourists visiting the destination (Picture 1).



Picture 1: Porter's Diamond of Comparative Advantages of Cultural heritage destinations in Croatia, adapted according to: Porter, M. E., 1998

Making of the competitiveness diamond on the example of the destination Republic of Croatia, which bases its offer on preserved and valued cultural heritage, will result in strengthening of general competitive advantages of the Republic of Croatia as a tourist destination and enable permanent preservation of cultural heritage, taking into account sustainable management of resources of cultural heritage and tourism. The objectives of introducing the diamond of competitiveness are, among others, strengthening of co-operation between all the tourist suppliers in the tourist destination, especially management in culture and management in tourism. In the current development of the Croatian tourist

offer, they did not sufficiently build common development strategies and create new, unique and innovative tourist experiences and products, which is certainly possible if cultural heritage is included in the tourist offer of the destination, because it represents the basic identity of the site/destination, for which it differs from the competition. Except for the benefits for tourism development, the diamond of competitive advantages also points to the benefits which tourist valorisation of cultural heritage has for the cultural heritage of a certain destination. Additional resources, which will enable constant investments in renewal and revitalisation of material and non-material heritage, are created through responsible tourist offer on cultural heritage sites. This will result in greater interest by private investors for making investments in culture, especially public-private partnership model. This will also be facilitated by creating a creative team for design, promotion, and validation of the tourist offer based on cultural heritage, which is presented below.

DEVELOPMENT AND MARKETING STRATEGY OF CULTURAL HERITAGE AND TOURISM

Designing of an attractive tourist product is an extremely complex process. The designing should include the overall public concerned. Designing of tourist products in the way that it includes cultural heritage is especially sensitive because cultural heritage (material and non-material) is a very sensitive resource base which can be irreversibly destroyed i.e. wasted if it is not well-managed. Likewise, in the process of planning of a tourist product, special attention should be devoted to capacity of a certain cultural heritage site, i.e. what is its carrying capacity in relation to tourists which will not diminish its value for the community.

For a successful process of planning, implementation, monitoring, and timely implementation of corrective measures, synergy should be ensured between tourist and cultural management. This can be achieved through creation of a creative department for designing tourist cultural heritage programmes, as presented on Picture 2.



Picture 2.: Proposal of a model of a creative department organisation for designing cultural heritage tourist programmes; authors' analysis.

The above picture shows that co-operation between culture and destination management (in this example, the tourist board of the tourist destination with cultural heritage) is constant and that there are strong influences of cultural heritage destination management on the tourist board destination management, and vice versa.

The task of tourist- and cultural destination management is to ensure preparation of a new, attractive and recognisable tourist product through preparation of a common development and marketing strategy of cultural heritage as an integral part of the tourist product by application of contemporary knowledge, skills and technologies. In this process, special attention should be devoted to selection of an adequate funding model of revitalisation of cultural heritage, but also the tourist offer. Possible funding models could be, for example, public-private partnership models (application of the model in the way to ensure

maximum benefits for the public and the private partner, without endangering public interest for cultural heritage), Cohesion Funds of the EU, financial programmes by ministries of culture and tourism, sponsorships and donations, etc. Preservation and protection of cultural heritage (material and non-material heritage) in tourist offer designing is of great importance, and in this segment, the role of a common creative department is very significant. Special attention should be devoted to sustainable management of cultural heritage. This development, starting from the basic definition of sustainable development, enables achievement of full benefits of the use of cultural (material and non-material) heritage for the local community, along with minimising negative impacts of tourism on preservation of cultural heritage (UN World Commission on Environment and Development – Our Common Future, 1987., www.un-documents.net/our-common-future.pdf. (accessed June 20, 2013))

In order to achieve these benefits in the planning of tourist events and programmes of cultural heritage, it is necessary to take into account maximum tourist capacity, especially of material heritage. Sustainable development of the destination, tourism, and cultural heritage must be a priority. This can be achieved by application of the current methods of establishing the carrying capacity for, for example, Limits of Acceptable Change – LAC, Visitor Experience and Resource Protection – VERP, Recreation Opportunity Spectrum – ROS, (Visitor Impact Management - VIM, Visitor Activity Management Process - VAMP, Protected Area Visitor Impact Management - PAVIM, and Tourism Optimisation Management Model – TOMM. (Antolović, 1998). The objective of destination management must be ensuring additional economic effects for the destination, but also for cultural heritage in the destination. Additional consumption of tourists (buying tickets, participation in the programmes on cultural heritage sites, conducting tours, shopping and catering offer on cultural heritage sites) will enable creation of new free resources which can be reinvested in preservation and renewal of cultural heritage and improvement of the tourist offer.

Adherence to the principles presented in the paper will enable presentation of the destination on the tourist market as an ecologically and culturally responsible area of high-quality and diversified offer which bases its uniqueness on sustainable valorisation of cultural heritage. This is the basic resource for development of a unique tourist offer, which promotes the identity of the host country. At the same time, it enables tourists to feel the touch of history and richness of tradition and heritage in each of its tourist products. Cultural heritage represents the identity of the destination and tourism enables its preservation and improvement along with the creation of new added value for the local community as a whole and strengthening of the competitive position on the global tourist market.

CONCLUSION

Cultural heritage represents an insufficiently used market niche in the tourist offer of the Republic of Croatia. The analyses of characteristics of the tourist offer based on cultural heritage presented in the paper indicate all development possibilities for the tourist product. Foundation of a creative department organisation model for the preparation of tourist events and cultural heritage programmes will result in multiple benefits for the destination in the sense of greater recognisability, higher quality of products and services, innovativeness, originality, greater satisfaction of tourists with the tourist product; in a word – competitiveness. This will result in higher employment and standard of living of the local community and awareness of the need to preserve cultural heritage as the basic tourist resource for the creation of an innovative and differentiated tourist product. In the process of planning tourist events, special attention should be devoted to carrying capacity of the site and ensuring constant and sustainable development of tourism and cultural heritage as an integrated economic unit.

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CULTURAL INDICATORS OF SUSTAINABLE TOURISM IN URBAN AREAS IN SERBIA

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Abstract:

Cultural tourism sustainability indicators are a group of comparative indicators defined by the European Union. Represents the number of beds and the number of local people, as well as the intensity of tourism, which is calculated as the ratio of the annual number of overnight stays and the number of local residents. Application of indicators of sustainable tourism is based on determining the limits, to assess the state of development of tourism as: critical, acceptable and sustainable.

Cultural tourism sustainability indicators have been calculated and analyzed on urban settlements in Serbia. The statistical calculations included data from the last four census years (1981, 1991, 2002., and 2011.), because one of the parameters used in the research have been the local population. The mentioned indicators show the effect of development of tourism on the local community and what is the level of cultural segregation (intensity of tourism). Changes were observed and compared using the comparative method outlined in chronological approach.

City tourism in Serbia is the most massive form of tourism trends, and in this regard should be the basis for tourism development. Because of that the tourism industry needs to plan and control the development of tourism and invest in the construction of tourist facilities that will be sustainable.

Keywords: *indicators, sustainability, tourism, cities, Serbia*

Introduction

As the World Tourism Organization notes: "consumers are demanding new, more imaginative and varied tourism products and services". In responding to these trends, cities have been forced to create tourism products that are "unique" and provide a more "meaningful" travel experience. Heritage overtones, offers cities these needs. Heritage tourism is seen as a way to bolster struggling urban economies and redevelop municipal spaces. Attempts to understand the processes and outcomes associated with urban heritage tourism development usually fall into one of two groupings: a "topdown" perspective stressing the role of global factors and external actors in driving urban redevelopment; and a "bottom-up" perspective focusing on local influences. Any attempt to gain a detailed understanding of the processes and outcomes associated with urban heritage tourism (UHT) development must deal with two contrasting, but interlinked, scales of analysis. At the global scale, widespread economic restructuring and deindustrialization have stimulated the growth of UHT in both developed and developing nations. These

broader processes are, in turn, mediated by influences (economic, political, sociocultural and environmental) that emanate from the local level (Chang et al., 1996).

The pervasiveness of heritage tourism in cities throughout the world is often explained as an outcome of global economic trends. According to Law (1993), four factors have propelled cities toward tourism development: the decline of long-established manufacturing activities; the need to create new economic activities or face high unemployment; the perception of tourism as a growth industry; and the hope that tourism development will result in the regeneration and revitalization of urban cores.

In cities, tourism is but one function among many, with tourists sharing and/or competing with residents and other users for many services, spaces, and amenities. Moreover, a city may have multiple and overlapping tourism roles: as a gateway, staging post, destination, and tourist source (Pearce, 1981).

The complexity of urban tourism has no doubt helped delay research in this field, because the need to disentangle it from other urban functions makes it more difficult to study than in many other settings. The complexity of the setting and associated activities also results in a continuing problem with urban tourism studies, namely that of incompleteness and limited coverage (Pearce, 2001).

The study of urban tourism and associated focus on urban tourist precincts is a growing area of interest as practitioners, researchers and policy makers seek to understand the phenomenon of tourism within the urban environment. Urban environments worldwide have for many years been amongst the most significant of all tourist destinations. Urban tourism is distinguishable from other forms of tourism by a number of features which, while they are not applicable to all urban destinations and may be applicable to some non-urban destinations, characterize urban tourism destinations as a whole. Significant numbers of tourists in urban areas are visiting for a primary purpose other than leisure, including business, conferences, shopping, and visiting friends and relatives. Local residents (and commuters) are also significant (often majority) users of attractions and of infrastructure which has generally been developed for non-tourism purposes. Within urban destinations often the number, variety and scale of primary and secondary attractions are large. A particularly distinguishing characteristic of tourism in an urban context is that it is just one of many economic activities within a city and it must compete with a number of other industries for resources such as labor and land (Edwards et al., 2008).

Today tourism consumes substantial amounts of space within urban destinations: tourist-historic urban cores, special museums of many kinds, urban waterfronts, theme parks and specialized precincts all contribute to this consumption (Gospodini, 2001).

Law (1996) outlines a number of key attributes that urban areas possess as tourist destinations. They have naturally large populations which in turn attract visiting friends and relatives. They draw tourists to their attractions because these are often much better developed than in other types of destinations. They are easily accessible through airports and scheduled services. There is a large stock of accommodation built to serve the business traveller and finally, urban destinations appeal to a number of different tourist markets as they offer the communications, transport, services and facilities which meet tourist needs.

A number of noteworthy contributions have been made to the analysis of urban tourism. In a seminal paper, Ashworth (1989) outlines four extant approaches to analyzing urban tourism, reflecting, as he admits, a geographical bias. First, the facility approach takes into account the spatial analysis of the location of tourism attractions, facilities, infrastructure and zones—including transport routes, hotels, and historic and business zones. Second, the ecological approach focuses on studying the structure or morphology of urban areas, which are seen to evolve and function in both a systematic and an organic way. A feature of this approach is the identification of functional zones or districts (e.g. CBD, historic core, markets area, industrial area), which links with the contemporary idea of tourism precincts. Third, the user approach focuses on the characteristics, activities, motivations, purposes and attitudes of tourists—particularly related to tourism marketing. Fourth, policy approaches arise from the concerns of city governments to accommodate and/or promote tourism by focusing on a range of policy issues, including infrastructure provision and destination marketing.

Heritage cities attract many visitors, generating benefits and costs. When the costs exceed the benefits, tourism development is no longer sustainable, and interventions become necessary (Borg et al., 1996).

Methodology, results of the research and discussion

Indicators of tourism sustainability have been the subject of numerous papers. One of them is a practical guide to indicators for sustainable tourism, prepared by experts under the leadership of Edward Manning. This guide, which was published by the World Tourism Organization, consists of two sets of indicators: basic indicators for sustainable tourism and indicators for tourism values (sea, park, monument ...) (Ceron, Dubois, 2003). The indicators of tourism sustainability were set by European Environment Agency (EEA) and in 2002 the English Tourism Council (ETC) determined the national indicators of tourism sustainability, which emphasize the protection of the monumental heritage and natural environment, support for local communities and the economic benefits for tourism destinations (White et al., 2006). Ko (2005) proposes eight dimensions of tourism sustainability: political, economic, socio-cultural, production related to the aspects of impact on the environment, the quality of ecosystems and biodiversity, as well as environmental policies.

This paper analyzes cultural indicators, one of the five groups of comparative indices of sustainable tourism which a team of experts defined and proposed to the EU Commission. Based on the threshold values for each indicator, it has been determined if the state of tourism is critical, tolerable or sustainable. Three zones have been designated:

- red zone (critical situation with the necessity of taking certain actions),
- yellow zone (tolerable situation, but also the possibility that the development of tourism will cause changes, so preventive measures are advised),
- green zone (the state of tourism development is sustainable).

This group of indicators includes the ratio of accommodation capacities and the number of local residents to the intensity of tourism. These indicators are related to the degree of preservation of the identity of the local population under the effect of tourists from the backgrounds with different cultural characteristics (Stojanović, 2006).

Table 1. Cultural indicators of sustainable tourism

cultural indicators	the ratio of accommodation capacities to the number of local residents	<1,1:1 green zone
		1,1 – 1,5: 1 yellow zone
		>1,6:1 red zone
	tourism intensity: the number of overnight stays compared to the number of local residents	<1,1:1 green zone
		1,1 – 1,5: 1 yellow zone
		>1,6:1 red zone

Source: Stojanović, 2006.

The ratio between beds and the number of local residents is an indicator of cultural influence in the context of tourist destination appearance and requirements for the necessary infrastructure. If the number of beds is more than 1.6 times larger than the size of the population, the situation is unfavorable because the local community is affected by intensive tourism construction. The proportion of 1.5:1 and less is more favourable for the local community. The aforementioned correlations vary depending on natural characteristics, types of accommodation, intensity and type of tourist traffic.

The intensity of tourism shows the degree of cultural saturation of space. The value of this indicator of sustainable tourism would be more realistic if, in addition to the number of stationary tourists, the number of participants in the excursion tourism were also taken into account, which is not recorded. Therefore, tourism impacts on the local community cannot be adequately shown (Stojanović, 2006). Excursion destinations, including urban areas, represent a great development opportunity for tourism. A significant advantage of excursion tourism for urban destination development is that this type of tourism is the cheapest and does not require construction of special accommodation facilities (Štetić et al, 2011). Tourism construction does not affect local community, which means that excursion tourism in urban areas has a positive effect on the intensity of tourism.

Table 2. The number of inhabitants in urban areas in Serbia

Urban area	population			
	1981.	1991.	2002.	2011.
Beograd	1087915	1168454	1119642	1166763
Novi Sad	170020	179626	191405	231798
Niš	161376	175391	173724	81327
Ivanjica	8765	11093	12350	11715
Kragujevac	129017	147305	146373	150835
Bajina Bašta	6284	8555	9543	9148
Kladovo	8325	9626	9142	8869
Subotica	100472	100386	99981	97910
Vršac	37513	36885	36623	36040
Zrenjanin	81270	81316	79773	76511

*** (2003). Comparative review of the population from 1948 to 2002. In: The Census of Residents, Households and Housing in the year 2002 (Volume 9). Belgrade: Statistical Office of the Republic of Serbia; *** (2012). Age and gender – data per settlements. In: The Census of Residents, Households and Housing in 2011 in the Republic of Serbia. Belgrade: Statistical Office of the Republic of Serbia.

The number of residents in urban areas will not be analyzed in detail, unless this value affects the value of cultural indicators of tourism sustainability. Strong increase in population in the largest outbound tourist centres: Belgrade, Novi Sad, Kragujevac is evident, but so is a reduction in Niš. In other urban centres in the last inter-census period, the number of inhabitants is decreased.

Tourism changes the environment in which it develops bringing changes with the local population. Tourists arrive bringing with them their own culture and wanting to be familiar with the tradition, history, and language, while local population lives in the space intended for tourism needs. In an overall growth the concept of sustainable tourism ensures that uncontrolled development does not destroy resources, but keeps them for the next generations (Radan, 2012).

For the development of Belgrade as the largest urban centre in Serbia, it is necessary to define some of the primary strategic objectives: positioning and functioning within Europe and the Balkans, establishing an efficient and sustainable transport, infrastructure, and cultural specificities, strengthening metropolitan identity, as well as profiling the Belgrade metropolitan region with its specialized economic activities, especially service industries oriented to the South-Eastern Europe (Stojkov, Subotić, 2004). The above mentioned objectives, in particular cultural specificities and identity strengthening, show how important they are not only in the context of sustainability, but also as strategic guidelines, emphasizing the development of the controlled development of service industries, including tourism.

Table 3. The number of beds in the cities in Serbia

City	beds			
	1981.	1991.	2002.	2011.
Beograd	16392	16903	12817	17014
Novi Sad	2010	1740	1495	10312
Niš	2902	2707	2855	2630
Ivanjica	1237	779	905	938
Kragujevac	775	605	529	1261
Bajina Bašta	1461	1694	1734	733
Kladovo	1211	949	802	471
Subotica	842	1638	766	827
Vršac	120	156	232	512
Zrenjanin	400	416	362	307

Statistical Yearbook for the year 2012, The Republic of Serbia – Republic Statistical Office, Belgrade, 2012. Archival data of the Republic Statistical Office

The highest percentage of beds in urban areas is located in hotels that have a higher level of occupancy than the hotels in spa and mountainous tourist places, which indicates the profitability of investment in tourism development in cities. One third of the total number of beds in the country is located in urban areas of Serbia.

The largest increase in the number of beds in the inter-census period 2002-2011 has been recorded in Novi Sad, then in Belgrade, Kragujevac and Vršac, and the most significant decrease in the number of beds has been in Bajina Bašta and Kladovo. Urban settlements Bajina Bašta and Ivanjica are classified as mountainous tourist spots by the official statistics, so the number of beds in these cities also includes the beds in mountainous tourist sites in the surroundings.

Table 4. The ratio between the number of beds and local residents as the cultural indicator of tourism sustainability

City	1981.	1991.	2002.	2011.
Beograd	0,015:1	0,014:1	0,011:1	0,015:1
Novi Sad	0,011:1	0,010:1	0,008:1	0,044:1
Niš	0,018:1	0,015:1	0,016:1	0,032:1
Ivanjica	0,141:1	0,070:1	0,073:1	0,008:1
Kragujevac	0,006:1	0,004:1	0,004:1	0,008:1
Bajina Bašta	0,232:1	0,198:1	0,182:1	0,080:1
Kladovo	0,145:1	0,098:1	0,088:1	0,053:1
Subotica	0,008:1	0,016:1	0,007:1	0,008:1
Vršac	0,003:1	0,004:1	0,006:1	0,014:1
Zrenjanin	0,005:1	0,005:1	0,004:1	0,004:1

The ratio between the number of beds and local residents in urban areas in Serbia is in the green zone, which is convenient, because the local community is not affected by tourism construction. In some cities such as Novi Sad and Kragujevac, although the number of beds has increased, the number of inhabitants also increased, so the relationship of these two indicators has not significantly changed.

One of the principles of sustainable development should ensure the conservation of cultural heritage. Thus, the pressure for construction must be predicted and the techniques to prevent unwanted over-development and devastation resulting from demands of tourism should be implemented. Identity should be protected by maintaining high standards for architectural preservation and sustainable development of urban areas (Vujović, Cvijanović, Štetić, 2012).

A positive example of Berlin should be noted and used to further the development of urban tourism in Serbia, as mixed and diverse functions and structures consistent with environmental and social needs are offered in the formulation of a new local identity (Subotić, 2002). Actuality of the concept of city creativity is based on a strategic basis of management, planning, economy, social inclusion, cultural and regional identity. In the context of urban regeneration strategy it is essential to study the role of tourism through determination of sustainability indicators, which also include the cultural ones (Petrić, Mikulić, 2009).

Limiting process is increasingly common in the tourism industry, which coincides with the objectives of sustainable development that promotes tourism development with the preservation of ecological, economic and socio-cultural resources, but it is broader than that. The phenomena related to tourism that have the most negative effects include: environmental degradation of space, highlighted concentration of tourists and locals and socio-cultural degradation through loss of cultural, architectural and other forms of identity and exclusivity (Štetić, Šimičević, 2009).

Saturation is a disruption of the natural environment and anthropogenic values of the area due to the excess of capacity. The more exact the knowledge of the limits of allowable development, the smaller the risk. With the process of urbanization the number of residents in a tourist destination grows, which makes it necessary to plan high quality development of tourism, in order to avoid unintended consequences of space saturation (Sofield, 2003).

Table 5. The number of overnight stays in the cities of Serbia

City	broj noćenja			
	1981.	1991.	2002.	2011.
Beograd	2334100	1378318	1498352	1149029
Novi Sad	220600	149573	160156	213549
Niš	232600	146967	239650	96349
Ivanjica	81100	87367	85632	85829
Kragujevac	104700	59141	26375	84310
Bajina Bašta	264669	240471	258217	66453
Kladovo	37900	37962	61497	65966
Subotica	78800	47721	66938	64785
Vršac	16600	23316	32015	27317
Zrenjanin	51800	34771	51430	19960

Source: Statistical Yearbook of the Republic of Serbia (1982), The Socialist Republic of Serbia – The Republic Institute for Statistics, Belgrade, (1983), Statistical Yearbook of Serbia (1992), The Republic of Serbia – The Republic Institute for Statistics, Belgrade (1993), Statistical Yearbook (2012), The Republic of Serbia – The Republic Statistical Office, Belgrade (2012) Data from the archives of the Republic Institute for Statistics.

Evidently, the most of overnight stays in Serbia are realized in accommodation facilities in urban centers. City tourism in Serbia is the most massive form of tourism type (Garača, 2005). Belgrade, Novi Sad, Niš, Ivanjica and Kragujevac have a lead in the number of overnight stays. The number of overnights in Belgrade and Novi Sad amounted to about 20% of the total number of registered overnight stays in Serbia in 2011. The number of overnight stays in Ivanjica is determined by the health and wellness function of the city settlement. Variability in the number of overnight stays in cities in Serbia in certain census years is conditioned by a series of social, economic and political factors.

Table 6. The intensity of tourism as a cultural indicator of sustainability

City	1981.	1991.	2002.	2011.
Beograd	2,145:1	1,179:1	1,338:1	0,985:1
Novi Sad	1,297:1	0,832:1	0,837:1	0,921:1
Niš	1,441:1	0,837:1	1,379:1	1,185:1
Ivanjica	9,253:1	7,876:1	6,934:1	7,326:1
Kragujevac	0,811:1	0,401:1	0,180:1	0,559:1
Bajina Bašta	42,118:1	28,108:1	27,058:1	7,264:1
Kladovo	4,552:1	3,943:1	6,727:1	0,661:1
Subotica	0,7840:1	0,475:1	0,669:1	0,661:1
Vršac	0,442:1	0,632:1	0,872:1	0,748:1
Zrenjanin	0,637:1	0,428:1	0, 645:1	0,261:1

The intensity of tourism in urban areas in Serbia analyzed in this paper shows that the value of this indicator of tourism sustainability in the last census year (2011) is mainly in the green zone (this indicates the sustainability of tourism), except regarding Niš (yellow zone, tolerable state), Bajina Bašta and Ivanjica (red zone, critical state and it is necessary to take some measures). Taking into account that Bajina Bašta and Ivanjica are not only urban centres but also mountainous tourist spots, this state of tourism sustainability shows that indicator values are also influenced by the forms and motifs of tourist traffic.

The degree of cultural saturation of space (the intensity of tourism) in Belgrade in 1981, 1991 and 2002 was in the yellow and red zone, but it is positive that this value in the last census year indicates tourism sustainability. Considering tourism intensity, a sustainable tourism state was noted in Novi Sad in the last three census years. In the last two census years the situation in Niš in the context of tourism sustainability is tolerable (yellow zone). Ivanjica, and especially Bajina Bašta have a critical state of sustainability (red

zone) in all four analyzed census years, as well as Kladovo in 1981, 1991, and 2002 census years. In Kragujevac, Subotica, Vršac and Zrenjanin the sustainable state of tourism is evident, as tourism intensity values are in the green zone. Richins (2000) proposes three principles for the recognition of tourism planning at the local level:

- physical and visual (aesthetic) appearance of a site, so that it will not be allowed to build inappropriate objects in the context of the evaluation of private capacities, with respect to physical, social and economic opportunities;
- development of tourism based on residents' capabilities;
- tourism development synchronized with the plans of non-tourism activities.

The conceptual approach of the World Tourism Organization highlights that sustainable development:

- reduces and mitigates to a minimum negative effects on tourists (including attractions quality and dissatisfaction regarding expectations) and locals (including infrastructure and resources over-exploitation, damage to the tradition and the environment, balance between development and preservation of regions);
- expects positive impact on tourists (different possibilities to use leisure time and new knowledge) and on the locals (modernization of infrastructure, employment throughout the year, rental of private rooms to seasonal workers, use of facilities and services, participation in economic development);
- gains government support for the development of new tourism areas and products (Štetić, 2007).

Conclusion

Due to the growing rate of urbanization many cities of the world are characterized by unplanned urban expansion, lack of infrastructure and services, and therefore urban regeneration is necessary. In determining the level of urban regeneration sustainable tourism indicators could have a significant role. It can be assumed that carrying capacity limit of tourist destinations will be effectively statistically expressed when a certain number of visitors may visit an urban place without compromising the image and attractiveness of the destination, or causing damage to the environment. In developing or revising urban planning to define carrying capacity limit will be required, reducing the possibility of unsustainable use. One of the measuring techniques can also be defined as the ratio between the number of tourist beds and local residents, which is defined as a cultural indicator of tourism sustainability.

Tourism development planning at the local level starts from the principle that physical and visual (aesthetic) appearance of the site should be respected by not building inappropriate facilities and by not conducting unacceptable activities. Capacity assessment of a site should take into account its physical, social and economic opportunities. In this context, urban areas which are also mountainous tourist centres are distinguished by the values of tourism intensity, in which the degree of cultural saturation of the space is higher than in other urban areas. The ratio between the number of beds and local residents in urban areas is convenient and the state of tourism – sustainable. Urban areas in the country mainly have favourable values of cultural indicators of tourism sustainability, but such a state of tourism development should be kept in the future. Consideration should be given to more balanced tourism development of cities, increase of the number of foreign tourists, increased occupancy of accommodation facilities, integrated approach to tourism in urban areas.

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DEVELOPMENT OF TOURIST POLICY IN THE EUROPEAN UNION

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Abstract

All countries that intend to develop tourism in their areas should lead particular tourism policies for several reasons of which the most important one is the economic one. The aim of tourism policy is achieving effective tourist goals and also activating certain economic or non economic factors while using tourism organizations, tourism legislation, and other measures or plans.

The main hypothesis: Over time, the European Union has become the leading tourist region of the world, and as such has built many factors of the common tourism policy, through which it develops uniform tourism business criteria and the general rules of business for all its members.

The European Union is currently the strongest economic integration in the world. It is a unique supranational integration which consists of 27 members and the space of about 4,325,675 square kilometers. This conglomeration has about 496 million inhabitants and along with everything else it makes a great tourist market.

PH1: Tourism contributes significantly to the growth of gross domestic product since its portion is directly between 4% and 11% indirectly; accounting for nearly a third of all EU export services.

PH2: Despite the evidence of the multiple importance of tourism in the EU, tourism is still accepted relatively late as an important development factor and as such included in the EU legal regulations. The main reasons for this state are presented in the constitutional barriers to the transmission of national competencies to the appropriate EU organs.

Keywords: *European Union, tourism, tourism policy, achievements*

INTRODUCTION

All the countries aiming to develop tourism in their territory should run a specific tourism policy for several reasons; economic reasons are the most significant. The purpose of tourism policy is effective realisation of the set tourism objectives and activation of certain economic or non-economic factors of tourism, by using adequate tourist organisation, tourism legislation as well as other measures or plans.

The European Union, as the largest and the most visited world tourist region, has been developing its common tourism policy as well as supporting, coordinating and connecting tourism policies of its Member

States. In this process, rules and regulations were not imposed on the Member States through specific jointly adopted documents. The focus is rather on creating such conditions which would be accepted by all the tourist Member States without resistance.

Tourism is a complex social and economic phenomenon which has a strong impact on the environment in which it is created and in which it functions. It should be focused, stimulated and monitored. Tourism policy has a significant role in tourism activities of respective tourist countries.

In order to achieve successful functioning of the total tourism system, a tourism policy should be set up in which the tourist country directs it in accordance with the objectives which should be realised through planned tourism development in an adequate area.

In order to stimulate tourism development and to connect it with other fields of economics, a series of individual sector policies is supported in the framework of general macroeconomic policy of countries, such as price policy and loan policy.

Many authors have studied the origin, development and effects of tourism policies on tourism development. For example, scientist Kraph defined tourism policy as functioning of organised communities in tourism with the objective to improve the ability to create gains and specific non-economic objectives (Dulčić and Petrić 2001, 285).

This definition can be accepted as credible because it contains all the important elements, such as policy makers, objectives, resources, and activities conducted by its executors.

THE NEED TO ADOPT TOURISM POLICY IN THE EUROPEAN UNION

Modern European Union is the result of strivings and efforts invested since the mid-20th century with the intention to unite European countries in order to ensure peace and well-being and to develop political, economic and social co-operation.

Over time, the European Union became the leading tourism region in the world, and as such, it has built many factors of common tourism policy through which it develops unique tourism criteria and general business rules for all of its Member States.

Importance of Tourism Development in the European Union

The European Union is currently the strongest economic integration in the world. It is a unique supranational integration which consists of 27 Member States on the geographical area of about 4.325.675 km². This conglomeration has about 496 million inhabitants who, along with other factors, make a large tourist market (<http://hr.wikipedia.org>, accessed on 03/04/2010).

Among other things, the European Union is the leading regional tourist power in the world, both in terms of receiving and generating tourists. Most of the EU Member States, in global terms, receive and generate tourists on tourist markets, like Germany, France, Great Britain, etc. According to the conducted scientific analyses, more than a half of the EU inhabitants are active in tourism. About three quarters of the EU population travels within the EU's borders, and most travels constitute one-day excursions, i.e. short trips and traditional vacation trips.

Table 1 presents world travel destinations with realised tourist arrivals in 2010.

Table 1. Tourist arrivals in the largest world travel destinations in 2010

Region	Europe	Africa	USA	Asia and the Pacific	The Middle East
%	52	5	16	21	6

Source: WTO, Madrid, 2011 www.unwto.org

Table 1 presents the dominant position of Europe as the leading tourism destination in the world. According to the presented statistical data, about 8 million employees work directly in the tourism industry, and 24 million indirectly, which amounts from four to twelve per cent of total employment (<http://ec.europa.eu>; accessed on 03/04/2010). This means that almost every 8th work place is related to tourism, and this sector successfully employs the youth and women, who belong to groups which are usually disadvantaged in terms of employment (Hitrec and Hendija 2000,65).

Also, tourism significantly contributes to growth of the gross domestic product because its direct share equals between four and eleven per cent, which makes almost a third of all of the EU's export services (<http://eur-lex.europa.eu>; accessed on 03/04/2010).

Despite the presented facts on the variety of important factors of tourism in the EU, tourism had been recognised relatively late as an important developmental factor, after which it became a part of the EU legislation. The main reasons lie in constitutional barriers to transfer of national competence to the corresponding EU bodies. Therefore, the EU did not have a separate tourism policy for a long time, because, at the time, tourism was not recognised as a prosperous economic branch, and tourism development was left to the governments of the Member States (Lickorish 2006,261). Implementation of the common tourism policy did not begin until the 1980's, which was initiated by South European countries which were especially interested in tourism development.

Activities Which Stimulated Tourism Development in the EU

In the first operational documents related to activities of the EEC adopted by the Member States, tourism was not specifically discussed. The Treaty of Rome was the first to direct tourism policy of the Community by using legislation related to free movement of people, goods, capital, and labour force in the Member States, and uniform standards were accepted for all the Member States. In these documents, tourism was covered through service quality, education of human resources, promotion, consumers' protection, etc.

On the other hand, in 1982, the need for a better regulation of the tourism sector prompted the EU to adopt guidelines for tourism policy development in the Member States. The document called "For a Joint Tourism Policy – the First Guidelines" was adopted and it presented the basic objectives of the new policy which was presented with the following guidelines (Hitrec and Hendija 2000, 68.):

- the significance of EU tourism,
- freedom of movement and protection of tourists,
- employment and human resources,
- transport and tourism,
- tourism and regional development,
- protection of heritage in tourism.

These guidelines were elaborated in more detail in the document called "The Single European Act", which is considered foundation for the development of modern European tourism policy. European Commission's Tourism Advisory Committee was founded in 1986, an advisory body for the implementation of tourism policy in the EU. At the time, tourism was developed according to needs of regional tourism of individual Member States. Numerous documents related to tourism and tourism development were adopted. The most important ones were the following: "The Tourism Sector - Horizon 1992" which unfolded in 1987 with the objective to provide financial support to tourism, and "Legal Guidelines for Travel" from 1990 which set the rules for travel package with the protection of tourists - customers.

Most activities from these documents were not realised because the Member States did not actively participate in tourist activities of the community. One of the failed activities was "European Year of Tourism 1990." which was not realised for the above-mentioned reasons. Along with this failed activity, there was also the project "Assistance Programme - Philoxenia" which should have taken place from 1997 to 2000, and it had two objectives: a) to stimulate the quality in tourism, b) to increase competitiveness of the tourist economy. Although the programme was supported by the most important European institutions, it was not supported by all the Member States. The reason for rejection of these programmes was consideration of the competence of the European Commission in tourism development of local communities (Mundt 2000, 135).

At the same time, while richer European countries engaged in ecological protection of their tourist areas, poorer Member States attempted to stimulate quantitative tourism growth and achieve development of the private sector in their countries.

In 1995, a new system of collecting and analysing statistical data was developed as the basis for a new tourism strategy. This is when new guidelines were adopted for the collection of tourism statistics and European tourism statistics was united in order to achieve improved accessibility, reliability and timeliness of the obtained data necessary to make predictions, studies, scientific and field research in the tourism industry, along with the creation of information database. Statistical Office of the European Union was

founded soon, and it was called EUROSTAT. Its purpose was organisation of national statistics in the tourism sector, systematisation, and publishing of statistical data related to tourism (<http://epp.eurostat.ec.europa.eu>; accessed on 03/04/2010).

Large employment opportunities have always been an important characteristic of tourism, as well as strong representation of various demographic groups in tourism, especially at the peak of the tourist season. There was also the possibility of employing professionals from many different fields and occupations. These opportunities make tourism a strong labour-intensive industry. One of such documents called "Development of Tourism Potential for Increasing Employment" was adopted in 1997, and the Expert Group on Tourism and Employment was founded in the following year, in which there were representatives of the European tourism industry. The objective of this document was to find solutions for future tourism development in the EU, to assist in the development of European economy and to increase employment.

This project was strongly supported by the European Parliament and influenced the document called "Working Together for the Future of European Tourism" from 2001.

The above-mentioned documents marked the activities in the first developmental stage of the common European tourism policy, in which emphasis is placed on the most significant efforts invested to stimulate different activities in the EU's tourism along with strengthening of European unity and fellowship (Hitrec 2001, 121).

In order to achieve these objectives, efforts were made to improve informing of tourists, funding was secured from different sources and allocated for tourist flows, special forms of tourism were co-financed, etc.

By these activities, tourism policy gradually found its place in the total economic activities in the EU service sector. Efforts to improve the quality and competitiveness on the market had a double effect which is supported in all the important documents which direct tourism.

Basis of the EU Tourism Policy for the 21st Century

Although competition on the world tourist market is becoming tougher, European tourism remains on the leading position as the most visited world tourist region. Europe, especially the Mediterranean, has many natural and cultural resources with numerous accommodation facilities and high level of communication tools, which creates conditions for quality tourism development in the future.

In order to analyse the contemporary tourism policy, one should understand contemporary tourism trends. The end of the second millennium brought many changes in the behaviour of tourists, but also in the functioning of tourist organisations. They have occurred as a result of ecological awareness, informatisation, developed booking system and the methods of selling tourist products.

In this regard, the term "new tourism" developed gradually, and it was promoted as human-scale tourism (Geić 2007, 324). Presently, tourists are ecologically aware and look for preserved natural destinations. Motivation to arrive to a certain destination is health, culture, education, etc. Tourists mostly avoid large tourist conglomerates which offer the usual holiday, full board, beaches and restaurants, which are characteristic for mass tourism. The tourist supply should be characterised by holiday creativity, spontaneity and individual experiences, anti-stress programmes, health and beauty programmes. Each client strives to relive a special experience in a local environment, in the indigenous atmosphere characteristic for the destination. It is evident that contemporary tourists are skilled in computer science, that they require safety during their stay; they go on vacations later in life and devote more attention to the quality of the purchased product (Hitrec 1999, 18). It should be pointed out that the price became an important factor for this group of customers.

It should be pointed out that, in accordance with the contemporary tourist trends, the EU tourism policy also attempts to develop high ecological quality standards along with protection for tourists as service consumers. The sustainable development principle becomes the purpose and objective of all tourist activities.

The previously mentioned document "Working Together for the Future of European Tourism" from 2001 was compiled according to activities of the Expert Group on Tourism and Employment, and important characteristics of this report relate to quality growth, sustainable development, exchange of information, impact of new technologies and professional education. Emphasis in this document is placed on the development of Eurotourism and setting of strategic guidelines for future activities. The Commission

directed the activities in the document towards better use of the European tourism potential and the Council of Ministers accepted it as such. This was the first document on tourism accepted by the Council, but it also directed legal regulations towards tourism legislation.

In order to further develop the legislation, the Commission invited the entire community to boost economic, social and ecological sustainability of European tourism. The measures and benchmarks were listed in the document from 2003 called “Basic Guidelines for the Development of Sustainable Tourism in Europe” .

In order to implement the above-mentioned measures, the Expert Group for Sustainability composed of experts in the tourism sector was founded in order to assist in tourism development. This group of experts adopted measures for preservation of tourism and growth of competitiveness, and its report would become the base for the document called “Agenda 21 for Sustainable Development and Competitive European Tourism” from 2007.

The above documents set a solid foundation for development of the two most important documents on tourism policy: “Renewed Tourism Policy” from 2006 and “Agenda 21 for Sustainable Development and Competitive European Tourism” from 2007.

Renewed Tourism Policy is a programme adopted by the Commission in 2006, inspired by the Lisbon Treaty which directed the EU’s activities towards two tasks: achieving higher and prolonged economic growth and opening more quality work places. This programme represents a new approach to the EU tourism policy and is also called the Lisbon Agenda, which was adopted by the European Council in 2000.

Purchasing power of the population as well as demand for certain types of tourism change in accordance with demographic changes. Although stronger growth rates relating to tourism were initially expected in health-, cultural or historical tourism, tourists were affected by the crisis and they therefore choose and use shorter and cheaper tourist travels or services.

Except for these impacts, tourism development is significantly influenced by climate changes, transport, ecology, traffic, fiscal measures in the service user’s country, etc. All those challenges should be taken into consideration in creating of a tourism policy. Also, needs and objectives of employers and employees as well as local communities should be taken into consideration. Tourism policy should be based on the already adopted activities and experience from tourism policies of all the Member States.

In order to promote Europe as a top tourist destination, the Commission launched the Visit Europe.com website – the website of European destinations which offers all the useful information on Europe as a tourist destination, as well as information on transport, calendar of events, weather, etc., along with recommendations of what and how to visit and links to national websites.

Agenda 21 for Sustainable Development and Competitive European Tourism is a programme from 2007 whose objective is to direct human behaviour towards the environment. The Agenda was accepted in Rio de Janeiro, and the European Commission adopted all the decisions which stimulate sustainable tourism development.¹ This document defined the common tourism policy of the entire European region, and is based on stimulation of sustainable development which should protect the environment to the highest extent possible and ensure social stability and economic growth in the region. All the instruments and measures of the common policy should be implemented on the principles of the holistic approach which prescribes that all influences should be taken into consideration in the planning of tourism development. The Agenda should place emphasis on the obligation to create a framework for implementation of European policies and activities in the tourism industry, but also other policies which have an impact on tourism and its sustainability. The most important objective of the Agenda is sustainable development and creation of competitiveness of European tourism. This principle should be the most important in destination management in accordance with the possibilities and needs of the local community and the environment.

The objective of firms which participate in the creation of the tourism policy should be maintaining competitiveness on the market.

¹ Agenda 21 advocates the sustainable development principle in all the sectors of activities regarding environmental protection, and it was adopted by the governments of 182 countries which participated on the 1992 Earth Summit in Rio de Janeiro.

Foundations of the Contemporary Tourism Policy of the European Union

After 2007, activities have been undertaken to develop the “Renewed Tourism Policy”, along with the promotion of European tourism and its revitalisation. In this regard, the European Commission attempts to concurrently develop the EU tourism policy and promotion of European tourism. The most important objectives of the contemporary tourism policy of the EU include the following factors (Hitrec 2008, 27):

- promotion of all the activities which develop European economy and fellowship,
- efforts to ensure economic growth,
- activities which increase employment,
- stimulation of development of specific types of tourism,
- activities which improve the quality of tourism,
- protection of tourists as consumers,
- taking different measures for protection of nature and cultural heritage.

Realisation of these objectives significantly depends on implementation of special measures or instruments which they depend on, but they also influence tourism development. Special attention is devoted to underdeveloped regions, along with helping their medium-sized enterprises in the catering industry, as well as training. Owners of medium-sized catering facilities are constantly monitored by regional authorities and they have the status of the main economic policy makers in the region. They participate with 96% in the total number of hotels and restaurants in the EU (Hitrec 2000, 73). These are mostly family tourist facilities which employ less than nine employees and have tourist capacities of 45 beds. The EU has special support programmes for small and medium-sized enterprises – SMEs, in order to protect themselves against unfair competition, and to help them by providing financial support in order to maintain and develop sustainable forms of tourism.

Tourism policy is closely connected with culture and environmental protection policy, because all the official EU documents advocate implementation of forms of cultural heritage protection. In this regard, the following projects should be mentioned: “Culture 2000”, “European Capital of Culture”, “European Cultural Month”, “European Culture Festival”, etc. On the other hand, European Awards for Tourism and Environment are awarded for environmental protection and, recently, the best European sustainable destination is selected in the framework of the EDEN programme.

Standardisation of all the economic activities in the EU is included in the system of direct tourism policy measures, and attempts are made to classify and categorise tourist accommodation facilities, accounting standards, sanitary and hygiene standards, etc.

Along with the above-mentioned measures, the EU implements numerous other measures which are not exclusively related to tourism, but have a significant influence on tourism development. One of the very important measures is the Schengen Agreement, which abolished the national borders, which significantly simplified tourist movements among the Member States. In this way, the entire EU territory became a single community which enabled free movement of the population.

Other agreements also influenced tourism development, such as the Maastricht Treaty from 1992, which pointed out direct jurisdiction of the EU bodies on tourism. Continuation of the activities from the Lisbon Strategy opened many new work places and competitiveness was increased in accordance with the sustainable development principle. The objectives of the Strategy were to increase the volume of investments and knowledge through better and more numerous workplaces, along with opening Europe to new investments and operating activities. Tourism became a special economic branch for education and new employment.

Creation of the monetary union along with introduction of Euro as a common currency positively reflected on tourism because it eliminated transaction costs between different currencies used in the EU. It improved comparison of prices of all products and services in the Member States, and it also improved harmonisation of the activities of the total monetary system and financial business activities in the EU.

Development of information technologies, protection against unfair competition and standardisation of statistical data should be especially pointed out.

The following measures are, among others, important for stimulation and development of tourism, but also EU tourism policies:

- various border controls and customs between the Member States were abolished,
- most of the Member States are in the Eurozone and use the common currency,
- common tax system and indirect taxes are synchronised,

- many common standards and various other measures are accepted in traffic policy,
- tourists are highly protected as consumers,
- tourism development in the Member States is assisted on the government level
- acceptance of different standards in tourism,
- acceptance of various new technologies and informatisation in tourism,
- acceptance of various other measures, development of competition, control of employment, social policy, education, environmental protection, preservation of cultural heritage, research, development, etc.

Contemporary tourism policy in the EU has been developing in three important directions (Vuković 1998, 129):

- promotion and visibility of the European tourism,
- co-operation among the EU Member States through tourism,
- Calypso – development of social tourism in the Member States.

In order to improve tourism development in the EU, the European Commission undertakes different measures to improve promotion and visibility of European tourism. Successful characteristics and benefits from tourism are presented through different actions and programmes to the greatest possible number of EU inhabitants, both on regional and global level. The Commission's activities can be summarised in three main directions:

- undertaking different operational obligations,
- Commission's activities through various European programmes,
- supporting and stimulating increase in competitive activities in the European tourism.

Sustainable development in tourism is developed through Agenda 21 along with stimulating tourist competition. Financing of different tourism development programmes is conducted through different funds, and special attention is devoted to development of communication between tourist business entities.

Increase in visibility of European tourism is conducted through co-operation of different European tourist forums and websites. The European destinations website is a place where modern tourists can find all the necessary information related to individual tourist destinations. Development of these information systems is very important for improvement of virtual interaction which benefits the tourists. Furthermore, the European Commission presents important data on diversity and common data on European destinations through the European Destinations of Excellence – EDEN programme. It includes some new destinations which promote cultural novelties with the objective to preserve social and cultural heritage and sustainable development. The objective of all of these activities is increasing visibility of destinations which are not yet operational or which are developing on the market.

Co-operation of the EU Member States through tourism and the constant need to develop tourism in a multisectoral manner require intensive co-operation with other organisations, local administrations, high education systems, individual institutions, etc. Other economic branches and their policies have a strong impact on tourism, such as sports, education, professional training, culture, regional policies, etc.

One of the examples of efficient tourist co-operation of different European institutions is development of statistical analysis and creation of statistical reports which contribute to better understanding of tourism. Unlike other industries, tourism does not achieve success through final manufacturing. All the significant data come from the number of arrivals and overnights, and tourism revenues and current statistical data do not present the impact of tourism on the total EU economy in a satisfactory manner. On the other hand, it is evident that tourism realises a great level of the total GDP in the EU, whether directly or indirectly. In this regard, by the end of the 1980s, the Organisation for Economic Co-operation and Development – OECD, the United Nations and the World Tourist Organisation stimulated the activities of a tourist statistical system which presents international standards and accounting classifications. Among the above-mentioned organisations and the EUROSTAT, the TSA – Tourist Satellite Accounting was developed at the beginning of the new millennium, along with the manual for using and collecting European statistical data used by various managers, universities, researchers, etc. It should be explained that Tourist Satellite Accounting is a statistical programme intended for tourism, and it is used to record various goods and services in accordance with international standards, classifications and measures, which facilitates successful comparison of different countries using the programme. Also, it significantly facilitates insight in the production of the tourism industry and its connection with other industries, employment, and various non-monetary information related to tourism.

