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Foreword of the Editor in Chief

Magazine International Review (IR) can be put into the category of magazines which cover a wide spectrum of scientific areas from the domain of economy, law, sociology, socio-psychology and other similar scientific disciplines. The concept of the magazine is such that it gives the advantage to multidisciplinary approach to various subjects. It also emphasizes publishing of the scientific papers, which have an empirical and a research character. However, there is also the place in the magazine for quality theoretical papers as well, reviews of the latest publications of national and international significance and scientific critiques and discussions.

All papers are subjected to anonymous review, and the authors are notified of its outcome within one month. Papers are sent in via e-mail to the address of the redaction. The potential authors are advised not to send the papers which are not laid out according to the technical instructions for writing the papers. Such papers will not be taken into consideration for publishing. Besides this, we insist on language correctness and a professional translation to English language. Magazine IR is published twice a year as a double issue in English language. Faculty for Business Economics and Entrepreneurship from Belgrade.

25 November, 2013. Academician Mirjana Radovic-Markovic
Editor in Chief
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FACTORS AFFECTING THE ACCEPTANCE OF INTERNET AND E-BUSINESS TECHNOLOGIES (IEBT): CASE OF TECHNOLOGY-BASED SPIN-OFFS

FAKTORI KOJI UTIČU NA PRIHVATANJE INTERNETA I TEHNOLOGIJA ELEKTRONSKOG POSLOVANJA: SLUČAJ SPIN-OFF-OVA BAZIRANIH NA TEHNOLOGIJI

Seyyed Reza Hejazi1
Behrouz Zarei2
Mona Mozaffari3

ABSTRACT

Today, as firms become more competitive in their fields, the use of internet and e-business technologies is becoming an integral part of the firms' activities—especially in technology-based spin-offs. Indeed, they cannot improve their performance if they do not take advantage of these initiatives. On the other hand, nascent spin-offs in new technologies are facing lots of problems due to the lack of appropriate use of internet-based technologies. One of the main problems is the acceptance of Internet and E-Business Technologies (IEBT) in such companies. Then, in this paper, the authors try to investigate the elements which affect their acceptance. Authors use technology-organization-environment (TOE) framework to examine the hypotheses. Findings reveal that all the factors were influential, other than complexity, IS vendors' support, firm size, and industry type.

KEYWORDS: Information technologies, Acceptance, Nascent firms

JEL:L86,M13
UDK: 004.738.5:339J::005.591.61 ID NUMBER: 203857420

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INTRODUCTION

Large, medium, and small firms around the world, utilize internet and e-business technologies (IEBT) to support online/e-commerce and e-business activities. In fact, IEBT are becoming an inevitable issue for the companies to run their daily affairs. On the other hand, the literature provides an extensive list of incentives and obstacles to adoption and use of e-business and e-commerce information technology (EEIT) by SMEs (Wymer, Regan, 2005; Al Qirim, 2007). Indeed, despite advances in IT and the acceptance by large organizations of such technologies, the same level of adoption is not prevalent among SMEs. This also suggests that SMEs face significant and unique challenges in adopting ICT and e-commerce. This low level of adoption, particularly impedes SMEs in developing countries. Moreover, for instance, cultural barriers in some countries may also exist to deter the acceptance of e-commerce as a way of doing business (Kapurubandara, Lawson, 2006).

Among SMEs, academic spin-offs, which are established based on knowledge and new technologies (Tanha et al., 2011), are to a great deal, exposed to different elements which affect their degree of acceptance. Moreover, many scholars have been trying to find factors that influence the firms' acceptance of IT, thereby ultimately enhancing its usage (Schepers, Wetzels, 2007). Therefore, in this research the authors try to investigate the elements which affect their acceptance. Authors use technology-organization-environment (TOE) framework to examine the hypotheses. The main theoretical/practical contributions of this research are as follows: (i) to investigate the acceptance of IEBT in Iranian spin-offs, (ii) to elaborate the affecting elements and the degree to which they might need to be considered, and (iii) to help researchers, policy-makers and officials in taking required actions for helping these spin-offs in eliminating the obstacles. In this paper, the authors provide a brief and exact review of the literature. Then, the theoretical model is proposed. Methodological issues are discussed next; and the authors discuss the findings. Finally, the paper concludes with some main findings and future directions for research.

LITERATURE REVIEW

The explosion of Internet usage