Along with all of the above, the European Commission advocates using Tourist Satellite Accounting to facilitate understanding of the quantitative share in European tourism. The initiative from 2006 was joined by 16 members, while the initial data were published continuously. During 2008, the Eurostat initiated a significant project of implementation and expansion of the Satellite Accounting in all the Member States. It includes various manuals which develop the best use of balance sheet data, organisation of exchange of experiences and operating according to the obtained data, along with development of collecting larger quantities of data. Data obtained by the Satellite Accounting are synchronised through Eurostat's data. Completion of a new statistical regulation system is planned by the end of 2010.

Calypso – development of social tourism in the Member States. The EU programme Calypso means “hidden” in Greek. It is one of the contemporary social programmes whose objective is providing a greater number of poor inhabitants greater mobility in more European travel destinations, increase in tourist season, connecting of inhabitants living in distant European regions and stimulation of regional and local development. This programme originated from the objective of the Lisbon Treaty to enable tourism accessibility to all the EU inhabitants regardless of age, financial status, and nationality, and European travel destinations are accessible to all social groups which normally do not have potential income for tourist services. Their presence would strengthen revenues in the tourism industry, enable tourist activities out of the tourist season, especially in strictly seasonal tourist regions, where tourism is developed, but seasonal activity is a limiting factor. This would provide more successful and longer employment of tourism labour force out of the season. Initial activities related to the Calypso programme occurred in 2009 and enabled connecting of social partners, public and private sector. The Calypso programme itself should act as a factor which could enable tourist exchange of different target groups with the objective of their inclusion into EU tourist flows. In the first year, several important programme objectives were developed. Stimulating measures on European and national level were synchronised and agreed upon. They enabled exchange of the elderly, the youth, persons with disabilities, and their families living in difficult social circumstances. Difficulties related to the exchange of these groups were elaborated on, and problems that arose were solved. Various stimulating mechanisms by which social groups were able to use tourist services out of the season were synchronised. These services could have been used in the Member States, but also in the candidate countries. Use of tourist services would be defined by theme programmes and accommodation coordinated with the adequate bodies in the countries using the tourist services. Co-operation would take place at the initiative of the implementers who would act through local administration, charity organisation, parish, various associations, social partners, sub-contractors, or other non-profit organisations.

Either way, participants in the Calypso programme should be inhabitants of the EU or the candidate countries, and, according to the provisions of the arrangement, they should belong to one of the above-mentioned social groups (<http://europa.eu>; accessed on 03/04/2010):

- the retired or other persons over 65 years of age,
- young people between the ages of 18 and 30,
- persons with disabilities with one companion,
- families which have a verified proof that they are in a poor financial situation.

Realisation of the Calypso programme would ensure development of economic activities in the EU, along with improvement and prolongation of the tourist season. It would reduce seasonality through the social function of tourism, along with the reduction of risks of loss of work places for tourism labour force, pressure on tourist infrastructure would be reduced and tourism would be developed out of the main season, smaller destinations would get assistance in regional development, work places of better quality would be created in the tourist sector and European co-operation among the inhabitants of different parts of Europe would be increased

Subsidies for poor tourists, which were considered on the sessions of administrative EU bodies, contributed to reflections on the methods of prolongation of the tourist season throughout the European continent, and one of the ideas refers to development of a sort of an “Erasmus programme for tourism”, modelled on the successful student exchange programme. While various scholarships are awarded in the framework of this programme among universities, its tourism version would enable specific categories of inhabitants to get subsidies for going on vacation.

According to a website called Eur Activ, an official responsible for such issues in the European Commission stated that this refers to young people in particular; that the youth and the people over the age of 65, along with persons with reduced mobility and low income should receive a sort of a subsidy to go on

vacation in the periods of low occupation of the season. Thus, Europeans from the North of the continent could go on vacation to the south of the continent, while inhabitants of the Mediterranean could visit countries in the North during summer months. They claim on the website that the idea was taken from a Spanish project which stimulated tourist exchange among the regions, which could significantly boost tourism development out of the season.

They state on the website that European ministers also try to launch some other projects which would result in tourist arrivals throughout the year and this would avoid seasonality, i.e. the fact that tourist season is reduced only to a few months. This is one of the new initiatives in the framework of the new European tourism policy which has been developing since the Lisbon Treaty came into force.

According to the data presented on the website, which refers to the European Commission, EU tourism creates more than five per cent of the total GDP of the EU, with about 1,8 million of enterprises which employ 5,2 per cent of total European labour force, i.e. about 10 million work places. The problem is that many of these people work only during specific time periods in a year, and jobs are seasonal, which the Commission sees as a great problem in the realisation of competitiveness of the tourism industry. This is precisely the reason why European ministers try to prolong the time in which people of different backgrounds, profiles and from different milieus could use their vacation time.

Conclusion

Total development of the tourist policy, like any other measure in tourism, from its beginnings to modern activities, has been developing rapidly. Determinants of the tourism policy can be summarised in several significant postulates, especially its legislation, although, behind these activities, there are objectives according to which tourism policy develops in practice. Tourism policy creates conditions for successful activities of total tourism in a destination, and such policy should be elastic enough to adapt to constant changes occurring on the tourist market. .

Although it had encountered different barriers in its activities, the single tourism policy in the EU became an equal and very significant part of tourism development in the EU. It should be pointed out that competition or imposition of EU administrative bodies is not the case here. It primarily refers to creation of better framework conditions for future tourism development.

According to the WTO's predictions on the perspectives of future development of European tourism by 2020, Europe should continue realising adequate tourist growth rates, especially those related to cultural, ecological or event tourism, along with increase in theme travels. The number of Asian tourists should grow. Tourists from Asia, the Pacific and Africa should increase growth rates of tourist arrivals to Europe. According to the current data, the highest arrival rates to old European tourist countries should be achieved by transition countries from Eastern Europe, which should double their tourist-receiving turnover.

The EU tourism policy should increase in quality, become more imaginative and more effective in the near future, with gradual adjustment to new developmental opportunities on the tourist market. The basic EU tourism policies are presently implemented in practice by all its Member States, and the countries which want to access the EU are trying to adopt the basic guidelines of tourism development in Europe.

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Emerging trends in the tourism industry – the need of alternative forms of tourism

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Abstract

Tourism as a part of the service industry has a remarkable growth over the past 20 years. Because of the fact that tourism is in constant growth, its role in the economy (both on macro and micro levels) becomes more significant. This can be seen by analyzing the destinations that are developed due to the growth and development of tourism, as well as by analyzing the countries which are leaders in tourism and tourist offers.

Since the tourism market is developing, the needs of the customers are getting more profound. As a consequence, the competition between parties involved for keeping the old and attracting new customers is in constant growth. If they manage to meet their goals and objectives, they will be in a position to gain better position on the market and eventually achieve their basic goal, which is profit.

The alternative forms of tourism are a crucial factor for development of the basic form of tourism and help towards the development of the region in which they are offered. Unlike the specifics of the mass tourism (which has a one destination concentration), the alternative forms of tourism have disperse specifics, meaning that tourists are located in several destinations. In this way they can be part of different kinds of attractions which will satisfy their needs and preferences. The alternative forms of tourism also help preserve the environment, untouched nature, tradition and culture.

In this paper the need of alternative forms of tourism will be researched. This will be done in order to prove whether the future of tourism relies upon these forms of tourism. In order for this to be presented, an empirical research will be done, followed by similar previous relevant research and interpretations of the results from the research. The sample will be consisted of providers of tourist offers. Aside from the primary data, secondary data will also be used from other relevant sources. The results from the research will be interpreted successively.

Key words: *tourism marketing, customer needs, alternative forms of tourism.*

Introduction

The basic definition for tourism is that it incorporates the sun and sea model i.e. its basis lies in the possibility to offer the sun and sea package tour to tourists (Marinoski, 2001). Sustainable tourism nowadays lies on the premises that it can only be achievable through development of alternative forms of tourism. This will allow future tourists to meet their purest needs and wants and to manage to meet their preferences. Alternative forms of tourism aim to preserve environmental, economical and socio-cultural impacts that tourists have on a certain destination (Buhalis, 2000). By doing this, they allow sustainable growth of the destination in particular, and of the country in general. This will allow more sensitivity for

local social and economic demand and revenues which come from tourism can be spent on future development of that particular destination.

The research objective of this paper is to determine which are the most attractive alternative forms of tourism, why do tourists like to be involved in those forms of tourism and which are the benefits of having a tourist offer with incorporated several forms of alternative tourism. In the paper an empirical research will be done followed by relevant sources which are involved in this research area. From the research and the literature consulted, the results expected are that incorporating alternative forms of tourism in the tourist offer is more than needed and slowly, but surely becomes a trend in the tourist industry. This fact is based on the changing habits of tourists around the world and it becomes a world trend.

Tourism specifics and marketing tourism

Tourism represents a possibility for exploiting the protected areas on a sustainable way. At the same time, that is a way to use, preserve and to develop the living environment which is rich with extraordinary natural and human made elements and contents. The development of the alternative forms of tourism is of special significance in the areas in which there is authentic nature and cultural heritage connected to the possibility for recreation, fun and cultural experience.

In the development of the economic explanation of tourism, there are numerous attempts to give detailed and precise explanation of the service industry and to make clear distinction from other areas and industries. There are a lot of definitions of the term "service", but the most complete is the one that is given by P. Kotler (2008, p. 71): "The service is each and every activity or usage that one side can offer to the other which in its basics is unacceptable and does not intend to establish ownership of a physical object".

The tourism 'product' is an experience achieved through the combination of a diverse array of products and services (Heath & Wall, 1994; Scott, Parfitt & Laws, 2000). For visitors, the product is the total experience, covering the entire amalgam of all aspects and components of the product, including attitudes and expectations. According to Middleton & Clarke (2001), the overall tourism product is a package, and might be defined in terms of five main components, namely: destination attractions; destination facilities and services; accessibility of the destination (including transport); images, brands and perceptions; price to the visitor. Hence, destination is a provider of experiences.

One of the biggest challenges faced by tourism marketers is that the product is largely intangible. What we are marketing, of course, are intangibles. The tangibles are essential and necessary but as soon as they reach a certain level of acceptance, they become secondary. Because they are so difficult to differentiate, to be competitive, the intangibles have to be marketed. Even as tangibles, mountains and beaches have a measure of intangibility because they are experienced rather than possessed (Ryan, 2005).

If tourism products are mostly intangible, they have to be marketed with tangible evidence. This is what is referred to as "tangibilizing the intangible." However, this is a complicated process. By emphasizing the concrete elements one may fail to differentiate oneself from the competition, and since the intangible elements are abstract, by emphasizing the abstract one compounds the intangibility.

The season concentration is a very important specification of the tourist market. According to this, involved parties should keep on mind the big costs for building and maintaining the capacities, but also not to forget the participation of human resources in most of the tourist branches.

Tourist demand, across tourist offer is very much elastic, determined with many factors, most of which are irrational (Ritchie, 2002). As a result of the different individual needs on the side of the demand and the different possibilities in their satisfaction, diversity floats on the surface, but also difference in behavior from the participants on the side of the demand.

Before the tourist product is created, there is a need to make a market research regarding which is the targeted segment, where that product will be offered and who will be the competition. Also, several products need to be combined and offered together. This is because tourism is complex and there is a need of enriching the existing products and a very creative policy has to be implemented. By combining the partial products, one complex product is being produced which can be offered to the market.

Alternative forms of tourism and the need of alternative forms of tourism

The alternative forms of tourism are the factor which allows incorporating different segments on the side of the tourist demand. In this way, different needs and wants on the side of the demand can or might find attractive contents. In that manner, they will be able to satisfy their needs. Throughout these alternative forms of tourism, an outstanding support is being given in the efforts to protect the exotic environment, the rare sceneries, untouched nature, tradition and culture and a possibility for their activation can be achieved (Marinoski, 2001).

In recent analysis of market demand preferences, a few types of tourism are mentioned as being present on the market: ecotourism, cultural tourism, adventure tourism, cruises and nautical tourism (Marinoski, 2001). The alternative forms of tourism are a crucial factor which helps towards incorporation of different segments of the tourist demand. In this way, different types of needs and wants on the side of the demand shall be satisfied. And, eventually, that will help in the preservation of the exotic areas, untouched nature, culture and tradition.

Since its base start as the “ecologically and socially responsible way of travelling” ecotourism has developed into an economically important product, “travelling with a natural element” (Bernadini, 1992). Thus far, ecotourism has created possibilities for development in inadequately developed tourism regions, as well as for the maintenance and funding of protected areas. In ecotourism we differentiate tourists according to two important segments: small groups with special interests in ecotourism who spend their whole vacation this way; and the large number of tourists who spend their vacation, for example, on the beach, but also take part in “short nature excursions” (Bernadini, 1992).

Middleton (2001) states that ecologically produced food is yet another component of tourism and ecology which has become an important factor in defining the tourism product and its differentiation in the market. Opportunities for the production of ecologically-grown food and its sale in catering facilities which offer their services to tourists must be further developed and used in light of the fact that the importance of this segment of the tourist supply is increasing.

Cultural tourism is more and more becoming a significant part of the supply. In the area of cultural tourism, it is necessary to identify market niches with special cultural interests. It is very often the case that during vacation the guests will visit an event or cultural monument (Bernadini, 1992).

Adventure tourism is a small market niche with the potential for growth. Given that today’s tourist has access to virtually every corner of the planet, this segment – as stated by the World Tourism Organization (2001) – would now like to explore the altitudes of mountains, the cosmos, the Antarctic, and depths of the seas.

Package tours expressly offer what no other way of travelling can offer and that is the possibility of seeing a great deal in a short period of time. This would explain the large growth rate related to package tours and the prospect of expansion in this segment (Buhalis, 2000).

Owing to the length of the coast and the richness of flora and fauna in the lake, the shore of Ohrid Lake is the perfect setting for the intensive development of **nautical tourism**, as well as package tours. Fulfilling the needs of this demanding segment has the potential to become an important contribution to the whole of tourist traffic in Ohrid (Marinoski, 2001).

Corporate travel, conventions and incentive tourism, are becoming increasingly significant. This segment is exceptionally lucrative, and primarily takes place out of the summer peak season, which is enough reason to intensively promote its development. This would attract an increasing number of foreign experts, scientists, professors and researchers. The necessary prerequisite for developing convention tourism is the construction of quality convention centres.

The tourist offer of one receptive country should be concentrated on all factors, especially the cultural, natural and historical ones. This is because tourists from abroad will not travel thousands of kilometers only for one partial tourist product, i.e. the well-known cuisine of the country. But, this also means that this factor has to be the carrier of the tourist offer, and the other factors have to be present as well. The table below explains the differences between mass tourism and alternative tourism.

Table 1

Mass Tourism Vs Alternative Tourism		
	Tourism Mass Tourism	Alternative Tourism
General Features	Rapid development	Slow development
	Maximizes	Optimizes
	Socially, environmentally, inconsiderate, aggressive	Socially, environmentally, considerate, cautions
	Short Term	Long Term
	Short Term	Long Term
	Remote control	Local control
	Unstable	Stable
	Price Consciousness	Value consciousness
	Quantitative	Qualitative
	Growth	Development
Tourist Behavior	Peak holiday periods, seasonal	Staggered holiday periods, no necessarily seasonal
	Capacity for high seasonal demand	Staggered holiday periods, no necessarily seasonal
	Tourism development everywhere	Development only in suitable places
	Large Groups	Singles, families, small groups
	Fixed program	Tourists directed
	Spontaneous Decisions	Spontaneous Decisions
	Comfortable and Passive	Tourist decide
	Demanding and active	Tourist decide

Source: Gartner, 1996, pp 339-340

As presented above, the table shows the most important specifics of the alternative forms of tourism. The table also gives hints for possibilities for future development of sustainable forms of tourism. For example, mass tourism is all about maximizing profit on the short term, it is unstable, quantitative, and seasonal. Also, it characterizes with large groups with fixed program with spontaneous decisions. Au contraire, the alternative forms of tourism are into slow development, optimizing profit on the long term basis, it is stable, qualitative and not necessarily seasonal. These forms characterize with small groups, tourist directed with spontaneous decisions. It is clear that the alternative forms of tourism are more for sustainable tourism on the long run.

Research methodology

The research methodology for this paper was based on developing a questionnaire which was distributed to parties involved in tourism (i.e. tourist agencies, tourist guides). The questions involved simple answers, meaning that several key factors in the field of tourism were researched. Some of the key questions were the following: Which country do you operate in?, What is the average age of the tourists?, What is the educational level of most of the tourists?, Which forms of tours do you offer?, Which forms of tourism do you offer?, Do tourists prefer more the alternative forms of tourism over mass tourism?, Which forms of alternative tourism do tourists prefer? and Did the number of tourists grew once you started offering tours with alternative forms of tourism? And by how much?. These were all essential in order to get more detailed information about the alternative forms of tourism.

Explain the field research

The research was conducted within tourist agencies which offer both mass and alternative forms of tourism. A questionnaire with crucial questions was designed and distributed amongst the managers of the agencies as well as amongst tourist guides. It was expected from them to answer the questions given and it was allowed for them to comment on some of the questions. The research was conducted in the past month, before the main tourist season in Macedonia. By this, we think that the feedback that we received is the most accurate one.

Research results

The results from the research are clear and obvious. All those agencies which have offered alternative forms of tourism have better results than those which don't offer alternative forms of tourism. It is also obvious that the target group for these forms of tourism is between the ages of 35-65. Those are the people who want to experience the destination from a different point of view. Almost all of the interviewed answered that tourists are into experiencing eco tourism, rural tourism and adventure form of tourism. And, last but not least, the average percentage of profit growth is 25%, which in today's turbulent business environment is an excellent result.

Conclusion

In recent years, on the demand side of the market, there has been a growing trend of tourists seeking specific types of tourism. Historical heritage, natural beauty and pleasant climate make up the framework which, together with the development of high quality accommodation, the rich supply of activities and entertainment, and particularly good service, shall enable the destination i.e. Macedonia to attract the modern-day tourist.

The tourism development needs to be based on the preservation of exceptionally diverse natural and cultural wealth; on principles of sustainable development in the planning of a quality tourism offering; on adequate market positioning and promotion, as well as the cooperation of all individuals and professional institutions that directly and indirectly participate in tourism.

As seen by this initial research, the need and demand of alternative forms of tourism is growing and becoming more and more an important factor in the future development of tourism in overall. Because tourists are more informed than ever before, they want to have the experience of their lifetime by consuming a complex tourist product in which one or several forms of alternative tourism are incorporated. The research also shows that profits grow more if the tourist agencies offer alternative forms of tourism. By this initial research we have shown that alternative forms of tourism must be taken into serious consideration not just by the direct parties involved in tourism, but by the government as well. National strategy for development of these forms of tourism has to be implemented so that these forms of tourism will be sustainable in the future.

The strategy for tourism is a starting document for the implementation of defined strategic goals and the designing of suitable operational plans on lower levels, whose implementation, in turn, shall enable the achievement of the main strategic goal. Besides representing an umbrella strategy for the drafting of local plans of tourism development, it is also one of the key starting points in the process of designing a national strategy of regional development.

There are several important benefits to undertaking a strategic approach to marketing. These advantages include: establishing the overall objectives and strategies, providing a rational basis for decision-making on marketing and laying the foundation for effective implementation of the marketing plan. However managers must be aware of the planning model's pitfalls and limitations.

The marketing strategy for both international and domestic tourism must be derived directly from the development strategy and the need to project a focused and positive image. A key principle applied in formulating the marketing strategy is the maintenance of a close relationship to the development strategy, which emphasizes product improvements and diversification.

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EVENTS AND THEIR IMPACT ON TOURISM - THE CASE OF SKOPJE

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Abstract

Skopje as a capital city, slowly but surely becomes one of the most attractive and most visited urban centers in the region. The number of tourists increases continuously. Potentials available to Skopje are numerous and represented by various natural values, and anthropogenic motives, and of course events. Worldwide there are various events that had the ability to attract less or more domestic or foreign tourists. However, globally there is no accurate record of events and therefore cannot determine the exact number, although it is likely that there are millions of manifestations of entertainment, cultural, sport, religious, business.

Events have a great potential to attract tourists, particularly in urban centers, like Skopje, as the capital of the country.

This paper will analyze the most recognizable Events in Skopje, and their significance in development of tourism in capital city, and will offer suggestions for their greater involvement in tourism offer.

Key words - events, tourism, Skopje

Introduction

Since the very first occurrence of tourism, it tends to increase the supply, in relation to what tourists prefer in order to satisfy their interest. The offer of events as tourist attractions increases the last few decades and is modeled according to the changes and demands of tourists. Such events slowly but surely are growing into the most attractive and most visited tourist attractions globally, and the Republic of Macedonia, as well as Skopje the capital is no exception to this trend. Here as well, the trend of visiting some of the numerous events is followed, which in this case, Skopje urban center has to offer.

The rich cultural and historical past picturesque can be shown by any of the events presented in various conferences, festivals, events, etc. held here. In addition to these events there are fun, cultural, artistic, sporting, scientific, etc. which themselves have the ability to attract the attention of tourists. All these attractions in some way affect the formation of the tourist offer of tourism in Skopje (what is studied in the paper), but in practice it is very difficult to distinguish between what an urban tourism offers and on the other side the offer of tourism of events.

Good interpretation and the quality of tourism product affect the ultimate satisfaction of tourists, the opportunity to increase the tourist trade, and the effects of these events on the economy and tourism industry in our country multiply, so despite the direct advantages and benefits, the indirect benefits are more significant.

Urban tourism is one of the newer and very promising forms of tourism that occurs at the beginning of the XXI century. Skopje with its manifestation stage, which is offered, mostly due to its historical and cultural background has the potential to develop this form of tourism, which offer if developed and analyzed carefully and strategically is very likely to bring positive measurable results as the number of tourists and the overall economic benefit.

Definition and classification of events

The term "Manifestation" originates from the Latin "manifestare" which means - publishing, public appearance, presentation, exhibition, etc., while the modern meaning of the word manifestation means carnival, festival, parade, ceremony, etc.

The first manifestations or events in the world have occurred long ago and initially referred to major events and celebrations in the family as private - a celebration of birth, weddings, engagements, etc., and public social life, organized celebration of holidays, various religious ceremonies, sporting events. Similar events were held in Ancient Greece, which were religious manifestations Delphi and the religious sport manifestations of Olympus. In fact considered most similar manifestation of the time-like current manifestations by way of organization and functional structure were the Olympics, where despite certain sports disciplines, there were competitions in the field of poetry, drama and comedy, supplemented with additional musical performances. But with the development of social life, there is the necessity of increasing the total number of manifestations, and the level and manner of their organization. Today manifestations also involve: festivals, trade shows, conferences, conventions, shows, exhibitions, concerts, symposia, etc.

The relevant literature that deals with the study of events is given more divisions, but probably the most important are classifications according to the duration of events, according to the content, the number of participants, the number of visitors, according to the character and so on. In the tourism literature and practice the one that classifies the type and content, and the number of visitors is the one that is mostly accepted.

Depending on the content, as it can be traced in these areas the most common are: fun, sports, science, music, culture, art, fairs. According to the size and number of visitors manifestations can be: mega events - Mega events (events that have the ability to attract a very large number of visitors, but this kind of events are not yet organized in the Republic of Macedonia or in Skopje as its capital city), specific events - Hallmark events (those identified with the spirit of the place or destination are maintained in such world events are the Carnival in Rio, Venice Film Festival, etc., and in Skopje probably the most appropriate manifestation is Vino Skop, where despite the quality of the wines, the hospitality of the residents and their tradition of consuming this drink is also presented), major events - Major events (those events that have the ability to attract larger category of tourists that come from many countries and international participants, and thus generate large economic benefits. Example of such an event in the territory of our country is European Handball Championship for Women held in 2008, which despite the games in Skopje, was also held in some other interior towns), local Events - Local events (are mostly represented in these areas, often as festivals for local visitors and have primarily entertainment character - Days of Macedonian Honey, held every autumn in the street Macedonia in Skopje).

According to the content events can be:

- Cultural
- Economic
- Political
- Scientific
- Religious
- Historical
- Combined

Here arises the problem of the inability to clearly set the contours between different kinds, because often a manifestation contains elements of many types and intertwine with each other.

Next important division is the one which separates accordingly to the origin of the participants:

- National
- International

Manifestations today in contemporary social trends are a strong tool in the growing competitive struggle of the tourism market in the fight to attract tourists and the need to meet their requirements and needs and appeal of the event is that it is never the same, and oneself must be on site to be able to fully enjoy the experience. After all, the power and importance of this industry illustrated according to IFEA says that there are over a million different events in this world, with annual revenues of over U.S. \$ 30 MLD. The problem probably occurs in the lack of accurate and official data on the total number of events of national and international importance. For comparison International Association of carnivals has over 200

members, the association of theater festivals has over 500 members, supplemented with various sports, music and other events.

What we should pay attention to, as can be traced, is the need to distinguish events and their role within the urban tourism on one, and manifestations tourism on the other hand.

It is said that urban tourism knows how to bring people, places and consumption closer, and mixes cultures, values, expectations and experiences, while providing background and space research. Generally accepted definition of this type of tourism is the one that defines the public performance in the form of one or more events, the same or similar content, various categories of human achievements which are distinguished by the excellence and attractiveness, while achieving tourism effects and purposes, and are organized in all districts who are interested in it, with massive performances and public expression, which are significant in scale, size, quality and quantity of content, with well-defined central and recognizable term maintenance, which achieved profitability as part of the tourist destination.

When accessing the detailed analysis of the events from a scientific and from a practical point of view, what we are paying attention to is: traditionalism (which are those events that are held consecutively over 5 years, the majority of events in Skopje, exactly traditional), the holding period (to determine during which maintain most of the events, at times, even after months), additional events (this feature indicates the organization of various additional events that accompany and complement the main event) , organizers of events (that organizers of events, governmental or non-governmental organizations and institutions, etc.).

Events in the capital Skopje

In the territory of the Republic of Macedonia, especially in the capital Skopje are organized a number of traditional events that have the capacity to attract a large number of tourists from the country and the region. Chronologically followed greatest rise occurs in the fifties and sixties years of the last century, a period when most of these events become traditional.

The degree of success of any event is affected by multiple factors, such as: content, specifications, traditions, quality of organization, number of visitors, duration of event, location and proximity of additional natural and anthropogenic values or in other words, a higher level organized the event and attractive location, increases the value and attractiveness of the event itself.

In Skopje as a Micro destination, within Macedonia as a tourist destination, it can be said that tourism especially urban tourism is the most important segment, the driver of overall tourism development, and a key element in forming the image of a destination and its establishment in the market. In terms of thinned taste and requirements of tourists and extremely strong competition, the need to use all the potentials which in any way can contribute to the purpose of tourism is imposed. Cultural and historical heritage incorporated into the identity of the tourist product of Skopje offers prerequisites for organizing a number of events that have the capacity to arouse interest among the broader category of tourists. Actually the attention of tourists always is always attracted by towns that have a rich history, and the biggest advantage of Skopje is exactly rich history represented by numerous anthropogenic values.

The following are some of the most important events taking place in Skopje from tourist point of view and given their basic features:

May Opera Evenings

Opera in Macedonia officially starts operation in 1947 with a performance of "Cavalleria Rusticana" by the Macedonian National Theatre (MNT). Later with enhanced organizational and technical potentials at the time is organized the first festival of opera art in these areas, "May Opera Evenings". The first event was held in May 1972, with the performance of the play "Samuel The King" by the composer Alexander Macedonian and since then May is called "Month of the Opera," and the event in years achieves international character. To date through opera, concert and ballet program were held more than 400 performances with over 2000 participants from many countries of the world, starting with neighboring Serbia, Greece, Bulgaria, Albania and Austria, Germany, France, Italy, Iran, Egypt and many others.

Today, the event which is organized by the Macedonian Opera and Ballet attracts visitors - lovers of classical music in the country and beyond.

Skopje Jazz Festival

The Skopje Jazz Festival is one of the leading music events in the country, and probably beyond. The beginnings of the festival are from 1982, and this festival has shown a steady continuity to date. The last edition was held in October last year and was 31st edition. Between the international jazz audiences this festival is known as one of the best ones, and possibly a festival with the highest program quality on the old continent. In its long history, on the stage stood world renowned jazz artists such as Tito Puente, Ray Charles, Paco De Lucia, Vlatko Stefanovski and Miroslav Tadić, BB King, James Brown, The Leaders etc.

Today the festival attracts visitors from the immediate and wider environment.

Taksirat

The beginnings of this festival date back to 1999, first as a local music festival, and has subsequently grown into one of the most respected festivals on one, and one of the most visited festivals in the Balkans on the other side. At this musical event in its long history a lot of famous musicians from almost all genres of popular music have taken a place, which nominates it as one of the finest festivals of this kind. Participation as performers took guests from England, France, Croatia, Austria, USA, Canada, UK, Serbia, Croatia etc.

Vino Skop

This event is held on the square in the capital, and it is a place where lot of Macedonian wineries are presented, and besides quality wines, festival goers have the opportunity to enjoy the delicious food and rich music program. The first festival was organized in 2007 and since then traditionally each October lovers of beautiful Macedonian wine gather and enjoy the program of the event. The wine festival was visited by the domestic and foreign guests that are familiar with the quality of wine and do not miss the opportunity to enjoy its taste.

Pivo Lend

It is the only such manifestation in the city. It was first held in 2008, and then with more domestic and foreign breweries, each year the festival becomes more mature and enriches the quality of its program by the number of stands where beer and delicious food is offered, normally supplemented with a rich music program, deployed on multiple stages. The number of visitors to the event is growing continuously and visitors come from the country and the neighborhood.

Importance and benefits of events

Events as tourist attractions are successfully making a synergy of travel, tourism and education and thus attract more tourists. In this way, tourists meet their recreational and educational needs, especially when it comes to manifestation or event that contains some educational component. What should be singled out and emphasized is that tourism related events, mostly down to the individual initiatives of some of the cities, or in the case of Skopje, that cherish culture and tradition they inherited and are trying to maintain continuity and the maintenance of most of these events in various ways.

In the existing tourist offer of the Republic of Macedonia, especially in Skopje as a capital, events have a significant place and their impact on tourist offer, is overwhelming. Here the question arises, what is the impact and what is the meaning that events have on Skopje, if followed through several spheres of social influence. These effects can be positive and negative, of which the latter are much less represented and expressed. As positive effects on the organization and holding of events that enrich the tourist offer of Skopje are:

- Improving the image of the city and creating a picture of a tourist destination that can offer an extremely large number of attractivities;
- Economic benefits of the events expressed by achieving high profits on the one hand, the more entities involved in the organization, but also job creation during the organization and holding of the event;
- Infrastructure benefits through reconstruction of existing material and communicative base, and building new infrastructure for the adequate needs;
- Socio-psychological benefits - increasing the level of interest of local people to participate in activities associated with the event, reinforcing traditional values and customs in the city, increasing local pride and the spirit of togetherness;

- Political effects expressed through promoting the destination, and increased opportunity for international recognition of the city and the country and its values.

Very often, the motive for the arrival of tourists is a specific event, and then they follow the natural and human attractions, shopping, gastronomy and nightlife at the destination. Therefore, this event is such a complex product with customers from all age groups that can have different effects on the development of tourism in a particular area.

The thought of development of tourism, or in this case, urban tourism, encouraged by the holding of events in general should perform the process of educating the holders of these events, which should solve the problem with a deficit of knowledge and skills, and creating future generations profiled perception of culture and awareness of cultural, aesthetic and ethical values. Then, to encourage the introduction of appropriate programs in higher education process in order to create a quality and trained human resources, forming organizations where members and local government representatives that will represent the public opinion associated with specific events, and implementation of marketing program will raise awareness of the importance and role of cultural tourism patterns in the overall development of the destination.

If we want to maximize the impact of these events in the development of tourism and increase income from them, it is necessary to take several actions, including: to facilitate access to information on attractions and cultural values of the guests during their stay, promoting and creating the image of the destination as one that actively develops tourism thanks to its culture, an increasing number of professionally trained staff, raising the professional level of management culture.

Table no. 1 Events in Macedonia, separated by types of events by region

Statistical region	Total	Cultural-artistic	Agricultural	Sports	Historical	Religious	Scientific
Skopje	81	56	-	3	-	1	7
Vardar	24	20	3	-	-	1	-
Northeast	45	30		5	4	5	1
East	42	27	3	1	4	7	-
Southeast	24	24	-	-	-	-	-
Polog	18	11	2	4	-	1	-
Southwest	35	23	-	5	1	3	3
Pelagonija	34	16	1	9	3	4	1

Source: own research and analysis

It can be noted from the table No.1 that according to the survey, within the borders of the Republic of Macedonia, according to unofficial data were held 303 events of different nature, but the most numerous manifestations are in Skopje Region, covering only 26.7% of the total number of events in the country. In the Skopje region cultural and artistic events are most of them all, or about 70% of the organized events were with cultural and artistic content. When considering the importance of cultural and artistic events, it is special and evident the place they occupy in the program for the development of culture of the Republic of Macedonia, which can be traced through the proposed measures in the same one. In addition are presented the sports and scientific events with 3 and 7 of the total number of events, and only one religious event is recorded, which is maybe not that familiar, because it is these events that are perhaps most common in Macedonia, but unfortunately only one is recorded to have the potential to attract tourists in the Skopje region.

What can be noted as a conclusion is that in Skopje, the most common events are in May and June. Furthermore, the events during the summer are equally represented as in tourist resorts and in Skopje, which is not the case with other months of the year when the prevailing events are organized in the capital.

Sporting events in the city are most common in May and October, and very little in the winter, which is probably due to the absence of winter sports from the sports scene. Most of the events are characterized by a higher level of organization different from other cities, more developed sport spirit, and greater availability of adequate infrastructural facilities.

When we are trying to consider scientific events, it can be concluded that they are underrepresented in Skopje, and many more in the touristic spots, and are most commonly organized during the out-of-season months. Their low representation in Skopje is a particular problem that seriously needs to be addressed in the future, especially if the number of tourists continues to grow in the city, which is important given the fact that visitors and participants of these events are often characterized by greater purchasing power and spending more money in the amount of the stay. To make a better picture out of this, it is necessary initially to improve the image and placement of infrastructure facilities suitable for this purpose, and other organizational elements.

Events can have a great program and a great importance for the visitors, and it will only gain importance if event management is able to sell through well-planned marketing strategy. Marketing strategy begins with creating great content, selecting the appropriate time and place to hold the event, analyze the market and its segmentation, creating an attractive price and selection of distribution channels to promote the event. Skopje offers events to improve event tourism development through the geographical position of the city, excellent transport connections expressed through air, rail and road transport, excellent material base (accommodation, complementary tourist facilities, etc.) And the fact that Skopje is an administrative, cultural and economic center of Macedonia, Kosovo's gravitational influence and southern parts of Serbia. Marketing strategies can be directed in two ways, to focus on current events, and to improve the level, so in that way they can attract visitors, or create a new event of their scope and content will be a magnet for visitors, after the EXIT festival in Novi Sad, event held since 2000, with an average attendance of 150,000 visitors a year, or Prilep (Pivo Fest) Beer Fest with 300,000 visitors.

Conclusion

Events are an important motive for travel and one of the most important segments of the tourist market, represented by tourists and tourist demand. They have the potential to attract visitors, but also to improve the overall image of a destination, which is particularly important for the development of tourism, and as such form the basis for development of manifestations' and tourism.

If we want to think about tangible economic results from manifestations and the increasing profit in all forms, especially tourism in large cities, the need to determine what it is that attracts tourists who are the target group, and focus on higher levels of organization existing attractive events, but also increase the number of new events, whose content would retain the same attention, is undoubtedly the most important procedure. The material remains of cultural heritage, such as monuments; forts; archaeological sites situated in authentic natural surroundings give the area an increased landscape value. Events on this side have a strong synergistic value not only for the event, but for the site, as well, which improves the ambience case. The event gets more value and a tourist destination promotion.

The Macedonian scientific community, events and their effects of tourism are poorly represented and studied, and thus their definition, classification and distinction.

If we want to think about tangible economic results from manifestations and the increasing profit in all forms, especially urban tourism, the need to determine what it is that attracts tourists who are the target group, and focus on higher levels of organization existing attractive events, but also increase the number of new events, whose content would retain the same attention, is undoubtedly the most important procedure. The material remains of cultural heritage, such as monuments; forts; archaeological sites situated in authentic natural surroundings give the area an increased landscape value. Preserving the organization of manifestations on these sites has a strong synergetic value not only for the event, but for the site as well, which enhances the ambience of the event. The event gets bigger value, free site promotion.

If we want all the previously mentioned events to have a long and continuous process of development, and to consider seriously their importance in the development of tourism in some destinations, such as Skopje, as can be traced, it is necessary to keep an eye on the organizational process and the weaknesses that currently exist. Here are the thoughts of poor media coverage, incomplete tourist offer, inadequate

marketing campaign, poor cooperation between the entities involved in tourism development, weaknesses in the organization and so on.

Among other events, have the potential to improve and enrich the overall tourism destination and considering the potential they should be used. Organized events may represent the main factors that have the potential to attract tourists to a particular destination, especially with a new category of tourists who want to visit new destinations, to learn new and unfamiliar culture and entertain, but also to gain new experiences. While creating the overall tourist offer of Skopje account should be taken on the potentials that are highly accessible and can appeal to a broader category of tourists. Tourist handicap represented with a modest infrastructure, continentality in terms of geographic location in terms of access to the sea and travel beyond recognition can be eliminated by creating an integrated tourist product focused on cultural heritage and events that present the same.

What has been observed brings us to the conclusion that Skopje nurtures the events that are inherited from previous generations and through them presents the rich cultural - historical heritage of religious, ethnic, historical, sporting, scientific and other elements. The significance of manifestations' and urban tourism is an important link that contributes to sustainable community development and allows preservation and fostering of cultural values, not also increasing the possibility of promoting tourism in Skopje center manifestations developments, but the core of urban tourism in the Republic Macedonia, which contributes to increasing tourist trade, and therefore local economic development.

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INNOVATIVE APPROACHES FOR PROMOTING TOURISM IN MACEDONIA

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Abstract:

The paper argues the necessity of applying innovative approaches in meeting tourists' needs and preferences, thus acting as sophisticated tool for promoting tourism. The research investigates the case of Macedonia and attempts to justify the necessity of developing intelligent way for supporting and enhancing tourism promotion. Moreover, it poses positive impulses from introducing recommendation systems to tourism industry as a precondition for assisting tourists and travelers in identifying personal tailor-made itinerary. Additionally, the paper gives a glance on positive outcomes from such software module, particularly to small and tourism developing countries as Macedonia. Finally, this research aims to alarm relevant tourism-actors in the country, that the time has changed and that new innovative approaches must be introduced when addressing tourism promotion on national level.

Keywords: Tourism; Promotion; Recommendation system; Macedonia.

Introduction

As one of the most promising world industries, tourism is identified as source for generating numerous positive impacts, particularly to national income and economic growth. So, each country is interested in tourism development and urges measures for increasing the quantity of tourists and travelers. Yet, attracting them in a bigger number is not a trouble-free process, particularly in times of ever-changing environment. The base for increasing the number of tourists lies in capability to meet their requests and travel desires. Due to fact that their behavior is constantly changing and evolving, the introduction of the Web, as the leading source of searching information for tourism and travel purposes, is neglectable. In times of enlarged number of competitors in tourism market, tourism promotion is detected as the only way-out for differentiating.

In order to pose some innovative approaches for tourism promotion, by elaborating the case of Macedonia, the paper is structured in several parts. Section one provides a snapshot on some background materials presenting interesting facts regarding tourism in Macedonia. Section two presents highlights on literature review, while the necessity of introducing new approaches for tourism promotion of Macedonia is elaborated in Section three. The final part of the paper includes main conclusions and recommendations.

Generally, the contribution of this paper lies in the fact that enriches the poorly-developed empirical academic work within this scientific area in Macedonia, with certain exceptions (Petrevska & Koceski, 2013). Additionally, this empirical investigation recommends application of sophisticated approaches for promoting Macedonia as tourist destination. Moreover, the paper may alarm the relevant tourism-actors in the country, that the time has changed and that the on-line experience has shifted from searching and consuming to creating, connecting and exchanging. Previously passive consumers and web surfers are now generating content, collaborating and commenting. So, it urges the need for identifying effective framework for mitigating the up-to-date modest tourism results, thus acting as basis for initial suggestions in improving tourism promotion of the country.

Background materials

Tourism has emerged as one of the major industries in the world economy. In 2011, it contributed almost EUR 4.5 trillion to the world global economy, or 9% of global gross domestic product (GDP), 100 million direct jobs and EUR 500 billion investments in tourism (WTTC, 2011).

Macedonia identified tourism as a mean for generating various micro and macro-economic effects (Government of Macedonia, 2012). Up-to-date, tourism has accomplished an average growth of 4.64% per year, which is higher than the average growth of the entire economy (3.12%). In this respect, the participation of tourism in the creation of the GDP has probably moderate average of 1.7 % per year, but the impression is completely opposite when compared to the average for Central and Eastern Europe (CEE) of 1.6% (WTTC, 2009). With regards to the participation of tourism employees in the total workforce in Macedonia, the national average is 3.1%, which is more than twice bigger than the average of the CEE being 1.4% in 2009 (WTTC, 2009).

Furthermore, the importance of tourism to national economy can be evaluated by the tourism inflows which in 2009 represented 26% of total inflows of services and 8% of exports of goods in Macedonia. In the same line, the tourism inflows were 20% higher than the foreign direct investments. In the frames of services, tourism inflows were the second biggest item (just a little bit lower compared to the inflows of transport services), which is 1.3 times higher than the inflows of business services and 2.4 times larger than communication services inflows. Accordingly, the net tourism inflows in Macedonia have an average of 1% of GDP (Petrevska, 2010 and 2012). Such condition indicates high potential to increase the tourism effects in economic activity in Macedonia.

The forecasts regarding tourism development in Macedonia are very optimistic. Namely, the estimated results are encouraging and by 2021 it is expected that the direct contribution of tourism to the GDP will reach to 1.6 % thus bringing revenue of EUR 170 mil. according to the constant 2011 prices; the total contribution of tourism to GDP will rise to 6.0%; the visitor exports are expected to generate EUR 76 mil. (5.1% of total exports); and the investment in tourism is projected to reach the level of EUR 76 mil. representing 2.8% of total investment. Additionally, it is expected that the number of employees that indirectly support the tourism industry in Macedonia will have an upward trend and will reach 35000 jobs in 2021, representing 5.4% of the total workforce (WTTC, 2011).

Many interesting facts occur when addressing indicators concerning certain tourism statistics in Macedonia. Namely, one may note certain remarks from the list referring the most attractive destinations for travel and tourism, issued by the World Economic Forum. Many segments are within the list covering the issues of travel and tourism regulatory framework, tourism business environment and infrastructure, tourism human, cultural and natural resources etc. From the broad spectrum, the author highlights only one segment. It refers only to the tourism infrastructure index, which is a separate pillar categorized within the section business environment and infrastructure. The author makes comparison of data for 2011 and 2013, thus making solid background for tourism infrastructure supply in Macedonia. In this line, it is noted that in 2011, the score for this pillar was 3.8 thus ranking Macedonia at the 69th place out of 139 countries (Blanke & Chiesa, 2011, 256). Slight improvement is accomplished in 2013, when the score for tourism infrastructure was 4.27 thus enabling Macedonia to improve its rank at 64th place out of 140 countries (Blanke & Chiesa, 2013, 37).

Table 1. Travel & Tourism Competitiveness Index for Macedonia

Year	Rank	Total number of countries
2007	83	124
2008	83	130
2009	80	133
2011	76	139
2013	75	140

Source: Author's notes based on various issues of the World Economic Forum reports.

Table 1 poses data regarding travel and tourism competitiveness index in Macedonia. Generally, one may conclude the need for more efforts in the field of improving tourism competitiveness. Despite slight improvements within the years, the progress is very modest. The vast majority of countries in the region,

this includes Slovenia, Croatia, Montenegro, Bulgaria and Albania, are significantly better ranked than Macedonia (Blanke and Chiesa, 2011, p. xv). Concerning the neighboring countries, only Serbia, and Bosnia and Herzegovina are ranked lower than Macedonia.

In order to strengthen tourism competitiveness of Macedonia, the first national web tourism portal (www.exploringmacedonia.com) was created in 2005 as a public-private partnership between an international donor and the Ministry of economy. In this regard, several other private initiatives act as additional tourism portals, thus supporting country's tourism profile, like: www.travel2macedonia.com, www.go2macedonia.com, www.simplymacedonia.com, www.macedonialovesyou.com, www.mysticalmacedonia.com, www.macedonia-timeless.com etc.

Literature review

One may argue the inevitable relationship between tourists and information. Moreover, it is a widely-recognized fact that information and decision-making have become the foundation of world economy (Wang, 2008). Due to tourism essentiality, recommenders applied in tourism have been a field of study since the very beginnings of artificial intelligence. There is a large body of literature regarding the significance and effectiveness of applying the recommenders in tourism, travelling and hospitality. It is a matter of identifying a class of intelligent applications that offer recommendations to travelers, generally as a response to their queries. They mostly leverage in-built logical reasoning capability or algorithmic computational schemes to deliver their recommendation functionality. Thus, recommenders are an attempt to mathematically model and technically reproduce the process of recommendations in the real world.

Numerous researchers made efforts in their introducing. In this respect, the need for developing intelligent recommenders which can provide a list of items that fulfill as many requirements as possible is elaborated (Jannach, 2006; Mirzadeh *et al.*, 2004; McSherry, 2005). Also, a recommender dealing with a case-based reasoning is introduced in order to help tourist in defining a travel plan (Ricci & Werthner, 2002; Wallace *et al.*, 2003). Yet, as the most promising recommenders in tourism domain are the knowledge-based and conversational approaches (Ricci *et al.*, 2002; Thompson *et al.*, 2004). The knowledge-filtering, constraint-based and casebased approaches are further engaged for recommendation (Kazienko & Kolodziejski, 2006; Ricci & Missier, 2004; Zanker *et al.*, 2008). Additionally, the recommenders based on text mining techniques between travel agent and customer through a private Web chat may easily find an application (Loh *et al.*, 2004).

Furthermore, some late research that brought more sophisticated outcomes are referred: introducing a personalized tourist information provider as a combination of an event-based system and a location-based service applied to a mobile environment (Hinze *et al.*, 2009); Investigation on sources and formats of online travel reviews and recommendations as a third-party opinions in assisting travelers in their decision making during trip planning (Zhang *et al.*, 2009); Findings regarding development of a web site in order to enable Internet users to locate their own preferred travel destinations according to their landscape preferences (Goossen *et al.*, 2009); Selecting the destination from a few exceptions (Charou *et al.*, 2010; Niaraki & Kim, 2009); Usage of orienteering problem and its extensions to model tourist trip planning problem (Vansteenwegen & Wouter, 2011); and similar. It is evidently that the research area is extending resulting in improved dependability of recommendations by certain semantic representation of social attributes of destinations (Daramola *et al.*, 2010).

Necessity of introducing new approaches for tourism promotion in Macedonia

Tourism is an interesting phenomenon particularly for recommendation purposes. Being detected as the only way out in assisting tourists and travelers to identify their ideal holiday, recommenders offer personalization of information delivery to each traveler, together with travel history. Yet, the advanced tourist information systems must offer more than just relatively static information about sights and places. Over the past two decades a noteworthy transformation was made from just passive searching and surfing to creating content, collaborating and connecting. In this respect, the Web became the leading source of information particularly important in times of increased number of competitors in tourism market. The way out is detected in application of recommenders as a promising way to differentiate a site from competitors.

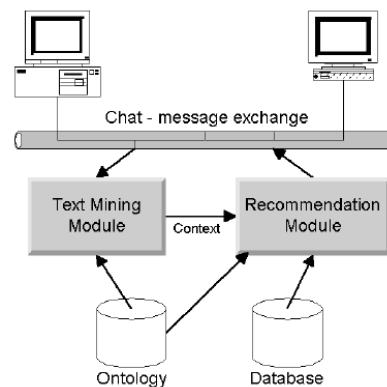


Figure 1. Architecture of decision support system (Loh *et al.*, 2004: 159)

Generally, recommendations may be made to a tourist by software, as in a multimedia totem, an ATM device, or in a Web site, or by a human intermediary (e.g., the travel agent) who will receive information from a decision support system (Figure 1). However, the most successful results may be expected by applying collaborative filtering and content-based filtering (Figure 2). Based on conversational approaches, such recommenders are promising in tourism, meaning that the user is giving opportunity to choose a quantum of tourist items with regards to personal preferences.

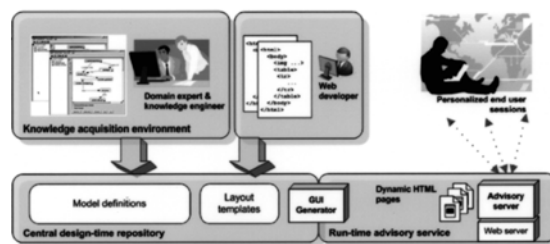


Figure 2 (Jannach *et al.*, 2009: 145)

It is more than obvious that whether a potential tourist will be interested in a certain item depends on his preferences. Although may sound fragile, but the vast majority of today's tourists know exactly what they are looking for. Yet, they are very demanding and have complex, multi-layered desires and needs. Today's so called "postmodern tourists" have specific interests and individual motives which results in tailored made tourist products according to their particular preferences. They are often high experienced in travelling and demand perfect tourism products rather than standardized ones. Consequently, they take much more active role in producing diversified tourism products with shorter life cycles enabled by increased usage of ICT.

Many researchers were interested in identifying tourists' needs, expectations and behavior. Hence, numerous papers discuss tourist roles in order to define their considerable variations. In mostly, the behavior is related to specific demographic and background characteristics emphasizing the life course as the leading component for investigating tourist role preferences. Yet, attention should be paid to a variety of social structures and processes, including psychological needs and lifecycle stage.

Despite the existence of variety and most probably, sufficient number of web-portals that promote Macedonia as tourist destination, so far none of them act as tourism recommender. Moreover, Table 2 supports the noted conclusion by giving a glance of poor visits to particular sites referred by search engines in a three-month period. Surprisingly, both web-portals labeled as national are placed at the bottom of the table.

Table 2. Traffic statistics for selected web-sites

Web-site	Traffic rank
www.macedonialovesyou.com	18.824.372
www.simplymacedonia.com	14.670.989
www.go2macedonia.com	14.010.522

www.macedonia-timeless.com	1.690.753
www.exploringmacedonia.com	1.360.389

Source: Author's note based on www.alexa.com

The forth mentioned advantages produced by recommenders fully justify the urgency and necessity of their design in Macedonia. Specifically lead from the fact that they assist tourists and visitors in planning and creating their trip and holiday in more sophisticated way.

Conclusions and recommendations

Based on fact that tourism is defined as one of the most economically oriented industries in the world, it enhances and strengthens national economies. Concerning Macedonia, tourism is identified as an industry which might contribute to: enhancing foreign export demand for domestic goods and services, generating foreign currency earnings, new employment opportunities within the country, repaying the foreign debt, increasing the national income etc. Additionally, it is worth noticing that travel and tourism economy in each country incorporates broad spectrum of tourism-oriented activities and results with multiplicative impacts.

The paper presented an analytical approach of positive results in developing tourism recommendation systems, thus emphasizing the necessity for their introduction in Macedonia. Tourism recommenders may serve as a guideline for tourists and travelers in the line of identifying ideal trip and holiday. So, development of such software module may generally contribute to increasing the awareness of tourist destination that is capable of fulfilling travelers' preferences, and respectfully in raising net tourism income.

Furthermore, a successful launch of a web-based recommender at national level is in the line of supporting the economy through improvement of tourism supply in more qualitative manner. Since such portal will indicate the motives, preferences and reasons for traveling to Macedonia, it might be of high importance to all key-tourism actors in the process of identifying measures and implementing activities necessary for creating comprehensive tourism policy. Finally, the paper may alarm the relevant tourism-actors in Macedonia, that the time has changed and that on-line experience has shifted from searching and consuming to creating, connecting and exchanging.

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MAJOR SPORTING EVENTS AND THEIR INFLUENCE ON THE DEVELOPMENT OF TOURISM IN BELGRADE

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Abstract.

One of the phenomena of human existence is sport and sport activity. From the early beginnings, humans have had a need to compete and to prove themselves through participation in sporting competitions. In the ancient century the Olympics were the most famous event in a various sport disciplines, as an expressive celebration of sport and recreation. Ancient Greeks were gathering in Olimpia, Delos and Sparta to practice different sporting activities, while having fun, off course. Belgrade has been a host for large international sport events, organiser of 21 world championships and 24th European championships, which conditioned a built of sport centres, hotels and specialized travel agencies for the need of organizing sporting manifestations. By creating the tourist package, they make the influence in mass tourism. As the total utility level of all tourist resources is one of the most important criteria of tourist valorisation, there is a conclusion that of all the forms of tourism that exist in the tourist offer of Belgrade, sport tourism is the most deserving for the great comeback of Belgrade as one of the most important tourist centers in the region of Southeastern Europe. Our goal is to show, through this paper, the potential that Belgrade possesses in developing sport tourism, as well as the influence of sporting events on the tourist turnover of the city. The data contained in this paper are the result of the research from 2004. to 2009.

Key words: *sport events, sport tourism, tourist valorisation.*

Introduction

Since the beginning, man has had a need to prove himself through participation in sports competitions. At first they were very primitive games and battles, until they became more defined and sophisticated, mostly due to copying warrior skills during peace times. In the old ages, the Olympics were one of the primary forms of sport, as a celebration of sport and recreation. Ancient Greeks would gather in Olympia, Delos and Sparta to perform various physical activities, which would always be a source of entertainment. In the Roman Empire, conditions for the development of tourism that included sport and recreation were better. The great empire had a well organised traffic system, the baths for the spectators and relatively rich tourist potential. (Galea, 2011) The Roman Empire left behind it authentic events that largely had a sport character to them. As is the case with the famous battles in Roman forums with their distinct battle form (classic Greek-Roman wrestling, sword-fighting, horse riding). Since these ancient times till nowadays sport events gathered the masses, people who would come from far and wide, thus except athletes sports gathered business people, politicians, noblemen, royalty, spectators and others finding connections to them. (Hinch&Higham, 2011) This way sport initiated the first primary form of tourist behaviour. Nowadays, sport related tourism represents growing segment of tourism. (Barros, Butler &Correia, 2010) Sport events are becoming ever growing part of a set of destination attractiveness which attracts significant part of tourism market. (Kaplanidou& Vogt, 2007) Some researches indicated that sport participates with 1-2% in gross domestic product and 4-6% in tourism of industrialised countries. (Ritchie & Adair, 2004) The link between sport and tourism can be perceived in several ways (Bertolucci, 1987; Daniels, 2006; Kaplanidou& Vogt, 2007; Plavša, 2009) :

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- Sport is an initiator of travel, for the purpose of watching large sports events (the Olympics, world championships, various tournaments and matches, competitions within certain continents, and other kinds of international manifestations).
- Sport as a way of entertaining tourists by means of organising sports shows in the hopes of increasing the appeal of the tourist destination at hand (ranging from major sports encounters to local contests).
- Sport for tourists, perceived to have tourists participate in competitions, to have them discover new sports, or simply have them participate for the sake of pleasure and physical activity.

Sport tourists can be either active or passive. Active sport tourists participate in active sports holidays, in which sport is the main reason to travel, or in holidays with sports activities, where sport is of secondary significance.

Passive sport tourists can be divided according to how important sport is to them during the journeys. Specialist observers are the ones who intensively keep track of sports events. They know in advance that they will enjoy the holiday. (Ritchie & Adair, 2004; Standeven & De Knop, 1999)

There can be identified two major types of *holidays with sports activities* (Standeven & De Knop, 1999):

- Holiday with one main sports activity, in which sport is the purpose of the holiday, and
- Holiday with several kinds of sports activities, in which the player participates in several different sports (sports club holidays or sports camps).

Two kinds of *sports holidays* have been identified:

- Secondary participation in organised sports events that take place on vacations (such as games on the beach), and
- Free sports activities on the vacation (such as walking and playing golf).

Modern tourist centres devote ever more attention to this third form of correlation between tourism and sport. An increasing number of activities in Serbia are also aimed in that direction, so a large portion of investments is being allocated for creating the conditions and infrastructure needed for sports and pleasure of tourists.

The tourist trade, with its sports activities, allows diligent people, i.e. the widest segment of the population, to spend their free time in the most rational, useful and productive way, all in the hopes of keeping fit, whilst on the other hand, these same recreational activities in tourism lead to growth in the number of consumers of tourist services, which in turn boosts the success level of the trade.

The strategy of tourism development of the Republic of Serbia is largely focused on developing tourist products that will be able to be valorised and commercialised on the international market within a very short time span. Tourism can offer sport great possibilities for developing vast body workout, recreation, entertainment and rest, while sport helps tourism as a means of enriching available contents for the peoples' free time.

Development through history and the connection between sport and tourism

Sport may be a world trend today, but it was also widely accepted in ancient Greece. It is believed that there were certain forms of sport in ancient China, India and Persia, as well. For Etruscians, sport was an important way of life, for both the body and spirit. In ancient Rome, sport was affected by the prevailing aristocratic system. The Byzantine civilisation tended to magnify the ascetic kind. Crusaders of the Middle ages had great influence on events at the time, whereas knights were a special segment of the population, who all had a deeply athletic spirit. In the Islamic world, those who were durable, resourceful and nimble, whilst at the same time were with a true heart, were greatly respected. The big geographical discoveries and the Renaissance led Europe to its recovery, but also a return to nature, in which physical might became once again important, as did the psyche.

The great geographical discoveries led to a sudden rise to power of the English, who were, until that point in time, considered a periphery of Europe. Economic progress allowed the wealthy English to travel, developing various sports activities on the way (walking, mountain climbing, skiing).

The 19. Century brought with it great technical progress and improvement of living conditions, which provided more free time for people. This is the period of industrial revolution, urbanization and colonialism which all together influenced the way of life and made strong connection to development of sport and tourism. (Standeven & De Knop, 1999) New sports disciplines were formed and developed, and

some old ones were brought to masses (i.e. skiing) which led to the resurgence of the Olympic games at the end of the century.

Tourism and sport experienced their most significant development in the 20th century. Now, at the end of the 20th and beginning of the 21st century, tourism generates around two billion dollars. Foreign tourism generates about 600 billion dollars (808 million tourists in 2005, with estimates that there will be 1,6 billion tourists participating by 2020). The world's tourism participates in the gross national income at around 10-11%, of which 2% is considered sports tourism.

Sport Tourism: An Instigator of regional development

Sport tourism can be divided, according to its definition, into two categories: travel for the sake of participation in sports, and travel for the sake of observing sports. It is therefore that sport tourism is defined as a temporary motion of people out of their homes and work towards events that are unlike those in their everyday lives. Location is of great significance in sport tourism. Factors needed for the conduct of sport tourism are:

- an environment,
- customer service,
- transport,
- facilities and terrain,
- entertainment,
- accommodation,
- heritage,
- superstructure and
- organisers.

Sport tourists have existed as a separate class of tourists for the last 20 years. Research in the European Union has shown that tourists who go to active holidays are most numerous at 15-34 years of age, and that they belong to the higher socioeconomic classes.

The nature of sports tourism can be viewed as a cultural experience of physical activity that is closely linked with the cultural identity of the place at hand. This particular form of holiday has been recognised by the World Tourist Organisation (1985). Sports holidays have a potential of enriching tourist experiences by enabling the tourists to integrate with the place they visited through participating in the cultural and social life of the destination (Plavša, 2009).

The functional correlation between tourist and sports activities can be shown through two criteria: the way of experiencing the sport (natural or interpersonal) and the tourist experience (natural or interpersonal) (Table 1).

Sport and tourism greatly help in boosting national and regional economies. It is estimated that active sports holidays consisted about 10% of all holidays in Europe during the late 80's, grew to 13% in 1995, and 15% in 2000.

The market value of sport tourism in Britain is estimated at 3.9 billion US Dollars. Around 3 million tourists travel abroad on holiday and spend approximately 750-900 Dollars, whereas those who decide to travel for a longer time period spend between 2,250 and 3,000 Dollars. There are 30 million journeys organised from Britain every year. Also, data provided by World Tourism Organisation shows that annually around 32 million trips made by Germans and 7,5 million trips made by Dutch are related to sport. ((Ritchie & Adair, 2004)

Table 1. Tourist Experience (Two-dimensional classification of sport tourism)

		Natural		Anthropogenic	
		Coastal	Landscape	Historic	Culture and entertainment
Natural environment	Nature	Surfing Fishing Yachting Swimming	Walking Cycling Skiing Rowing Rafting Hunting Speleotourism	Sightseeing places of historic significance (Olympics)	Roller skating Skateb oarding Yoga
	Artificial	Water skiing	Horse riding	Sports	Athletics

	I	Paragliding	Ski jumping Tobogan Bog sleighing	museums Famous halls Historic sports facilities	Gymnastics Rock throwing Wall climbing Weight lifting Managing work
Interpersonal	Battles			Medieval tournaments	Sword fighting Judo Kendo Karate Wrestling
	Contests	Beach volleyball Bowling	Traditional games Tire riding Street football Bowling	Tennis	Football Tennis Baseball Cricket Basketball Pool Table tennis

Source: : J. Standeven, P.D.Knop (1999)Sport tourism, Human Kinetics, UK

Sports events are the largest generator of regional and rural development. The Olympic Games and Football World Cup are the two biggest sport events, with financial results stemming from tourist traffic, tourist consumption, TV licenses, and sponsorships. The Olympic Games, both summer and winter, are a huge tourist attraction.

The best example of using sport in developing a region is the Olympic Games held in Barcelona in 1992. In the hopes of catching up to Madrid, Barcelona used the Olympics to bolster its tourist offer through massive investments in tourist infrastructure (renovating the train station, improving the airlines, opening up shipping lines) by removing omissions and developing high-quality accommodation and the tourist trade in the centre of the city – the old town. A total of 5.4 billion US Dollars was invested in: Olympic facilities and towns 46.6%, roads 33.1%, hotels 5.1%, airports 3.5%, cultural facilities 2.1%, public transport 1.5%, and means of communication and other services 4.5%, with operational costs being at 1 billion Dollars. Unemployment was sharply decreased in Barcelona (there were 128,000 people unemployed in 1986 and only 78,000 in 1993). The amount of hotel beds 1992 was 38% higher than in 1990. New attractions on the beaches are used by 2.5 billion people; the new sports facilities are used by sports clubs, federal services and companies.

The huge economic and development driving potential of big sport events led cities around the world to provide sports facilities in the hopes of organising important events and attracting tourists.

Sport tourism resources of Belgrade

Belgrade has an abundance of excellent conditions for development of sport tourism, including sports facilities for almost all types of sports and recreation, maintaining fitness and health. The city has 16 polyvalent sports centres, 7 sports halls and 6 Olympic-size swimming pools at its disposal. There are around 1,000 sports facilities throughout the Belgrade area, and they are equipped for practically all popular sports, regardless of the scale of the competition

The sports infrastructure, the foundation of sport tourism on offer in Belgrade, enables organising international competitions in nearly all kinds of sport. The Belgrade area has 16 sports centres and 3 sports Palaces. The centres have 80 gyms, 68 halls, and 23 swimming pools – 10 in closed rooms and 13 in open areas – at their disposal. There are 860 registered sports clubs in Belgrade, bringing together 120,000 athletes. Two football stadiums for international competitions have been built. The city has two cycling roads 35km long, both accompanied by numerous resting facilities – benches, taps, restaurants, rafts, and cafes.

The history of Belgrade as a destination for sports events of southeast Europe is spectacular. Belgrade was the host to major sports competitions, the organiser of 21 World championships, and 24 European championships, in which thousands of athletes from around the world participated in. Organising the European basketball and volleyball championships in 2005, the European water polo and judo

championships in 2006, the Youth Olympics of Europe in 2007, and the 2009 Universiade positioned Belgrade as a city with well developed sport tourism.

During the year, several traditional sports activities take place in the city: the Belgrade marathon, car races on the estuary, the White Cross of Politika, the Belgrade race through history, the international cycling race "Tour the Danube" and other manifestations. The Belgrade marathon is the largest sports and promotional event in Belgrade.

The importance of sport and sport events to the tourism of Belgrade is shown by the fact that the overall financial effects of organising the European Basketball Championship were over 12 million Euros, whereas the gross tourist turnover from sports events in was approx. 20 million Euros in 2005.

Important sport events and their influence on the tourist development of Belgrade

From 2004 to 2009, Belgrade was the host to over 100 international sports events, most of which were on either world or European scale. These sports events were visited by 820,577 participants and observers (local and foreign tourists – table 1), and 54,027 athletes participated, of which 34,121 were foreign (Table 2).

The largest number of participants and visitors of the great sports events was recorded in 2009 when Belgrade was visited by 255,828 people, of which 84,623 were foreigners (30% of sport tourists compared to the total number of tourists), the result of the largest multidisciplinary competition held in Belgrade, the 2009 Universiade and the ATP tennis tournament, which were visited by 110,000 local and foreign people (20,000 foreign). Of particular significance was the year 2005, the turning point in the development of the city's sport tourism, due to the European Basketball Cup and European Volleyball Cup, which were accompanied by over 80,000 visitors, 16,000 of which were foreign sport tourists (24% of the tourists were sport tourists).

The sports that attracted the most foreign tourists were: ball sports (basketball, volleyball, tennis, football), water sports (water polo, swimming, diving and jet ski contests), martial arts (judo, karate, wrestling, boxing) and shooting with its remarkable infrastructure (shooting grounds in Kovilov).

The largest number of participating foreign athletes was documented in 2007 and 2009, the result of the Universiade and major competitions in martial arts, water sports, and ball sports (such as the European cups in table tennis, judo, and the ATP tennis tourney).

Table 2: Tourist visits to major sporting events in Belgrade

Year	Total number of participating athletes	Total number of foreign participants	Total number of visitors	Total number of foreign visitors
2004	4768	1548	55900	8390
2005	9685	3933	144250	28530
2006	9358	3255	107500	8450
2007	11270	9097	92400	14700
2008	7618	5315	65500	15750
2009	11328	10973	244500	73650

Source: Research by the authors

In 2004, most visitors attended the international basketball tournament "Diamond Ball", around 20,000 (35,000 foreigners), the Belgrade marathon and the World Volleyball League were visited by over 20,000 participants, whereas the European Cadet Handball Championship was followed by more than 5,000 visitors. It's interesting to note that the World Student Karate Championship was one of the most visited, showing the popularity of martial arts in Serbia and worldwide. The total number of foreign and domestic tourists who visited Belgrade this year due to sports events was 55,900. **The ratio of the total number of tourists and total number of participants and observers of sports events is 12.5%.**

In 2005, seven major sporting events were held, with more than 144,000 visitors, of which over 25,530 were foreigners. The most important event was the European Basketball Championship, which was visited by about 50,000 visitors. It was the most visited event in the year, with over 10,000 tourists from abroad. The European Volleyball Championship was visited by 30,000 people (6,000 of which were foreigners). The popularity of basketball and volleyball is shown by the fact that these two events were visited by around 80,000 observers (of which 16,000 were foreigners). Also of note is shooting, of which there were a World

Cup and European Championship organised, and they attracted over 5,800 visitors. **Compared to 2004, the ratio of the total number of tourists and total number of participants and observers of sporting events was larger by 20%.**

2006. The European water polo Championship, the World Volleyball League, the Pro Tennis Tour were just some of the sporting events that were visited by 107,500 people (8,450 foreigners). Of particular significance was the organisation of the water polo championship, which was highly praised. The event was attended by more than 6,500 visitors. Belgrade was visited by nearly 10,000 participating foreign athletes in 2005 and 2006. The most attractive competitions this year were the European Jet Ski Championship and the World Volleyball League, as well as the Team Judo Championship. These competitions were visited by over 27,000 domestic and foreign tourists, which show that the capacity for sport tourism in Belgrade allows major competitions to be organised. **The ratio of the total number of tourists and total number of participants and observers of sporting events was 23,5%, which is 9% smaller than in 2005.**

Table 3. Tourist Arrivals and sports tourism in Belgrade

	2004	2005	2006	2007	2008	2009
Number of foreign tourists in Belgrade	234602	268075	271340	363939	376917	369577
Number of domestic tourists in Belgrade	239455	207144	215126	178371	328657	232457
Total number of tourists in Belgrade	474057	475219	486466	542310	705574	602034
Number of foreign sport participants and spectators	9938	32463	11705	18397	21065	84623
Total number of all sport participants and spectators (domestic and foreign)	60668	153935	116858	160170	73118	255828

Source: Research by the authors

2007. Sport fest, a traditional manifestation with over 50 different sports, gathered 60,000 visitors (both domestic and foreign). The oldest traditional sporting event in Belgrade, the Belgrade marathon, was visited by 12,000 tourists, of which 210 were foreign athletes. The European Table Tennis Championship and European Senior Singles Judo Championship were visited by approx. 15,000 domestic and foreign tourists. 2007. was marked by 3,672 foreign athletes more than in 2006. Sport fest – the festival of sports that can be trained in Belgrade was held on Ada Ciganlija. Demonstrations, competitions and sport promotions were visited by 60,000 people. The football fair was a unique attraction, completing the tourist offer of Belgrade with a new fair that brought together all relevant sport industry authorities. **The ratio of the total number of tourists and total number of participants and observers was 29.5%, 6% higher than in 2006.**

2008. In the year prior to the Universiade, there were 16 major sporting events, with 12,993 athletes participating. Ten contests of world calibre and four of European scale brought 5,315 foreign athletes and 15,750 foreign visitors. Seeing that a whole range of sporting events were held as a testing ground for the upcoming Universiade, particular attention was given to water sports (kayaking, rowing, swimming, water polo – 16,000 domestic and foreign visitors), ball sports (volleyball – 10,000 visitors). Of particular interest was the diving competition, watched by over 5,000 visitors. **The ratio of the total number of tourists and total number of participants and observers was by 19.1% smaller than in 2007.**

2009. The most significant year in developing sport tourism of the city was all about the “Universiade” and ATP tennis tournament. The Universiade is a multidisciplinary competition, and it gathered over 8,000 athletes from 142 countries, all competing in 15 different disciplines: rhythm gymnastics, diving, sports gymnastics, table tennis, athletics, judo, football, basketball, sword fighting, volleyball, swimming, target shooting, tennis, taekwondo, water polo.

The competition was observed by 96,000 visitors, of which over 48,000 were foreign tourists. Belgrade had renovated most of the sports facilities, which will all be used for future events of European and world scale.

The first ATP tennis tourney was organised on the tennis fields of the sports centre Milan Gale Muskatirovic. It gathered some of the best tennis players from around the world. The competition was observed by over 110,000 (over 20,000 foreigners) visitors, a record number for the period from 2004 to 2009. The ratio of the total number of tourists and total number of participants and observers was higher by 32.1% than 2008. The total number of visitors of sporting events for this year was 244,500, of which 73,650 were foreigners (Graph 1).

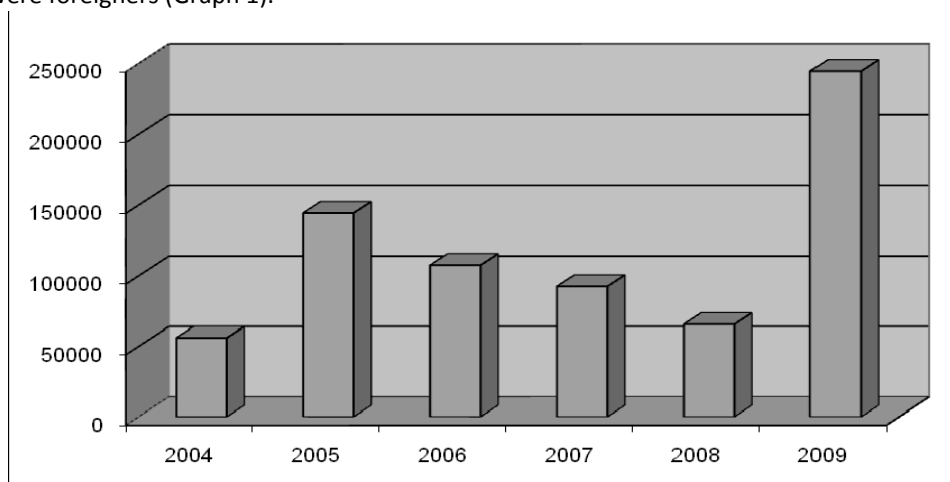


Figure 1. Overall number of visitors on major sporting events in Belgrade since 2004. till 2009. (according the data in table 3)

The organisation of major sporting events from 2000 to 2009 was assisted with big investments in sports facilities, which both made realisation of the events possible, and enriched the tourist offer of the city.

Also, the large number of sport tourists visiting Belgrade every year created the perfect conditions to build new hotels and hostels. Investing in hotel infrastructure was largely initiated by the major international sporting events, thus the city now has 22 newly built hotels with 1954 beds, of which 3 hotels are five-star hotels.

Conclusion

Tourism and sport as two forms of social activities have multiple connections. Sport in tourism today doesn't only have a receptive role, a new relationship between these two coexisting social phenomena has been created. Sports in the broadest sense are becoming an important part of being somewhere, in which tourists become the participants of various sporting tournaments. This kind of sport is called recreation sport and its main function is active resting. The one of a kind relationship between sports and tourism brings about the development of a special type of tourism which we call recreational sports tourism.

Sporting events are growing segment of the tourist offer of a city. The popularity of certain sports motivates a large number of sports enthusiasts to become tourists. The organization of big sporting events allows the development of the existing infrastructure and the building of new and modern facilities.

The tourism industry of Belgrade has quickly recognized the importance of this type of tourism. The promotion of sporting events takes an important place in the Tourist organization of Belgrade. The presentation of sporting events takes place in special marketing campaigns at tourism fairs in the country and abroad.

Travel agencies specializing in sports tourism have opened, while a number of existing agencies have formed special sectors that help in organizing big sporting events. By making special travel arrangements, they effect the growth of tourism. Hotels like President, Holiday In and Inn have completely or partially adjusted to the standards of sports tourists. Special sized beads (for basketball or say, volleyball players), a diet tailored to athletes, the services of sports medicine or facilities such as gyms or wellness centres in

Belgrade hotels are part of the regular offer and in that way the commitment of hoteliers for this branch of tourism to be continuously developing is shown.

The city of Belgrade is shown as a city of sports on the world tourist map. Each year thousands of athletes-tourists visit the capital of Serbia and in that way prove that tourist capacities and sports events allow the organization of the most complex sporting events. Sports and tourist offers are closely linked and they complement and develop each other, making sure of the continued development of sports tourism.

Between 2004 and 2009, Belgrade has been visited by 820,577 participants and spectators of sports events, which implies that 25% of tourists resided in Belgrade because of sports. They have made over 1,905,257 overnight stays.

Based on personal experience in co-organizing big sports events, we have come to the conclusion that the average sports tourist during his or her stay (an average of 3 days) spends approximately 200 Euros, which leads to the conclusion that only in the year 2007, 31 million Euros has been earned, while in 2009 the revenue was over 50 million Euros. The total estimated revenue of sports tourism from 2004 to 2009 is around 160 million Euros, which ranks this branch of tourism among the most profitable.

The sports infrastructure of Belgrade still has to be filled with new facilities and amenities. The technical equipment of existing facilities mostly meets the standards of international sports organizations, even though most sports centres were built before 1976, which is a result of refurbishment of sports facilities for the Universiade held in 2009.

Not counting a few constructions in the private sector and the sports hall Belgrade Arena, it can be concluded that the unfavourable economic situation prevented the construction of new sporting facilities and resulted in the disruption of spatial, functional and technical quality of the existing sports and recreational facilities.

By constructing big sports halls and stadiums which are intended to be multipurpose facilities, conditions for organizing the biggest sports tournaments (such as the world cup in water sports, gymnastics, athletics, motor racing) would be met, and would be followed by a more dynamic development of sports tourism.

In the Belgrade development strategy for tourism (until 2018), the newly constructed and revitalized sports and tourist facilities should represent strategic advantages over the other tourist centres in the region, and that with a large number of sports events will be one of the most important segments of tourism. As the involvement of all the tourist facilities is one of the most relevant indicators of the success of a tourist destination, one can conclude that of all the forms of tourism that exist today, sports tourism is the most important reason for Belgrade's return as the biggest centre of sports tourism in Southeast Europe.

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Climatic features as a factor for development of tourism in the Republic of Macedonia

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Abstract

The development of tourism in general besides the anthropogenic factors have important natural features expressed through all their features, and one of them is the climate. When we talk about tourism in rural areas as an alternative form of tourism, we have to look at the climate characteristics from a different perspective, because alternative forms of tourism have a seasonal nature, and i.e. it is a specific form of tourism that is practiced throughout the year. Therefore it is not good to have extreme temperatures and climate both in the positive and the negative terms in the area in which tourism is going to be practiced. Temperature extremes might be suitable for primary or so-called mass forms of tourism such as summer or winter tourism, which largely depends on the number of sunny hours, air temperature, amount of snowfall, number of days with snow etc. But this is not the case when it comes to rural tourism, because it's practiced throughout the whole year and it's not dependent on the parameters that were given above, but this form of tourism requires an inviting climate all year round. It is therefore important to understand the basic climatic characteristics where the natural environment is an important factor for the development of tourism in the rural areas in the country.

Keywords: *climate, tourism, temperature, seasons, altitude zones*

Introduction

During the long geological past, the climate of our planet continuously has been changing. Warm and wet periods have changed to cold and dry. The ice covers of the Polar Regions and the highest mountain have repeatedly come near the equator and the lower planes. Many areas of the Earth which now have hot and humid climates were once covered with eternal snow and ice. The climate changes through the geological past can be concluded from the remains (fossils) of flora and fauna, from the pedo cover of the earth's surface, on the basis of fluctuations in the levels of the lakes and seas, the quantity of water in rivers, the length of the glaciers and so on. The formation of today's Earth climate has changed over the course of its geologic history and that is depended on many factors and climatic elements. The climate has an influence on the human body such as: mood, physical activity, productivity, physical activity and more. People need rest and recreation in places and climates that suit their needs and health.

The climate is an important and integral component of the natural environment, but it also has a major impact on the economic activity, and this effect is particularly pronounced on the tourism and hospitality industry. According to Panov (2006) "The climate is one of the most important factors for the development of tourism, as well as a necessary element for tourist valorisation of almost every area" [1]. Within the natural geographical conditions which are studied and analyzed for the purpose of tourism planning, climate characteristics are one of the most dynamic elements. Through climate elements, such as temperature, duration of sunshine, cloud cover, precipitation and wind are the clear indicators for suitability or the disadvantage of the area for the development of tourism and recreation. On the other hand, the extremes of certain climatic elements indicate the limitations associated with tourism development. From this we can conclude that the environment has a very important role on the development of tourism. The climate is one of the key elements of the environment, this fact further

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increase and deepens the relationship and the impact of the climate on the environment through tourism. This mutual relationship and impact is stressed by Williams (2009) who says "however, tourism-environment relationships are not just fundamental, they are also highly complex, although the level of complexity has probably evolved through time as level of activity and spatial extent of tourism has increased "[2].

Theory and Methodology

The basic theoretical assumption in this paper is that every space in the country in terms of tourism development is highly dependent on climatic characteristics and thus planning the forms of tourism that could be developed in a given area is directly depending on the climatic characteristics of the same. In the context of the theoretical assumption that paper is observed by space height zonality, the kind of tourist movement is affected, or over depending on climatic characteristics that distinguish appropriate altitude zone of the Republic of Macedonia. When it is taken into consideration climate specific variables of individual climate elements that distinguish different elevation zones: zone to 400 meters above sea level, area of 400 to 800 meters above sea level, the zone from 800 to 1200 MN century. area and height over 1200 meters above sea level The data are processed and analyzed secondary and related to climate elements (temperature, amount and type of precipitation, number of summer days, number of days covered with snow, sunny hours). Needs and analyzed data collected from official measurements of climatic elements made by the National Hydrometeorological Service Republic of Macedonia, as well as from published editions of appropriate subject area related to the paper. The data processing and preparation of paper applied several methods for scientific research in tourism: Methods of analysis by means of which an analysis of data for obtaining the appropriate conclusions about climate impacts on tourism of appropriate space, inevitably applied and statistical methods using statistical data relating to the value of climate elements, and determining the areas located at different elevation zones in terms of development of different forms of tourism used a comparative method that has been done comparing and brought in interdependence and depending on space and climate characteristics, comparative method is especially important to determine the impact of climate on a tourist area or resort, Maksin (2012) "to determine the activities of the climate of a resort or center is an important comparison of climatic elements ..." [3], also presenting the climatic characteristics of the air temperature the Republic of Macedonia used the mapping method by which best visually achieve the desired effect and in the end is implemented method of generalization that according to Ivanovic (2011) is "a methodical thought process through which individual and separate have encountered and understand general"[4], which in this paper is very necessary to understand the impact of climate on tourism derived from specific and individual characteristics of climatic elements.

Results and Discussion

Overall impact of the climate and the climate characteristics on tourism

In the process of tourism planning the most important climatic elements are analyzed. During the processing of the climatic characteristics for the purposes of tourism, firstly attention is paid to a particular region of space provided for tourist activities, all of these analyses depend on the type and form of tourism is being planned for development of the concrete area. The climate is one of the two components of each tourist destination, it specified Goeldner and Brent Ritchie (2009) in their view "Any given destination is primarily and unchangeably characterized by its historiography (the nature and appearance of its landscape) and its climate (the kind of either it has over a period of years; i.e., the conditions of heat and cold, moisture and rains, and wind) "[5]. Climatic features have the same impact on different forms of tourism. When it comes to the development of tourist destinations that are located on the water, it is necessary to determine the days with highest air temperature over 30°C, the length of the sunny days, average cloudiness, average number of days without rainfall and other climatic elements that positively influence the development of summer tourism. Contrary to the prior conclusion, the determination to build a winter-sports centre and the planning and development of winter sports mountain tourism, requires an analysis of the number of days with snow cover and the length of duration, the thickness of the snow cover, strength and frequency of winds, the average, maximum and minimum

air temperatures and other climatic elements that positively influence the development of winter sport tourism. From the aspect of determining and evaluating of the suited area for tourism and recreation, or if it is suitable, unsuitable, or if its only somewhat suited to meet the travellers needs related to some values of some climatic elements, which have different values depending on whether it's a summer or winter recreational tourism. In this regard, for summer tourism to be recreational and to involve tourist activities in the water, the air temperature should have a value higher than 18 °C. In that case, suitable areas considered are where the temperature is above 18 °C with at least 81 days in the year with the mentioned air temperature. For relatively convenient bathing are considered areas where the number of days is between 41 and 81 days, while the least suitable are considered those areas where the temperature of 18 °C and above are present in less than 40 days in the year.

Table 1: Classification the area for the convenience of summer tourism by air temperature

Temperature of air °C	Duration in days	Convenience the area for summer tourism
min 18°C	> 81 days	most convenient
min 18°C	from 41 to 81 days	relatively convenient
min 18°C	< 40 days	least convenient

To have recreational winter sports tourism, the climate characteristics are a major factor in determining the area where the winter tourism and recreation should be performed. In this context, the most suitable areas for alpine disciplines are places in which the thickness of the snow cover is thicker than 15 cm on the grass and 50 cm on the stony and ruff part of the terrain, and the duration of the snow cover is more than three months above the parameters given above. Relatively favourable terrains for skiing are those parts of the terrain which have the appropriate thickness of snow cover and duration of the snow cover is at least two to three months in the in the year in the given parameters above. Terrains which are not favourable are all those which are under the given values, except areas and terrains where the snow lasts continuously from one to two months.

Table 2: Classification the area for the convenience of winter tourism according to the thickness and duration on snow cover

Thickness of snow cover in cm		Duration on snow cover in days	Convenience the area for winter tourism
on grass surface	on stone surface		
min 15 cm	min 50 cm	up to 90 days	most convenient
min 15 cm	min 50 cm	up to 60 days	relatively convenient
min 15 cm	min 50 cm	< 60 days	least convenient

Climatic characteristics, i.e. knowledge of all climate elements and their synthesis allow accurate calculation for the duration of the tourist season. Examples of areas where water tourism can be developed, is where the air temperature starting from May to September is higher than 18°C, this indicates that the tourist season in this area can be planned for a period of five months. These areas do not only have favourable summer temperatures, but an annual average temperature which is quite high and makes the stay more enjoyable for the tourists. In this sense, for tourism and recreation in terms of temperature, the most important data are the average midyear temperatures and also the winter temperatures. The midyear temperatures are Above 16°C and the high winter temperatures are above 9°C which allows for the extension of the tourist season, tourist can use these natural resources for recreation during the cold part of the year. The importances for tourism are the climatic features or climatic elements such as the number of cloudy days and the number of sunny hours. For summer tourism, whether its mountain or water based, despite the midyear cloudiness it is necessary for us to know the data for cloud cover in the summer months. Despite the big role of the sunny days in the tourist area they also have a psychological effect on the tourists; the numerous sunny days also have special advantage for tourism development. Our lake resorts are characterized with a relatively large number of sunny hours over 2,300 which make a pleasant stay for the tourists. In addition to the sunny weather, there are other environmental benefits, such as high expression of calm periods without wind, the refreshing influence of

winds, and the occurrence of rainfall and so on. Seasonal winds blowing from land to water, where comfortable refreshment is provided and thus reducing the summer heat. In addition to this, it is necessary to know the amount of rainfall during the summer months. The short-term rainfall is favourable and it does not affect the air temperature, but it greatly purifies the air, and thus enables a more pleasant stay for the tourists. From the above it can be seen that a large impact on the climate is expressed in spatial organization and spatial displacement of certain recreational sectors of the tourism industry.

Climate characteristics in the Republic of Macedonia

The climate in the Republic of Macedonia is characterized by a specific spatial and temporal distribution of air, thus determining the different types of climates given in different areas of the country. Lazarevski (1993) describes the climate in Macedonia as follows "In most of the country the climate is Mediterranean and continental, at the higher mountainous the climate and the highest parts of the country the climate is alpine" [6]. This is characterised by long and warm summers and relatively long and cold winters, that is exactly what affects mostly the development of almost all types of tourism. The average annual temperature is 11.9°C while the average summer temperature is 21, 1 °C.

Table 3: The Average monthly and annual air temperatures in the Republic of Macedonia °C for the period from 1970 to 2011.

mon	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	aver.
°C	-1, 3	3, 2	7, 8	11, 6	16, 2	20, 5	23, 1	22, 6	17, 5	13, 3	7, 3	2, 0	11, 9

Source: NHSRM

Precipitation is not as abundant in the summer, while in winter and the higher areas are mostly covered with snow. This provides excellent opportunities for the development of stationary summer and winter sports tourism. In fact, the average annual precipitation value is 565 mm/m², while the average monthly value is 47.2 mm/m².

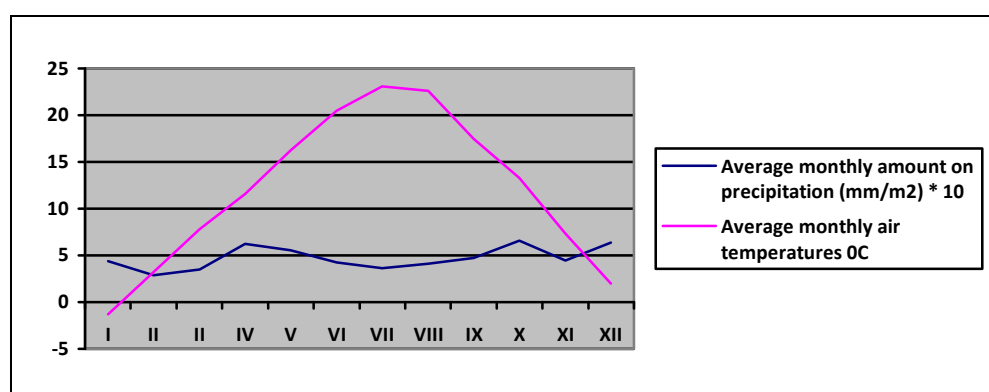
Table 4: Average monthly and annual amounts of precipitation in the Republic of Macedonia in mm/m² for the period from 1970 to 2011.

mon	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	aver.
l/m ²	43, 5	28, 5	35, 0	62, 0	55, 7	42, 3	36, 5	41, 0	47, 0	65, 6	44, 3	63, 9	47, 2

Source: NHSRM

The average humidity, with value is 71.6% is almost ideal for the stay of tourists and the same is true for the number of days with ideal weather throughout the year which is near 90 days. This environment affects the development of almost all types of tourism, such as stationary summer tourism, winter sports tourism, health tourism, rural tourism, fishing-hunting tourism, transit tourism and other forms of tourism.

Figure 1: Relation between temperature and precipitation during the year



The most important wind in the country is called Vardarec which blows in the valley of the Vardar River. Throughout the year the average speed of the wind is 3.0 m/sec. The average values of calm days in the whole country ranges from 1,000 cases are 342. Most windy areas are: Lazaropole (12), Kriva Palanka (14), Ohrid (156) and Popova Shapka (224), the least windy are: Berovo (490), Kavadarci (477), Veles (472) and Prilep (438). The yearly average of sunshine is around 2112 hours in Skopje to 2405 in Shtip, where the maximum is in July and the minimum sunshine is in the month of December. In the Ohrid-Struga region as the largest tourist centres in Macedonia the sunshine value is quite high and its value is around 2335 hours. The average cloudiness in tenths is 5, 04/10 and these parameters are quite equal at all of the measuring stations in the country, while the average number of days which are perfect are (95, 0). The measuring stations with most sunny days are: Dojran (130,2), Valandovo (129,2), Strumica (126,2) and Gevegelija with (122,6) sunny days, while the areas with the least sunny days are: Makedonski Brod (58,5), Krushevo (68,1), Skopje (73,0) and Tetovo with (78,5). The average cloudy days are (96, 5). The most cloudy is in Tetovo with a value of (130, 9), next is Kichevo (119, 5), Lazaropole (108, 7), Makedonski Brod (107, 2), Skopje (105, 5) Mavrovi Anovi (105, 0), Radovish (104, 0) and Resen 102, 9) cloudy days. Places with the least cloudy days of only (69, 4) are Gevegelija and Valandovo with (76, 0). The average days with fog are (17, 2) and the leader and the most cloudy is the capital city of Skopje with (71, 4) foggy days. The areas with the least fog are Resen (3, 3), Valandovo (4, 7), and Ohrid (4, 9).

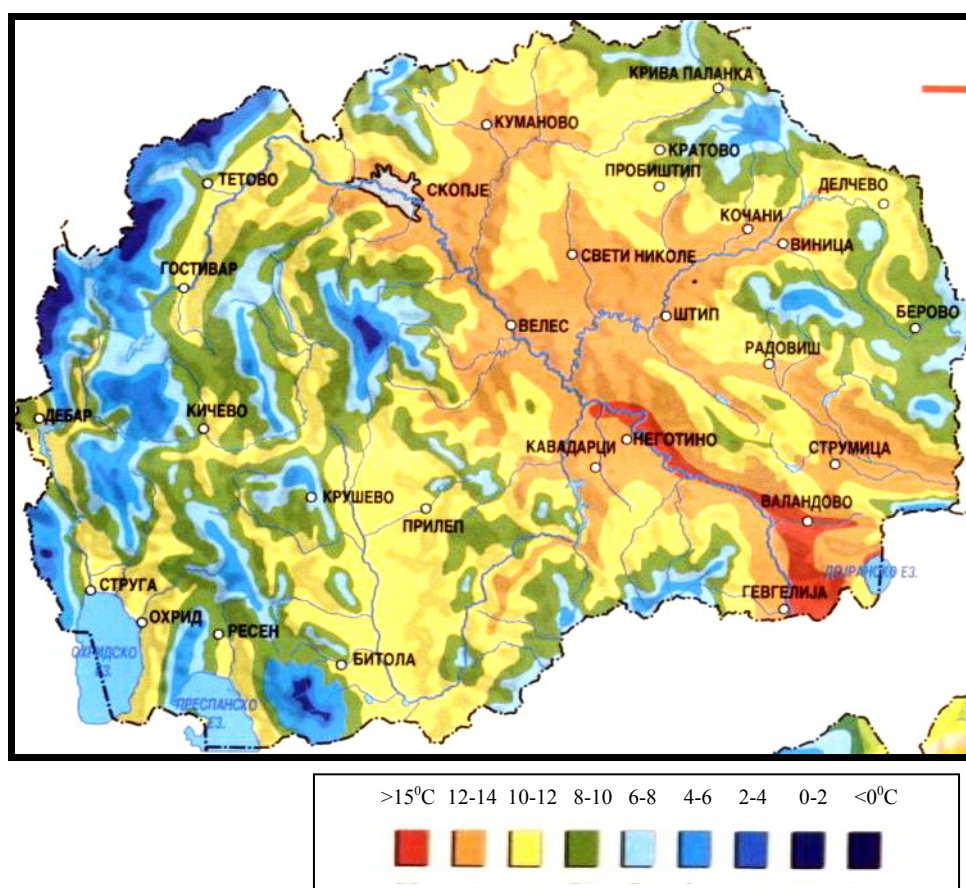
In terms of annual thermal regime in the Republic of Macedonia there are two basic annual periods and they are as follows cold and hot. The warm temperatures of the year generally range from 15 to 25°C in more than V to X month in the year, which are suitable for outdoor recreation. But with the increasing height of the sea level, or in mountainous areas, the lengths of these warm periods are reduced. So to assess the value of the climate for tourism in our country during the summer months, we will use the so-called "index of summer" (J), by the English climatologist M. Pulter. This indicator is calculated using the following form: $J = W1 + W2 - W3$, where W1 is the sum of average temperatures, W2 is the duration of the solar glow, W3-amount of rainfall for the three summer months. In Macedonia, the index of summer time is calculated based on data from meteorological measurement possible number of points Lazarevski (1993). Macedonia with its geographical location and various conditions is characterized by different climatic characteristics, and thus it has diversified index of the summer time. The index moves from 668 in Popova Shapka to 950 in Gevegelija. But when taken as a whole, a significant part of our valley spatial units have a relatively high value, or more than (800) the index in the summer period can be considered as ideal for development of tourism activities specifically for recreation and water sports. However the index of (800) is the highest value reached mainly in areas where the Mediterranean climate prevails, so that the region covered by the sun (800) are bright, sunny and warm summers with little rainfall and as a result such areas are identified as favourable for the development of summer tourism, or for bathing and other recreational and tourist activities on the water.

Difference in the climate characteristics by the altitude zones in the Republic of Macedonia

With increasing altitude the value of the index decreases, in such spaces valuable climatic features are changed such as: clean, ventilated, and thinner partially ionized air the solar glow is at a higher level and ultraviolet radiation is increased and so on and so on. In this case it refers to the mountainous areas which are characterized by their specific climatic values and characteristics. They also provide an opportunity to develop stationary summer mountain tourism or rest and relaxation in the fine mountain air. In the lowland areas the sun is low and cooler, the ultraviolet rays and rich red (heat) radiation in the mountains is quite strong, so at the higher altitude the skin can get darker, despite staying in the shade. Regarding the benefits and values of the different climate zones and elevation changes in thermal regime in the winter time of year tourist values and benefits of climate are completely transmitted in mountainous areas, thus enabling the development of winter-sports tourism. Based on the analysis and the perception of climate and climate characteristics as tourist value, specifically in order to emphasize its impact, it is necessary to give a proper assessment of its effects in areas and space for individual parts. The need to approach climate-tourist organising by regions, is the way of the heterogeneity of the relief structure which can be correctly perceived for the role of climate in tourism. In terms of climate-tourist reigning particular importance have the individual climate elements, that require processing of the following indicators: air temperature (mid monthly temperatures in seasons, the length of summer days with temperatures above 25°C), the amount of rain and snow (length and thickness of snow cover). These

values though general previously presented in individual presentation, and climate-tourist reigning need to be evaluated jointly in order to express spatial differences of the region and the individual parametric values with their positive or negative impact to some extent to determine branch of tourist-recreational activity in the region. In the area of the Republic of Macedonia in terms of its structure and relief in terms of climate-tourism regionalization is a necessary to process for the parametric values referred to all spatial relief units, determined by altitude. However, in the course of their regionalization all of morphological units should be valued separately. The various features of climate depends on the altitude of the area, they have a different impact on tourists and therefore a different impact on the opportunities and incentives for the development of tourism in the region with different altitudes. This was stressed by Shtetik (2003) where he says that "most favourable climate for the tourists staying is at an altitude of 600-1200 meters. The higher altitudes require a period of adjustment"[7]. The author makes separation of four basic types of climate according to altitude which have different impacts on tourists, such as: climate of small heights (300-600 m a.s.l) climate of high altitudes (600-1200 m a.s.l.) climate of high altitudes (1200-2000 m) and the climate at very high altitudes above (2000 meters).

Map 1: Zonal division in mean annual temperatures Republic of Macedonia



Altitude relief zones to 400 m a.s.l is characterized by the following basic climatic characteristics: a high temperature amplitude passing 23°C, has many summer days with temperatures above 25°C (over 100 days), a significantly high amount of sunny hours which range through 2300 h / year, and have a low annual rainfall primarily in the summer (450 to 650 mm/m2) and in August only about (30 mm/m2). These values are typical climate of the South and the regions of Ovche Pole, Strumica and Radovish Valley, Dojran Valley and others. The above climatic features are very suitable for summer recreation or recreation related to bathing, sunbathing and resting near water.

Spatial relief units from 400 to 800 m a.s.l are characterized by lower temperature amplitudes and are below 21°C, the number of summer days with temperatures exceeding 25°C range from 60 to 99 days, solar glow is between 1800 and 2300 h / year has a somewhat higher value of annual amounts of rainfall amounting to nearly 800 mm/m2. At these altitude zones are Polog, Pelagonia valley Kriva Palanka, Ohrid

valley, Kichevo valley and Delchevo valley etc... In this climate zone according to the characteristics and properties of the environment, should be included Prespa valley (850 m a.s.l), which is a little bit higher than the height of the area but because it is partially fields with water from Lake Prespa it affects the microclimate. Such influence is felt on the temperature in the valley, especially the air temperature in the winter months. There is also prolonged solar glow (2295 h / yr) and a climate with a boundary value and the number of summer days (64). Taken as a whole in such climatic conditions there are still favourable opportunities for the development of summer stationary tourism (bathing, sunbathing, recreation, water sports, etc). In this and in previous altitudes which have the appearance of thermal springs there are conditions for development of spa tourism, given the climatic characteristics of a modified Mediterranean climate allows use of these resources (thermo sources) throughout the year. The altitude belt located between 800 and 1,200 m is characterised with cooler summers, the number of summer days is quite low (between 20 and 40 days) excluding Berovo valley where the values range up to 60 days. Due to the altitude, and reduced annual temperatures which are below 19°C, the winter months are colder and the length and duration of snow cover varies depending on the morphology of the relief and they range between 40 and 90 days. The solar glow is considerably long and it is a factor for pleasant feeling of tourists during the summer months and is between 2100 to 2300 h / year. In this climate there are opportunities to develop stationary summer tourism (leisure, recreation, and sports), health tourism, hunting tourism and conditions for winter sports. Stationary summer tourism is particularly present in the mountainous region of Maleshevo Mountains, Plachkovica, Ograzhden and many other mountain areas in the country there are other residential and other tourist facilities. This group is specifically allocated in the Maleshevo Mountains with their specific climatic features and according to Gjorgievski (2012) "The climatic feature in the Maleshevo valley is also suitable for tourism development, because of the altitude and its features the climate is specific to mountains. It is particularly important in terms of tourism because of the large amounts of snow in the winter period, while in the summer lower temperatures prevail and the air is fresher unlike the surrounding areas" [8].

Climate characteristics of higher the altitudes than 1200 m a.s.l have few summer days (0 to 17) with the highest value of 17 days was observed in Krushevo the altitude zone is characterized by low summer temperatures, which results in short and cool summers, relatively cold and snowy winters with different duration of the snow cover, and this is dependent on the altitude and the location and amount of days (90-150 days). Here in this zone the height of the mountains in the country is emphasized by Shar Planina which features the longest continuous duration of snow cover. In these high zones winter months also have negative average temperature, annual temperature and the amplitude is rather insignificant and it's less than 16°C. It should be noted that certain convenience in order to represent tourism and the high number of sunny hours the number in this height range between 2000-2330 h / year and temperature inversion that occur during the winter months of the year. The areas which are located in the elevation zones have most favourable conditions for the development of winter sport tourism and some other tourist activities and some alternative tourism forms that are practiced during the summer periods of the year.

Significance of the study

As is clearly shown that climate is an essential element or one of the elements of the tourist area, hence the importance and significance of this paper is that the tourism planning of any area in the country. However the features of climate elements that positively affect a variety of different forms of tourism. The most developed tourist area in the country, and it's Ohrid-Struga tourist area is the zone height of 400 to 800 meters above sea level and here is primarily developed summer lake tourism. Climatic features of this area are modified under the influence of a lake that created special microclimate. The second most developed tourist area is influenced by mountain climate and these are mountainous areas it found over 1200 meters above sea level in this region in the country, under the influence of climatic features is developed winter-sports tourism and this covers most mountains and mountain peaks that are spatially spaced in more tourist regions, areas and zones on the territory of Macedonia. But as most interesting occurs zone height of 800 to 1200 meters above sea level with its specific climate characteristics, because at this altitude zone climate are such a positive influence on the development of alternative forms of tourism that space can be developed across the territory of Macedonia at this altitude zone (for relief characteristics discussed above) but also characteristics of the climate in this area is such height to

support the tourist movement in most of the year, thus avoiding the seasonal nature of tourism. Such thinking and understanding of the climatic characteristics of the territory of the Republic of Macedonia for the purpose of tourism is a necessity when planning for tourism development tourism in Macedonia has, especially as tourism is rapidly growing and prosperous industry in the state, but also because of the fact that this issue in the country is not paid enough attention and there are no specific studies done dealing with climate regionalization for the purpose of tourism.

Conclusion

Climate characteristics undoubtedly appear as one of the main factors that condition the development of tourism in a given space. They have a strong and pronounced influence on the development of all forms of tourism. This impacts as presented in this paper, we have seen that it can be positive and negative, but also climatic characteristics do not have the same effect on different forms of tourism. In light of this understanding are not the same climate characteristics that have a positive influence the development of summer tourism and rural tourism or development of winter sport tourism and rural tourism. Rural forms of tourism are not seasonally dependent with the summer and winter, but they are going throughout the whole year, so climate characteristics that positively affect this travel form should be beneficial for the stay of tourists throughout the year and especially in spring and autumn. General climatic characteristics of the territory of the Republic of Macedonia have such conveniently affecting on the development of forms of rural tourism. Republic of Macedonia is characterized by predominantly mountainous terrain, according to Stojmilov (2011) more than 70% of the territory of the Republic of Macedonia are mountains [9]. It means that it is a space suitable for rural tourism. Therefore follows that the general climatic characteristics except for tourism, many important features and climate in different altitudinal zones, in particular climate zone features a height of 600 to 1200 meters above sea level, because this altitude zone is most suitable and most visited by tourists. Precisely this height zone is characterized by such features climate where summers are cooler and offer a pleasurable residence for tourists, spring and autumn are specifically expressed in seasons where no great extremes to climate elements. According to this and taking into account all previously presented climatic characteristics, we can conclude that climate along with all its peculiarities positively affect the development of rural tourism in the country, especially when it comes to rural areas that are in the zone height of 600 to 1200 m altitude, allowing warm air to stay and activities of tourists most of the year.

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Regional and European Economic Relations of the Republic of Macedonia and economic integration of tourism as a factor for economic development

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Abstract

As an important figment of the process of economic globalization, the Republic of Macedonia participates primarily in regional, as a starting point for advancing in the global economic communities, with a role to facilitate communication between the countries participating in the same organization or recognize economic free trade agreement.

In this paper, main aspects of the Republic of Macedonia in its integration efforts, broader economic aspirations in the region and on a continental level, the role and importance of all zones and authorities in which the Republic of Macedonia is a member and intends to participate as a member, and all the benefits that the country enjoys with the free trade and exchange of goods, and also the capital effect on tourism as an important economic structure of the country, and its possibilities for more effective economic integration will be outlined and elaborated .

Key words: *integration, exchange, agreement*

Introduction

Macedonian connection at the regional level with economic and geopolitical compatible entities forms the basis for further integration in the broader geoeconomic state areas with significant economic feedback. There is also tourism, which as major and specific phenomena of modern times and one of the main features of the economic structure, often adapts on the state flows and external economic and political direction of the state. Therefore, the process and the issue of globalization, on the one hand, and the process of regionalization, on the other hand and its impact of the economy and tourism in general is discussed in several aspects.

Main aspects of the free trade

In general, free trading is a smooth flow of goods and services between two or more geopolitical entities which previously established mutual agreement for liberalization and trade without direct interference of the government, for a kind of "common good". There are various principles regarding free trading, but the main point lies in the function of economic globalization, or in the manner of loosening of borders and customs zones. Generally, free trade is experiencing evolutionary path straight from the ratification, gradually builds from prior principles of trading of specific goods and services, to completely free trading of all types of material goods and services, intellectual property, etc.

As a symbol of internationalization, free trade already marked the geoeconomic and geopolitical stratification of the world, where free trade zones and groups are established.

Some of them are:

- North American Free Trade Agreement (NAFTA)
- ASEAN Free Trade Area (AFTA)
- Central European Free Trade Agreement (CEFTA)
- Greater Arab Free Trade Area (GAFTA)

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➤ Southern Common Market (MERCOSUR)

There are many other plans and free trade agreements at regional and continental level that still need to be implemented, with coordination of international bodies like World Trade Organization.

In view of our country, the main character is CEFTA (Central European Free Trade Agreement), or free - trade zone in Southeast Europe; bloc of countries which are not yet members of the European Union. In fact, that is the main reason for the formation of the free economic zone - for further adaptation and integration of underdeveloped countries. Current members are: Republic of Macedonia, Albania, Kosovo, Serbia, Bosnia and Herzegovina, and Moldova, while Croatia is actually leaving this zone as a result of the integration into the European Union. The main principles of this agreement are pointed to increase trade between members, market liberalization, or liberalization of trade in industrial and agricultural products in a gradual manner to complete free trade, and others.

Parallel with the acting as a development phase for the states before eventually joining the EU, CEFTA has the main trade links with the European Union.

In 20 major partners of Macedonia's foreign exchange, 4 countries are from CEFTA zone (Serbia, Croatia, Kosovo, Bosnia and Herzegovina).

Main trade partner of Macedonia in CEFTA is Kosovo. Macedonia makes total export to Kosovo in the amount of 492 215 290 US Dollars, while imports amounted to 15,087,310 US dollars (for a period of 7 months in 2012, and for comparison, the total export of CEFTA is 555,340,605 US dollars for the same period).⁸

Macedonia, mostly imports goods from Serbia, with total value of 279,377,912 US dollars for a period of 7 months in 2012, and in comparison, the full imports from CEFTA is worth 415 449 609), while Macedonia in the same direction makes exports worth 157 , 9 million US dollars⁹

The other zone of importance of free trading of the Republic of Macedonia is EFTA (European Free Trade Agreement). The free trade association dates from 1960, and its early response to the creation of the European Economic Community (today's European Union), a simple replica of the country that were out of the initial European economic set. EFTA was formed by the United Kingdom, Sweden, Norway, Portugal, Austria, Switzerland and Denmark. Furthermore, with the gradual evolution of the European Community and the integration of some of the members of EFTA, today we have the form of trade bloc, which is now consisted of only four countries: Norway, Switzerland, Iceland and Liechtenstein¹⁰

The main aspects of the present functioning of EFTA are of geopolitical character. In fact, EFTA is fragmented and non-integrated part of the European Union, by countries with different nature of the problem for not participating in the European Union (e.g. Norway, which on couple occasions expressed a desire to join the Union, however, state desires were cooled by the referendum; Iceland, on the other hand, in the meantime suspended negotiations with the European Union since joining the accelerated integration process after the great economic crisis that shook the island in 2008).

In fact, they are not politically part of the Union, but they're defacto economic members.

Macedonia maintains trade relations with EFTA since 1 May 2002 (after the agreement was signed on June 19, 2000).¹¹ Under the agreement, Macedonia and members of EFTA trade industrial goods, fish and marine goods, and agricultural products.¹²

⁸ Economic Chamber of Macedonia

<http://www.mchamber.mk/upload/Razmena%20CEFTA%2001-07.2012.pdf>

⁹ Economic Chamber of Macedonia

<http://www.mchamber.mk/upload/Razmena%20CEFTA%2001-07.2012.pdf>

¹⁰ Island became a member in 1970, while Liechtenstein did the same in 1991

¹¹ EFTA

<http://www.efta.int/free-trade/free-trade-agreements/macedonia.aspx>

¹² Free trade agreement between EFTA states and Macedonia, Ref. 24941, pg. 2

<http://www.efta.int/~media/Documents/legal-texts/free-trade-relations/macedonia/EFTA-Macedonia%20Introduction.pdf>

Table 1: EFTA states trade with Macedonia, 2009 – 2012

	2009	2010	2011	2012	2010/09	2011/10	2012/11
	In thousand US dollars				Annual percentage change		
Imports							
Iceland	158	157	271	286	-0.6	73.3	5.6
Norway	5,754	7,006	7,927	7,356	21.7	13.2	-7.2
Switzerland	19,617	21,448	52,871	78,884	9.3	146.5	49.2
EFTA	25,529	28,610	61,070	86,526	12.1	113.5	41.7
Share in EFTA's total imports	0.01%	0.01%	0.02%	0.03%			
Exports							
Iceland	6	7	396	152	17.9	5,340.9	-61.6
Norway	1,360	2,160	2,918	2,262	58.8	35.1	-22.5
Switzerland	49,588	44,958	57,618	58,625	-9.3	28.2	1.7
EFTA	50,954	47,126	60,931	61,039	-7.5	29.3	0.2
Share in EFTA's total exports	0.02%	0.01%	0.02%	0.02%			
Imports + Exports							
Iceland	164	164	667	438	0.1	307.4	-34.3
Norway	7,114	9,166	10,845	9,618	28.8	18.3	-11.3
Switzerland	69,205	66,406	110,489	137,509	-4.0	66.4	24.5
EFTA	76,483	75,736	122,001	147,565	-1.0	61.1	21.0
Share in EFTA's total trade	0.01%	0.01%	0.02%	0.02%			

Source: GTI, Global Trade Atlas (March, 2013)

From the data presented in the table it can easily be seen slow growth in imports and exports of Macedonia with EFTA. It can be concluded that Macedonia accounts for a small percentage of the total trade of EFTA, with only 0.02 percent in 2012. Macedonia imports more goods than exports (0.03 percent imports, 0.02 percent export). Most trade with Switzerland is the main trade partner from EFTA, while the lowest trade connections are with Iceland (geographically justified).

In terms of regional economic relations, as a continuation of friendly relations with Turkey, Macedonia has signed a free trade agreement in 1999, which entered into force in the 2000s. In the years of signature, Turkey and Macedonia gradually dropped all custom loads for industrial and agricultural goods. In 2012, total trade between Macedonia and Turkey amounted to 378 million US dollars (Macedonia exported goods with value of 103 million US dollars, while imports 274 million US dollars).¹³

Macedonia, in 2001 signed a free trade agreement with Ukraine. According to the State Statistics Service of Ukraine, the total volume of trade between the two countries in 2011 amounted to 236.7 million US dollars, of which Macedonia imports goods worth 152 million, and exported 84.7 million US dollars.¹⁴

From the displayed, it is determined that Macedonia participates in more free - trade levels, but in all these relationships participates in a negative trade balance, i.e. makes more imports than exports.

With the Euro-aspiration candidacy, through the Stabilization and Association Agreement with the EU, Macedonia maintains trade relations with the EU (27 members) and it keeps them in the highest trade volume, which according to the State Statistical Office of the Republic Macedonia in 2010 was over US \$ 2 billion.¹⁵

The basis of the Macedonian focus on geopolitical and geoeconomic plan is the membership in the European Union. Before the process of globalization, i.e. synchronization with the block union of states in large geopolitical units (with base lies in the free trade zones), Macedonia successfully meets the basic criteria, participating in the "admission" trade zones.

Trade with CEFTA and EFTA is a kind of economic Europeanization, while the process of regionalization that occurs while Macedonia takes the European route, has a different value, usually tied to strict regional foreign policy interests.

¹³ Republic of Turkey – Ministry of Economy

<http://www.economy.gov.tr/index.cfm?sayfa=tradeagreements&bolum=fta&country=MK&region=0>

¹⁴ Ukrainian embassy in Republic of Macedonia

<http://macedonia.mfa.gov.ua/mk/ukraine-mk/trade>

¹⁵ COMMODITY INTERNATIONAL EXCHANGE OF THE REPUBLIC OF MACEDONIA, 2010, pg.31

<http://www.stat.gov.mk/Publikacii/7.4.12.02.pdf>

So there is one kind of connection, traditionally with the great ally Turkey, and the same principles are met in the connection with Ukraine. Macedonia since independence mostly makes trade with the neighbor Serbia, but after the Kosovo's secession from Serbia, Macedonian trade relations were simplified, now with two north neighbors.

As the political climate between Kosovo and Serbia is far from favorable, Macedonia uses the economic momentum to increase trade (economic) relations with Kosovo, while they are unable to make free trade transactions (inability to set the principles of CEFTA, because Serbia does not recognize Kosovo as an independent state).

However, economic transition and economic depression as a result of Macedonian late history create a situation in Macedonia with difficulties to get along in the free trade routes, despite the efforts and incentives that Macedonian authorities make, especially after the economic crisis of 2008, and as noted, the country has a constant deficit.

In summary, the current disconnection between regionalization (free trade relations with Serbia and Turkey, and with the CEFTA) and Europeanization (globalization) has geopolitical content, which, after all, makes the country unable to join European Union.

With the membership in the European Union, Macedonia would increase its market free trade, which would make a large opportunity for progress through strengthening trade ties with European countries. Increased market means increased exports, while import would be balanced along with the principles with the free trade of European Union.

As a full member of the European Union, Macedonia, however, would meet the growing number of European funds placed for development of key economic sectors, which would help to strengthen the weak economic structure of the state.

Tourism and economic integration

Tourism as a major potential for the development of economy of the Republic of Macedonia can experience their growth and development complement to the promotion of other economic sectors in Macedonia, or to be a major initiator of development. The Macedonian economy, over the years, tourism took a low percentage of gross - domestic products, with around 1.7% of GDP, which is far behind the world average of 3.2 percent.¹⁶ As a rapidly growing economic structure, tourism is expected to contribute 5 percent of the world economy by 2015. It is interesting to note that tourism employment participate in a growing percentage. So, from 1.8 percent of total employees in 1999, in 2007 the figure rose to 3.2 percent of all employees in the country.¹⁷ Indeed, the integration of the country into the European Union, i.e. the integration route as separate membership in several free-trade deals means integration of European organizational and entrepreneurial values on the state level.

- Prices of tourist arrangements - with strong balance and synchronization with the regional and European trends. On that basis, with the tourist „income“ from EU member states, Macedonia could raise tourism prices and incomes, while at this level, and regional links (it should be considered that major part of tourists in Macedonia are internal or from the poorer countries of the world (regional), prices are meant to be widely „acceptable“.
- The membership of Macedonia in the EU would create a total liberalization in terms of mobility of goods and people, that still greater extent will affect tourism and travel trends.
- Branding and strong marketing: Macedonia in the European Union would gain the status of a stable state that can promote its European values, with potential to create tourism marketing with European standards.
- Among other things, with the free trade, which today is a function of Macedonia with several entities, by trading some agricultural products that have connection with tourism (wine with wine tourism for example) can obtain promotion, i.e. create a brand through trade.

In the shape of the main coupling of tourism in Macedonian society, some integration structures are possible:

¹⁶ WTTC. *Travel&Tourism Economic Impact - Macedonia 2009*, 2009, p. 7

¹⁷ Ibid, pg.7

- Agriculture and tourism potential; agriculture in function of the tourism. Today's agricultural state in the country is far from perfect, but through tourism, a driving mechanism of action in this economic relationship could be created.
- Reduction of industrial “workload”, and the necessity of it, by developing alternative economic structures that are more acceptable to the social and natural environment as Macedonia
- The integration of tourism in the economy of the country will affect the improvement of the demographic ratio of unemployment and poverty, and by the potential for tourism of the Republic of Macedonia, tourism could take the leading role in Macedonian’s economy.

Conclusion

Some economic indicators and geographic determinations of geopolitical situations serve as a basis for further assumptions about the future of Macedonia in terms of globalization and the increase of their trade ties, from regional to continental level.

Through the state of the current situation, it is obvious that Macedonia is quite specifically working on the integration process by creating and maintaining all economic ties that have geopolitical background, for the function of European integration path.

Thus, only Macedonia's membership in the European Union and the final establishment of a free trade relationship between Republic of Macedonia and the European countries is the only way for successful coordination of tourism as an important economic structure of the country into the economic stream.

It is a consequence from the operation of the European principled instances in terms of economy and tourism, as quite complex socio - economic coupling which in some countries and regions needs to be a commercial carrier. In the case of Macedonia, it is the economic potential, yet, with such connections (from regional trade – to geopolitical meaning) needs to grow. And, along with the tourism, the economy will prosper, because of the integration.

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SHOPPING TOURISM AND CONSUMER HABITS

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Work Summary

Today's new trend is traveling for shopping. Tourist destinations do not offer shopping as a side event, as particular tourist destination developed exclusively on the basis of quality shopping of mostly luxury items. The question is/ the main hypothesis: which are those shopping destinations and what is their future. Regarding the PH1: how is it that shopping has become a favorite hobby of the modern man and such a large number of people show desire and a daily habit of buying items they do not need (food items) such as luxury goods. A man travels with the aim of finding cheap luxury items. PH2: what are the needs and desires of the modern consumer, based on which shopping destination with simple and fun luxury items shopping were created.

Via Condotti in Rome and Via Montenapoleone in Milan, are the streets of the traditional fashion capitals, from where it all started and as well the inevitable fashion capitals of Paris and London. The U.S. is an important shopping destination especially the west coast with cities like Hollywood and Las Vegas casinos. Shopping in South America is set to a new level with personal communication with customers-visitors. Dubai invites its guests in a tax free shopping. New commercial markets are India and Russia, with enormous growth and development. New rich and wealthy middle class appears daily that wants to spend a lot on luxury brands to present itself. Destinations such as Japan and China, whose nationals are able to spend their last money on luxury brands" Not only that the west is completely unfamiliar of buyer habits from growing economies, but it is also unfamiliar to their taste (in the selection process). I am currently trying to find out just how huge is this market. There is a great interest in luxury goods on it. (Graubard, 2010).

PH3: Which are the new Western markets?

Keywords: *shopping, hotels, shopping centers, outlet, tax free zone, modern consumer, new market.*

INTRODUCTION

Tourism today doesn't just mean to leave your home in order to spend the holidays somewhere else who in the summer mostly. Today man's can plan a month ahead because he does not work on a predictable and monotonous work place that is programmed. Such man is under stress and more often resort to vacation, and these vacations are shorter. We no longer travel without a plan since our free time is well designed. Travelling becomes thematic. So we usually have weekend trips organized by travel agencies in

order to visit exhibitions, concerts, amusement parks, recreational trips (rafting, golf, hiking trips), visit some of the other current events (football matches, tennis tournaments, the Olympic Games) and to go shopping. All these tours are carefully designed with well-planned routes and they gather people of similar interests. Well planned free time today is a desirable characteristic of today's business man and therefore travel agencies work on that principle and listen to the nation „beat“and making deals that will satisfy them. To wait all year to go for 20 days of vacation and do nothing but swim in the sea and stay on the beach is no longer interesting. People who practice this usually have vacation homes and spend a vacation on the minimum budget. While others who are not limited in this way will always choose a new destination that will provide them with enough interesting contents-several times a year invest your money in order to experience something new and different. Today traveling is accessible to all of the middle class, and everyone chooses according to their ability, or assume the role of the agency in organizing the trip himself. One of these trips is a targeted shopping trip.

Shopping is nowadays a favorite hobby that most people can afford and are willing to subordinate travelling to it. Shopping as a new habit reflects man's continuous struggle to find meaning in life so he often changes personal image, features, value system and lifestyle (Kecic 2005,12). There are certain destinations in the world with department stores as highlights that invite visitors for a visit as if they were culture landmarks. So we have a weekend vacation in Paris and London as *the shopping in London / Paris* while Dubai invites its guests in a tax free shopping, and Las Vegas is the place of the most comfortable and luxurious shopping where they treat the customer as a friend-guest, and not just a buyer. Via Condotti in Rome and Via Montenapoleone in Milan of traditional fashion capitals are the street where everything originated from. Rodeo Drive in Beverly Hills and Madison Avenue in New York City are the destinations in the U.S. and the first overseas destination where the luxury fashion brands began to spread. Japan and Hong Kong are the new fashion destination where local population enjoys a good style and/or flies to Hawaii for a cheaper duty free shopping near by. Moscow, Bombay and New Delhi as the newest destinations are not left behind as markets that are still evolving and expanding.

FASHION MARKETING AND CONTEMPORARY CONSUMER

Fashion campaign are omnipresent. They have so much impact on our lives that we can say that the truth lies within the brand. The brand must first be transformed into a sign that he can later become an object of consumption. A little child who has adopted a fund of 500-1000 words recognizes 150-200 brands. The tyranny of fashion has never been greater. Fashion does not make us free, it makes us slaves because we all become a part of the fashion world whether we like it or not just because we are forced by external factors to use it, and fashion is here to give shape to our lives.

Fashion shows cost around 500 000 dollars, and the good commercial is worth seven million dollars just in the U.S., and even more worldwide. Fashion magazines are designed as one big advertisement for designer goods. The advertisements in Vogue occupy three times more space than the editorial texts while the texts are also hidden advertising (König 2003.205-224). Everything goes into direction of the purchase of a particular item we do not really need. That is the goal of most brutal capitalist marketing. Consumption does not give us a sense of sense that we seek for, it is nothing more than a substitute for it. All consumer societies have a dream of a state which does not lack anything. Utopia of a consumer society is that we can fulfill ourselves through consumption of goods; with the nature and extent of use of the services, a user may be willing to tolerate a relatively strong financial burden in order to obtain excellent quality levels (Berry 2004,25).

How can we look at people as customers. In every society there are consumers. Today we are less of producers because lifetime decreases (a man works 30 years and lives about 75-80), and we are growing consumers. Romantic consumer is insatiable, and he's always buying new products because no product relieves him lust. The difference between the actual and imaginary object is * constant * longing (Thomas 2009).

There are several types of consumers (Thomas 2009)

1. Alternative (12%) who buy 2nd hand goods.
2. Routine shoppers (31%), shopping is no pleasure but only a need.
3. Free time (24%) are close to a stereotype of a postmodern consumer as they considered shopping an

important part of his life.

4. Cautious (15%) are very careful what they buy and preoccupied with what they buy rather than just to buy.

5. Sharp (18%) like to shop but keep an eye on prices to get the cheapest deal possible.

No matter how much advertisements and designers worked, the customers never accept what is presented but always chooses himself. Brands that promise too much, and fail to deliver those promises such as are at risk of extinction. Especially in the West, consumers are starting to seriously resent intrusive advertisers (Kynaston 2011).

SHOPPING TOURISM IN JAPAN

Japan is a country ruled by the obsession with luxury goods. In the 60's and 70's Japan experienced an economic boom which resulted with the formation of a new middle class. As in Japan, it is not possible to build and invest in real estate, middle class man's logical choice was to invest in luxury items such as leather goods, silk scarves, furs, precious stones. Before luxury shops arrived from Europe prices of available luxury goods that were present in small quantities were 3 times more expensive and shops were often left without stock. Sales were excellent; in 1978. Vuitton could be bought in 5 department stores in Tokyo. Analysts estimate that 20% of luxury goods are sold in Japan, and 30% of the goods are bought on trips. This means that the Japanese buy 50% of the luxury goods on the market. 40% of Japanese has bought at least one Vuitton product. One of the reasons behind luxury products buy is their durability and quality, but there are also sociological reasons behind it. By buying and wearing luxury goods Japanese identify themselves on the socio-economic level. Their influence on luxury industry is immense. Their taste affects product design and store design. Their habits and modes of travel affect the decision where to expand brands to, and their demands have an impact on how the stores will be managed.

First Vuitton store opened in 1978 and earned \$ 6 million, and in 1981 it was also opened in the fashion district of Ginza. Center for repairs was opened in 1991 and there are two nowadays. Boutique in Omotesando is one of the most glamorous shopping locations in Japan. Louis Vuitton shop was designed by Junya Aoki in 2002. There are services offered at the entrance reception to get around the store easily, to call a taxi or book a table at a restaurant. There is also a VIP lounge where you can go by private lift with access only for Celux members.. on the opening day there was a turnover of \$ 1.04 million (Thomas 2009,93). (Figure 1). In 2001 Hermes opened its shop in Ginza. A 12 storey building of glass bricks in the form of a tower was designed by Renzo Piano. Surface area has 134 m² in which \$ 137 million were invested (Thomas 2009,93). (Figure 2).

In 2003 Prada built a 6 storey building in the postmodern style worth \$ 80 million in Omotesando, which was designed by Swedish architects Herzog & de Meuron (Thomas 2009,93) (Figure 3).

In 2004 Chanel was opened and the building was designed by Peter Mario and it was bought for \$ 18 million. The building has 9 floors with a 1300 m² that apart from shopping stores include multiuse space for cultural events, garage, roof terrace with a water garden and bamboo and a top-floor restaurant overlooking the city (Thomas 2009,93).



Figure 1 Louis Vitton

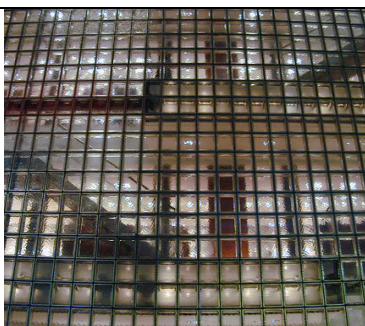


Figure 2 Hermes



Figure 3 Prada

Source:

<http://stores.hermes.com/Asia/Japan/Osaka/#/Asia/Japan/Osaka>,

<http://www.prada.com/en/store-locator/>

The strong Yen has enabled the Japanese to start with tourism business that eventually developed into a shopping tourism. The most interesting and the nearest destination was Hawaii. Eventually tourist routes were established that offered weekend trips. Soon these lines developed solely for the purpose of shopping tourism where everything is subordinated to shopping. Even when leaving the airport one goes through a small shopping center for final shopping before boarding. Japanese are also very interested in duty free shopping so they have created special shops where you can shop only with a valid travel ticket and working hours are adjusted to passenger-tourists 0-24 hours a day, and almost all the staff speaks Japanese. One of those shops is opened in Waikiki in 2001 on Kalakaua Avenue worth \$ 65 million DFS (Figure 4) Gallery shopping center has 3 floors. On the first floor there are souvenir shops and aquariums. On the second floor there are fashion stores of several brands with regular prices while on the third floor there is a duty-free shop where you can buy perfumes, alcohol and fashion brands, but with the presentation of the airline tickets. DFS offers a variety of additional benefits for customers. It is opened 24 hours a day with organized free taxi transport; tram and bus to the airport. There are also the Royal Hawaiian (Figure 5) and the Ala Moana shopping center (Bett 2005,53)(Figure 6).

7 million people visit Hawaii per year among which 1.5 million Japanese and they tend to stay around 4, 5 days or for a long weekend and they only come to shop while tourism comes second on their list(Thomas 2009,84).



Figure 4 DFS Galleries



Figure 5 Royal Hawaiian



Figure 6 Ala Moana

Source: <http://www.dfsgalleria.com/>,
<http://www.booking.com/hotel/ph/royal-bellagio.hr/>,
<http://www.alamoanacenter.com/>

SHOPPING TOURISM IN CHINA

Hong Kong developed extensively ever since it escaped Mao Tse-tung rule in 1949 and did not join the People's Republic of China but remained under the British rule. Since in 1978 China opened to the world, production has gradually moved from Hong Kong to the inside and to the Pearl River Delta in Guangdong; southeast province that has a border with Hong Kong which remained a port - connection with the whole world. Shenzhen City is a city with 30 000 factories where about 6 million people work and generate annual goods worth of about 100 dollars (Zargani 2004,4). It is about an hour drive/train ride from Hong Kong. Since the production has moved Hong Kong has turned to tourism, banking, real estate, becoming a powerful financial and trading center. Industrial old plants are taken down and the skyscrapers, luxury hotels and modern shopping centers are built. This city has turned into one of the most modern cities in the world where business people who want success and money come. The standard of living has increased so much that it made it one of the most expensive and sophisticated cities in the world. There are great opportunities, as well as challenges so many people come to try their potential. There are lots of young people so the whole town has a 24-hour rhythm, a ritual of parties, all-night going out and shopping. As the primary occupation of many people is trade, there are many people on business trips. Therefore, the development of tourism is a cause-effect relation of this strong business center. And because the area produces a lot of goods (almost all luxury brands have full or partial manufacturing as well as copy to original) the city abounds in shopping malls. Therefore Hong Kong is the city with extremely developed shopping tourism. Most luxury brands have their production plants in the inland and design and marketing departments in Hong Kong. China is a country with a large number of wealthy people and therefore there is a great demand for luxury goods. The richest of the rich arrive to Europe with private planes (Paris, London) for shopping (these are the people who do not appear in fashion shows and cancel their orders to

designers if they notice that a celebrity was captured in the same outfit at an event); while other wealthy people also really pay attention to their image and spend a considerable amount of their monthly income on luxury products. It is known as well that in lot of cases members of the middle class spend their entire income on one design product. There's a saying that only in Beijing and Hong Kong last money will be spent on luxury. It is a city of about 6 million people without tourists, of whom approximately 750 000 * wealthy * people and therefore there are 9 Prada and 7 Gucci stores. Throughout China there are 14 main Louis Vitton stores (while in Paris there are only three stores), 50 Salvatore Ferragamo stores, 76 Armani stores, 120 Calvin Klein stores, 48 Givenchy stores, 9 Dior stores including 1240m² store on the street of Beijing in Kowloon. Chinese really adore Amani. The first boutique was opened in 2004 in the Peninsula Palace Hotel (Figure 7) in Beijing, then Emporio Armani in Dalian and Wenzhou and Armani Three on the Bund (Figure 8). The first luxurious brands stores opened in the hotel lobby (Palace in Beijing), and the first shopping center that offers such products was Plaza 66 (Figure 10) in Sangai and Legation Quarter in Beijing that opened in 2007 (Ling 2007). There are also the China World Center with Vuitton's Palace opened in 2005 and Peninsul hotel chain with its stores of luxury goods. Lots of rich people come from the north from the provinces Qingdao, Harbin and Shenyang to Beijing to shop. In Wenzhou, there are about 250 000 millionaires. China is the fourth largest global economic superpower after the U.S., Japan and Germany. Luxury goods market was worth about 1.3 billion dollars by 2005. The Chinese like the Japanese love to travel, and in doing so to buy. Increase in travel began in 2003 after authorities simplified regimes and procedures. 67% of the Chinese traveled usually from the inland of Hong Kong by 2005, and their favorite activity is shopping. On each of the 100 sold items in China there are 150 products sold to the Chinese overseas (Vencent 2006,82).



Figure 7 Peninsula Palace Hotel



Figure 8 Armani Three on the Bund



Figure 9 Plaza 66

Source: <http://www.agoda.com/asia/china/beijing/>,
<http://www.booking.com/district/cn/shanghai/bund/>,
<http://www.plaza66.com/>

Angelic Cheung editor of Chinese Vogue: *Most Chinese buy luxury goods as status symbols, and not because they have good taste. They love the logo. They want people to know they are wearing something valuable. You see people as they enter the shop and say: Where is this brand from ? From Italy? Then it must be a good one,. They can not pronounce the brand name and dont know where it come from. They buy these goods only because they are expensive *(Thomas 2009,285).

Besides manufacturing and worship of western brands, Chinese have started to launch their own. Just as it is the tradition to organize fashion shows in Milan, Lodon, Scenes, New York, they have started doing the same in Beijing, Shanghai and Guangzhou. Except that Chinese businessmen began to buy and invest in stocks of failing factories in Europe (which were starting to go down after losing orders because you could produce the same in China for way less money). Chinese businessman Silas Chou co-owns jewely brand Asreya British and American sports brand Michael Kors. Taiwanese magnate Shaw-Lan Wang bought a French designer house of Lanvin in 2001, Singapore businessman Cheng Wai Keung has ownership of Gieves & Hawkes, YGM Trading Hongkong took over the French house Guy Laroche in 2004 (Kaiser 2005,28). So China is no longer just a country that produces but wants to go one step further and give their ideas and be a part of the distribution scheme and to invest added values in projects.

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SHOPPING TOURISM IN THE U.S.

There was always a tendency in the USA to travel to Europe as the capital of culture and fashion. Every woman from a wealthy and respectable family went to London or Paris, and except in sightseeing and going to boutiques such as Dior or Chanel, and there she ordered models that were sewed according to her measures. This was done till the end of the 70s when brands worked little but well and unique. Today, fashion brands are all part of a corporation whose ideas are developed by designers and mostly produced in China, India and Eastern Europe and sold to luxury equipped spaces across the globe. The first expansion of the market has happened in the U.S. and in major cities. New York on the east Coast and Los Angeles on the west coast. As in the city of Hollywood film industry the holders and fashion presenters were great actors and actresses fashion also began to spread in the *industry of dreams*. Wearing a brand is a sign that the person cultivates a good image and therefore belongs to the wealthy, so purchasing of luxury goods also bought part of the dream. Compliance of a brand with lifestyle affect the creation of image that is competitive with basic and fundamental values of the individual and is therefore long-term accepted by users worldwide (Kesic 2003,118). This is how Los Angeles got a shopping tourism and party destination image. Image is typically associated with memory or with some ideas of visual phenomena, not imagination (Christensen 2001,292-315) and the image has an extremely significant impact on the way people perceive certain things and react to them (Dowling 1986,109).

Las Vegas has always been an American city for everyone. It was a mining town from the eighties of the 19th century till the postwar years of the 50s when it has grown into the city for entertainment. The city was ruled by entertainment dance performances by singers of War Pach's up to the 90's when it became the city for a family vacation. Today it is a city full of museums, spas, golf courses and the best shopping centers in the United States. 2006th The shopping in Las Vegas became the third favorite activity after gambling and entertaining of visitors which are about 35 million each year. Thus the city became a very important center for the trade in luxury goods. People come here to enjoy the city that offers what you dream of. It is right after the city of New York with the sale of luxury products. Clients come from L.A. over the weekend, local population and those random winners. Since direct lines were introduced from Japan, number of guests who are known to be good consumers come also due to favorable exchange rates and they worship luxury brands tend shopping tourism. The hotels in which casinos began to build shopping centers are: Caesar's Palace (Figure 10) and Simon Property Group (Figure 11), most of the centers are built to create the impression of ancient Rome with its picturesque houses with columns and streets paved in stone. In them, there is range of shops. These shops have sales of around 10-12 \$ 000 per square meter.

Luksizno Via Bellagio resort on Stripus has around 3025 rooms with about 9300 m² and it is intended only for selling luxury goods. There is no casino there but just fashion brands such as Chanel, Armeni, Gucci, Prada, Yves Saint Laurent (Figure 12).



Figure 10 Caesar's Palace



Figure 11 Simon Property Group



Figure 12 Via Bellagio

Source: <http://www.caesarspalace.com/>,
<http://www.simon.com/>,
<http://www.booking.com/hotel/us/bellagio.hr/>

Encore hotel-casino is worth about \$ 1.4 billion and includes a shopping center with approximately 8000 sqm and contains among others, Hermes (Figure 13).

Hotel-casino Venetain was opened in 1999 and its valued to about 1.5 billion dollar dollars with about 45 000 square meters with shopping centre- Shoppes. It has a Grand Canal replica with palaces which are

actually boutiques such as Pucci, Winston, Burberry, Jimmy Choo, Kate Spade, Baccarat ... (Thomas 2009,227)(Figure 14)

Palazzo is worth 1.8 billion dollar dollars with 3000 rooms and some 28 000 m² of retail space that houses shops Chloe, Barneys New York, Christian Loubouin (Thomas 2009,228)(Figure 15). Forum Shopy opened in 2006 and generates around 15 000 dollars per sq m and belongs to one of the most successful centers in the United States. It copies the model of ancient Rome so the visitor feel like they are on the forum. It contains shops Versace, Juicy Couture and Christian Lacroix (opened its first retail there) (Thomas 2009,228).



Figure 13 Encore



Figure 14 Venetian



Figure 15 Palazzo

Source: <http://www.hotelscombined.com/>,
<http://www.venetian.com/>,
<http://www.hotelscombined.com/>

MGM Mirage is 7 million project worth with about 267 000 square meters with more than 800 stores opened in 2009 (Thomas 2009,228)(Figure 16.).

And also a couple of hours east of Vegas there is the Desert Hills Premium Outlet (Figure 17). About 7 million people annually shop in Desert Hills and are fully fashion oriented. There are brands at lower prices and up to 75%, and among them the luxury ones as well. These shops are decorated like those in world-wide cities, saleswomen wear identical uniforms, and the soundtrack music is the same. Goods come from Beverly Hills, Las Vegas, South Coast Plaza in Orange County, California but also from Hawaii, Hong Kong or Japan. Goods are one week old or at most one seasons. Sometimes items can be defective so buyers need to be careful. The number of visitors increases, each month there are around 100 to 150 buses with customers. Some tours depart from Las Vegas. There are also helicopter lines for VIPs. Advertising system through which customers are informed of new collection, or additional benefits when buying are certainly activities that are contributing to sales (Landro 2005,11).

Rodeo Drive in Beverly Hills (Figure 18) is the 450m-long street that has no banks, gas stations and drugstores. Instead, there are more than 35 brands of luxury fashion shops, 20 houses and 6 jewelry art galleries. 14 million people visited Rodeo Drive in 2001 and retails have made about a million dollars a day (Moore 2005,28).

Rodeo Drive has not always been a fashion street. Luxury fashion brands come from Europe mostly and they developed from small family factory where they produced items of exceptional quality and designs until the moment they were bought by magnates and integrated into commercial magnets. The spread began in America in the land where the whole society was richer day by day (the standard of living has increased by 30% from the 50's onwards). There were a lot of rich people living there who were yearning for status symbols so it was very logical to open luxury brands shops there. The first such store was Giorgio Beverly Hills with modern fashion concept opened on Canon Drive with a distinctive yellow-and-white shutters. It sold women items and there was a pool table and bar to serve drinks to customers. In the corner there was a fireplace and comfortable chairs and a newspaper stand. The shop kept records of customers and sent them a written thanks for the completed purchase, and also sent the goods home. Gucci is one of the first stores to open on Rodeo Drive in 1968. Ralph Lauren opened his shop in 1971 and Chanel in 1985. In the meantime, other luxury fashion brands opened their shops there. During the Academy Awards you can see the stars as they walk from the shops to the jewelry stores (Thomas 2009,228).

Armani store accepts hundreds of customers daily from actors to tourists who visit it like it is a museum. Tourists can may not buy a suit valued approximately \$ 3000, but they could maybe afford something from Armani Jeans (Thomas 2009,228).



Figure 16 MGM Mirage



Figure 17 Desert Hills Premium Outlet



Figure 18 Rodeo Drive

Source: <http://www.booking.com/hotel/us/mgm-grande.hr>,
<http://www.premiumoutlets.com/>
<http://www.rodeodrive-bh.com/>

SHOPPING TOURISM IN SOUTH AMERICA

DASL San Paolo was founded in 1958. The Tranchesina mother, Lucia de Beers Albukromno was a wife of a lawyer and a member of high society so she had the opportunity to travel to Rio de Janeiro, Europe and America to buy fine clothes and then sell them to friends at home gatherings. Brazil as a country was not importing any foreign goods so there was luxury goods shortage. Small family hobby business grew into a saloon sale and later she bought her first boutique, and then began opening others until she finally opened the big house where there were all nice shops together with various utility services such as restaurants, schools, kindergartens, chapels, halls for weddings.

In Brazil there is a big difference between rich and poor and even ride around the city is dangerous. Most cars have bulletproof glass for avoiding kidnapping while driving, there is no lowering of glass and most windshields are tinted. The rich are not walking in the streets and therefore luxury shopping centers are ideal for socializing where everyone feels comfortable and safe. Entry to the center is a ritual, because at the entrance you leave the vehicle to a person who will park it, then at the reception the housewife-clerk will notify the shop where they will be expecting you with prepared new collections. DASL employs 700 people, 1,000 extra ones are in other boutiques, services, agencies within it, and there are also 900 foreign associates for various services connected to operating of the shopping mall. DASL has all the most popular shops in the world today: Vuitton, Dior, Valentino, Jimmy Choo, Pucci, Manolo Blahnik, Chanel (edited by Peter Marino), Armani, Ferragamo ... Giorgio Armani is a favorite men's fashion brand in America, and has 47% of total sales while the most desirable women's brand is Valentino. Men are buying the finest Armani suits from \$ 20 000, while women get Valentino gowns at \$ 100 000 (Edelsen 2006,1).

The director of this prestigious fashion house has a motto not to govern from her office but to be directly involved in selling and often can be encountered in assisting some of the customers asking them about their habits and needs in order to create an offer and therefore remains the best known as being the strongest and without direct competition. Brazilians like all women in the world love fashion and luxury, so with all the beauties offered by Brazil everyone should set aside some time and visit DASL (Edelsen 2006,1).

SHOPPING TOURISM IN RUSSIA

Russians who once spent their wealth abroad today spend it in their country. Luxury brands can now be found at attractive addresses in the baroque architecture of the city. GUM (Figure 19) is a former state trade store and nowadays is a luxury shopping mall. After the financial crisis of 1998, and the collapse of most banks, Russians accumulated about \$ 50 million in cash. A long period of communism, poverty and scarcity, and the privatization of state companies in private ones made Russia the land of lots of newly rich people. Therefore, it is a society not in favor of savings and wanting changes eagerly so luxury goods market is worth about \$ 600 million, and therefore it is one of the most attractive emerging markets, followed by India. Brands reflect the user's aspirations and individual brands in certain categories support user's perception of him/herself. People today can no longer be assured in their way of life, role and

identity. They change a career, home, and social role up to 5 times and social relations even more often (Zaltman 2005.12).

Near to GUM there is a vast commercial building of 9300 m² Tretyakovsky Proyezd (Figure 20) with shops: Gucci, Prada, Dolce & Gabbana and Armani space equipped with three floors. Crocus City mall has an area of 64 000 m² and was opened in 2002; contains 180 boutiques such as Armani, Picco, Versace, Gianfranco Ferre, Celine, Chloe. Besides the stores, there is entertainment content such as a big swimming pool with synchronized swimmers performing, 1000 hotel rooms and a cinema with 20 halls (Singer 2004,1).



Figure 19 GUM



Figure 20 Tretyakovsky Proyezd

Source: <http://www.gum.ru/>,
<http://www.mercury.ru/>

SHOPPING TOURISM IN INDIA

India unlike China and Russia, where the communist regime wiped out all social and economic class systems and cultural heritage, has always had a rich elite. Maharajas were always buying in Europe and helped luxuries companies. The middle class has recently gained purchasing power and many companies here understand the present possibilities. About 22 million Indians enter middle class yearly, and for them, as for all others, products covered by logos of the luxury brands are the new symbols of wellbeing. Customers perception of himself is fixed by choosing a particular brand. People go for their wishes and aspirations (Gobe 2001.143). Users are constantly looking for brands that represent what they want and always take into account the way they want to be associated with the particularity of a certain brand. India has about 5 million customers of luxury goods and they purchased approximately \$ 800 million of goods in 2010 (Feitelberg 2010,17). Louis Vuitton has opened two stores in the Oberoi hotel in Delhi (Figure 21) and the Taj Mahal in Mumbai (Figure 22) in 2006. Chanel opened at the Imperial in New Delhi in 2005, Fendi in the Taj Mahal Palace in 2006. India has large capacities and fastest economic growth but have no infrastructure. When you exit from a hotel and skyscraper you see streets packed with people and street vendors, and they are very dirty. And the authorities have also encouraged construction to further encourage investors and thus modernize the city. About 38 billion of network of roads are being built and generally there are around 50 billion dollars invested in the whole infrastructure (Hall 2006,12).



Figure 21 Oberoi

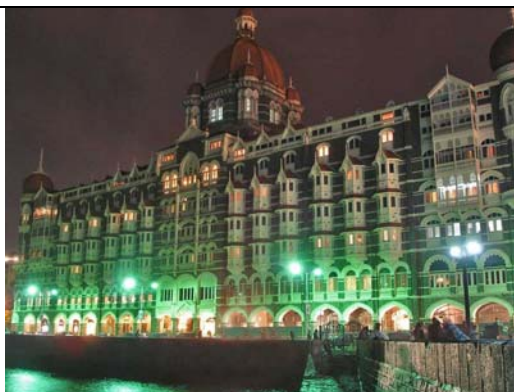


Figure 22 Taj Mahal

Source: <http://www.agoda.com>
<http://www.lhw.com>

Conclusion

All of this is a reflection of the new era in which men's aspirations are to subordinate all to himself and satisfy his needs. Users evaluate services through two dimensions: technical- the result or level of a service provided and through functional; process-oriented dimension of service offered (Keillor, Hunt, Kandemir 2004.) Berry and Lampo mention a third, human dimension, which they describe as incentives that arise from people (Berry, Lampo 2004). Each man's conduct will result in the systematic analysis and thus creates marketing, market analysis and business strategy because every business wants to expand the offer and be the most effective. Thus business sometimes ignores the real meaning, ethics and morality. The goal of mass tourism was to change places because of relaxation and vacation. With time this vacation was enriched with various content as additional choices but nowadays they become the sole goal of travelling. To go on vacation just because of shopping serves to satisfy human hedonistic desires and this was described through this paper and the main hypothesis is also proven about shopping destinations as the rising ones as lots is invested in their growing number since the invested amount quickly pays off. Relaxation becomes a different type of vacation based on wellness spa hotels, active vacation such as skiing, cruising, national parks visits; but while doing all of the above you can also shop within the hotel, ship or resort.

This paper covers the situation in India, China and Japan which proves the PH3: the new western markets with a growing number of rich people and middle class that is approaching the rich one. There are more and more millionaires and they consume „shopping tourism“ in vast quantities and with huge expenses. Growing middle class can and wants to afford a part of the luxury dream so they travel and buy souvenirs- cheaper luxury goods and a piece of the „dream“. Brands nowadays are very commercialized and corporate so the offer is accessible to everyone. The most expensive items are jewelry, fur and some clothing lines. Less expensive but very visible signs of luxury are. Bags, shoes and regular clothing lines affordable to wealthier middle class. Belts, scarves, sunglasses, hats, perfumes and cosmetics can be afforded by everyone. Therefore there is a big offer of luxury brand and they are all located at the most attractive locations city centres, big shopping malls, luxury hotels close to some historic landmark; thus available at every sightseeing tour or a walk. That's how some streets became famous due to attractive stores and also parts of sightseeing tours; Rodeo Drive in Hollywood and artificial Grand Canal where tourists take pictures as they are a part of important history. This further confirms PH2: needs and desires of the modern consumer that are detected by observing the modern man-consumer-client and his desire to go to shopping destinations where everything is subordinated to simple, and fun buying of luxury brand items. Very famous film scenes are helping creating these destinations since they are, not by chance, filmed at the very attractive locations and sets.

Sex and the City, Pretty Woman, James Bond 007, American Gigolo as well as videos and songs that advertise luxury brands and high life as something that should be the main goal in life. It also should be mentioned that people that did not use firms or products services will rely on their image when choosing for the first time. (Nuguyen, Leblanc 2002, 242-262) This is how the artificial and designed need for shopping travelling was created. This confirms PH1: shopping as the most favorite past time activity of the modern man that becomes a daily habit. He does not shop for things he needs, such as grocery supplies but rather for luxury items. Elements on which buyers focus while choosing an item are: image and symbols and not products characteristics. The postmodern paradox of marketing rests on image thus the need to create symbols and it is based on experiences of the service/product used. Overlapping the self image and the product image, service or firm image. (Grgić 2007, 586-598).

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The Role of Tangible and Intangible Elements in Tourist Satisfaction: The Empirical Evidence on Montenegrin Data

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Abstract

Even that tangible elements of tourism supply are essential for tourist satisfaction, they should be always supported by intangible elements in order to completely fulfil tourist expectations. Actually, intangibility and tangibility of the tourism supply should be analysed separately and jointly since it would help policy makers to better organize both aspects of tourism product. Given the importance of tangible and intangible elements of tourism product, the objective of our paper is to empirically examine whether tangible and intangible elements of Montenegrin tourism product influence differently tourist satisfaction. In doing so, we use data from the Montenegrin survey called Guest Survey 2010. The creation of the database is financed and organized by the Ministry of Tourism of Montenegro, the National Tourism Organisation of Montenegro and the German Organization for Technical Cooperation (GTZ). The main objective of the survey is to obtain representative view regarding tourist travel behaviour and satisfaction during their stay in Montenegro. Working on sample of 740 tourists, our results reveal that both tangible and intangible elements improve tourist satisfaction. On the other hand, only intangible elements improve tourist satisfaction concerning the price while tangible elements stay insignificant. Therefore, our results provide important implication indicating that Montenegro should invest further in intangible and tangible elements in order to justify their price.

Key words: satisfaction, Montenegro, tangible, intangible, tourism product.

Introduction

Competitive tourism product is considered to be the most critical element and “heart” of marketing mix in tourism. Its complexity, heterogeneity and need for distinctive image force the business operators to

improve continuously its structure related to material and immaterial elements. Both of them are considered to be important in order to provide high level of tourist satisfaction.

Complementary character of tangible and intangible elements of tourism product provides the conditions for their mixing, in a way that could offer competitive travel experience. Tangible attributes of tourism product refer to material elements such as: accommodation, food, drink, transportation, attraction in the destination etc. in this sense, accommodation is considered to be the “core” tourism product, but always supported by other tangible and intangible attributes (Kotler, Bowen and Makens, 2006). On the other side intangibility of the tourism product refers to the immaterial nature of service (Olsen *et al.*, 2008). Due to this fact, tourism products are difficult to describe, measure or standardize. Hence, they are difficult to imitate by competitors, as well. In this sense, services are experienced and “judged by the standards of the receiver, and these standards are subject to their perceptions” (Olsen *et al.*, 2008).

Given the importance of tangible and intangible elements of tourism product, the objective of our paper is to empirically examine whether tangible and intangible elements of Montenegrin tourism product influence differently tourist satisfaction. The originality of our contribution is twofold. Firstly, we examine the relationship between tangible and intangible elements of tourism product and the tourist's overall perception about service quality in Montenegro. Secondly, we will use original database from Montenegro, financed and organized by the Ministry of Tourism of Montenegro, the National Tourism Organisation of Montenegro and the German Organization for Technical Cooperation (GTZ).

The reminder of this paper is organized as follows. Section 2 reviews the literature related to the tangible and intangible elements of tourism product. Section 3 presents the data and model specification. The results are provided and discussed in section 4. Section 5 concludes and suggests future directions of research.

Literature review

Product is defined as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need” (Kotler *et al.*, 2006). Tourism product, as part of marketing mix, has a very important role in creation of tourism experience and high level of satisfaction. Tourism products that can provide such experiences and satisfaction are often complex and heterogeneous, and represent a combination of both, tangible and intangible elements (e.g. Kotler *et al.*; Mihailovic, 2011; Bowie and Buttle, 2006; Middleton and Clarke, 2001).

However, in the tourism literature, great interest has been drawn to the tangible attributes of the tourism product, and intangibility is less analysed due its immaterial character and challenges in its measurement, description and standardisation.

Related to these arguments, intangibility and tangibility of the tourism supply should be analysed separately and jointly since it would help policy makers to better organize both aspects of tourism product (Albayrak *et al.*, 2010). High involvement of human resource in providing most of services has great influence on quality of total product. On the other side, most of product intangible attributes are affected by skilled, experienced and hospital employees. Even that tangible elements of tourism supply provide base of tourism supply, they should be always supported by intangible elements in order to completely fulfil tourist expectations (Kotler *et al.*, 2006). The tangible and intangible elements of tourism product offer a competitive advantage, only if they are properly planned and implemented. They have to meet and/or exceed customer expectations to have a positive effect, and to offer to the destination/company the possibility to compete effectively in a crowded tourism market.

Tourism product needs to be analysed through four levels:

- Core product (the basic services that guest is buying - hotel room, meal),
- Facilitating product (the services and goods that must be present for the guest to use the core product – restaurant, telephone),
- Supporting product (the services and goods offered to add value to the core product and help to differentiate it from the competition – wellness centre, pool) and
- Augmented product (e.g. elements that add value to previous levels of product).

Although, first three levels are quite ease to describe, measure and standardize, the fourth level, the augmented product is still difficult to measure or standardize. The augmented product includes

accessibility, atmosphere, customer interaction with the service organization, customer participation and customer interaction with each other. Due to these facts, atmosphere, communication, kindness to guests and children, and security, are seen as important for customer loyalty improvement. An area that is drawing the great interest is the security of the consumer in the tourist destination or/and in a hotel. The majority of tourists are concerned about their personal safety during their holiday (Bowie and Buttle, 2006).

The intangible aspects of the product are important in case of concept of subjective positioning of the tourist offer in the minds of target markets (Bowie and Buttle, 2006). This fact offers greater possibilities for effective business strategy since the intangible elements are more difficult for competitors to imitate. This is the case with the intangible-dominant products, which "main attributes are services, the atmosphere, the reputation, the history, the image, the impressions" (Bowie and Buttle, 2006). However, in order to be efficient, these elements need to be followed by certain physical evidences, and this could be done through the policy called "*tangibilize the intangible*". Security in a destination could be tangibilized through certain programmes that prevent the crime or help the victims of crime. Kindness, traditional hospitality and communication with local people are often tangibilized through useful advice, information, smile, drinks and food free of charge etc. Albayrak *et al.* (2010) analyse the customers of a tour operator from six countries (the Russian Federation, Ukraine, Belarus, Latvia, Tatarstan, and Kazakhstan) whose holiday destination was Antalya. They state that both, tangible and intangible elements of the products are influential on overall customer satisfaction, although the tangible affect more. Only for customers from Latvia, intangible elements of the hotel were more influential than tangible on overall satisfaction. Ekincia *et al.* (2003) examine the tourist's perception of service quality in Cretan accommodations and the development of marketing strategies for the UK holiday market. The results suggest that British tourists rate the intangible elements of service quality higher than the tangible elements.

Related to these arguments, we formulate the following hypothesis:

H1: *The tangible elements of tourism product have positive impact on the tourist's overall perception of service quality, ceteris paribus.*

H2: *The intangible elements of tourism product have positive impact on the tourist's overall perception of service quality, ceteris paribus.*

Data and model specification

The database

The data is extracted from the Montenegrin survey called Guest Survey 2010. The creation of the database is financed and organized by the Ministry of Tourism of Montenegro, the National Tourism Organization of Montenegro and the German Organization for Technical Cooperation (GTZ). The main objective of the survey is to obtain representative view regarding tourist travel behaviour and satisfaction during their stay in Montenegro. The questionnaire contains 34 questions and it was translated in seven languages (Montenegrin, English, French, Italian, Albanian, German and Russian). The survey was conducted in 21 municipalities in Montenegro, from July to the end of September 2010. It was performed by 28 researchers. The time allocated for tourists to fill the questionnaire was not limited but it took approximately 30 minutes. The number of tourists who have answered the questionnaire is 1 442. The majority of tourists were located in the south of the country (76.8%), then from the central part (16.9%) and 6.2% of tourists who have answered the questionnaire were from the north part of Montenegro. After deleting observations that do not provide all necessary information for this research, we work with a sample of 740 tourists.

Dependent variable

Tourist Satisfaction. The dependent variable denoted *TOURIST SATISFACTION* is a categorical variable. We have used information on the tourist's overall satisfaction during his/her stay in Montenegro and thus classified level of the tourist's satisfaction as Very Satisfied (those tourists that declare that are very satisfied), Satisfied (those tourist who declare that they are satisfied) or Not Satisfied (those tourists who declare that they are less or not satisfied).

Independent variable

Tangible elements. To create the measure of tangible elements we use seven variables that are based on the following information: the level of satisfaction concerning (1) the transport; (2) accommodation; (3) gastronomy; (4) signs; (5) sport offer; (6) health & wellness & spa; (7) commercial centres.

Intangible elements. In order to measure intangible elements, we constructed a variable which consists of the following: the level of satisfaction concerning (1) politeness (2) communication; (3) politeness with children; (4) security.

The variables used in estimation, their definitions and sample statistics are presented in Table 1.

Table 1: Definition of variables and sample statistics

Variables	Description	Mean	S D	Min	Max
<i>Dependent Variable</i>					
<i>Tourist Satisfaction</i>	The degree of tourist's satisfaction =4 if very satisfied =3 if satisfied =2 if less satisfied =1 if not satisfied)	0.77	0.68	1.00	4.00
<i>Independent Variables</i>					
<i>Tangible Elements</i>	→ Transport	1.97	0.79	1.00	4.00
	→ Accommodations	1.54	0.61	1.00	4.00
	→ Gastronomy	1.64	0.77	1.00	4.00
	→ Signs	1.88	0.76	1.00	4.00
	→ Sport offer	1.72	0.72	1.00	4.00
	→ Health & wellness & spa	1.74	0.73	1.00	4.00
	→ Commercial centers	1.70	0.67	1.00	4.00
<i>Intangible Elements</i>	→ Politeness	1.57	0.68	1.00	4.00
	→ Communication	1.53	0.64	1.00	4.00
	→ Politeness with children	1.65	0.61	1.00	4.00
	→ Security	1.71	0.70	1.00	4.00

Empirical Model

We use Structural Equations Modelling (SEM) to determine the impact of tangible and intangible constructs on tourist satisfaction in Montenegro. We employed the statistical software package AMOS 21 to assess the measurement model by applying the maximum likelihood method. As is typical in evaluating SEM an analysis, we used a number of different tests to assess different aspects of model fit (Pedhazur, 1997; Tabachnick and Fidell, 2001).

Tests included the comparative fit index (CFI) (Bentler, 1990), the incremental fit index (IFI) (Bollen, 1989), a Tucker Lewis index (TLI) (Tucker and Lewis, 1973) and root mean square residual error of a

approximation (RMSEA) (Steiger, 1990). In sum, these structural diagnostics indicate a very good relative fit of the theoretical model to the underlying data.

Results

Table 2 and 3 shows the results that support both hypotheses.

Table 2. Measurement paths

Measurement paths	Unstandardized regression weight	Standard error	Critical ratio	Standardized regression weight	p-value
Tangible elements					
→ Transport	1.13	0.10	11.76	0.58	***
→ Accommodations	0.93	0.08	12.20	0.62	***
→ Gastronomy	1 (fixed)			0.53	
→ Signs	1.30	0.10	13.07	0.70	***
→ Sport offer	1.35	0.10	13.75	0.77	***
→ Health & wellness & spa	1.39	0.10	13.80	0.78	***
→ Commercial centers	1.18	0.09	13.31	0.77	***
Intangible elements					
→ Politeness	1.17	0.08	14.70	0.72	***
→ Communication	1 (fixed)			0.66	
→ Politeness with children	0.94	0.07	12.20	0.65	***
→ Security	1.13	0.08	14.24	0.68	***

Notes: *** = $p < 0.001$.

Table 3. Results of the structural model

Antecedent variable	→	Consequent variable	Regression weight	Standard error	Critical ratio	p-value	Standardized regression weight
Hypothesized Relations							
Tangible Elements	→	Tourist Satisfaction	0.50	0.06	8.67	***	0.37
Intangible Elements	→	Tourist Satisfaction	0.21	0.05	4.00	***	0.15

Notes: *** = $p < 0.001$;

More precisely, the findings indicate that there is a positive relationship between tangible elements and tourist's satisfaction in Montenegro ($\beta = 0.50$ $p < 0.001$), providing support for Hypothesis 1. Moreover, we also find the significant positive relationship between the influence of the intangible elements and tourist satisfaction ($\beta = 0.20$; $p < 0.001$) provides support for Hypothesis 2.

Conclusion

Positive influence of both, tangible and intangible attributes of tourism product, on tourist satisfaction, indicate that their optimal combination is requested for creating higher level of experience and satisfaction in the case of Montenegro. Taking into consideration the significance of tourism and travel industry for employment, export and sustainable development of Montenegro, these findings indicate several practical implications for tourism planners and business operators.

First, further investments in high-quality hotels and infrastructure, as main material elements of tourism supply are needed, in order to improve existing level of tourism destination competitiveness. Second, skilled, experienced and hospital employees represent the most valuable element of tourism product due to the period of time that should be invested for their education and training. Also, the quality of delivered tourism experience is mostly dependent on employees involved in this process. Third, business operators need to invest great efforts in order to eliminate unexpected surprises and manage that guests get what they expect. The adequate assistance in time of need can be very important in creation of overall tourist's perception of a tourist destination. Their positive word-of-mouth has important promotional effect than any well-designed, colourful and expensive brochure. Four, intangibility and tangibility of the tourism products needs to be considered both, separately and jointly, when the customer satisfaction is in question. Hence, further research is needed, especially in area of intangibility and its attributes.

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THE ROLE OF ENVIRONMENTAL ACCOUNTING IN THE HOTEL BUSINESS SUSTAINABILITY

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ABSTRACT

Pressed by the competition and the demands of various stakeholders in their environment, hotels are in a situation that their business must comply with the principles of sustainable development, especially in terms of their environmental responsibility. More and more hotels have incorporated principles and goals connected to environmental protection in their business policy and strategy. However, the implementation of environmentally sustainable practice requires the availability of reliable tools for assessing the impact on the environment, of which the environmental management systems and environmental accounting stand out. Hotels can use them to improve their eco-efficiency, cost reduction, compliance with international standards and regulations relating to environmental protection, to enhance transparency and ensure the long-term environmental and business sustainability. Implemented environmental management system, certified according to international standards, is high-quality basis for the development of environmental accounting. Environmental accounting is a management tool that integrates eco-efficiency and financial aspects of environmental responsibilities of a hotel, and its goal is to ensure the basis for monitoring, recording and analysing relevant costs and benefits from the investments in environmental protection and sustainable development.

Key words: environmental accounting, sustainable development, hotel business sustainability

1. INTRODUCTION

More and more hotels incorporate the principles and objectives of environmental protection in their business policy and strategy. The reasons for such behaviour are contained in the efforts to decrease their impact on the environment and comply with environmental laws and regulations, reduce costs, improve their reputation and ensure the competitiveness and business viability. Due to the competition and the demands of different stakeholders in their environments, hotels "exhibit a shift from internal, resource-based reasons for environmental engagement to external legitimisation reasons, encouraged by a number of stakeholder pressures depending on the type of the hotel" (Bonilla-Priego, Najera and Font, 2011). Although they show very high environmental awareness, e.g. Bohdanowicz states that as much as 98% of European hoteliers believe that hotel activities have a negative effect on the environment (Bohdanowicz, 2005), there is still a resistance to undertake formal environmental management programmes (Doody, 2010). The legislation is becoming more stringent with regard to environmental protection, which only brings benefits for tourism and consequently the hotel industry itself. The preservation of the natural environment helps tourism to keep its material substance, without which nothing could be further developed since hotels make the infrastructure necessary for the development

and survival of certain localities. For a successful hotel business, all until recently, it was enough to provide quality services on a sufficiently attractive location with a friendly and qualified staff. Research conducted by TIES, an international non-profit organization that promotes eco-tourism, has shown that in Europe 20-30% of tourists are aware of the necessity and value of responsible tourism, and even 65% of German tourists expected preserved environment upon arrival at the chosen destination. (The International Ecotourism Society, 2011). The growing demand for environmentally friendly accommodation is not just a trend, but evidence of consciousness of people. More and more visitors realize that their stay at the hotel truly affects the environment and want to reduce this impact to a minimum.

2. ECOLOGICAL SUSTAINABILITY IN HOTEL BUSINESS

Hotel business as part of hospitality and tourism industry is a significant activity in the global framework and its development exerts influence, either directly or indirectly, on the space and the environment. Its growth and development has been very intense in the last fifty years, especially in Europe and the U.S. and proportionally that increased its impact on the environment and local community. Long-term, and therefore the future development of tourism is impossible without preserved environment as the most important resource and therefore, while planning any development projects in the hotel business the focus is on the condition of sustainability. Sustainable hotel business implies a form of tourism and development projects that will operate within the limits of natural resources and capacities with a view to their evaluation, taking into account the contribution of the local community, which, with its customs and traditions, contribute to the overall tourist experience, and the need to accept the fact that the local community benefits from the development of tourist projects. The aim of sustainable tourist development should be to establish a balance between economic growth, social development and environmental concerns. In order to achieve sustainability, in the stage of investing in tourist infrastructure and economic facilities and capacities, it is necessary to make key decisions that will protect the environment from them.

The biggest obstacle to the idea of sustainability is still human consciousness, which is profit-oriented, and many stakeholders, as well as tourist professionals, are not aware of the necessity of applying sustainable development in the hotel industry. Management of many hotel companies will include sustainable development in its business policy only if the legislation compels them or if they find their commercial interest. In addition to legislation, increasing role in the development of sustainable tourism is on voluntary initiatives that have developed and implemented a variety of programmes to encourage the development of sustainable tourism, which are initiated and conducted by groups of individual tourist organizations and businesses. They join together, with a common goal, to create codes and rules of conduct that their members undertake to take initiatives in their operations in order to achieve sustainability. The most successful in achieving and implementing environmental protection are given awards, eco-certification and eco-labels.

The role of the eco-label in tourism is to convey information about minimizing the negative environmental impact of specific accommodation facility (hotel) or its activities. In Europe, on average, such hotel or business has about 20% less energy and water consumption per night. Eco-label is a financially advantageous way to communicate the company's effort in environmental protection to all staff, clients and guests. In addition, eco-labels can:

- help business owners to identify critical points in the business,
- accelerate the implementation of environmentally efficient solutions that are based on effective sustainability measures,
- reduce operating costs,
- assist in meeting legal obligations,
- anticipate the fulfilment of legal obligations,
- increase competitiveness (price, cost, environmental and other), and more.

(Hrvatski centar za čistiju proizvodnju, 2009)

Eco standard implementation is a response to trends and contribution to environmental protection and sustainable development of tourism. Environmental awareness is becoming more pronounced, and the tourist demand for eco-tourism is increasing rapidly. Eco-label enables consumers to distinguish hotels that provide their services in a way to minimize their impact on the environment and consequently such hotels have an advantage when choosing where to stay. The best known and most recognizable eco-labels in Europe are ECO-FLOWER / EU FLOWER, GREEN KEY, SWAN LABELING, GREEN FLAG FOR GREEN HOTELS.

Criteria for getting the eco-label vary from country to country and are designed in a way that is easily understood by tourists, feasible in practice for hotels and can be easily checked through control. The most common areas that are considered when getting eco-labels are water, waste, energy, and the involvement of visitors, environmental management, and the degree of staff involvement, use of chemicals, open space, food and drink. Hotels that apply the standards achieve multiple benefits by reducing operating costs (saving water, energy and waste), creating a better environment for their guests and staff, and have better environmental image that can promote marketing and gain profit.

One of the most popular international norms related to ecology is ISO 14000 standard. When implemented in a business systems it allows reduction of adverse environmental effects, provides the identification of those effects, their control, measurability and compliance with the law. The ultimate effect of the implementation of ISO 14000 is to eventually reduce adverse impacts or completely eliminate them by using its control mechanisms. The introduction of environmental management systems in commercial systems has led to development of a new kind of management - the environmental management. Its task is to apply a systematic and holistic approach to the protection, management and restoration of the environment and ecosystem. Compared with the traditional management, its priorities are the protection and sustainability of the ecosystem, and not the productivity and competitiveness of natural resources and better market valuation through relentless exhaustion.

Ecological manager must be educated in both social and natural sciences in order to be able to coordinate the process between economy and ecology, and their actions will be the main creator of the positive environmental climate in the hotel organization. Unlike anywhere else, in hotel business, the customer (his/her requirements) occupies a central position, and he/she, together with stakeholders from the environment is the starting point of an environmental management system in accordance with the requirements of ISO standards. Proper identification and prediction of these requirements is achievable only with a well-constructed, documented, implemented and managed quality system. The world's leading hotel corporations were the first to implement quality standards because they are aware that their customers expect it and thereby they gain additional confidence from tourists in their products and services that they offer, but also from their employees and direct environment. That is a good condition for an increase in sales of its services and the opening of new markets.

3. THE INFLUENCE OF HOTELS ON THE ENVIRONMENT AND THE WAYS TO MAKE IT SUSTAINABLE

Conventional tourism, by being uncontrolled and through the hotel industry, has endangered many areas of the world. The desire for profit at any cost, often resulting in too many guests compared with the capacity of the environment in which they are located, consequently negatively affects that very same hotel. The most common contaminants in hotels are the same worldwide:

- water pollution and the production of waste water,
- production of solid waste,
- air pollution,
- energy consumption.

Bohdanowicz (Golja, 2009) states that hotels are the biggest consumers of energy in the tourist sector; one hotel releases 160-200 kg CO₂ per m³ of hotel rooms, hotel guests use between 170 and 360 liters of water per night, and the average waste generated per hotel guest is about 1 kilogram.

In the last decade, due to the changes in tourist demand and more guests who are focused on those hotels that seek sustainability of their business; most of the better hotels in the world have introduced 3R measures, the so called REUSE, RECYCLE, REDUCE measures (T. Radic, Sladoljev J., Goles D., 2009). The focus of these measures is aimed precisely at the most common pollutants in hotels and at devising tactics for the rational use of key resources: water, waste and energy.

According to the indicators listed above, water consumption is from 60,000 to 230,000 gallons per customer annually, which is a huge amount. Large quantities of drinking water in hotels are spent in their kitchens, laundries, swimming pools, for watering various green areas, etc. It often happens that during the high season, uncontrolled consumption of drinking water leads to a disruption in drinking water supply of the complete hotel environment - the local community. Because water has become the most important resource in many parts of the world, it is considered that the preservation of drinking water is a

key issue that hotels must deal with. Solutions to this problem are mainly in the procurement of quality equipment that uses less water, and preventive maintenance of plumbing, rational washing of laundry and dishes, for watering green areas "drip" system should be used, and preferably rainwater. There are also bizarre solutions, such as an example of putting a brick in the toilet tank of every toilet in the Hilton hotel in London, which saved them 1.34 liters of water for every flush. Ramadain Internacional hotel fills toilet tank with sea water and sewer and washing water is reused for irrigation purposes.

Hotels efficiently solve the problem of waste by minimizing the generation of waste through the rational acquisition, avoiding unnecessary packaging and lengthening the expiry date of the existing equipment through better maintenance. Separation and sorting of different types of packaging allows recycling of the same packaging, and hazardous packaging and waste are disposed of appropriately. Some hotels compost biodegradable waste and reuse it for their flower gardens. All such waste which is properly classified and disposed of can be sold in order to achieve additional profit. A positive example of this practice is the Intercontinental Hotel, New Orleans, which used recycling and good management of its own waste to sell recycled waste and save \$ 79,000.

Hotel industry, as well as tourism, is subject to seasonal prime time when all capacities are filled, which causes increased energy consumption in hotels. Where possible, depending on location and season; hotels resort to the use of some renewable energy sources for their supply.

The best results in the rationalization of resources are provided by energy efficiency measures that do not require large resources and are easy to implement in daily operations. Measures that do not require any investments are: optimization of temperature for heating water and hotel rooms, turning off the equipment which is not being used, optimization of lighting, etc.

Measures that require moderate investments are the procurement and use of "environmentally friendly" equipment, purchase and installation of energy-saving lighting fixtures, use of natural light whenever possible, control and preventive maintenance of heating and ventilation system, exchange or re-sealing of leaky doors and windows. In addition to numerous savings that are achieved by using renewable energy sources and energy efficiency; hotels, through its commitment to protect the environment, achieve added value of a destinations, and thereby further benefits from their guests. There are numerous interesting examples of energy efficiency and environmental awareness in hotels worldwide. Role models are still the top 10 green hotels with their impressive solutions for business sustainability.

Hotel Adrere Amellal, a rural hotel in Egypt, has no electricity in its 39 rooms, hotel is lit by candles made from beeswax, and natural ventilation uses the dry desert climate. CO₂ emissions of the hotel is almost zero, drinking water comes from natural springs in the area, all food waste is composted, most things in the hotel and the material from which it is made are biodegradable. At the other end of the world and in an entirely different environment there is Quarterage hotel in Kansas City. Its green practice was introduced in 2007 by complete restoration of the building. The hotel uses Energy Star products exclusively, like digital thermostats and fluorescent lamps. Toilet paper, paper towels, paper coffee cups, garbage cans are made from recycled waste. They only use environmentally friendly cleaning chemicals, and hotel uses a number of techniques to save water.

4. ENVIRONMENTAL MANAGEMENT SYSTEMS AS THE BASIS FOR THE DEVELOPMENT OF ENVIRONMENTAL ACCOUNTING

Increasing awareness of the need to protect the natural environment, as well as changes in tourism demand, have forced the hotels to implement environmentally sustainable business practices that require the availability of reliable tools to assess the impact of the hotel on the environment, of which environmental management systems and environmental accounting are emphasized.

The development of environmental management systems and the possibility of their normative standardization according to ISO 14001, as well as the possibility of registering in the European scheme of environmental management and judgment (EMAS), provides the hotels an opportunity to start basing their own sustainability on environmental effectiveness and responsibility to stakeholders and the wider community. According to the definition, an environmental management system is a part of the management system used by the organization for the development and implementation of environmental policy and management of environmental aspects (ISO 14004:2004). Hotel establishes environmental management system with the purpose of improving environmental management and environmental

efficiency, and contributing to the sustainable development of tourism destinations. The system enables the hotel, as well as any other type of organization, to "examine its impact on the environment, both from a technical and financial perspective of its activities, requiring that their programmes include the need to act in accordance with the environmental legislation, and monitor the opinion of interested parties on its activities" (Lazibat, 2009). Environmentally responsible and efficient hotel is the one that carries out activities for reducing its impact on the environment by reducing the consumption of non-renewable natural resources, reducing emissions and waste; by investing in "green" technology and more efficient business processes and the training of employees. In order to achieve the environmental objectives it is important that there is the participation of all hotel employee, who will, with their own pro-environment attitude encourage environmental responsibility in guests. However, it is well known that in order to raise awareness on environmental issues, the decision of hotel management for the implementation of environmental protection activities and for considering these activities is the most important, not only in the context of corporate social responsibility, but also as the source of hotel competitiveness. If there is no commitment on the behalf of the management, which can be seen in elaborated environmental policy and defined objectives related to environmental protection, it means that there are no strategies of long-term business sustainability. On the other hand, a management that recognizes the importance of managing the environmental impacts on business sustainability, competitiveness and improved relationships with its stakeholders will surely opt for the development of environmental management systems.

The environmental management system can also be defined as an instrument to measure the impact of the hotel on the environment. It always includes creating environmental policy and environmental planning; conducting activities to protect the environment, measuring the impact of the hotel on the environment, analysing the achieved results and finding ways to improve environmental management. Apart from its purpose being to identify opportunities for reducing environmental impact and compliance with legislation, another aspect is to achieve additional benefits. These benefits are reflected in the rational use of resources and reduction of operating costs, reduction of waste disposal costs, improvement of communication with guests and other stakeholders, as well as meeting their requirements for environmentally acceptable services, improving employees' motivation and better positioning in the market. Such benefits can be classified in the group of economic benefits because their application provides better market position for the hotel, but also better acceptance by various stakeholders. In other words, it provides business sustainability. Implemented environmental management systems in hotel are usually certified in accordance with international standard ISO 14001 or are registered in EMAS. By establishing an environmental management system in accordance with international standards, they seek to ensure compliance with the legislation in the field of environmental protection, long-term environmental efficiency (which includes the creation of goods and services by the economical use of natural resources and, with the least amount of waste and pollution emissions), less operating expenses (for example, lower costs of natural resources consumption, lower utility costs and disposal fees, etc.) and sustainable competitive position in the market.

Standard for Environmental Management Systems ISO 14001 requires from the hotel, as well as from other types of organizations, an initial review of the environmental aspects of activities, products and services, environmental policy, environmental planning, implementation of environmental management systems, monitoring and corrective action (ISO 14001: 2004). EMAS upgrades ISO 14001:2004. Specifically, the standard requirements for environmental management systems ISO 14001 are integrated part of EMAS, and EMAS includes several additional elements, the purpose of which is more powerful stimulus for continuous improvement of environmental performance and business transparency. EMAS requirements especially emphasize the importance of open dialogue with stakeholders and the relationships of a hotel, or other type of organization, with the environment in which it operates. Therefore, all registered participants of EMAS shall periodically publish a report on the environment and submit it for review by the authorized body. To create high-quality reports on the environment, apart from using the defined environmental performance indicators (e.g. indicators of the amount of consumed energy and drinking water, the amount of waste and pollution emissions, etc.), it is also necessary to establish environmental accounting.

5. ENVIRONMENTAL ACCOUNTING

Environmental accounting can be considered as an extension of environmental management system, specifically the part that refers to linking environmental and economic efficiency of the hotel or other type of organization. Indicators of environmental efficiency measure the intensity of the impact on the environment, and environmental accounting measures the cost of the environment. Gray and Bebbington, under the term environmental accounting, encompass all those areas of accounting which must be adapted to the new requirements in the enterprise, due to its orientation to the environment, all the way to the lowest level of eco-accounting or green accounting (Gray and Bebbington, 2003). Task of environmental accounting is "to provide a methodological basis that will enable that all relevant costs and effects of investments in environmental protection and sustainable development are recorded in the business system" (Persic, 2005), i.e. provide value-expressed information necessary for internal and external users (management and employees and customers, business partners and other stakeholders). It must be noted that the establishment of environmental accounting is voluntary, that is, it is not defined by accounting standards, whereas the publication of an environmental report, which contains information about the environment costs, is required by law in some countries (e.g. the UK, France, Denmark).

At business level, environmental accounting is developed in the framework of financial and managerial accounting. The objective of financial environmental accounting is to prepare and publish financial statements that contain information on the costs arising from the liability (or because of no liability) for the environment. Managerial environmental accounting provides managers with the information needed for decision-making, and it is defined as the generation, analysis and use of financial and non-financial information in order to optimize corporate environmental and economic performance and achieve sustainable business (Bennett, Bouma and Wolters, 2002). Within managerial environmental accounting it is necessary to identify environmental costs, which is often not easy, considering that they are usually hidden in the general cost of doing business. Therein is their significance, because when they are detected, they can be modified or optimized and thus additional business benefits can be created. In the late 1990s, United Nations Environmental Protection Agency was among the first to establish this, claiming that "identifying and managing the environmental costs contributes to improving the financial results of doing business" (UN EPA, 1998). However, optimizing the environmental cost through the establishment of environmental accounting in any type of organization, including the hotel, can not function without a good network of existing accounting system and environmental management system. Their interaction is crucial for successful management of environmental impacts, measured by physical measurement units; and for the successful management of environmental costs, expressed in monetary units; or for measuring the environmental impacts of the organization in its long-term business sustainability. Therefore, besides environmental awareness and implementation of environmental management systems, hotels must put greater emphasis on finding ways to improve the economic effects of their responsibility for the environment. While doing that they can be helped by establishing environmental accounting, implemented as an addition to environmental management systems.

5.1. Environmental costs

Previous studies have shown that initiatives aimed at reducing the impact of the activities of any organization on the environment generally reduce their operating costs (Sinding, 2001, Hillary and Burr, 2011). Consumption of electricity from non-renewable resources, the consumption of drinking water, as well as the amount of solid waste and waste water, are the biggest generators of costs in many companies. International Federation of Accountants, therefore, proposes implementation of a relatively simple and inexpensive measures to achieve savings - implementation of systematic monitoring and the control of resource consumption, investment in equipment and plant of lower-energy class and investment in recycling systems (IFAC, 2011). IFAC also points out that accountants play a significant role in this process. They identify environmental cost, which managers will then be able to control. Starting point for the identification of environmental costs is allowed by data from the general ledger. However, it is necessary to gather detailed information by developing information system across different sectors or departments of an organizations and by analyzing incoming and outgoing invoices, current processes and work methods, as well as the environmental costs associated with the payment of prescribed fees and taxes.

Environmental costs are defined as resources that can be used either voluntarily or to meet regulatory requirements, and with the intention of achieving environmental objectives (Bennett, Bouma and Wolters, 2002). They are classified according to the activities that will have an impact on the environment. Activities that will have an impact on the environment are defined as ones that are undertaken with a view to improving the environmental performance of the organization, while the resources used in these activities are the environmental costs (Bennett, Bouma and Wolters, 2002). However, there are environmental costs that are not associated with these activities, but have already been incurred as a result of environmental pollution (e.g. fines and fees for non-compliance with the legislation and compensation for third parties who have suffered damage caused by environmental pollution). One of the classifications of environmental costs is: costs of pollution prevention, pollution remediation costs, costs of environmental management systems, environmental costs associated with stakeholders and the costs of environmental pollution (Bennett, Bouma and Wolters, 2002). Costs of pollution prevention occur to prevent pollution (e.g. additional costs of raw materials and materials that occur when a company selects raw materials and materials whose use is more environmentally friendly). Pollution remediation costs occur when pollution is remedied and further pollution is prevented (e.g. cost of purifying water flows). Costs of environmental management systems occur as a consequence of introducing and managing environmental management system and the processes for its improvement (e.g. costs associated with system certification). Costs related to the stakeholders appear in the communication process and maintaining business relationships with stakeholders (e.g. marketing costs). Costs of environmental pollution occur as a result of discharges of waste materials and substances (e.g. penalties for non-compliance with environmental regulations). Environmental costs are often classified in more detail, according to the types defined by the U.S. Environmental Protection Agency, which are shown in Figure 1. U.S. EPA classifies environmental costs into conventional, potentially hidden, and contingency costs associated with the reputation and relationships with stakeholders. Conventional costs are the ones which occur by using raw materials, utilities, capital goods and supplies. Potentially hidden costs can be regarded as upfront environmental costs, which are incurred prior to the operation of a process system or facility; regulatory and voluntary costs, incurred in operating a process, system or facility, since they are mostly seen as overhead; and back-end costs which represent the future costs of current activities. Contingent costs are the ones which might occur in the future (e.g. penalties for non-compliance with environmental regulations). Image and relationship cost can include the costs of annual environmental reports and community relations activities.

Table 1 Environmental Costs

Potentially Hidden Costs		
Regulatory	Upfront	Voluntary (Beyond Compliance)
Notification Reporting Monitoring/testing Studies/modeling Remediation Recordkeeping Plans Training Inspections Manifesting Labeling Preparedness Protective equipment Medical surveillance Environmental insurance Financial assurance Pollution control Spill response Stormwater management Waste management	Site studies Site preparation Permitting R&D Engineering and procurement Installation Conventional Costs Capital equipment Materials Labor Supplies Utilities Structures Salvage value Back-end Closure/decommissioning	Community relations/outreach Monitoring/testing Training Audits Qualifying suppliers Reports (e.g. annual environmental reports) Insurance Planning Feasibility studies Remediation Recycling Environmental studies R & D Habitat and wetland protection Landscaping Other environmental

Taxes/fees	Disposal of inventory Post-closure care Site survey	projects Financial support to environmental groups and/or researcher
Contingent Costs		
Future compliance costs Penalties/fines Response to future releases	Remediation Property damage Personal injury damage	Legal expenses Natural resource damage Economic loss damages
Image and Relationship Costs		
Corporate image Relationship with customers Relationships with investors Relationship with insurers	Relationship with professional staff Relationship with workers Relationship with suppliers	Relationship with lenders Relationship with host communities Relationship with regulators

Source: US EPA: An Introduction to Environmental Accounting As A Business Management Tool: Key Concepts and Terms, Office of Pollution Prevention and Toxics, Washington, USA, 1995

Regardless the classification we choose, it is important to identify them and calculate them within the internal costs. Hotel needs to calculate environmental cost based on the estimation which of the listed types occur or may occur in their business. Most often this will be the cost of energy, water and waste disposal, i.e. conventional environmental costs. Hotels generally use more energy per visitor than local residents, as they have energy intense facilities, such as bars, restaurants, and pools, and have more spacious rooms (Gössling et al., 2005). Guests also use more water than the local inhabitants (Essex, Kent and Newnham, 2004). A study conducted by Bohdanowicz also identified that hotels are not only resource intensive and that waste generation is one of the most visible effects on the environment (Bohdanowicz, 2005). This suggests the need for hotels to detect, measure, record and analyze information about the cost of the environment in order to make them easier to optimize and to ensure competitiveness. However, research shows that this practice is still not widespread. For example, a survey conducted on a sample of hotels in Great Britain shows that only 31% of hotels, categorized as four and five star hotels, separately measures and publishes environmental costs and that only 39% uses environmental quality standards (Er and Aydin, 2009). Reasons for this may differ, so Hsieh and Jeon point out that it is necessary to discover the barriers that prevent the implementation of environmental policies first and then develop ways to remove the barriers, increase environmental awareness, offer green education workshops and conferences, share the best green practices, and mandate solutions through legislation (Hsieh and Jeon, 2010).

5.2. Environmental reports

Environmental reports are usually associated with reporting on social responsibility, which is understandable, considering that the environmental accounting is an integral part of corporate social responsibility. Practice shows that the establishment of environmental accounting and environmental reporting at the corporate level, is mostly voluntary, i.e. it is not regulated by law. However, the availability and reliability of the environmental reports is important for different information users and more and more organizations integrate environmental information in their annual financial statements or they prepare special reports on environmental impacts, costs and environmental achievements in reducing the ecological footprint. In latest accounting terms these corporative activities are called integrated reporting or triple bottom line reporting. Reporting is encouraged by various state initiatives, initiatives of professional associations of accountants, consulting organizations, etc. Therefore, at the international, regional and national levels, different instruments of voluntary and mandatory environmental reporting are developed. Binding reporting instruments are published by government bodies, while voluntary instruments can be published by a variety of governmental and non-governmental organizations and industry associations. The main advantage of the voluntary environmental reporting is emphasizing environmentally responsible organization in a competitive surrounding, and the main

drawback is partial reporting, i.e. reporting only for the organization of positive information. The advantage of the laws and regulations of the regulated environmental reporting is greater transparency and comparability of the report, while the basic drawback is inflexibility to change which, in the field of human and corporate performance, happen everyday. But regardless of whether it is voluntary or mandatory, environmental reporting enhances the reputation of the organization (Maier and Vanstone, 2005). It is necessary to recall that the publication of an environmental report as a differentiating element between the requirements of ISO 14001 and EMAS. According to the ISO 14001 standard reporting is not mandatory, while EMAS requires periodic reports and their audit by an independent body. Minimum requirement which an environmental report must meet is defined by a special act of the European Parliament and of the Council of Europe, and in preparing a report organizations should be guided by the recommendations of the European Commission, which define environmental performance indicators and the way they are used in measuring and presenting information. Some of the required information are the description of the environmental policy and environmental management system; a description of all aspects of the environment that result in significant adverse environmental impacts; and understanding the nature of the impact; a description of the environmental objectives and the information related to the achievement of objectives (detailed information about the required elements of the report are available on the official EMAS website: <http://ec.europa.eu/environment/emas>).

Apart from managers, who are the internal users of information on environmental cost, information has to be presented to other interested users as well. Together with the information on the measured indicators of environmental efficiency, information on environmental costs consist a set of environmental information, which explains the level of hotel responsibility towards the environment and the community, as well as the success of managing environmental aspects in the overall hotel management. Although most hotels report their environmental aspects, the information is still not fully comparable and therefore it is not possible to rank hotels according to their behaviour towards the environment. This is because there is no information on how the data is measured, and even when the hotels use the same indicators, they do not always use the same reporting unit (Bonilla-Priego et al., 2007). Environmental reporting is certainly a field where hotels should put emphasis on in order to achieve better communication with stakeholders, primarily their guests.

CONCLUSION

Changes in business policy and strategy are essential for hotels if they want to implement environmentally sustainable practices such as environmental accounting. Environmental accounting can be developed if there is management commitment to environmental issues embedded in environmental policy, if there environmental management present in the hotel business practices, especially if they have implemented an environmental management system. Given that environmental accounting is an instrument of integrating environmental performance and financial aspects of the responsibilities of a hotel for the environment, the task is to secure a basis for monitoring, recording and analysing relevant costs and benefits of investments in environmental protection and sustainable development. Hotels need to detect, measure, record and analyse information about the environmental costs to make them easier to optimize, and information about them, as well as other indicators of environmental performance, should be published regularly for their stakeholders.

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STRATEGIC ADJUSTMENT OF TOURISM DESTINATION MANAGEMENT -- NEW TRENDS

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Abstract

Given the complexity of the structure of tourism as a phenomenon and its dependence on a range of factors, on one hand, the characteristics of tourism demand and supply of heterogeneity on the other, and the whole network of intermediaries, it is necessary to provide quality strategic management of tourism activities at each destination level. Strategic tourist destinations management provides cohesion of all the relevant factors in determining the destination decisive step forward in the market compared to competitors.

In the recent past, there have been significant changes that have affected significantly determine strategic management at the destination. Some of the crucial innovations are: the definition of an integrated, rather than partial tourist products as a result of symbiotic natural and social attractiveness, communicative and receptive factors; Sustainable development of destination products: through application of 'carrying capacity' model, but apart of spatial includes economic and social dimension; Efficient organization of destinations and the growing need for clustering through spatial destinations linking and functional connectivity of key stakeholders in the destination. Clustering is inevitably accompanied with the forming of management structures on that level, in the form of destination management organizations (DMO) accordingly. Approach to quality management of tourist destinations has evolved from traditional approach to the crossing of the quality management system as a fundamental factor of the success of destination, which was formed in Total Quality Management, the system with robust standards in order to improve the and increase the flexibility and efficiency of operations. Updated anticipation of the market: A modified approach to the market in relation to any existing and potential market segment, and accordingly, a completely different approach and design of destination marketing strategies. In addition, it is necessary to implement benchmarking and diamond competitiveness model as key marketing tools allowing verification of market position in comparison to the competitors, but also taking into account all elements and tendencies in actual and potential tourist demand.

Therefore, a strategic destination management must take into consideration the above mentioned postulates and contemporary trends, in sense of efficient and comprehensive long-term destination management.

Keywords: *strategic management, integrated tourist product, sustainable development, cluster organizations, TQM, anticipation of the market, marketing strategies, benchmarking, diamond of competitiveness model.*

INTRODUCTION

The aim is to analyze all the necessary system modifications concerning strategic destination management. First of all, it refers to creating an integrated, not partial tourism product, a new concept of organization and insisting on the principles of sustainability. Then to establish an adequate system of quality, choice of marketing tools such as benchmarking and diamond competitiveness and creating appropriate marketing strategies, which should result in adequate integrated destination management.

CONTEMPORARY DEFINITION OF INTEGRATED TOURIST PRODUCT

Tourism can be seen as a continuous process of formulation and implementation of development goals. Such a thesis is realized principle tzv. aktivnog approach to tourism development, in which the goals are not given, but are changing under the influence of changes in a person's overall environment and the tourism phenomenon.¹⁸

¹⁸Vukonić, B., (1994), Turizam u susret budućnosti, Mikrorad d.o.o., Zagreb., page 78.

Respectively, integrated tourist destination product is not mechanical or physical choice sum of partial tourist products, it is necessary to determine the criteria based on which a tourist product is treated as an integrated one. First of all, let us go through the universal definition that the satisfying of tourist consumers needs is possible only with a multitude of certain products and services. The choice of product is decided by tourist consumer.

Concluding on the mentioned, integrated tourist product of a certain tourist destination, would be combination of:¹⁹

- attractions-combination of natural and social conveniences,
- accommodation conditions in destination (necessary accommodation facilities),
- accessibility of destination (infrastructure, equipment).

Managing of a tourist destination and tourist destination integrated product is a complex process, which includes planning, organization, leadership and controlling. Applying strategic management in tourism is specific because of the essential difference between management of material products and management of services and because of the heterogeneous nature of the tourist market. Strategic management in tourism is focussed on a number factors, planning a systematic steps to determine the optimal strategy and policies that will lead to the objectives of each particular tourist destination.

a. Tourist attractions envelope large spectrum of natural, anthropogenic, economy and other destination characteristic.²⁰ In terms of status conception, tourist attractions are defined as empirical connection of tourists, nucleus or sight and information. In wider terms, tourist attractions have features of the system including three elements: tourist or human factor, nucleus or central elements and marker or information. Tourist attractions shows up when those three elements are achieved and connected in one locality.²¹

The status treatment of tourist attraction is its analysis on the hierarchy level.

Such system or sub-system enables to see them in a wider, integral space of tourist destination. This demand analysis of their functioning or activity and of the way they lead.²²

Tourist attractions mostly consist of the elements out of hometown of tourists. Attractions demand continuous enrichment of planning, depending on features of tourist destinations.

The most common attraction characterisations are general images of attraction types when they are combined with elements of location, choice, observation or participation. Mentioned are more generalised by use of multi-dimension analysis.

More detailed and wider examples of attraction image are those that include beauties of nature, climate, culture, social, features, sport, recreation, education. This characterisation enables an impartial comparison of tourist destination with competitors.

Attraction, which are connected with spatial interaction, provide precise conception of their influence within tourist offer, which means conception of integrated tourist product.

Bakić and other authors speak of those as of tourist products of future. He points out that national and local tourist organisations need to pay attention and focus on:²³

- much wider involvement in offer of museums, galleries and monuments,
- promotion of old towns,
- range of culture and history varieties (language, customs, cuisine, folklore, etc).

The basic motive which initiates travel of this kind of tourist consumers is learning about unknown cultures and traditions.²⁴ All set can be the base for 'so-called' tourist destination built attraction.

¹⁹Popesku J., (2011), Menadžment turističke destinacije, Univerzitet Singidunum, Beograd, page 182. and Middleton V.T.C., Clarke J., (2002). *Marketing in travel and tourism*, Butterworth-Heinemann, Burlington, page 98.

²⁰Čačić K., (1998), *Poslovanje preduzeća u turizmu*, Ekonomski fakultet, Beograd, page 246.

²¹Đukić A., (2001), *Menadžment prirodnih resursa i ekologija turizmu*, Veleučilište u Dubrovniku, Dubrovnik, page 113-115.

²²Same, page 114.

²³Unković S., Čačić K., Bakić O., Popesku J., (1991), *Savremeni tokovi u turizmu*, Ekonomski fakultet, Beograd, page 235-236.

²⁴Swarbroke J., Beard C., Leckie S., Pomfret G., (2003), *Adventure tourism*, Butterworth-Heinemann, Burlington, page 63.

Management attractions is putting in focus defined in advance natural, culture-historical and built attractions, carefully planned, organized and controlled. Through mentioned element of integrated tourist product will be open destination strategic 'window' on local, regional and national level.²⁵

b. Accessibility is a location factor which in big deal enables emphasis and exploitation of original and produces element of destination. It includes communication factors-traffic potentials and their current and future exploitation. Two aspects of this location factors are emphasised: macro approach concerning accessibility of facility in relation to demand flow, and micro aspect concerning location of facility in relation to main factors of destination.²⁶

Lawson and Baud-Bovi point out that traffic accessibility is one of serious factors which determine of holiday and recreation.

In order to emphasise mentioned advantages of traffic accessibility to the maximum, the author of this work concludes that it is necessary to point out new trends in modern tourist behaviour, when it comes to transport:

1. transport cost of total expense falls down,
2. tourist clients rather choose more expensive accommodation, while saving on transport expense,
3. raise of air transport market part, with emphasis of 'low cost' segment,
4. regarding railway travel, trends demand different prices for certain market segments,
5. revolution of cost politics, in air and railway transport,
6. increase of cruising.

In order to enable a fast and efficient transport of travellers from their starting point out to tourist destination, and due to the frequent need for use of several means of transport cooperation and mutual effort of leading means of transport is necessary and must be coordinated on all levels.

Receptive (receiving) factors include organizational forms in area of accommodation, food, entertainment, recreation and leisure tourists. In other words, under these factors should include a variety of activities that are directly and indirectly involved in providing services to domestic and foreign tourists (hotel, F&B, store traffic, cultural institutions, utilities, etc.).²⁷

In order to exceed **accommodation conditions** in almost all tourist places and also on the level of particular tourist destination, it is necessary to take steps in two directions, first of all towards the improvement of accommodation and food and beverage capacities, and to solve the problems of not developed and non quality communal infrastructure. In order to solve the mentioned limiting factors of tourism development, as a part of solution of accommodation capacities, the following steps are generally suggested:²⁸

- development of all new accommodations capacities must be in accordance with minimal standards of four stars, except for the private accommodation and catering, when three stars are suggested, which as mentioned before, should be transformed into small hotels;
- development of new accommodation capacities should be more directed towards hotels and hotel blocks and less towards apartments and apartments blocks.
- development of new basic accommodation capacities with purpose for real estate sell on market should be strictly banned, except in the case of integral complexes of mixed purposes with hotels and villas;
- development of new complementary capacities must be mostly directed towards camps with at least four stars, while the development of new tourist rooms should be disabled for a certain period of time;
- development of new accommodation capacities on separated building sites of catering and tourist purposes is suggested only under the conditions of clear owner's status, spatial, market

²⁵ Bakić O., Ljubojević Č., Bakić M., (2002), *Marketing strategija turističkih usluga*, Zavod za udžbenike i nastavna sredstva, Beograd, page 70.

²⁶ Čačić K., (1998), *Poslovanje preduzeća u turizmu*, Ekonomski fakultet, Beograd, page 247.

²⁷ Dobro R., (2005), *Osnove turizma*, Visoka škola za turistički menadžment, Šibenik, page 18.

²⁸ Turistička zajednica Županije Splitsko-Dalmatinske, *Analiza stanja i mogućnosti turizma uz izvješće o poduzetim i ostvarenim aktivnostima na pripremi turističke sezone 2006. godine na području Splitsko-Dalmatinske županije*, Split, 2006., page 51-52.

and financial feasibility as well as endurance and integrating of development into surrounding with focus on partially developed areas, out of use.

- presence of 'brand' hotels which would have positive influence on tourism because it generates new demand, investments as well as 'know how'.

INSTITUTIONAL AND SUBSTANTIAL FRAMEWORK OF SUSTAINABLE TOURIST DESTINATION DEVELOPMENT

The concept of sustainable tourism is regulated by the Agenda 21, the document that shaped the sector for sustainable tourism in the United Nations. Mentioned document contains a global plan for sustainable tourism development in the global, national and local level.²⁹

When we talk about the European Union, the trend is that sustainable development is achieved by integrating environmental aspects into all forms of planning and sectoral policies. The tendency to apply an integrated approach and develop an integrated strategic planning is present today in all European countries and the developed planning systems.³⁰

The documents are defined by three interdependent dimensions of sustainable development:³¹ Economic sustainability-prosperity in a new and different social economic efficiency of all economic activity; Social sustainability-respect for human rights and equal opportunities for all members of the community, including equal distribution of profit and reduce poverty, recognition of and respect for cultural diversity and Environmental sustainability-protection and resource management, and strategic priority, non-renewable, minimize pollution (air, water and soil) conservation of biodiversity and natural heritage.

National Sustainable Development Strategy (NSDS) in Montenegro, the term "sustainable tourism" involves the development of³²:

- respecting the economic, environmental and social principles in a balanced mutual respect;
- does not exhaust the natural resources, but uses them only to the extent provided remain available and future generations;
- keeping the cultural diversity and identity, and thereby stimulate the harmony of society and
- In addition, bearing in mind the satisfaction of tourists.

The essence of the concept of sustainable development consists in presenting the development prospects of a broader conception of phenomena related to mentioned. To is a comparative approach that suggests a connection and the inclusion of thinking in a prudent management, taking into account the spatial and temporal circumstances.

In order to seek maximum performance development last field is the need to be constantly adopted. Final goal is to reach a level where it would replace the concept of term life success.

Accordingly, any form of economic development conflicts with the implications of the social aspects and cultural aspects of the structure of the population, from the customs, lifestyles, behavior patterns, ways of using leisure time, the behavior of tourists and others.

By Pasinović, sustainable tourism includes optimum use of resources, environment as a basic element in tourism development, respect for socio-cultural authenticity of domicile and the creation of community socio-economic benefits that the ultimate goal of poverty reduction.³³

Among the potential negatives that promotes tourism are:³⁴

²⁹ www.un.org/esa/sustdev.

³⁰ Maksin M., Pucar M., Korać M., Milijić S., (2009), Menadžment prirodnih i kulturnih resursa u turizmu, Univerzitet Singidunum, Beograd., page .6.

³¹ Maksin M., Pucar M., Korać M., Milijić S., (2009), Menadžment prirodnih i kulturnih resursa u turizmu, Univerzitet Singidunum, Beograd., page 4.

³² Ministarstvo turizma Vlade Crne Gore, (2008), *Master plan-Strategija razvoja turizma Crne Gore do 2020. godine*, page 79.

³³ Pasinović M., (2006), *Menadžment prirodnih i kulturnih resursa*, Univerzitet Mediteran, Fakultet za turizam, Bar., page 36.

³⁴ Marušić M., Prebežac D., (2004), *Istraživanje turističkih tržišta*, Adeco, Zagreb, page 356.

- uncontrolled development of tourism brings overcrowding of space and highlight the problem of noise
- increasing levels of air pollution
- increasing the level of pollution of surface and groundwater as a result of not adequate infrastructure
- develop an area where tourism can become unattractive due to inadequate policy construction of tourist facilities
- too many tourists at major tourist sites prevents access to the local population
- uncontrolled use of cultural and historical sites can lead to degradation of cultural and historical heritage
- The economic effects of tourism for local population can be visibly reduced if there is a significant employment of foreigners.

Accordingly, Policy of using natural resources in tourism development which departs from these principles, means behavior in accordance with the following assumptions:³⁵

- It is necessary to adopt and implement an active policy of land resource as well as long-term policies that must govern and manage not only the exploitation of natural resources and their use, but to plan and work to restore the resources that are renewable and nonrenewable natural resources, conserve and regulate the manner of their future use .

In other words, unrestricted exploitation of natural resources to replace the real economy of space ('spaceship economy').

- Instead of a static approach to the use and protection of natural resources, based on legal and institutional categories of conservation importance and defensive, to introduce a dynamic approach in the way of treating natural resources.
- It is necessary to develop a permanent network of institutions for the preservation and restoration of natural resources;
- Use a variety of measures and instruments of economic policy, primarily fiscal nature which will aim to encourage a positive attitude towards the use and conservation of natural resources, and the introduction of various penalties for inefficient use of renewable resources, or collection of special premiums and rents for inadequate use of land, sea, etc. .
- It is the inclusion of local 'environmental institutions in the international institutions dealing with issues related to the exploitation and conservation of natural resources and environment.

Prerequisite of the concept of sustainable tourism implementation is to define the carrying capacity of tourist destinations. It is the "maximum number of tourists that will not adversely affect the physical environment as well as the local population and its interests." Carrying capacity of the destination relates to their physical, psychological, biological and social capacity, and it is important to consider that these capacities change overtime.³⁶

Thus, a system of sustainable development and eco-efficiency are strategic concept whose application creates more products with less use of energy and materials, less waste and pollution. These products, including travel, meet the quality needs of consumers, improve the quality of life and reduce all forms of pressure on infrastructure..

To conclude, tourism, which is not sustainable, will endanger nature, which could result in the loss of interest of tourists to this destination. In contrast, the positive ecological environment, tourists will have a pleasant place to feel, and will actively take part with the locals in raising cultural tourism and protection of environmental devastation.³⁷

NEW TRENDS IN ORGANIZATION PART –IMPLEMENTATION OF CLUSTERS FORM

Modern approach to tourism development today is based on the coordinated actions of the public and private sectors in the tourism and travel industry organization in the form of clusters. It is a business in the form of agglomeration based mostly on a regional basis. This is the concept of sets necessary to fit the modern tourist developments and trends. Modern approach to pushing applications cohesiveness access a

³⁵ Dulčić A.,(2001), *Upravljanje razvojem turizma*, Mate, Zagreb.,page 328-329.

³⁶ Črnjar, M.i Črnjar,(2009),K.,Menadžment održivog razvoja, Fakultet turistički i hotelski menadžment, Opatija i Glosa, Rijeka, str.43.

³⁷ Vidučić V.,(2007),Održiv razvoj otočnog turizma Republike Hrvatske, Naše more, Dubrovnik, page 44.

shared vision and coordinated action between public and private sectors, and create links within the industry.³⁸

Clusters division is creation of functional wholes which makes the whole space of macrodestination divide into parts which stand out as special, concerning the available tourist resources and according to tourist trends.³⁹

Therefore, it is necessary for setting up the cluster opens the way to the competitiveness of the tourism industry. Although a large number of countries and regions trying to use cluster model to analyze its economy a rare show fundamental changes in the economy of services based on clusters.⁴⁰

Forming of tourist regions starts the process of creation of regionally divided tourist products and inter-regional development of tourism.

Concerning principles, there are three kinds of regional tourist destinations:

- When the borderlines of cluster overlap the borderlines of administrative units;
- When clusters are defined independently of political borders;
- When clusters are within the area of a whole country but they do not overlap with the borderlines of administrative and political establishment.

Cluster is the answer to challenges posed by globalization process. In fact, it is a matter of domestic system being transformed for the purpose of achieving compatibility with the EU system. Clusters that have been created around big destinations are particularly attractive to foreign market. At the same time a great number of small dependent firms have a great influence on high competitiveness and entrepreneurial power of the whole touristic and economic system.

As crucial benefits, resulting from the formation of clusters, we can mention enabling of decentralisation in tourism, separating of tourist product, regional tourist specialisation and enforcing of regional tourist identities.

Two basic approaches for clusterbuilding :⁴¹

- (bottom up)
 - (top down)
- The "bottom-up" is being developed where the impetus for the creation of clusters comes from the business sector. The state in this case is limited to the moderator. The government and other relevant institutions accept existing initiatives and should provide support to strengthen the competitiveness and the creation of an appropriate structure of the cluster.

The "top-down" is present in situations where the state comes from the top cluster. In this approach, the government decides the policy of clustering, with realistic expectations that such a policy would increase the competitiveness of the national economy. Role of government is to take the initiative and execution of specific activities under the policy of clustering. From the above divisions to build clusters, we can conclude, without the cooperation of the state and the entities included in the cluster can not be make serious cluster organization.

Finally, the implications of tourism and investment in tourism clusters on the economy are as follows:⁴²

- creation of new local requests for equipment, food and other supplies which accelerates the growth of existing and creation of new industries, revive business activity and new markets;
- growth of urbanization growth through constant construction and renovation of tourist facilities;
- State aid earnings growth of foreign currency that developing countries desperately needed to reduce the deficit, balance of payments;
- redistribution of capital between developed and developing countries;
- multiplier effect within the economy

³⁸Gržinić J., (2006), Pozicioniranje konkurentnosti hrvatske turističke ponude, Fakultet ekonomije i turizma Dr Mijo Mirković, Pula, page 60.

³⁹Magaš D., (2003), *Menadžment turističke destinacije i organizacije*, Sveučilište Rijeka, page 9-10.

⁴⁰Murphy, P.M. i Smith, B., (2000), The Destination Product and its Impact on Traveller Perceptions, Tourism Management, page. 43.

⁴¹Barilović Z., Funda D., (2011), Klasteri kao mogućnost gospodarskog razvoja, Visokoškolsko zaposlovanje i upravljanje, s pravom javnosti „Baltazar Adam Krčelić“, Zaprešić, FAMNS International congress, page 5.

⁴²Janković S., (2010), Klasteri kao osnova regionalnog razvoja u turizmu, Univerzitet Singidunum, Beograd, page. 16.

TOTAL QUALITY MANAGEMENT ON DESTINATION LEVEL

The approach to quality of tourist destination has evolved from traditional and partial approach to systematic management of quality as a basic factor of destination success. Making of management structure on level of regional tourist destination as well as its regular organisation are just the prior conditions for creating of integrative strategic managing system of destination.

Managing the whole success or Total Quality Management is a system that provides required quality. Quality is, following that, the result of an elaborated system of managing the whole quality of destination. Total Quality Management tries to ensure achievement of goal which reflects in regular conceiving of integrated tourist product, in a way that suits a tourist consumer. That system ensures avoiding of worthless effort and unnecessary spending of all kinds of resources, because it enables achievement of goal according to wishes of tourists, in shortest possible time, with minimal expense.

The mentioned shows that quality of tourist product of destinations includes:

- flawless infrastructure,
- flawless work of human resources,
- working on all the problems as soon as tourist consumer points to them,
- real proportion of cost and quality of tourist product,
- informing guests in time etc.

Based on all the above mentioned, management of Total Quality of regional tourist destination means:⁴³

• *quality led towards the guest*

Every TQM strategy must be formed so that it can foresee wishes of guest, and abilities of tourist subjects of destination to fulfill them. Quality is the result of market necessity, process of creating the quality is long and permanent.

• *Support of top management*

Condition for success of TQM is existence of a whole support from strategic managers who must know the ways and techniques of TQM so that they can understand process of functioning of total quality management.

• *Continued advancing*

Continued advancing is the process of raise of quality of tourist product and services through the increase of profit followed by constant innovations.

• *Full involvement*

Total Quality Management depends on cooperation and contribution of the employed and quality of tourist subjects is maintained by efficient praising of the employed.

• *Shortening of time cycle*

Eliminating of tasks and activities that do not give added value

• *Prevention and not detection*

Philosophy of Total Quality Management is therefore not based on realisation of acceptable amount of mistakes, but on a concept without mistakes, and the main task of management is elimination of the cause of the mistake.

• *Management by fact*

All efforts in TQM must be supported with facts, so it is necessary to collect, analyse and compare data. It is necessary to design matters of business intelligence (business intelligence system).

• *Development of partnership*

All subjects of destination must be open to surrounding, whether it is a public or private sector. It inevitably leads to their business connection.

• *Public responsibility*

TQM tourist subjects accept responsibility for placing of tourist products without mistake, for preservation of natural and cultural resources of destination, introducing new technologies, etc.

⁴³ Cerović Z., (2003), *Hotelski menadžment*, Fakultet za turistički i hotelijerski menadžment, Opatija, page 41-42.

UPDATED MARKET ANTICIPATION-ADAPTED MARKETING STRATEGIES AND MARKETING TOOLS

Applying of managing strategies on level of regional tourist destination is a complex and delicate operation. We are witnesses that in the modern tourist motions, a constant adaptability and adaptation to modern tourist trends are necessary, therefore it is ungrateful to apply managing strategy that pretty soon could show as unefficient.

Special risk is the fact that managing the regional tourist destination depends on many factors, because it should not be forgotten that they are product of connecting of various tourist forms of local tourist destinations.

Limitative factors during marketing strategies selection are:⁴⁴

- inconsistent tourist offer with tourist consumers requests, especially in accommodation scope and structure and services assortment,
- uninterested business subjects that over tourist product place own products, especially in out of room services.
- relative poor coordination and disorganization of stakeholders tourist policy ,
- very often expressed not market behavior, what it can be explained with a fact of marketing concept relative poor implementation and development,
- low product quality what effects negative consequences on other instruments of business and tourist policy and makes difficult marketing mix combination,
- nonexistence of long –term comprehensive and stable measures of economic policy through different forms of stimulating measures as credit, tax and land usage policy.

The author of this work stands up for applying of following strategies on level of regional tourist destination:

- strategies of segmenting of tourist market,
- strategies of selection of tourist product and,
- strategies of profiling of tourist image.

Now,we will turn to mentioned crucial marketing strategies and their development, Also, we will present in which situations and circumstances mentioned strategies are used.

1. STRATEGY OF TOURIST MARKET SEGMENTATION

Strategy of segmentation is closely linked with phenomenon of group behavior. Sociology and psychology are based sciences for mentioned phenomenon researching, but results of their exploration are used in different economic science. Different standards exist in determining of group belonging. Some of this criterions has influence on the occasion of product or services buying. Segmentation marketing strategy has just occupied in identification of consumers groups as market segments appropriate for product placing.

Marketing strategy of segmenting deals with identifying certain groups of consumers as market segments suitable for placing of certain product.

What is specific for strategy of segmenting is that it finds its best application in those activities which have high elasticity of demand, and one of the basic features of tourist demand is just the high elasticity. Whether it is about economic or non- economic factors, while on the other hand, tourist demand is non-elastic because of its basic features, such as great financial investments in accommodation caoacities, selling of products ex ante and similar.

As one of the basic reasons for applying of strategy of segmenting of tourist market is need for tourist offer of regional tourist destination, which is various by itself, to aim as good as it can towards potential demand.

What is necessary to mention is that strategy of segmenting of tourist market should not, in its performance, lead to discriminatory behaviour towards any group of consumers which does not fit the potential segments.

⁴⁴ Bakić O.(1988)., *Strategijsko planiranje turističkog proizvoda*, Naučna knjiga, Beograd ,page 161-163.

Strategy of segmenting is based on taking over the market in depth and each segment must have following features:⁴⁵

- it must be discrete, i.e. it can be different from other segment by using a specific feature
- it is measurable for use, i.e. those which cannot be measured cannot be market targets
- it is suitable for placing of tourist product belonging to a certain destination and
- it is perspective, i.e. as a segment, it enables placing in longer period of time
- In base of establishing of every segment, based on previously given criteria there will be monitoring from the perspective of possibility of applying of business politics elements. If there were not alternation in one of elements which would suit a certain segment, then there would be no point in segmenting applying, i.e. considering that segment.

2. STRATEGY OF SELECTION OF TOURIST PRODUCT

Marketing strategy of selection of tourist product is based on competing advantage making. Competing advantage in tourism is defined as certain characteristic with whom tourist destination or some tourist offer stakeholder are different in comparison with competitors.

In previous mentioned segmentation strategy is researched tourist research, but in strategy of selection of tourist product is tried to attract consumers attention, with permanent offer changes.

Product selection means spreading of products palette with new and different products involvement. Possibilities and range of selection are huge (from features of product to sign and name, colour, style of packaging and all the way through to the selling services). The heart of this strategy is based on informing consumers that tourist product is superior in some features, when compared to the competency one.

Bases for selection are following:⁴⁶

- physical characteristic of product,
- additional services diapason,
- human resources,
- tourist destination location,
- image of tourist destination.

3. STRATEGY OF PROFILING IMAGE

Strategy of profiling the image is based on postulate that consumer's decision on buying is not based only on functional features of product, but also on expression, i.e. influence that product has on them.

Image is powerful in area where tourist destination has valuable elements in its range of attraction, serving as basic references in promotion of conditions and comfort in destination. Specific messages and image that stimulate buying and amuse clients when choosing tourist destination, are dynamic developing power of destination.

Image profiling efficiency strategies depends on understanding potential interests and visitor's needs.

Image can establish picture of destination in public, as a place different from other destinations, based on its primary attractions. Promotional activity is of a crucial importance for achievement of the mentioned strategy. In order to form clearly profiled image of destination, it is necessary, first of all, to work on establishing of destination as a brand.

Due to the mentioned fact Ramsley and Ingram emphasize that brand and image as a inter-linked, i.e. connected to each other. Brand is product, service or concept which can be different from others, in the way that it can be available in sense of communication and market.⁴⁷

First thing in process of forming a destination as a brand is establishing of basic value of mentioned concept. It must be useful, communicative, relevant and emphasised for potential tourists.

Basic preconditions for making and correct brand channeling are the following:⁴⁸

⁴⁵ Dobro R., Čivljak M., Rusković Župan P. (2004.), *Menadžment turističke destinacije*, Visoka škola za turistički menadžment, Šibenik, page 98.

⁴⁶ Kotler P., Bowen J., Makens J. (2003.), *Marketing for hospitality and tourism*, Pearson education, New Jersey, page 282-287.

⁴⁷ Ramsley J., Ingram H. (2001), *Developing hospitality properties and facilities*, Butterworth-Heinemann, page 42-43.

- be realistic about tourist destination strong and weak points,
- Recognition of the brand value is of great significance,
- during brand forming destination is not desirable,
- find permanent financing sources,
- brand question is also emotion and impression searching which stay as a mental picture in visitors ;
- tourist expects good product design and known product identity,
- during the creation of the brand destination making whole positive and negative influences should be predicted from external and internal environment,
- understanding of pull and push factors and stakeholders expectation is necessary,
- organization scheme making, what will provide development, management and brand quality maintenance,
- understanding of significance and possible contribution of respectable members and leaders of local society during the making of mark,
- using a positive foreign experience during brand forming and positioning .

ESTIMATION OF PRESENT AND PERSPECTIVE COMPETITIVENESS OF TOURIST DESTINATION BY BENCHMARKING AND DIAMOND COMPETITIVENESS MODEL

Considering increasing competition in tourist sector, it is necessary to do constant check of present market position, and according to it, an adaptation to modern trends.

In order to achieve competitive advantage, it is necessary always to be one step ahead of competitors and consequently, to do constant comparison with competitive destination or destinations, having the similar features in common. Process through which the constant comparison with competitors is done is called benchmarking.

Therefore, benchmarking is a continued process of identification, understanding and adaptation of product and other instruments of marketing in order to improve business. This process includes:⁴⁹

- Comparing to the best, not limiting on the same area where activity is done,
- Comparing of product and other activities to equivalent activities of others,
- Comparing of products and services with products and services of competitors with best results,
- Comparing of technical solutions in order to choose the best equipment,
- Applying of best defined business process,
- Planning of future ways of development and active adaptation to new trends,
- Fulfilling and exceeding consumers' expectations.

The ultimate purpose of benchmarking is to improve the contribution of the business, and not just from the standpoint of efficiency but also the effectiveness and management of the transformation processes.⁵⁰

Destination diamond competitiveness is Porter's management model based on which explains the competitiveness of tourist destinations and analyze the factors affecting it. Consistent application of diamond competitiveness can be created based on the programmed which can eliminate competitive disadvantages and improve the competitive position of the destination on the tourist market in the medium and long term.

The elements defined in the custom of Porter's diamond of competitiveness are:⁵¹

- tourism companies and suppliers which means the tourist offers or companies that are the main factors of the offer. Within this element includes the analysis of the competition between

⁴⁸ Štetić S., (2007), „Brendiranje u turizmu, Third Biennial International Congress, 'The hospitality and tourism industry in the global information society', The College of Hotel Management, Beograd, November 23 - 24, 2007., pp 723-725.

⁴⁹ Remko N., Delić S., Škrtić M. (1999), Benchmarking (u strategiji marketinga), Mate, Zagreb, page 9.

⁵⁰ Karlof B. and S. Ostblom Benchmarking John Wiley and sons, Chichester 1995, page 4.

⁵¹ Čerović S., (2009), Strategijski menadžment u turizmu, Univerzitet Singidunum, Beograd, page 184-186..

tour operators, their mutual cooperation, cooperation with the public sector, there are legal and prescribed norms of behavior which constitute the framework of companies;

- Conditions of demand, which means the analysis of demand .ie from the socio-economic characteristics, motivations of tourists, the level of sophistication of the demands of visitors, their behavior during their stay at the destination, customer satisfaction, destination image , the level of consumer protection.
- expanding tourism sector is an element that refers to the analysis of complementary activities in: trade network, travel agencies and tour operators, organizers of activities in the city, the F&B facilities .
- Factors of production are the element that is related to human resources, infrastructure, resources and attractions, technological and financial resources, research, development and innovation, etc..

So, the point is that through benchmarking methods and institutions diamond competitiveness of market positions, but also in comparison with its competitors improve internal performance destinations.

CONCLUSION

It can be concluded that today's strategic management of tourist destinations has to take into account the structural changes, such as clustering, and varying capacity parameters from the economic, environmental and social aspect. In terms of marketing management, the key is to insist on the quality of the integrated tourism product and application of total quality management model, and the use of modern marketing tools in measuring and assessing the competitiveness and current market position.

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Management of Portfolio Instruments in Investment Funds

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Abstract

Investment funds (IF) represent one of the most important institutional investors in financial markets. Worldwide, at the end of 2012⁵² the amount of assets under management exceeded 26,8 trillion U.S. dollars. Their significance is in their efficiency of allocating the surplus of capital, on one side, into entities with deficiency of capital, thus, providing better and less risky returns for the investors and less expensive capital on the side of the borrowers. However, despite these trends in the world, the Investment Funds Industry is still undeveloped in Macedonia and neighboring countries. This article aims at an elaboration of investment funds, by providing an insight of their functioning, with an emphasis on the management of funds by portfolio managers, the limitations to their investment possibilities, and strategies behind the construction and management of the Investment Funds portfolios, through the deployment of financial instruments in the portfolio operations of the Funds.

Portfolio Investments

Origins and development

Portfolio Investments have been a dominant form of international capital flows until the beginning of WW I, while G. Britain was the leading world investor, resulting in the dominance of pound-sterling bonds on the world financial markets.

In the period following the First World War, the USA takes a leading role on the international capital markets, which contributed to the rise of New York as the most powerful financial center.

Minor discontinuities in the rise of the New York Stock Exchange, were in the periods of the economic depression in 1929, and during the Second World War. Upon these oscillations, an evident and continuous development and dominance of the New York Stock Exchange on a global level, is still persistent.

A significant contribution to the intensive development of the New York stock exchanges, is attributed to the Bretton Woods monetary system, which gave a central role to the American dollar. Another major impact in this regard was also the establishment of the convertibility of the European currencies (at the end of the 1950's), along with the greater liberalization of the flow of capital on a global level. A notable fact in this period is that the structure of the capital flows were predominantly portfolio investments. This trend is present until modern times, since, the most significant issuers of state bonds are still the leading and most developed nations, with the USA as the leading country in this regard.

In this context, with an aim to illustrate the volume of capital which is invested in American securities, as well as securities owned by American investors, of importance are the data issued by the Bureau for Economic Analysis of the USA.⁵³ According to the published data of this institution, at the end of 2010 god. foreign investors owned 5.022 billion dollars worth of American government bonds, as well as 2.921 billion dollars of corporate and other bonds. On the other hand, according to the same source, American investors in the same year owned foreign bonds in the amount of 1.737 billion dollars, and foreign shares amounting to 4.486 billion dollars.

The Financial crisis of 2007.

The negative effects and weaknesses on the financial markets, esp. on the capital markets, were most evident during the financial crisis of 2007. The roots of this crisis were in the USA, triggering an

⁵² Investment Company Institute (ICI), 2013 Investment Company Fact Book, 53rd edition, Washington D.C., 2013. WWW.ICIFACTBOOK.ORG

⁵³ Bureau of Economic Analysis, U.S. Department of Commerce. www.bea.gov/international. Pristupljeno 10.7.2013 god.

enormous down-fall in the value of securities on its financial markets. The main reason for this occurrence, was the disparity of the value of securities in comparison to the performance of the real economy- the business sector.

In the case of the USA, in this direction, the most obvious example were the mortgage loans, which grew to such an extent, creating the so called „balloon effect“, as the result of the gap between the price of financial instruments and the trends in the business sector. The ambiguity of this relationship, was most evident in the derivative instruments (derivatives), as instruments which are derived from the primary mortgage loans (hypothèques), leading to a distrust in their credibility amongst investors, despite their backing on the side of credit rating agencies. An additional contribution to the rise of the balloon effect was provided by the insurance companies, which created a false notion to the larger investors and financial organizations, covering the derivatives against risk, thus diminishing the risk on the assets to an almost null. This mechanism in financial terminology is known as „securitization“, meaning that payment or coverage is guaranteed upon the expiration of the securities. In this context, the largest degree of securitization is incorporated in the government bonds.

A most adequate explanation of the occurred financial crises is by Krugman⁵⁴ (2009, pg.4) who stipulates that the main reason for the financial crisis in the USA is the wrong implementation of the model for the evaluation of securities, esp. the value of derivatives, since their value did not reflect the real conditions in the economy. In this regard, the most responsible, are the financial economists which examined the value of certain securities in the context of the value of the overall securities, instead of realistically determining their value through the key variables, based on realistic yields in the business sector. This gap between the performances in the financial, vis-a-vis the real sector, enabled the creation of an inflationary pricing of financial assets, esp. of those based on mortgage loans. The burst of the balloon, triggered a sudden fall in value of the assets, as an introduction to the financial crisis, which swiftly spread to other financial markets through out the world, as the result of the close cooperation between them. Krugman, also pointed towards the weakness of the CAPM⁵⁵ model which is used in determining the optimal structure of the portfolio, based on the determination of the value of derivatives.

The modern portfolio

According to the contemporary definition of portfolio investments, the same are defined as giving loans and buying securities (shares and bonds) to the extent not allowing an investor to acquire majority rights in the decision making and control of entities in which he has invested his capital, on the contrary, investments would be considered as direct investments.

Thus, the main factor of differentiation between these two types of investment (portfolio or direct) is that in portfolio investments the investor doesn't have an interest, nor the right to control and manage the company, which is not the case in direct investments.

Through minor investments in a number (or a large spectar) of selected securities a diversification is created, enabling a wider dispersion of potential risks, with the sole aim to obtain a better overall yield and rise in securities values, in comparison to deposits or borrowed capital.

It is important to note that the main contributors towards the development of portfolio investments are the institutional investors (mutual funds, pension and social-security funds), because through their portfolio investments they have been able to sustain and reproduce the real value of the incurred capital without a major risk over longer periods of time.

Investment companies, and institutional investors attract the assets of minor individual investors, issuing in return shares, or stakes in the financial assets of the investment fund.

It is of great importance for diversified portfolios that operate on an international level, to have sufficient market conditions in the countries (markets) in which they plan to expand. In this context, national markets interested in attracting portfolio investments, must be adequately developed, with a sound legal and functional infrastructure. In essence, portfolio investments are considered to be internationally diversified in securities denominated in various currencies, which in itself carries certain exchange risks.

Today, the leading financial markets on which financial instruments are quoted are predominantly on the markets in the USA, Japan, Europe, however a substantial expansion of IF is evident in and other countries with development potential.

⁵⁴Krugman, P. How Did Economists Get it So Wrong?. The New York Times. 6 September 2009

⁵⁵ Capital Asset Pricing Model (CAPM) is a model which establishes the theoretically expected yield on market assets, based on predetermined risk coefficients (beta) which influences the investors and the markets altogether.

Methodology for evaluating Portfolio investments performance

A successful diversification of the portfolio is a key determinant in evaluating its performance, as well as the performance of Investment funds. In this context, of especial importance are the following theories and methods, on the basis of which, even today, portfolio investments are evaluated:

- **The Modern Portfolio Theory.**

The modern theory of portfolio investments was discovered by Markowitz (Markowitz: 1956), which is based on the following conclusion: through diversification, investments will achieve better efficiency in comparison to investing in a single asset. Markowitz points out the rationality behind an investor's choice is determined and presented with a curve, which is named as the „curve of indifference“, as the result of the relationship between the yield and the risk. This theory served as the base for the development of Investment Funds.

- **Methods for determining the performance of portfolio investments**

In order to determine the performance of IF, various composite measures are applied, which contain a number of determinants. The most commonly used composite indexes are: the Sharpe's ratio; the Treynor index and Jensen's Alfa. These measures incorporate a sufficient flexibility because they combine the achieved yields and risks in one indicator. Each of these indexes calculates the performance of Funds in comparison to a benchmark, which serves as an index portfolio, or a group index reflecting more portfolios.

- **Sharpe's ratio.** According to this composite measure the performance of various portfolios are determined, through the measurement of the yield which is based on the ratio between: different time intervals, the risk-free interest rate, and the standard deviation of the portfolio(s). On these grounds, Sharpe (Sharpe: 1966) prefers to compare portfolios through the Capital Market Line (CML) method, instead of the Security Market Line (SML) method. Thus, the Sharpe's ratio compares the funds not only in respect of their yields, but also on the basis of their diversification. The formula for calculating Sharpe's ratio is presented as follows:

$$S = (r_x - R_f) / \sigma_p$$

in which S is Sharpe's ratio, r_x is the determined time interval, R_f is the risk-free interest rate and σ_p is the standard deviation of the portfolio.

- **Treynor's index** (1965) is a composite index similar to Sharpe's ratio, with the only difference in considering the risk measure through the use of the systematic risk (Beta) instead of the overall risk through the standard deviation of the portfolio, the latter is the case with Sharpe's ratio. Treynor's index is represented in the following equation:

$$T = \frac{r_i - r_f}{\beta_i}$$

in which T is the index, r_i is the yield of the portfolio in a certain time period, R_f is the risk-free interest rate, and β_i is the Beta of the portfolio. Thus, when $r_i > R_f$ and $\beta_i > 0$, in such case when the value of T is larger, the better is the portfolio for investors.

- **Jensen's Alfa**, Jensen (1968) as a performance measure is based on the supposition that if the CAPM method is empirically correct, then the same can be expressed in the following equation:

$$J = \alpha = R_p - (R_f + \beta_p (R_m - R_f))$$

In which J is Jensen's alpha, R_p is the yield of the portfolio in a certain time period, R_m is the overall yield on the market, R_f is the risk-free interest rate, and β_p is the Beta of the portfolio. An additional advantage of Jensen's Alfa is that it provides a more precise indicator compared to Sharpe's ratio and Treynor's index, because it incorporates possible changes in the risk-free interest rate.

Determinants that influence the construction of a successful portfolio

- Diversification

Upon the calculation of the mentioned composite measures and the generated results, a comparison is made on the basis of the performance, upon which a logical question appears in regards to the degree of diversification of the portfolio. Namely, as a measure of risk, Sharpe uses the standard deviation (representing the overall risk), while Treynor and Jensen consider Beta (the systematic risk). In case the portfolio is highly diversified, then the ranking according to these methods would be very similar (if not identical). Based on this, a hypothesis arises: Are there portfolios that are completely diversified?

- Timing

Timing is an essential component in constructing and managing an active portfolio. IF through their portfolios prefer a „tactical allocation“ in the process of managing, which is based on structuring the portfolio in a way that it would consider a high Beta when markets are on the up side (bull markets), and reversely, a relatively low Beta when markets are on the down side (bear markets)⁵⁶. Of course, investors have the most advantage of this strategy, because the gain in both cases, regardless of whether the market is up or down.

- Selection

Selection refers to the managers ability to select under priced securities, due to unfavorable movements on the markets, which would perspective achieve above average yields. The successful process selection is defined by Fama (1972) on the grounds of comparing the standard deviation of portfolios and the standard deviation of markets, concluding that if the standard deviation of the market is larger than the deviation of the portfolio, then a superior selection of securities is achieved.

Global financial data on portfolio investments on capital markets.

In Table 1 (see below) which presents the size of capital markets in 2010, based on the Report of the International Monetary fond, an analysis is performed in regards to the key financial instruments on capital markets: bank deposits-assets; bonds and shares (market capitalisation). The same table expresses the indicators in relation to their total market value, as well as in regards to the global GDP, but also structured by countries which comprise the largest capital markets

Table 1. Selected data on the size of capital markets in 2010 in billion USD.

Izabrani pokazatelji veličine tržišta kapitala u 2010. godini
u milijardama dolara, ako nije drugačije naznačeno

	Tržišna kapitalizacija akcija	Dužničke hartije od vrednosti			Aktiva banaka	Obveznice, akcije i aktiva banaka	Obveznice, akcije i aktiva banaka, kao % BDP-a
		Javne	Privat.	Ukupno			
Svet	54.562,2	41.274,2	53.289,7	94.563,9	107.774,7	256.900,9	407,3
Evropska unija	10.150,0	10.392,9	20.741,3	31.134,2	45.273,1	86.557,4	570,5
Ujedinjeno Kraljevstvo	3.613,1	1.423,1	3.348,1	4.771,2	12.593,7	20.978,0	927,0
Evro zona	5.696,2	8.676,2	16.069,6	24.745,8	30.830,0	61.271,9	504,9
Nemačka	1.429,7	2.025,6	3.328,3	5.353,9	5.305,5	12.089,1	367,8
Francuska	1.758,7	1.724,0	3.404,6	5.128,6	9.370,9	16.258,2	634,4
Španija	631,7	795,5	2.462,9	3.258,3	3.377,8	7.267,8	521,0
Italija	598,4	2.186,8	2.170,6	4.357,4	2.261,8	8.217,7	398,7
Severna Amerika	19.453,9	12.304,6	22.188,5	34.493,1	17.473,7	71.420,6	443,5
SAD	17.283,5	11.165,5	21.215,8	32.381,3	14.335,3	64.000,0	440,6
Kanada	2.170,4	1.139,1	972,7	2.111,8	3.138,4	7.420,6	470,5
Japan	4.099,6	11.635,5	2.518,2	14.153,7	11.172,4	29.425,7	536,1
Zemlje sa tržištem u nastajanju ¹	12.535,8	5.456,6	3.374,2	8.830,8	22.839,4	44.206,0	204,3

Napomene: ¹ U grupu ovih zemalja se svrstavaju zemlje sa tržištem u nastajanju i ZUR prema publikaciji *World Economic Outlook*, koju objavljuje MMF.

Izvor: IMF (2012). *Global Financial Stability Report* (april); Statistical Appendix, Tabela 1, str. 11, Washington, DC, USA: International Monetary Fund.

Note: the table is in original format

Based on the provided data in the above table, it is evident that the dominant share of capital markets are bank deposits (107.774,7 billion dollars), followed by bonds (94.563,9 billion dollars), while corporate shares accounted for some market capitalization of 54.562,2 billion dollars.

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Brown, F. K., and Reilly K.C., *Investment Analysis and Portfolio Management*, 6th edition, Orlando: Harcourt Inc., 2000

The second conclusion that maybe extracted in terms of the shares market capitalization is that the same are still dominant on the American markets amounting to 17.283,5 billion dollars, which is also the case with bonds, which reached a capitalization on USA markets of 32.381,3 billion dollars, immediately after the bond markets in the EU.

Finally, it is important to note that the size of capital markets in comparison to the global GDP, amounted to 407% of the total world GDP.

Conclusionary remarks

As outlined in this text, portfolio investments have an elementary function in reducing risk through diversification of the portfolio, with an aim of achieving higher returns than conventional methods of savings in bank deposits.

Apart from their apparent presents on developed markets, their rapid growth is also present in transitional economies, esp. in the process of privatisation, in which Investment funds were thoroughly active, by means of incorporating a substantial volume of securities of companies which were subjected to privatisation.

The performance of IF as most eminent representatives of portfolio investments are strictly regulated by governmental institutions, preventing their investors from possible manipulations.

Furthermore, portfolio investments are a dominant segment on the capital markets based on motives that unite both investors and users, respectably creating maximum profits and growth of assets, and minimizing risk on investor's side. In addition, for the normal functioning of capital markets, it is a precondition to have well developed institutions, meaning that a country can not expect a sufficient inflow of portfolio investments, unless it has developed securities market.

For the effective functioning of capital markets it is inevitable to have adequate participants which are comprised of individuals, companies, banks, other financial institutions and governmental institutions. Without doubt, and in this regard, the role of transnational corporations, banks and investment funds is of utmost importance, since they are the carriers of settling the real financial surpluses and deficits in different parts of the world economy.

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FOREIGN DIRECT INVESTMENT IN THE BANKING SECTOR

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Abstract

The aim of the paper is to present and evaluate different findings and policy themes of FDI research, with a primary focus on the FDI in the banking sector.

Undeniable fact is that the financial system undergoes significant changes. Deregulation, new information technologies and globalization are the main driving forces that lead to the change of the banking sector. The main economic consequence of these changes is the increased level of competitiveness in the banking sector that pressures banks to lower their interest margins and forces them to implement new strategies.

The paper examines the main types of foreign direct investments in banking. Further, this paper presents better understanding of the FDI approach of banks in Central and Eastern Europe and Republic of Macedonia. Therefore, the increase level of mergers and acquisition strategies is emphasized. Analysis of the economic and welfare effects of FDI is also included.

Finally, this paper highlights the response of banks to the changing market environment, orienting towards intensive implementation of foreign direct investments in order to increase the efficiency and profitability of their operations in the context of globalization.

Keywords: *Foreign direct investment, banking sector, greenfield investment, mergers and acquisitions, economic effects*

INTRODUCTION

The trend of globalization of national economies in recent years, which was driven by the pressure of global competition, economic liberalization and opening to new markets, caused a spectacular increase in the foreign direct investment (FDI) worldwide. In the era of globalization, FDI became an essential factor for economic development. The benefit of FDI in economic theory, and increasingly among entrepreneurs is seen as a powerful incentive of the economic activity at macro and micro level. In transition economies, the impact of FDI is greater than that of domestic investment. It should be noted that FDI does not supersede the domestic investment but rather complement them.

In transition economies, FDI proved to be more stable source of funding than any other inflow of foreign capital because they do not create debt in foreign currency. The main significance of FDI in Central and Eastern Europe is the import of technological and management know-how from foreign companies, which is especially important in restructuring the economy according to the competitive system. Furthermore, foreign investors insure easier access to other markets. Overall, the international risk rating of the country according to the level of actual reforms is positively correlated with the volume of FDI that the country will attract.

The FDI are very important for economic development, their national economic effects are significant and there is increased need for a continuous comprehensive structural analysis of the FDI situation according to the basic indicators on global and national level.

1. FOREIGN BANKS INVESTMENT STRATEGIES

Foreign market entry strategies can be regarded as one of a series of linked decisions which any organization must make in the process of globalization. In an ideal international business plan organizations would first of all decide the strategic reasons for globalization. Environmental scanning would then take place in order to identify external threats and opportunities, and internal strengths and weaknesses of the organization. Therefore, international market opportunities would be identified, taking into account product suitability for foreign markets and country market choice. Once the organization has decided 'which product or service in which foreign market to offer', it would then need to examine the best way of entering and developing that market.

1.1 The choice of foreign market entry mode

An organization seeking to develop activities in global markets has a number of options to analyze, in order to choose the most appropriate (Young, Hamill, et al., 1989, p. 26).

The main types of foreign market entry strategy involving direct investment abroad are: the establishment of wholly owned subsidiaries or greenfield investment; cross-border mergers and acquisitions; and joint ventures (Campbell, Hamill and Purdie, 2004, p. 205).

Establishing foreign subsidiaries—greenfield investment

This is the case when a parent company has total control of its overseas operations, decision making and profits. Wholly owned subsidiaries may however be opposed from the foreign government and there may also be labor issues.

This strategy is complex in nature and is connected with taking the full risk of the subsidiary in the host country. Companies that implement this strategy have full ownership of the profit and retain control of decisions and profits, technology, marketing and distribution of products. This strategy is applied for business largely based on production logistics, and where there are no conditions for undertaking local business. The establishment of new facilities allows construction of modern facilities with the latest technology, which optimizes the costs of location in terms of transportation, labor, tax incentives, etc. In addition, the construction of new facilities allows the development of an integrated system, taking into account the direction of development, and utilization of benefits provided by different countries. This strategy has certain problems arising from the fact that there is no local partner who knows the environment and has experience in the workforce. Problems also arise from ignorance of local laws and the need for communication and negotiation with the government, unions and distributors in the host country. Although this strategy involves a high level of risk, its great advantage is that the realized profit belongs to the parent company. The organization has maximum control on its operations and there are no obstacles for individual decision making. Therefore, the company is enabled to run a global strategy, in contrast to the joint ventures, where global approach is limited by the impact of the partner which may have other ideas for investment and development.

Mergers and acquisitions

In a merger, two companies join to form a new business entity. In an acquisition, one company purchases a controlling interest in another. These strategies are also used in global business but then the two parties in the arrangement are from different countries.

Mergers and acquisition are very fast ways of entering into a foreign country by purchasing an existing company. Effects of this strategy can be achieved if the company is bought with complementary products and a good distribution network. The acquisition allows the company to quickly acquire additional products, technology, marketing – network, distribution system and management capabilities. The management team of the acquired company usually keeps its position and allows fast transfer of experience and knowledge related to the local market which is important for the further successful conduct of the business. This is essential for companies that have limited expertise and are not familiar with the local market. Complex issues related to local government, unions, interest groups and distributors can quickly be overwhelmed by the employees' knowledge and skills. This purchase can actually be cheaper than building a new branch. Particularly this investment strategy can be applied when

there is an activity that is highly competitive, and the entrance of new competitors is limited. This international strategy is quite expensive and often involves disposal of financial assets. Particular problems associated with the process of acquiring existing company overseas are the international negotiations that are more complex than domestic negotiations. There is also a need for the investors to consider the different cultural values, habits, customs, and social norms of behavior that exist in the foreign country. However, despite all the drawbacks, this investment strategy is quite popular because it allows rapid expansion and conquest of new markets (Hill, 2009, p. 214).

There are few main reasons why organizations prefer mergers and acquisitions before greenfield investments: mergers and acquisitions are faster to implement than greenfield investment; with acquisitions of domestic firms, the foreign firm has generated valuable strategic asset – already established brand, distribution system, production system and it is closer to customers; and implementing acquisition strategies organizations believe that they will increase efficiency by capital, technology and management skills transferring.

These investment strategies can be applied in the production sector as well as in the service sector. In banking worldwide, the most frequently used strategies are the mergers and acquisitions and greenfield investments. Mergers and acquisitions are more sensitive to external factors, global and regional, than the greenfield investment. The country specific factors matter a lot for FDI flows both in the form of mergers and acquisitions and greenfield investment, pointing to the importance of government roles in helping stabilize FDI flows especially in emerging and developing countries. The period of economic crisis is marked with the phenomenon of a fire-sale FDI which does not necessarily imply an increase in the number of deals, but it may reflect on the sales of big organizations and institutions during the crisis.

Foreign banks differ from domestic banks in key balance-sheet variables. Foreign banks have higher capital and more liquidity. They underperform domestic banks in emerging markets and developing countries, but do not perform differently in developed countries. These differences reflect the variations in business strategies between foreign and domestic banks but also the differences in host country conditions (Claessens and van Horen, 2011, p. 4).

Strategic alliances and joint ventures

The joining of two or more separate businesses for a mutually beneficial project is a relatively common arrangement in domestic business. In global business, the opportunities of this strategy can be partly offset by the cultural and political national differences. Two or more companies from different countries joint resources to carry out certain activities without creating a new company. Each partner contributes in the alliance with a specialized resource or skill.

The company may consider cooperation with other company through the form of property, known as joint venture rather than individually undertake foreign direct investment. This strategy implies that companies combine resources and knowledge required to develop new products or technologies and agree to share profits and losses in proportion to their contribution. Benefits from this type of foreign direct investment are: increases investment at the local level; reduces the risk of inflation and devaluation; requires less investment in terms of acquisitions and greenfield investments; the risk is presented by the amount of engaged resources; provides a quick way of hiring local managers ; the local partner can provide resources, distribution network, marketing channels, permissions from government loans and other benefits; the existence of a local partner can reduce the risk of expropriation, restrictive foreign trade policy; overcomes barriers to market access for foreign companies; enables expansion in a market that is otherwise limited due to financial constraints. The joint ventures have also some weaknesses in their implementation: loss of control over the business; lower profits; possible conflict between partners and transfer of innovative technological knowledge to the local partner and creating potential rival.

1.2 Drivers of foreign bank investments

The drivers of foreign bank participation may be classified in couple of sets of factors: banks follow their home customers abroad, attractive profit opportunities in the host countries, restrictions and barriers to foreign bank entry, and ways to minimize information costs of doing business abroad.

Banks follow their home customers abroad

Banks enter new markets in order to pursue their customers overseas. In other words, they establish operations abroad to meet the needs of their clients with global activities. However, foreign banks begin

by serving customers from their home country and later branch out to pursue host country clients. Following customers abroad therefore could be an important first step on the way to enter in a new market. Lee (2003) finds that after the Asian financial crisis, foreign bank participation in South Korea was largely determined by local economic growth and financial sector development, whereas in the pre-crisis period foreign banks were primarily supporting clients from their home country.

Following profit opportunities in the host countries

The importance of economic opportunities in the host countries is also a motivation for foreign bank entry. US and Japan studies demonstrate that foreign bank participation was linked to measures of real GNP, to the growth rate of the banking sector and the rate of domestic investment (Goldberg and Johnson, 1990; Yamori, 1998, p. 34).

Barriers on foreign bank entry and the role of crisis

Restrictions on foreign bank activities imposed by regulations and supervision in the host country are another factor that affects the level of foreign banks participation. There are specific parts of legislation and laws governing the relevant area affecting the possibilities of installing foreign banks on the domestic market and their future activities. Therefore, foreign bank participation is greater in markets with fewer regulatory restrictions on their activities and lower taxes (Bertus, Jahera, and Yost, 2008, p. 21). The financial regulation and the restrictions on the bank entry are often a result of political process, but it can be influenced by external environments situations and crises. For example, post-crisis policy measures in Argentina, Brazil, and Mexico led to increased foreign bank participation as a result of reduced governments' barriers in that region and throughout the developing countries (Peek et al., 2000, p. 57).

Way to minimize information costs

Another determinant of foreign bank entry is lower costs of acquiring information about the host country market. Greater foreign bank participation is related to the existence and quality of the credit reporting agency in the host country. Also, foreign bank participation levels are higher in countries with less corruption, greater implementation of the rule of law and bigger judicial efficiency (Focarelli and Pozzolo, 2000, p.19).

Information costs that affect the level of foreign bank participation are connected to the cultural similarities and geographic proximities of bank's home and host countries. Cross-country evidence indicates that proximity between home and host country, a common language and other cultural characteristics are associated with higher levels of foreign bank participation and greater possibility of acquisition by a foreign bank (Claessens and Van Horen, 2008, p. 15).

2. FOREIGN DIRECTS INVESTMENT IN THE BANKING SECTOR OF CENTRAL AND EASTERN EUROPE

The integration of local markets and the global economy, the development of financial markets and deregulation processes in financial sectors, support the view that mergers and acquisitions among banks continues to represent an important impetus to change the structure of banking systems in Central and Eastern Europe. Market processes and structures in these countries have significant specificity in terms of developing countries. These peculiarities are reflected primarily through the privatization process, underdeveloped financial markets and structural imbalances. In terms of the real sector, banking sector to European countries in transition was poorly developed. This situation was the result of central - planning method of managing the economic condition of the Government. Financial intermediation between deficient and sufficient sectors of the economy has been performed exclusively by government banking facilities. Capital was allocated through direct lending to state enterprises, while the practice of credit evaluation and risk management did not exist. The central organization of banking activities, state control and high indicators of sector concentration were the main features of the banking system prior to the transition process.

As a consequence of the previously described organization of the banking sector, the biggest problem in the banking system in transition economies is reflected in the high share of bad non-performing loans in bank balance sheets. In four countries of Central and Eastern Europe (Poland, Hungary, Czech Republic

and Slovenia) the participation of non-performing loans to total loans was approximately 25.9%. Necessary changes were implied bringing strong laws for bankruptcy, the introduction of new accounting rules, new banking laws and other conditions for opening domestic banking sector to foreign banks. In Central and Eastern Europe after the political changes were created great conditions for penetration of Western banks. Many banks from Western Europe were orientated towards acquisitions of banks in Central and Eastern Europe. The Western European banks were much more suited to acquire ownership and management control of existing state banks, rather than independently build new banking facilities in terms of greenfield investments. They acquired by significantly lower prices the existing state banks and moreover automatically inherited existing network of clients and staff in these banks. Privatization programs in Romania, Bulgaria, Croatia, Czech Republic implied bargaining deals between the governments of the states and foreign banks. After removing the bad loans from the balance sheets of state banks, Ukraine also proceeded aggressive selling of controlling stakes in large state banks to foreign investors. In the later period, in the above mentioned countries of Central and Eastern Europe, the share of non-performing loans in the banks' balance sheets was significantly reduced to about 6 %.

In developing countries, foreign banks have an opportunity to achieve greater yield in terms of their national markets. The positive aspects of functioning of foreign banks in developing countries, is due to the fact that they offer services to more customers, introduce new banking services and implement effective risk management. Foreign banks contribute to increase competition in the banking sector. Foreign banks from the euro area in their business strategies in Central and Eastern Europe, gave priority to the bank activities concentrated on individuals and small entities. In addition, foreign banks use certain comparative advantages in the field of deposits; apply modern technology and corporate credit management. The motive for acquiring state-owned banks in Central and Eastern Europe is the increasing rate of return based on economy of scale, economic framework and market power. The penetration of banks from developed European countries into the banking market in Central and Eastern Europe was used in terms of diversification of business risk.

In the developing countries of Central and Eastern Europe there is no comprehensive analysis on economy of scale. To determine the economy of scale of transition banking sectors, the simplest way is to compare the situation of balance sheet indicators relating to the cost of various types of assets. It is generally considered that there are conditions for economy of scale if banks have balance sheet assets greater than \$ 1 billion and less than 10 billion, in that range the banks are most profitable. In the banking sector in developed European countries, the cost-effectiveness ratio begins to decline in banks whose balance sheet assets pass \$ 50 billion. Banks in Central and Eastern Europe operating as universal banks are increasingly extending their offer of financial activities that have traditionally not been under commercial banking. Most banks in the region are centered on the concept of universal banking, which is confirmed with their presence in the capital markets (Bonin, Hasan and Wachtel, 2008, pp.21-23)

Banking sector in many Central and Eastern European countries today is dominated by foreign-owned banks. Currently, the majority of loans from foreign banks are granted by acquired banks. The presence of foreign acquired banks as measured by their relative number among the banks in this region increased slower than that of new foreign banks. However, since market entry through acquisition allows acquiring a credit portfolio and a customer base, acquired banks are able to expand their market share much faster than the new foreign banks. The interest rate in these countries decreased after foreign bank entry. Moreover, while the reduction in interest rates of domestic banks is more noticeable in the case of foreign entry through a greenfield investment, the new foreign banks charge higher interest rates than foreign acquired banks (Claeys and Hainz, 2006, p.9)

From 1995 till now, foreign bank presence in these countries of Central and Eastern Europe rose from 15 to over 60 percent. In the beginning, the majority of foreign bank entry was via the establishment of new foreign banks in comparison to foreign acquired banks. In time, the foreign acquisitions became dominant mode of entry in the banking sector in this region. Since, foreign acquired banks buy a customer base; their market share grows much faster than that of new foreign banks. These countries also show widely different policies towards the mode of foreign bank entry depending of the time period they entered the European Union. The countries that joined the European Union in 2004 differ from those which joined in 2007. In Bulgaria and Croatia, the market share of foreign banks is significantly lower than in the other countries. However, the market shares of foreign banks in the Central and Eastern European countries are gradually rising during these years and are starting to dominate the market.

3. FOREIGN DIRECTS INVESTMENTS IN THE BANKING SECTOR OF MACEDONIA

In Macedonia, the financial system consists of the Central Bank, commercial banks, pension funds, the Deposit Insurance Fund, insurance companies, investment funds, savings houses, exchange offices, lease companies, brokerage houses and a stock exchange. The banking system in Macedonia includes 16 private banks, 8 savings houses and the State owned Macedonian Bank for Development Promotion (PwC, 2012, p.22). Greek investors target the banking sector with their investments in Kreditna Banka by Alpha Bank and Stopanska Banka by the National Bank of Greece.

A bank must be established as a joint stock company with a head office in Macedonia, according to the Banking Law. However, a foreign bank can enter the Macedonian banking market through a representative office (with the Governor's approval) and subsidiary or a branch (with the Governor's license). Komercijalna Banka AD Skopje, Stopanska Banka AD Skopje (National Bank of Greece main shareholder) and NLB Tutunska Banka AD Skopje (NLB Ljubljana main shareholder) are the three largest banks that dominate the banking system, representing more than 60% of the banking system. Outside these 3 largest banks the banking sector is still highly fragmented, but has had a significant change over the past several years with investors like Société Générale (France), Milestone EHF Island (Iceland), Alpha Bank (Greece), T.Z. Ziraat Bankasi (Turkey), Demir-Halk Bank (Netherlands), CKB Bank (Bulgaria), Alfa Finance Holding (Bulgaria), Steiermärkische Bank (Austria), and ProCredit Holding (Germany) are taking over most of the remaining privately owned banks. This new entry has increased the competition because more experienced and productive banks came into the market. As a result, there was a steady increase in domestic credit, a decrease in the day-to-day interest rates and lending rates, and a reduction of non-performing loans. On the other hand, the high concentration of foreign-owned banks can potentially lead to an increase in systemic risk when their parent banks suffer financial distress, as has been the situation in Greece starting in early 2010. (UNCTAD, 2012, p. 23).

According to the National Bank of Macedonia Report for 2012, the structure of new foreign investments is dominated by 53.4% of the recapitalization of four banks by their foreign shareholders, while reinvested earnings by foreign shareholders totals 43.9%. The additional investment of foreign capital in banks in 2012 increased the share of foreign capital in the total capital of the Macedonian banking system by 5.5%, while domestic capital increased by 2.4%.

In Macedonia twelve of sixteen banks are in major ownership of foreign shareholders. The number of banks in major foreign ownership declined by one bank as a result of acquisition of one bank by another bank, thus reducing the number of subsidiaries of foreign banks, from eight to seven, compared to 2011. However, the foreign capital to total capital ratio of the banking system increased, but the share of bank assets dominantly owned by foreign shareholders in the total assets of the banking system slightly decreased.

Banks that are dominantly owned by shareholders from Greece and Slovenia, as well as banks that are owned by foreign portfolio investors have the largest share in the Macedonian banking system, or 23%, 16.9% and 23.0%, respectively. Compared to 2011, there are changes in the market share of banks by country of origin, especially with banks which are owned by shareholders from Slovenia (lower market share by 1.7 percentage points) and shareholders from Turkey (higher market share by 1.5 percentage points).

The capital originating from the European Union member states has the largest share in the total foreign capital invested in the Republic of Macedonia. The share of capital originating from these countries increased by 0.7 percentage points, mainly due to the capitalization of one bank, compared with 2011. Therefore, the share of capital from Austria and Greece increased by 2.1 percentage points and 0.5 percentage points, respectively (NBRM Report, 2013, pp. 12-14).

The low level of FDI so far in Macedonia is due to three groups of factors: non-commercial risks (political and security instability); economic factors (size and absorption capacity of the market, low GDP growth, methods of privatization, favoring domestic managers, increased competition for FDI at regional and global level); and inadequate internal institutional framework (lack of predictability due to changes in legislation, institutional weaknesses, bureaucratic obstacles, lack of transparency in their work, slow and ineffective judicial system). Therefore, the basic principles that should be guideline for Macedonia to attract foreign direct investment in different industries and sectors are: creating an open and competitive market-oriented economy; applying the principle of national

treatment; providing stable macroeconomic environment; respecting democratic and human rights; regional, European and global perspective in investment promotion; guaranteeing the right of free transfer of profits from investments; predictable and transparent legal framework efficiency and transparency of the judicial system and state institutions; continuing the fight against corruption and bribery; and creating favorable tax policy for the investors.

At the moment there is no real possibility foreign financial institution, bank or investment fund to takeover a Macedonian bank because these banks are very small compared to the money the international funds plan to invest. They would rather invest in Raiffeisen Bank or Erste Bank, for example, whose prices have now fallen a lot. The reason that investment funds do not come in great deals and prices stay low is that there are many uncertainties and ambiguities that increase the risk.

Over and above, recently well-known banking brands had failed investments in Eastern and Central Europe, making them very cautious. In Western Europe, banks are consolidating and are reluctant to invest due to the unfavorable climate for expansion in the banking sector.

In Macedonia, there are no foreign investments in the financial sector after the crisis, which drastically reduced the share prices of financial institutions and the banks. In recent years, there have been announced possible acquisitions or mergers of banks by foreign banking brands, but so far, there are no concrete negotiations about it. Due to the financial crisis, foreign banks are delaying plans for expansion in the region. According to official data of the National Bank, the majority or 93 % of total bank assets in Macedonia are owned by foreign shareholders. Quite small part or 5 % of total bank assets are owned by domestic investors and only 2 % of banks are owned by the state.

4. THE IMPACT OF FOREIGN DIRECT INVESTMENT ON THE ECONOMY

The flows of information, skills, technology, goods and services between countries rapidly increased. The most dynamic growth in the international sources of capital for developing countries has the foreign direct investment (FDI).

However, they cannot fully replace domestic efforts: they can only help in providing access to tangible and intangible assets and to accelerate domestic investment and utilization of existing facilities. So, FDI alone cannot resist the marginalization of developing countries. Countries - recipients of FDI are looking for new inflows of FDI, mainly motivated by their social benefits, which primarily arise from the transfer of technology, knowledge and skills and their spillover effects on the rest of the economy, their positive impact on foreign trade, growth, and employment in the domestic market.

There is significant influence of FDI on the domestic economy's performances, the FDI impact on GDP, export and employment.

According to the research on the impact of FDI on the Macedonian economy (Krstevska and Petrovska, 2012, pp. 55-73), FDI inflows are important factor for GDP growth and export performances. The impact on export was limited having in mind that a large amount of FDI was allocated to the non-tradable sector. But the positive impact on export was stronger than the impact on the overall GDP because the largest foreign investors mainly provide the inputs for their production process from abroad. Anyway, the empirical analysis has proven a positive contribution of FDI to productivity, mainly through the implementation of new technologies, the transfer of knowhow, management skills and expertise. On the other hand, the FDI impact on employment is negative mainly due to the low level of greenfield investments and non-attractiveness of the labor intensive industry for foreign investors. This is definitely changing in the recent period with the increased level of greenfield investment as a top priority to the Macedonian government in its economic policy while announcing Dräxlmaier as one of the largest German greenfield investment in Macedonia.

The financial sector growth can also contribute to economic growth. FDI are a major growth trigger, as well as the banking sector foreign direct investment.

Foreign banks with their special characteristics like better risk management techniques influence on the financial sector development. Technology and know-how spillover within foreign banks operating in the host market are also creating basis for financial sector development (Sergi, 2005, p.24). Despite this, consensus exists on the importance of the legal and supervisory environment as well as further cross-border cooperation of supervisors. There are few possible transmission channels between the FDI in the banking sector, financial sector development and economic growth: financial market development;

financial sector efficiency; resource allocation; financial sector stability and overall market-stability; institutional development; employment; attraction of further foreign direct investment (Goldberg, 2004, p.14). The impact of foreign banks on development and efficiency varies depending of the market share and size of foreign banks. The financial sector has particular impacts on all other sectors, industries and thus the economic growth.

Developing countries around the world have seen an increase in foreign bank participation in their banking sector since the mid1990s. However, this process has not been equal in different regions. Eastern Europe, Latin America, and Sub-Saharan Africa quickly welcomed and promoted foreign bank entry, but Asia and the Middle East have been late-comers to this process and have only partially opened up their banking sectors. The main drivers of foreign bank investments in developing countries are: the profit opportunities, the elimination of entry barriers, and the presence of factors that help mitigate the information costs of operating in foreign markets (World Bank, 2010, p.30).

The effect of foreign bank activity on a host country is a crucial question. It is considered that foreign banks add to domestic competition, increase access to financial services, improve the quality of financial intermediation, enhance financial and economic performance of their borrowers, and bring greater financial stability (Cull and Martinez Peria, 2011, p.5).

CONCLUSION

In the era of globalization, FDI became an essential factor for economic development. The benefit of FDI in economic theory, and increasingly among entrepreneurs is seen as a powerful incentive of the economic activity at macro and micro level. In transition economies, the impact of FDI is greater than that of domestic investment.

The main types of foreign market entry strategy involving direct investment abroad are: the establishment of wholly owned subsidiaries or greenfield investment; cross-border mergers and acquisitions; and joint ventures.

There are few main reasons why organizations prefer mergers and acquisitions before greenfield investments: mergers and acquisitions are faster to implement than greenfield investment; with acquisitions of domestic firms, the foreign firm has generated valuable strategic asset – already established brand, distribution system, production system and it is closer to customers; and implementing acquisition strategies organizations believe that they will increase efficiency by capital, technology and management skills transferring.

These investment strategies can be applied in the production sector as well as in the service sector. In banking worldwide, the most frequently used strategies are the mergers and acquisitions and greenfield investments. Mergers and acquisitions are more sensitive to external factors, global and regional, than the greenfield investment.

The drivers of foreign bank participation may be classified in couple of sets of factors: banks follow their home customers abroad, attractive profit opportunities in the host countries, restrictions and barriers to foreign bank entry, and ways to minimize information costs of doing business abroad.

Banking sector in many Central and Eastern European countries today is dominated by foreign-owned banks. Currently, the majority of loans from foreign banks are granted by acquired banks. In time, the foreign acquisitions became dominant mode of entry in the banking sector in this region. Since, foreign acquired banks buy a customer base; their market share grows much faster than that of new foreignbanks.

In Macedonia twelve of sixteen banks are in major ownership of foreign shareholders. The number of banks in major foreign ownership declined by one bank as a result of acquisition of one bank by another bank, thus reducing the number of subsidiaries of foreign banks, from eight to seven, compared to 2011. However, the foreign capital to total capital ratio of the banking system increased, but the share of bank assets dominantly owned by foreign shareholders in the total assets of the banking system slightlydecreased.

Over and above, recently well-known banking brands had failed investments in Eastern and Central Europe, making them very cautious. In Western Europe, banks are consolidating and are reluctant to invest due to the unfavorable climate for expansion in the banking sector.

In Macedonia, there are no foreign investments in the financial sector after the crisis, which drastically reduced the share prices of financial institutions and the banks. In recent years, there have been announced possible acquisitions or mergers of banks by foreign banking brands, but so far, there are no concrete negotiations about it. Due to the financial crisis, foreign banks are delaying plans for expansion in the region.

The FDI are very important for economic development, their national economic effects are significant and there is increased need for a continuous comprehensive structural analysis of the FDI situation according to the basic indicators on global and national level.

The financial sector growth can also contribute to economic growth. FDI are a major growth trigger, as well as the banking sector foreign direct investment. There are few possible transmission channels between the FDI in the banking sector, financial sector development and economic growth: financial market development; financial sector efficiency; resource allocation; financial sector stability and overall market-stability; institutional development; employment; attraction of further foreign direct investment.

The effect of foreign bank activity on a host country is a crucial question. It is considered that foreign banks add to domestic competition, increase access to financial services, improve the quality of financial intermediation, enhance financial and economic performance of their borrowers, and bring greater financial stability.

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MACEDONIAN ECONOMY IN TERMS OF FOREIGN INVESTMENTS AND THEIR BENEFITS

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Abstract

The global economic and financial crisis which spread over Europe in the last years has motivated the countries in the Western Balkans, including the Republic of Macedonia, to engage into a more active and more aggressive attraction of foreign capital. Foreign direct investments are considered the highest economic priority for long-term development, whereas the benefits to the national economy are multiple and influence the reduction of unemployment, increase of export, inflow of new technology, knowledge and skills, as well as improvement of the population's living standard. However, despite the commitment, reforms and activities undertaken to attract FDI, the countries of the Western Balkans are facing remarks from investors for having an insufficiently reformed judicial system, bureaucratic issues, inefficient public administration and corruption. Therefore, it is essential to work continually on improving the macroeconomic environment and implement a long-term strategy to attract FDI through active policies.

Key words: economic growth, foreign direct investments, long-term strategy.

INTRODUCTION

Economists in the region seem to be voicing their growing concerns: countries of the Western Balkans might be facing a longer economic stagnation, unless they implement certain policy changes, as well as amend the development model of their economies. Certain countries from Central and East Europe, such as Poland and Slovakia, have significantly increased their industrial production. Unlike these countries, however, the Balkans, especially those countries stemming from the dissolution of a joint country, have had a dramatic decrease in industrial production, particularly in the last five or six years. Possibly, the main reasons for this decrease are the inadequate policies which have stimulated and supported the development of other sectors, but not the industrial one.

In that manner, it is a well known fact that countries in Central Europe have secured foreign investments in their respective industries, where foreign capital was invested mainly in the production of products with higher added value. Countries in the Balkans, on the other hand, stimulated the development of services, where the majority of the foreign capital was invested in trade and the banking industry, and very little in production. With investments of \$1.8 billion at the end of 2005, Macedonia was ranked in the group with low level of FDI. At that very same time, the following countries in South-East Europe marked the highest level of FDI: the Czech Republic (\$60 billion), Romania (\$24 billion), Slovakia (\$15.3 billion) and Croatia (\$12.5 billion).

The global economic crisis and the European Debt Crisis have urged countries from Western Balkans, Macedonia included, to become proactive and more aggressive in attracting foreign capital. To be more specific, in the last decade there has been a radical change in the Republic of Macedonia in terms of the strategies and policies regarding FDI: it has changed from a passive policy to creating system conditions for a more aggressive policy in alluring for investors.

1. FOREIGN INVESTMENTS AS DEVELOPMENT FACTOR FOR OVERCOMING ECONOMIC STAGNATION

In order to overcome this stagnation, experts agree that the model for economic growth should be aimed more at increasing investments and export, and less attention be given to consumption. However, in cases when the economy lacks its own funds for the needed investments, sources must be requested from abroad, particularly via foreign direct investments.

The driving forces of economic growth- investments (domestic and foreign) were not sufficiently realized. As a result of that, the Republic of Macedonia has been struggling with the following structural economic issues ever since its independence: high unemployment rate, low GDP, insufficient export, unfavorable

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industry structure. In order to overcome these problems impeding the Macedonian economy, one should work towards creating economic policies aiming to reach the following goals:

- Increasing the level of GDP and attaining a long-term sustainable rate of economic growth of 6%;
- Creating jobs with trend following the creation of new production facilities in the form of FDI and support of the domestic business sector in terms of expanding the country's production capacity;
- Gradual change of the production structure of the domestic economy and the production specialization of the export-oriented branches, by increasing their competitiveness.

FDI are given the utmost economic priority for long-term development, while the benefits for the country's economy are multiple: reduction of the unemployment rate, export increase, influx of new technologies, knowledge and skills, as well as overall improvement of the country's standard of living. In order to contribute towards the increase of economic growth and the reduction of the unemployment rate, which is a structural problem of the Macedonian economy, a mid-term goal is to continue to improve the business climate and competitiveness, as well as to increase both domestic and foreign investments. However, considering the lack of funds for a considerable increase in the gross-investment rate, the sources of such funding must be searched for abroad, particularly via direct investments in order not to increase the country's debt.

The direct foreign investments in Macedonia, for the entire period of the country's independence to date, can be described as insufficient and having poor results over the Macedonian economy. During the period of 1992 until the 2012, a total of \$4.382 billion have been received via FDI, €1.95 billion of which are FDI in acquisitions and mergers, €1.24 are greenfield investments, while €122.2 million are invested in portfolios (stock, bonds and other securities)⁵⁸. The average annual FDI, counting from the country's independence until 2012, is about \$200 million. If we are to consider this amount as absolute, i.e. a percent of the GDP, Macedonia is among the lowest ranked countries in South-East Europe in terms of FDI.

In the first quarter of the year, the country has received a mere €53 million, unlike last year, when the FDI for the same quarter amounted to €80.2 million. In other words 40% less money has been invested this year in comparison to the same period last year- the same year considered to be the worst so far in terms of FDI. The Republic of Macedonia received only €105 million foreign direct investments last year. The main reason for this decrease is the large capital outflow in the foreign companies operating in the country, steering funds towards their respective mother companies. However, despite the insufficient level of FDI in the country, the benefits of the so-far investments are easily felt in the country's economy: the newly created jobs, the improved infrastructure of the export and the transfer of technologies.

In fact, since the country gained its independence until today, the FDI have marked three stages. The first stage, which lasted until 1998, marked the early stage of the privatization of state capital. During this period there was virtually no FDI which was largely due to the implemented inside model of privatization, where companies were purchased by the managers and the staff. Accordingly the data of the National Bank of the Republic of Macedonia, in this first stage, from 1992 until 1997, the country has seen a total of \$124.1 million in FDI, or an average of \$20.7 million. The second stage of FDI covers the period of late 1990s until the middle of the last decade. This period is marked largely by acquisitions and mergers of attractive companies- both state and already privatized ones (banks, insurance companies, distributors of electrical energy, telecommunication companies, the oil refinery, as well as several large production companies).

According to a report from the National Bank of the Republic of Macedonia regarding foreign investments for the period between 1997 and 2005, the total FDI at the end of 2005 was \$1.8 billion, placing the country in the group with the lowest FDI. In contrast, during the very same period, the highest level of FDI was noted in the Czech Republic (\$60 billion), Romania (\$24 billion), Slovakia (\$15.3 billion) and Croatia (\$12.5 billion). During this time, the average FDI within the Macedonian GDP was about 5%, in comparison to the relatively high FDI in the GDP in 2001- 13%, which is closely related to the privatization of the Macedonian Telecom. The third and final stage of FDI is labeled as the period of greenfield investments, i.e. building new facilities in the industrial areas. Unlike the portfolio investment, these greenfield investments require committing to a long-term investment of funds. When the investor supplies the funds

⁵⁸ A considerable change in the portfolio investments was noted in 2001, as well as in 2006 and 2007- a period labeled as the boom on the Macedonian stock market, when a large number of investors from the region became investors in Macedonian quoted companies.

for a facility in an area which is part of the business system, it means that the investor is inclined to commit to a long-term period of working and running their line of business. Such investment, i.e. business capacity, will generate positive economic effects in its surroundings, particularly in the pending period. It is therefore why these greenfield investments can be perceived and expected on long-term basis. Furthermore, considering their contribution to national economy, in comparison to acquisitions, greenfield investments have a more substantial contribution to: the added value, the employment rate, the increase in export, as well as the transformation effects of the surrounding- a profound change in organization and management, a change in the market approach, a change in the public and the consumers, etc. Lastly, greenfield investments by globally renowned companies is a positive signal for new potential investors. However, the third stage of FDI also marks the period of capital outflow from the branches in Macedonia to the mother companies. This is mostly due to the financial crisis in the EU, which is the home of most of the investors in our country. Hence, in 2007, in order to credit the mother companies, the outflow of capital was €25,7 million. In 2008, that amount was €17,4 million, and in 2009 the outflow marked a number of €46,5 million. Last year, the outflow reached nearly €150 million. In terms of reinvested profit, in 2007 this number was exceptionally high- €183,5 million, in comparison to 2008, when that number was nearly €16,7. In 2009, reinvested profit was negative €113,7. In other words, this figure describes how much of the capital was taken out of Macedonia by investors.

The freedom to transfer profit and financial assets is guaranteed as a global universal rule of investment. However, the cause for concern should be the fact that the message we're sending is that investing in Macedonia may not result in reaching a satisfactory level of profit by reinvesting gained assets. Therefore, instead of investing the profit, the funds are used as a credit potential from the home companies to owners of foreign companies. In 2012, in order to credit daughter companies, the mother companies invested €124,4 million. The very same year, capital outflow was €149,4 million. It is logical to expect that if a company is facing a reduction in revenue and profit at home, or even loss in certain cases, the company will supplement this negative with the profit gained in the developing markets, as these markets have been doing rather well recently. However, FDI should not be analyzed merely through the prism of inflow and outflow of capital. One should consider the importance of the transformation processes and their total contribution towards the national economy.

The effects that the FDI have on the national economy are measured with several indicators, while an overall and detailed picture is provided by the FDI Contribution Index, which is monitored by the UNCTAD and is the result of several factors: contribution to the value added, employment, export, tax revenues, incomes and earnings, expenditures for research and development, and capital expenditures.

2. ECONOMIC, LEGAL AND POLITICAL REASONS IMPEDING FDI IN MACEDONIA

Foreign investors seem to be paying more and more attention to the political rather than the economic factors, when deciding which country or region to invest in. Therefore, in the decision making process, they seem to give utmost priority to the stable and favorable business environment, the rule of law and an independent judiciary system, property rights guarantee, as well as fair and competitive conditions for running a business. Tax and tax relief, as well as cheap labor seem to have secondary importance. Considering the fact that investors have more alternatives for their investments, what tips the scale in the decision, apart from a stable political environment, are the real business factors such as: the size of the national market and access to the neighboring markets in the region, the growth level of long-term expenditures, highly-qualified work force, the level of development of the overall infrastructure, the quality of the transport network and the locations available to start a business. In comparison to the rest of the region, the economic factors describing our country do not seem to go be favorable to us. In fact, most of them are rather poor. Therefore, investors seem to be inclined to invest only if they find effective long-term business opportunities in our country. However, in recent years, the global financial crisis has had a negative influence over the Macedonian economy, particularly over the results of the real sector which has contributed to a decrease in: the economic growth, the export as well as investments. If all these circumstances are taken into consideration, unlike the rest of the countries, Macedonia has created a set of investment vantages and options, particularly in the area of taxation, low production costs and competitive workforce, which are labeled as the most favorable in the region. All this is done to maintain investors interested.

In fact, the major investment government grants are given to investors in the industrial development areas as are Skopje 1 and 2, as well as Tetovo and Shtip. The following are just several of the vantages offered to investors:

- Profit Tax Exemption
- Personal Tax Exemption
- Exemption from Value Added Tax
- Excise Tax Exemption,
- Exemption from customs duty on raw material and equipment
- Government grants of up to €500k in construction costs
- Provided total infrastructure and public utilities.

In terms of workforce, it should be noted that with a minimum wage of MKD8,050 or €130, Macedonia has the lowest rate for workforce in Europe. Latest Eurostat data indicates that the cheapest labor within the EU can be found in Bulgaria for €159. In the region, the highest minimum wage is €784 in Slovenia, followed by Croatia €374, Serbia €182, Bosnia and Herzegovina €161, and Albania €144.

Despite the low costs for workforce which is one of the biggest advantages offered by the Macedonian government in attracting foreign investments, employers feel that cheap labor does not necessarily entail the best option for investors.

A significant aspect in the process of running a business is the judicial system and the administrative and red tape procedures. It is highly important for investors to be guaranteed property rights as well as to receive legal guarantee for all contracts concluded [WTO, 2013]. Surely, additional vital aspect is the fair and honest trade regulations via the regulatory bodies and agencies. Investors' general remarks regarding the West Balkans are mostly about the legal system: the slow judiciary, to be more specific. Additional problem is perceived in the corrupted institutions and the inefficient public administration. In that sense, one of the biggest advantages perceived by investors is the possibility of registering a business overnight, as well as the rather short time needed to obtain all the necessary work permits and licenses. However, the biggest drawback quoted by investors is the frequent controls and inspections, the high penalties, and the problem with timely collection and settlement of debt. Businesspeople expect institutions to increase their transparency during bid invitations, ensuring legal security and efficient public administration.

Inclination to invest depends largely on the degree of development of the infrastructure, and investments in larger infrastructure (highways, railway, energy supplies) will enable a better connection between Macedonia and its neighbors. In that regard, we must stress the importance of investing in the necessary infrastructure connecting Macedonia with Kosovo and Albania, as well as building a railway within the framework of Corridor 10. Additionally, in order to attract more investors, it is important to enable better access to development funds, which in turn implies further reduction in the interest rates, development of newer forms of financing businesses, etc.

However, apart from the numerous economic and legal issues, there are several bigger political obstacles which profoundly affect the country's overall situation and shed a negative light. First and foremost is the country's problem with the name, as well as the country's pending membership for NATO- an issue which is given the highest priority and its solution holds the key to economic stability and will positively influence both foreign and domestic investors to consider investing their capital in Macedonia. This in turn will open the possibility of receiving a final date for the start of the country's official negotiations for membership in EU. All this would stimulate positive changes in the country's business and political system. As for the country's membership in NATO- this is of crucial importance as it brings a dramatic increase in FDI to all new member countries. Let us consider Bulgaria as an example: in 2004, when the country joined the NATO Alliance, the total FDI amounted to \$3.4 billion, in comparison to the average \$300 million invested annually between the period of 1990 and 2000. This is why the country's membership in NATO is a vital economic issue for the Republic of Macedonia: it will result in more investments, influx of new technologies and will create new jobs, which implies a better living standard of the citizens.

Finally, one additional limitation when it comes to attracting foreign direct investments is Macedonia's lowered credit ratings published by the Credit Rating Agency Standard & Poor's. In May of this year, Macedonia's credit rating was lowered from BB to BB-, which gives a clear signal to investors that the

pending period will be a difficult one for the country: settling debts and returning the acquired loans, and any further loans will be awarded with a much higher interest rate. As for why the country's credit rating was lowered, several reasons were cited: the negative economic growth, the increasing public debt from last year's 30% to 33% this year from the GDP, as well as the high unemployment rate. Standard&Poor's report further states that since the onset of the global financial crisis, the transparency of the Macedonian public finances has been decreasing, as have the possibilities for a more significant economic growth. This is a second lowering of the country's credit rating: in 2011 the Agency lowered Macedonia's rating from BB+ to BB.

3. IMPROVING THE BUSINESS CONDITIONS FOR ATTRACTING FDI IN MACEDONIA

There are several preconditions to meet before opening the possibility for any major foreign direct investments: continuous dedication to improve the business climate, the implementation of the structural reforms in the country's competitiveness, the exporting sector, as well as the investments in the infrastructures and the education system. These will profoundly affect the overall social development of the Western Balkans, Macedonia included.

Improving the economic conditions and the overall business climate in the economy is the only way to attract FDI and to create a higher economic growth. The global economic crisis and the recent European Debt Crisis have urged the countries from the West Balkans, including Macedonia, to become proactive and more assertive in attracting foreign capital. More specifically, since the middle of the last decade Macedonia has made a significant change in the employed strategies and politics regarding FDI. This change is mainly a transition from a passive approach to create system conditions to a more aggressive quest for investors. With all its so-far activities, the Government of the Republic of Macedonia has demonstrated its commitment in improving the conditions for operating a business, which is a primary indicator of a favorable climate for investing in one country.

In order to improve the business surroundings, the Republic of Macedonia has implemented 3 stages of a so-called "regulatory guillotine"- a project aimed to decrease the regulatory burdens and the unnecessary bureaucracy. The Customs Administration has implemented several measures in order to increase the speed and efficiency of trade. With yet another initiative, the National Bank of the Republic of Macedonia has helped in strengthening the financial system by establishing a public credit register in 2008. The Ministry of Finance initiated the formation of a private credit office, which was established by the Association of Commercial Banks in 2011. In all accomplishments achieved far, one must point out the creation of the electronic tax system in 2008, the electronic real-estate register established in 2010, as well as the online system for registering businesses which has been in function since 2011.

In terms of the tax policy, the government introduced lower and equal tax of 10%, as well as tax relief from retained profits which are not distributed as dividends. Meanwhile, the employers' social contributions were gradually decreased for about 1/3. The Regulatory Guillotine brought several benefits: simplified regulative, one-stop shop system for customs and tax administration, increased flexibility of the labor market, certain benefits for the free economic zones, reforms in the financial sector, the education and the agriculture, as well as increased investments in the infrastructure and energetic. With all these accomplishments and reforms implemented in order to improve the country's economy, Macedonia has been ranked among the top countries reformers according to the acclaimed Doing Business Report issued by the World Bank. In fact, this Report is an analysis of the regulatory framework, especially its efficiency in running small and medium-size domestic companies, as these types of companies are the foundation of the country's economy. Macedonia is listed among the top free economies, such as Germany, Japan, Estonia and Latvia. Although the Report does not measure the FDI in the ranked countries, one can still trace a direct connection between simplifying the work of small and medium-size companies and attracting FDI. There is a common belief that best ranked countries in Doing Business have an average of 50 times more FDI in comparison with those that are ranked lower on the list.

Improving the business conditions and the overall economy seems to be the only way to improve the approach in attracting foreign direct investments. Therefore, the Macedonian government is committed to continuously improve the business and investment environment by intensifying the application of reforms in all areas. In other words, the aim is to achieve the following:

- A more aggressive approach in promoting the benefits and the country's potential, by focusing on attracting FDI for the production of added value products, new technologies, particularly those with a spill-over effect;
- Shortening and simplifying the procedure for obtaining work permits for foreigners working in the country;
- Fostering collaboration between foreign investors in Macedonia and domestic suppliers;
- Protecting owners' rights of both domestic and foreign investors;
- A stable legal surrounding and consistency in implementing the existing legal regulative, as well as shortening court proceedings and improving their efficiency;
- Strengthening the administrative capacities as well as their transparency in functioning;
- Strengthening the institutional framework for the protection of competition and curbing monopolies, as well as attaining professional and independent operation of the regulatory agencies;
- Reducing the gap between education and the actual needs and lacks on the labor market;
- Strengthening the public-private partnership accordingly the global best practice;
- Eliminating the remaining non-tariff barriers for importing goods from the EU and enabling a free movement of goods between Macedonia and the EU.

The continuous dedication to improve the business environment needs to be continued in future and it will send a clear signal to investors who, in recent years, have been treating Macedonia as a good business destination.

In that manner, last year the Government implemented two measures aimed at attracting foreign investments and improving the competitiveness of the Republic of Macedonia on the global investment market. The first measure is increasing the legal duration of stay for foreigners in Macedonia from 3 months to a year if they purchase a residence of €40k or more. This measure is expected to motivate foreigners to buy real estate, which will revive the real-estate market. With the second measure, foreigners who will invest €400 000 or more and will create over 10 jobs, will be legible for Macedonian citizenship or passport. According to government analysis, these changes along with the aforementioned tax reliefs will create a better approach to attracting foreign capital.

CONCLUSION

As the country lacks the capacity to significantly increase the gross-investment rate, sources of funding must be acquired from abroad, especially via foreign direct investments in order to avoid a higher level of indebtedness. In fact, FDI are considered a top economic priority for long-term development, with multiple benefits for the national economy: decrease of the unemployment rate, increase of export, inflow of new technology, knowledge and skills, as well as improvement of the standard of living. In terms of fostering economic growth and reducing the unemployment rate, which seems to be the biggest problem of the Macedonian economy, mid-term goals are further improvement of the business climate and competitiveness, as well as increasing investments, both domestic and foreign. In that manner, it is of utmost importance that the country meets the following criteria as preconditions for attracting significant foreign direct investments: a continuous commitment towards improving the business environment, implementing structural reforms in the scope of competitiveness, the exporting sector, as well as investing in infrastructure and education.

The Macedonian government with all its efforts to attract FDI, has demonstrated its commitment to improve the business climate- a gesture which is perceived as the prime indicator for a favorable investment climate. However, even after 5 years of implementing the new approach for attracting FDI- an approach which is best described as an assertive policy of searching for investors- the country is yet to see any major results. With a total amount of €105 million invested in Macedonia, 2012 is the year with the least net inflow of foreign investments within the last 8 years. In the past several years, there is a growing trend of capital outflow from the branches in Macedonia to the mother companies, which is mostly due to the crisis in the EU as it is the homeland of most investors. This practice is a cause for concern as it sends the message that investing in Macedonia does not result in a satisfactory degree of profit by reinvesting the turnover. In that manner, instead of reinvesting the profit, the capital is steered towards mother companies as credit capital.

The latest United Nations Conference on Trade and Development Report lists Macedonia as the least attractive country for foreign investment when compared to the remaining countries from the region. In 2012, the inflow of FDI was the lowest in Macedonia, with only \$135 million of foreign capital. Croatia, on the other hand, tops the list with \$1.25 billion. The remaining countries from the region rank as follows: \$957 million were invested in Albania, \$298 million in Kosovo, \$633 million in Bosnia and Herzegovina, \$609 million in Montenegro and \$352 million of FDI in Serbia. Worth pointing out is the dramatic fall of Serbia in this ranking, as a few years ago this country was the strongest competitor of Croatia in attracting foreign investments. Overall, the Report indicates that Western Balkans remain largely unattractive for foreign investors, and Macedonia needs to put in more effort in enabling greater political and economic stability in attracting FDI.

Accordingly the latest data from the National Bank of the Republic of Macedonia, about \$114 million of foreign capital was invested in Macedonia in the first 6 months of this year and the undistributed branch profit was \$18.87 million. Most of the capital invested comes from Austria, Belgium, the UK and Australia, and is found in industries such as: manufacturing, civil engineering, transport and storage, financial and insurance services.

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ANALYSIS OF GEOGRAPHICAL FACTORS IN FUNCTION OF THE DEVELOPMENT OF VINICULTURE AND WINE TOURISM IN THE TIKVESH BASIN

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ABSTRACT

In this effort an attempt was made to analyse the geographical factors i.e. their objective impact on viniculture and wine tourism in the renowned Tikvesh Basin, which represents a symbol of this type of activities in the Republic of Macedonia. The need of such analysis resulted from the fact that this region comprises 8 % of the Republic's territory and has established itself as an influential agricultural and economic region in the wider vicinity as well. For this purpose adequate methods were utilised such as: mathematical-statistical, cartographic, climatologically, touristic, etc. One of the pillars of these research activities, which support the essential postulates of the effort, was the long-lasting terrain exploration. It all points to the final conclusion that the Tikvesh Basin features quite favourable natural and socio-geographical factors which enhance development of vine-growing, winery and wine tourism, whose outstanding potential has only modestly been utilised so far.

Key words: *Tikvesh Basin, Viniculture, Wine Tourism.*

INTRODUCTION

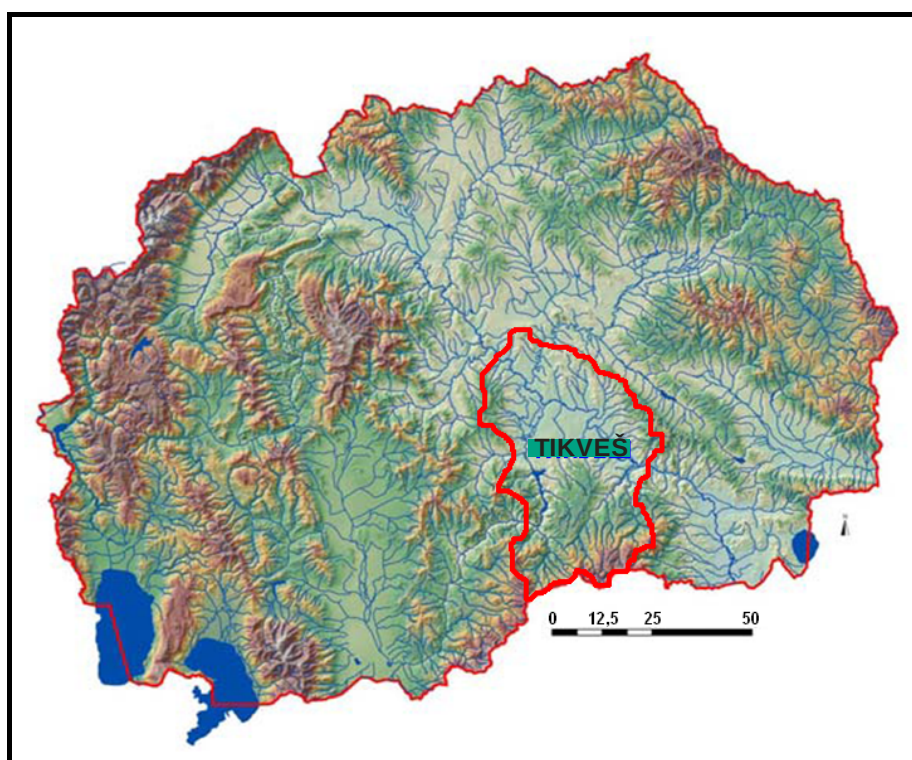
Vine-growing as a separate agricultural branch means growing, care-taking and utilising of grapevines. As such, these activities in the Tikvesh Basin have been performed since before the new age (BC). The synonym Viniculture-Winery Region, the Tikvesh Basin has acquired long ago, and its culmination was reached in the year of 1991 with its record of 10,334 hectares of vine plants (Pavlovski, 1993). A phenomenon, different from the distinguished vine-growing and winery, is the wine tourism, which has been introducing visible socio-geographic transformations just lately. Wine tourism as a type appeared only recently and that is the reason why there is no unified definition of it. Generally, this tourism refers to travelling to and visiting viniculture regions and wine facilities as well to degustation of wines and meeting new people and cultures. Wine tourism is world-widely considered a growing concept with two-sided economic impact. The first impact refers to the increase of number of tourist, whereas the second one refers to the increased productivity of the wineries

(Kim et al., 2002). Wine tourism as a modern type of tourism not only attracts visitors, increases overnight stays and adds to the overall tourist overturn but also is characterised by an educational dimension, because it helps degustation visitors to change their attitude towards wine as a product. The phenomenon-wine tourism can be the basic course of economic and social development of rural environments, which compensate their lack of natural-geographic attractions with the traditions and customs of the local population. Having this in mind, below in the text an endeavor is made to evaluate the impact of the more significant geographical factors, both as a basis and a determinant of viniculture and wine tourism development of the Tikvesh.

TOURIST-GEOGRAPHIC POSITION

The Tikvesh Basin stretches in the central and southern parts of the Republic of Macedonia. The basin was described by J.Cvijikj (1906) as a large and low basin in the Middle Vardarian Stream which, with its geomorphological, climate, bio-geographical and antropo-geographical features, represents a rounded geographic entirety, different from the neighbouring valleys. The northernmost point of the valley with

irregular circular shape is Ilangja, 664 meters above the sea level and inclination of $41^{\circ}43'38''\text{N}$. The southernmost point is at the very Macedonian-Greek border, on Kozjak Mountain, 1814 meters above the sea level and inclination of $41^{\circ}05'30''\text{N}$. The westernmost point is a no name elevation, at 841 meters above the sea level and inclination of $21^{\circ}47'\text{E}$. The most protruded point in the east is White Stone, 1182 meters above the sea level and inclination of $22^{\circ}19'\text{E}$. The wavy region of Tikvesh comprises: the middle confluence of the river Vardar, the lower flows of the rivers Bregalnica and Crna Reka as well as the full flow of the rivers Boshava and Luda Mara. The basin frame extends along tall, middle-height and low-height mountains and hills, which are broken through with river valleys on all sides (map 1).



Map 1. Geographical position of the Tikvesh Basin in the Republic of Macedonia

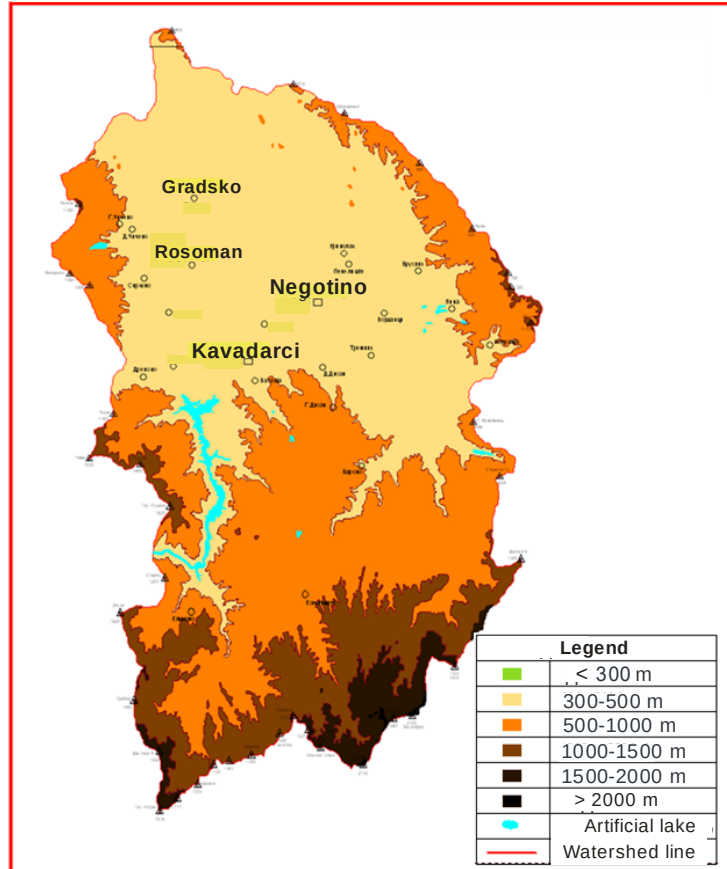
The size of the Tikvesh Basin in its natural borders is an area of 2,060.54 square kilometers, which represents 8% of the territory of the Republic of Macedonia. Traffic and functional connections of the Tikvesh Basin with the neighbouring regions play a significant role in the economic development and strategic directing of the same region. Spanning in the wide and easily passable Vardar valley, the Tikvesh Region is traditionally considered a focus of the trade and traffic connections. So, in the ancient times, the most exploited Vardarian road led from Solun and Pela in the south towards Skopje in the north. Until the end of the 19th century along stream the river Vardar busy river traffic with ferries loaded with leather, wheat and timber took place (Pavlovski 1993). In 1873 the railroad from Solun to Skopje was launched, which meant a new economic impetus and an important strategic strengthening of the region. For strengthening of road traffic in the postwar period of special regional and international significance became the motorway **E-75** that follows the flow of the river Vardar in the northwestern and southeastern directions. It was completely set through Tikvesh in the period from 1960-1964. Today it is broadened into a first class motorway. In parallel direction to this international toll road the following regional roads are attached: Negotino-Lakavica-Shtip and Negotino-Lakavica-Radovish towards eastern parts, as well as Negotino-Kavadarci-Prilep and Gradsko-Prilep towards the western parts of the country. From traffic point of view the Tikvesh Basin has generally favourable geographic position because it is the centre of frequent passage and trade connections with the adjacent regions within the Republic and extraterritorial, all this based on its economic influence in the wider region.

GEOLOGICAL COMPOSITION

The Tikvesh Basin from geological aspect is a complex mosaic of magmatic, metamorphic and sediment rocks of different age: they range from Precambrian to earliest Holocene forms. In general, in the eastern part, on the right side of the river Vardar Neogene sands, clays and Quarter volcanic formations prevail. All these, from hydrogeological point of view, are dry, waterless terrains or low water discharge intensity and crack porosity. Such litogene substrate is the basis for spacious, bare, erosion-prone terrains with scarce vegetation, only suitable for growing vines.

RELIEF CHARACTERISTICS

In the Tikvesh Basin three relief entireties can be discerned as follows: frame of the Basin made up of mountains, that is mountain sides, hills with ravine breakthroughs, plane-hill entirety and the area of Vitachevo as a separate morphological unit. The tallest mountains in Tikvesh are as follows: Kozuf, Kozjak, Kesendre-Radobil Mountains, Balijska, Klepa and Serta. The plane-hilly entirety, which is a tectonic lower part i.e. bottom of the Tikvesh Depression, rises 100-300 metres above the sea level, covering an area of around 600 square kilometres. It is this unity that is considered most significant in regard of vine-growing and wine tourism development in Tikvesh. Down by the course of the river Vardar this unity can be divided into western and eastern part (Pavlovski, 1993). The western part of the plane-hilly unity in Tikvesh covers the right-side area of the river Vardar that is differentiated by lowered flat parts, i.e. fields, among which there are hills slightly sloped at $5-10^\circ$. The eastern part of the plane-hilly unity in Tikvesh covers the area on the left side of the river Vardar towards Serta, with inclinations of $5-10^\circ$. Through digital calculation of a scanned topographic map, scale 1:200000 and the software package AutoCAD 2008, values of hypsometric stripes in the Tikvesh Basin are set. Surface of up to 500 metres above the sea level covers an area of 1,051.7 square kilometres of the plane-hilly unity, which equals 51.04 % of the entire basin (2,060.54 km²). This hypsometric stripe is ideal for grapevine planting. Surfaces between 500-1000 metres above the sea level make up hilly spots and low mountains, and surfaces of total 716.9 square kilometres (or 34.8 % of the explored area) that limit the valley bottom. Surfaces between 1000-1500 metres above the sea level make up an area of 227.6 square kilometres or 11.04 %.



Map 2. Hypsometric stripes in the Tikvesh Basin

They are present mostly in the southern half-frame. Surfaces of 1500-2000 metres above the sea level make up slopes of middle-height mountains, which are situated along the valley frame in the southern and south-western part with total area of 62.7 square kilometres, that is 3.04 %. Surfaces over 2000 metres above the sea level make up the highest parts of Kozuf Mountain, with total value of 1.6% or 0.79 % (map 2). Among the specific relief forms in Tikvesh, the greatest importance for viniculture and wine tourism development have the river terraces, which are a foundation for cultivating grapevines. They are flatted parts, cascade positioned in Paleocene and Neocene sediments, along valley sides of the river Vardar and its tributaries (Pavlovski, 1993). M.Arsovski (1991) in the Vardar Basin recognized a total of 7 terraces. The highest terrace (t7) is preserved under the village of Veshje, at 150 metres height over the today's river bed. The lower terrace (t6) is at 90-100 metres height, and the fifth one is at 55-60 metres height. The fourth terrace (t4) is at 25-40 metres height and lies on Paleocene flish. It is between 180 -230,000 years old. It is best preserved on the left side of the river Vardar. On the stretch Ulanci-Gradsko this terrace is at 150-170 metres absolute height above the sea level. From the village Pepelishte to the village Vojshanci it extends over 8 kilometres at absolute height of 140-160 metres, gradually inclined towards the village Bistrenci (Pavlovski, 1993). The third terrace (t3), between 120-180,000 years old, is the most recognisable at the archeological locality Stobi, at 145-160 metres absolute height above the sea level. The second terrace (t2) is at 8-12 metres height. And the lowest terrace (t1) is at 1-3 metres or at 5-7 metres height of the today's river bed. It actually presents an influx of alluvial sediments. The river Crna Reka in the Tikvesh Basin has made four terraces at 55, 45, 15 and 5 metres above the present-time level of the river flow. The river Vataška Reka in the vicinity of Kavadarci has made five terraces that look like floors. Apart from the bigger water flows, river terraces can be noticed at some smaller flows with constant or periodical streaming such as: Blashnica, Kamenica, Dunjica, Brusnichka Reka, Dabnishka Reka, Iberliska Reka and others (Pavlov, 2011). All quoted relief predispositions go in favour of the goal of viniculture and wine tourism development, especially if it is taken into account that Tikvesh has available land of over 1,000 square kilometres, at up to 500 metres height, with wavy-hilly and hilly slopes of smaller gradient thus suitable for the purpose. (Zlatev, 2011).

CLIMATE CHARACTERISTICS

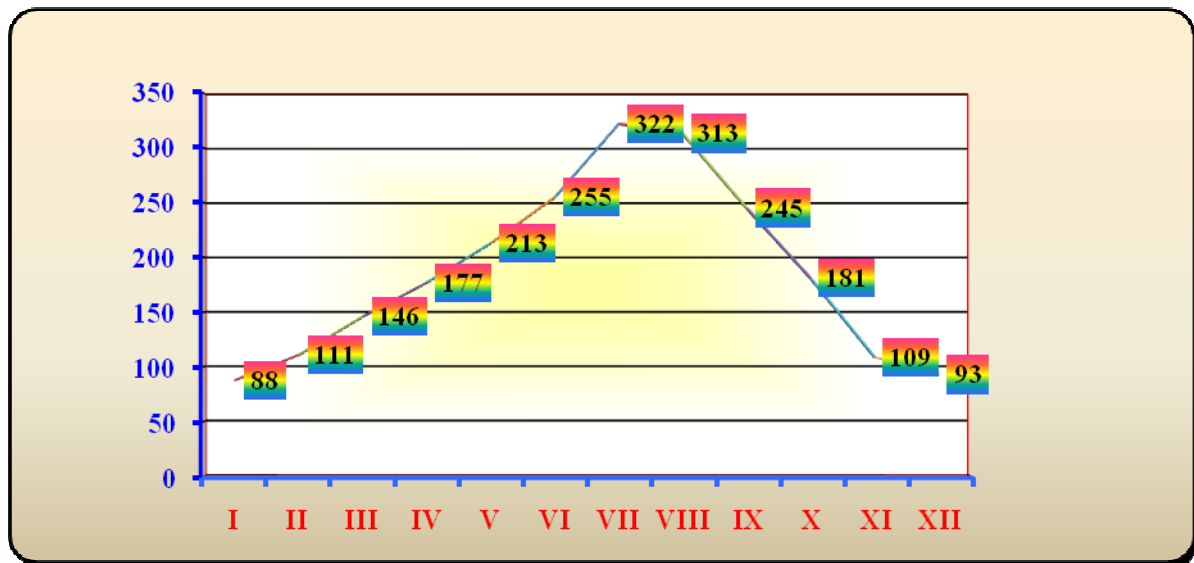
Table 1. Monthly average duration of the sunshine in Demir Kapija (in hours)

	MONTH												
insolation	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Annually
hours	88	111	146	177	213	255	322	313	245	181	109	93	2253

Source: Lazarevski, 1993

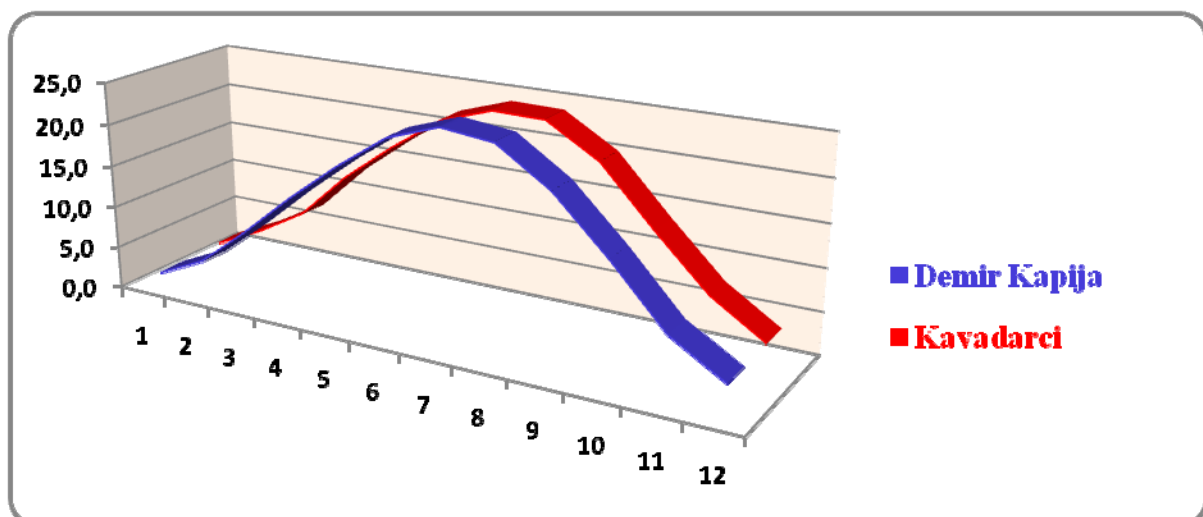
The estimation of the climate characteristics of the Tikvesh Basin were considered and analysed based on the elaboration of multi-year regime of relevant climate elements in the period from 1981 through 2000 for the meteorology stations in Demir Kapija, Kavadarci and Gradsko. The annual average duration of the insolation in Tikvesh is greater than 2,250 hours (table 1). It is the longest in the month of July with 322 hours, and the shortest in the month of January with 90 hours (table 1). In the months of July and August, when the vines intensively ripen, the sum of the sunshine amounts 645 hours (chart 1).

Chart 1. Duration of the sunshine at the measure point Demir Kapija, in hours, annually



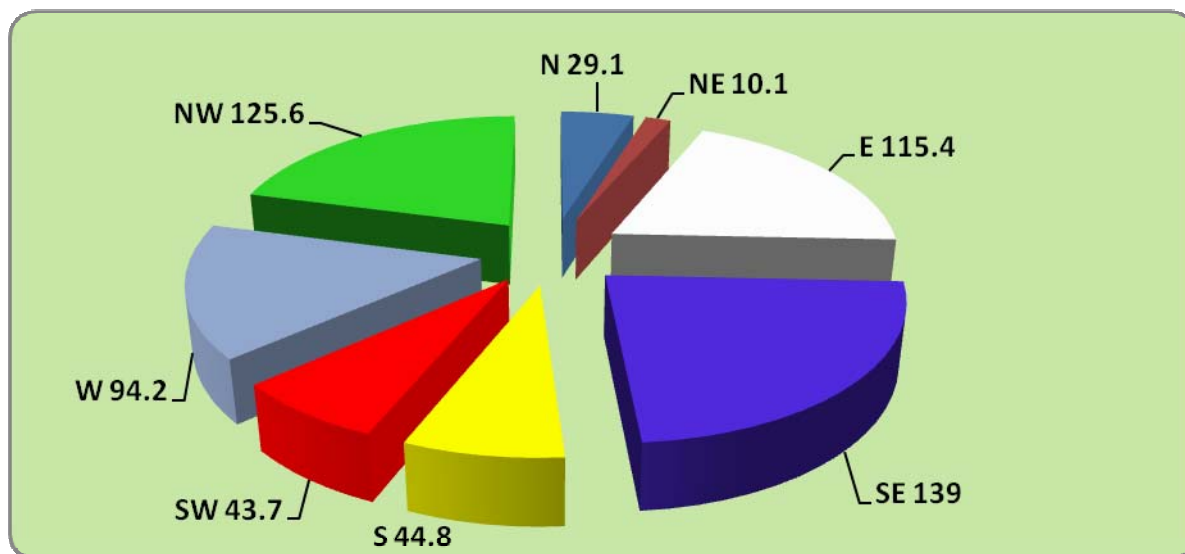
Air temperature at the average annual level is 13.7°C in Demir Kapija and 13.4°C in Kavadarci. The region falls into the thermal region of transition (Contact-Mediterranean region) with Mediterranean influence manifested by warm and dry summers (131 summer and 72 tropical days) and continental influence manifested by low temperatures in the winter season due to a breakthrough of cold masses from the north. Continental influence is imposed by the orography, which partially annuls the proximity of the Mediterranean. Feature of the Mediterranean climate is the particularly warmer month of October than the month of April. This is not the case in Demir Kapija and Kavadarci in the examined period of time because of the small temperature difference between these two months (Pavlov et al., 2013). The absolute maximum of 44.8°C is measured in Demir Kapija, and the absolute minimum is -23.2°C .

Chart 2. Average monthly temperature variation in Demir Kapija and Kavadarci (1981-2000)



The winds have the biggest frequency from the south-eastern direction. Their value is 136 %. The second most frequent is the north-western wind with 121 %. The third place belongs to the eastern wind with average yearly frequency of 118 % (chart 3).

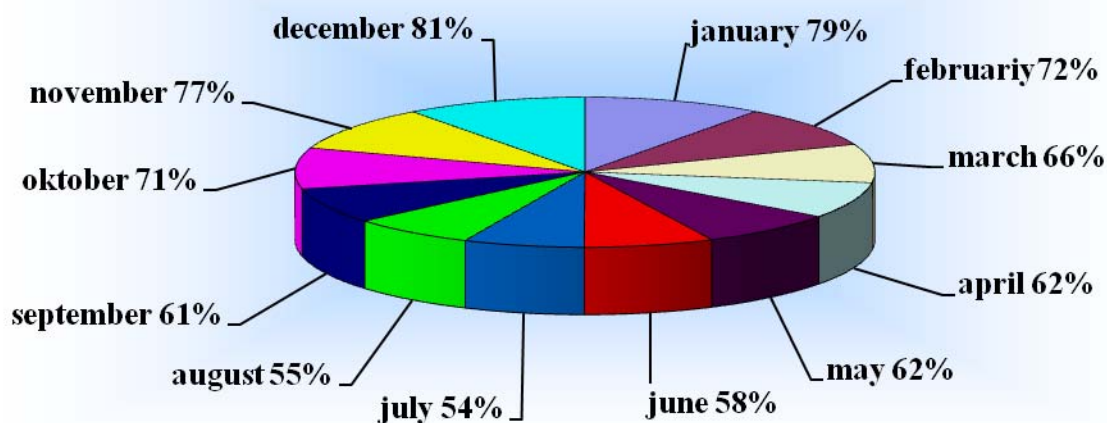
Chart 3. Average annual frequency of winds (%) in Demir Kapija (1982-2000)



Air wetness at the measure point Demir Kapija has average annual value of 66.5 %. The wetness drops from the month of January through the month of July, when it reaches its minimum, and then it goes up until December. The December value of the relative air wetness in Demir Kapija is maximal - 81%. The July value is minimal with its average of 53.7%, and the same has the lowest Republic's level (chart 4).

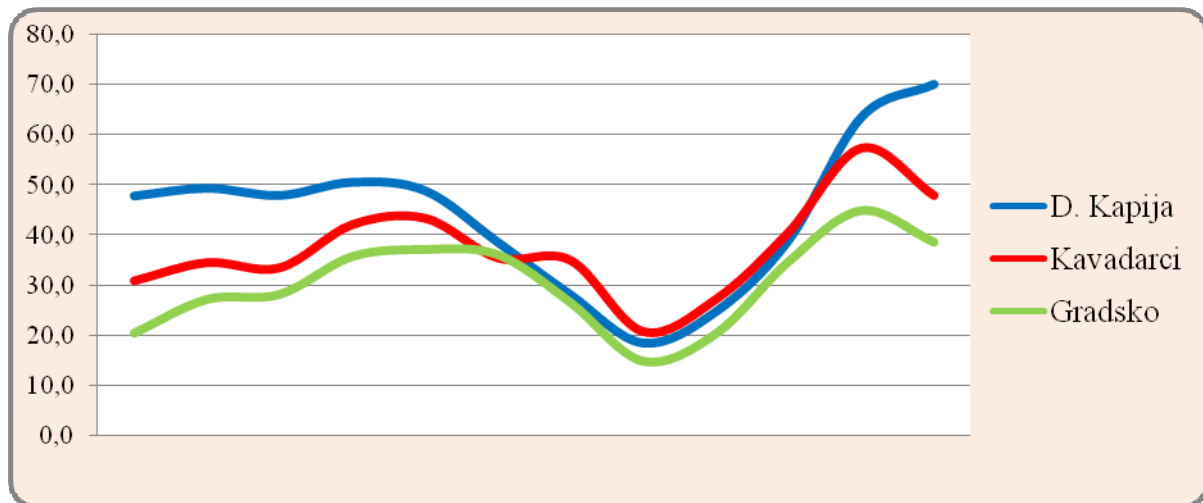
Chart 4. Relative air wetness in percent (%) for Demir Kapija (1981-2000)

AIR WETNESS (RELATIVE)



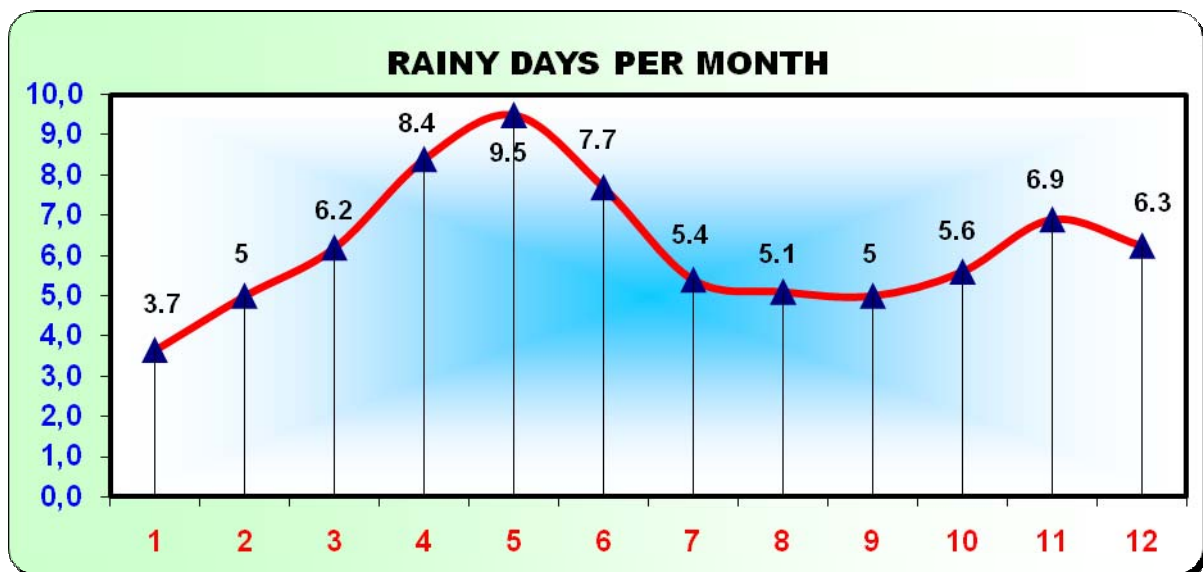
Cloudiness in Demir Kapija has an average annual value of 4.7 tenths. Cloudiness is the lightest in the months of August (2.6 tenths) and July (also 2.6 tenths) when the precipitation is at its lowest, which is of special benefit for grape ripening and sugar units increase in grapes. The cloudiness is the heaviest in the months of December (6.8 tenths) and January (6.5 tenths). The average annual sum of precipitations shows modest values of 542 mm (D.Kapija), 436 mm (Kavadarci) and only 365 mm in Gradsko (chart 5).

Chart 5. Comparative curve of average precipitations (mm) per month for D.Kapija, Kavadarci and Gradsko (1981-2000)



The pluviometrical regime for the measuring points Kavadarci, Demir Kapija and Gradsko is Mediterranean. This is shown by the low quantities of precipitations and small number of rainy days in the months of July, August and September, at the time of grape ripening (chart 6).

Chart 6. Curve of the average number of rainy days per month for Demir Kapija (1981-2000)



The precipitation factor for Kavadarci and Gradsko shows aridisation of half-desert climates, and the drought index corresponds to ranges with very-weak-to-moderate outflow of the confluence (Pavlov, 2011). The drought is characteristic of the region and lasts an unbroken period of over 200 days. Moreover, the entire Tikvesh territory features lowest precipitation in the vegetation period, in contrast to the remaining areas of the Republic. Generally speaking, according to climate types, in the Tikvesh Basin there is a contact-Mediterranean climate, which is a kind of a compromise and transition between the Mediterranean influences from the south and continental influences coming from the north. This climate features warm and dry (changed Mediterranean) summers and moderately cold winters which are harsher than the Mediterranean ones, and milder than purely continental winters. The autumn is insignificantly warmer than the spring, and the modest precipitations are seen in the colder part of the year. This climate type is fairly favourable for grapevine cultivation.

WATER BALANCE AND AVAILABLE WATER RESOURCES

If the annual amount of precipitation and the quantity of water out flow from the confluence are known, the water balance of the Tikvesh Basin can be calculated with the simplest formula:

$$H = Y + Z \text{ (Labus, 1983) where:}$$

H is the amount of precipitation,

Y is the amount of outflow, and

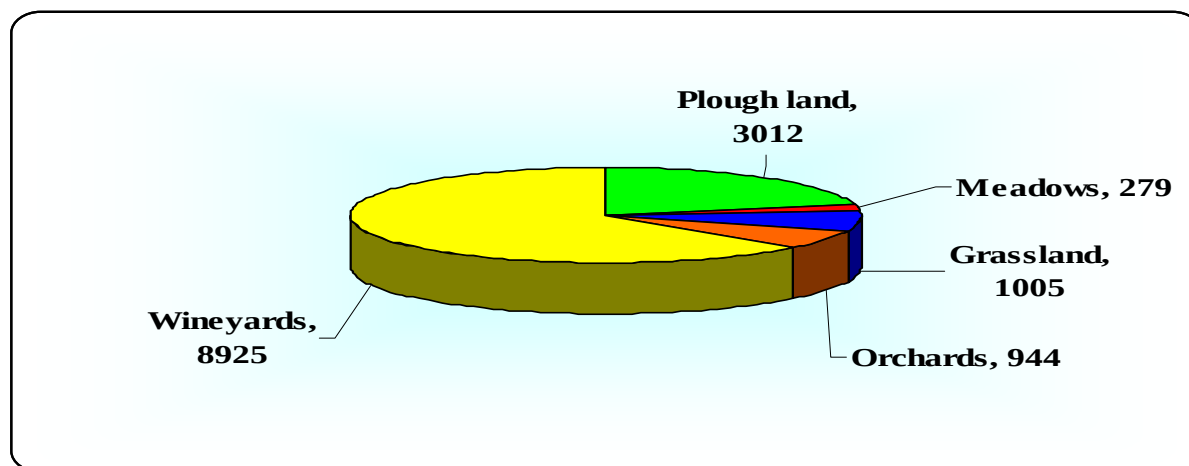
Z is the amount of vaporization

To this end, the average annual precipitation amounts are used, taken at the available precipitation-measuring station at the confluence in: Demir Kapija, Kavadarci and Gradsko in the period of 1981-2000. According to these data, the mean annual sum of precipitation in the confluence of the river Vardar in Tikvesh is 448 mm, that is 923,104,000 m³ of water pour per year (**H**) in the entire confluence (**F**=2,060.5 km²). Consequent to this, if the outflow (**Y**) at the measuring spot Demir Kapija is equal to 189,216,000 m³/per year, then solely 20% of the rainfall in the Vardar confluence in the Tikvesh Basin outflows on the surface through the Demir Kapija's gorge, whereas the remainder of 80% goes to evaporation (Pavlov, 2011). The registered sources of the Tikvesh Basin have total water discharge of 661 litres/sec. This condition corresponds to yearly produced water of 20,845,296 m³. The greater part of the obtainable surface flowing waters in Tikvesh have a transient character. For instance, from the annual drained water from the territory of Tikvesh (3,216,672,000 m³), as input waters from the adjacent regions, have shown as much as 3,033,763,200 m³ or 94.3%. The accumulated waters, disposable for agricultural, energetic and fishing needs in the existing 14 accumulations in Tikvesh, do not exceed 400,000,000 m³. For agricultural needs, especially for the viniculture ones, irrigation systems that cover the gross area of 26,000 hectares (ha) are built in Tikvesh.

SOILS AND LAND STOCK

The soil cover of the Tikvesh Basin has significant effect on the economic activation of the present population.

Chart 7. Layout of the soil used for agricultural purposes in Tikvesh in the year of 2007



As a substrate for forming soil types in the Tikvesh Basin generally helped Neogene sands and clays, tuffs and crashes andesite, as well as carbonate rocks in the western morphological entirety, whereas in the eastern one this role played Paleogene sediments (Pavlovski, 1993). Today there are 13 differentiated soil types in the Basin, of which 10 are more represented. Out of the total 14,170.85 ha arable soil in the Tikvesh region in 2007 the biggest part of 8,925.46 ha или 63 % were areas used for vine-growing. In the second place was the category of plough lands, green market gardens and kitchen gardens with 3,012.24 ha or 21.25 %, and in the third place, according to representation, fall the following: pastures, orchards and meadows (chart 7).

Table 2. Soil types in the Tikvesh Basin

SOILS			
Number	Type	Area (ha)	(%)
1	Eroded alluvium (syrozem)	12,755	44.4
2	Flooded alluvium	4,557	14.8
3	Forest soil (rendzine)	2,211	7.7
4	Chernozem	1,869	6.5
5	Carbonate-diluvial	1,700	5.9
6	Eroded forest soil	1,502	5.2
7	Alluvial - carbonate	1,401	4.8
8	Cinnamic soil	1,335	4.6
9	Degraded forest soil	1,142	3.9
10	Uncarbonated-deluvium	51	0.9
11	Mineral-carbonated	215	0.7
12	Ruddle	92	0.3
13	Uncarbonated red soil	14	0.1
SUM		28,894	100

Source: M. Milanov, 1980

POPULATION AND TRADITION

In the five Tikvesh municipalities today live 70,339 inhabitants in 84 populated places, of which 3 are towns, as follows: Kavadarci, Negotino and Demir Kapija. The density of population is 32.8 inhabitants per square kilometer (table 3). The Tikvesh Basin is the symbol of viniculture and wine industry, so when we speak about these branches we think of Tikvesh. The region was cradle of vine-growing and winery since ancient times. Grapevines dominated, which was painted in numerous findings of coins, stone tubs for vine squeezing, marble sculptures and other artefacts from the archeological localities: Stobi, Antigona, The City, Belgrade, Tikvesh, Hoovo, Umata and other.

Table 3. Population statistics in the Tikvesh municipalities (census of 2002)

POPULATION			
Municipality	Population	Households	Apartments
Gradsko	3,760	1,137	1,436
Demir Kapija	4,545	1,387	1,789
Kavadarci	3,8741	12,026	16,324
Negotino	19,212	5,898	7,369
Rosoman	4,141	1,284	1,663
Σ(sum)	70,399	21,732	28,581

Source: State Statistics Agency of the Republic of Macedonia

From older records we find out about different customs, carnivals and festivities which were held in honour of God Bahus during the grape harvest - a tradition preserved till present day. In the Middle Age, with the settlement of the Slavic tribes Berziti, started an intensive growing of vines in Tikvesh, so that their traditional drink- medovina was soon replaced with wine and whisky. It is also known that the Middle Age lords of the town Prosek, Lord Dobromir Hrs and Dobromir Stres in the 12th and 13th centuries owned a wine cellar with abundance of wine. The Serbian Saint Sava on his way to Sveta Gora, passing through Tikvesh, noted that the region is quite rich in grapevines. In the year of 1378 famous viniculture micro-regions are already mentioned such as the towns: Tikvesh, Vatasha, Raec and Kesendre (Radovanovich,

1924). At the time of the Ottoman Empire a stagnation of viniculture and winery in Tikvesh is observed, but with the operation of the railroad Skopje-Solun viniculture works revived, apparent from the fact that from the town of Gradsko departed up to 400 wagons with cargo of grapes. The biggest rise in vine growing and wine production is seen in the 20th century, between the years 1971 and 1980, again as accomplishment of the wine cellars: "Tikvesh", "Povardarie" and "Venec".

MATERIAL BASIS FOR WINE PRODUCTION AND WINE TOURISM

In the 21st century a new page is opened in the history of viniculture and wine production in Tikvesh, when wine tourism starts developing intensively through small vineyards and their authentic atmosphere, that evoke the past and tradition in their own wine stories. In Tikvesh today there are celebrated wine houses and wineries which offer tourists wine degustation and traditional Macedonian food. Wine tourism in Tikvesh was stirred in 2005 when the Tikvesh wine road was made, with the first traffic signs, the first wine museum and the first information center. In consort with this, new manifestations are planned besides the established ones, such as: vintage festival and Saint Trifun Week of Tradition. Tikvesh is a rare region in Macedonia, a region where wine tourism is in its later phase, which means that professional, educated and licenced wine tourist guides are already available to foreign visitors. Competent staff is also employed in wineries and catering industry, promotional brochures and recognisable manifestations. Guest books show that several thousand foreign tourists went down the Tikvesh wine road in the course of the recent past years. Among the first promoters of the Tikvesh wine road was the **Bovin Winery** from Negotino. The first guests were foreign diplomats, which later on were followed by domestic tourists who stay overnight. For the purpose of wine-tasting the winery is equipped with a special degustation hall. The **Popova Kula Winery** in Demir Kapija has its own hotel with four unique apartments and seven double-bedrooms, each one titled according to wine assortments produced and decorated in accordance with the wine colours and shades. All these facilities are luxuriously dressed. Within the winery there is a shop for wine and souvenirs.

The **Stobi Winery** is located in the vicinity of Gradsko. The winery capacity is 4,500,000 litres. This winery also has a lavish restaurant. Similar to other wineries, this one also offers wine tours which include: winery sight-seeing with specialised tour operators, tasting of best wines and a cold snack of dairy products (cheese) and cold cuts specialties. The winery tours may also include visiting the locality archeological Stoby, Wine Museum and a stroll through the grapevines.

The **Elenov Winery** is located at the very entrance to Demir Kapija. It dates far back in 1928. The winery capacity is 6,000,000 litres of wine. Within the wine cellar boundary there is a wonderful villa, which during the Second World War belonged to the Serbian king Karagjorgevic, and which he used to visit with his family during his rule. Now the villa is a monument in custody of the Ministry of Culture of RM and is daily visited by plenty of transcontinental guests, diplomats and curious passers-by. In the valley of the river Boshava, in ecological and unpolluted surroundings, there is another viticulturist called **Grkov Winery**. In 2009 it became the first Macedonian winery to produce wine from organic grapes, certified for equality with the regulation (EC) 834/2007 and the Law on Organic Agricultural Production in the R. Macedonia. In its tourist offer the winery foresees: wine-tasting, home-made food, strolls, etc.

The **Dudin Winery** in the Negotino area is also well-trimmed for wine tourism. In its scope there is a degustation hall and a restaurant with 70 guest-seats.

Finally, the **Tikvesh Winery**, named after the famous region itself, is the oldest wine-producer in the R. Macedonia, founded back in 1885. In the aftermath of the Second World War it was nationalised and equiped for production of 200,000 litres of wine. Today the winery has the biggest capacity in the R. Macedonia of fantastic 45,000,000 litres of wine. It exports wine in over 25 countries worldwide. The winery's restaurant is open for visitors from 10:00 to 18:00.

Table 4. Wineries which bare potential for wine tourism in Tikvesh

NAME	SETTLEMENT	CAPACITY (liter)
1. Bujuk	Dabnište	120,000
2. Naumčevi	Kavadarci	20,000
3. Popov	Sopot	350,000
4. Pivka	Negotino	300,000
5. Peca	Kavadarci	150,000
6. Kapia	Demir Kapija	80,000
7. Radevski	Demir Kapija	5,000
8. Kučievi-Sveta Elena	Negotino	200,000
9. Fonko	Negotino	300,000
10. Šato Rojal	Negotino	20,000
11. Ta-Di-Ba	Kavadarci	30,000
12. Ristov	Kavadarci	20,000
13. Malerič	Marena	30,000
14. Mojsoff	Kavadarci	10,000
15. Iliev	Kavadarci	70,000
16. Filovski	Prždevo	100,000
17. Angelovi	Kavadarci	12,000
18. Venec	Dolni Disan	135,000
19. Povardarie	Negotino	30,000,000
20. Disan Hills	Dolni Disan	/
Sum		32,122,000

Apart from these wineries, in the Tikvesh Basin there exist 20 more wineries with total wine production capacity of 32,122,000 litres. They are all potential promoters of wine tourism although their material basis for attracting tourists has not been provided yet.

CONCLUSION

The Tikvesh Basin consists of an area of 2,060.54 square kilometers, which spans in the central and southern parts of the R. Macedonia. The geographical factors which were subject of analysis from the aspect of viticulture, winery and wine tourism development point to the conclusion that the Tikvesh Basin is characterised by entirely favourable, that is geographically communicational position in the R. Macedonia, which is an crossroad of international road paths. The geological substrate of Paleogene and Neogene sands and clays, over which 13 soiled types have formed, are a solid basis for grapevines-cultivation. Tikvesh has disposable over 1,000km² of hilly and wavy-hilly soil, at up to 500 metres above the sea level, abundant in river terraces which are ideal relief preconditions for grapevine growing. The favourable grounding is amplified by the favourable climate characteristics as well. The pleasant climate, in between the Mediterranean and Continental, featuring high annual insolation (sunshine of 2,250 hours), high average temperatures (13.7⁰C), the great number of summerdays (131), the light cloudiness and air wetness, and the low precipitations at the time of grape ripening, are of special importance for the quality of Tikvesh grapes and wines.

Viticulture and wine-production are among the oldest traditional activities in Tikvesh, cherished from the ancient times. At present, 9,000 ha of grapevines are cultivated for the purpose of production of world-known brands of wine in which the sun has poured out many sugar units. In Tikvesh are functioning around thirty wineries with total capacity of around 80,000,000 litres. In the last decade wine tourism developed steadily, and presently is promoted by seven companies only.

General impression is that, in the future, wine tourism development should be forced since many requirements are readily met: the advantageous position of the viticulture region, quality grapes and wine, tradition, hospitability of the residents, and of course, the existent 20 wine houses with capacity of 32,122,000 litres - potential promoters of wine tourism. It will be of great significance for small wineries solvency, which encounter problems with placement of their products in the world markets (Dodd et al.,

1997). Moreover, wine tourism is a known profitable branch also because these tourists are well-educated and have better payment potential compared to other ones (Alebaki et al., 2011). Development of this tourism would also attract European visitors, which only transit the Tikvesh region for the time being.

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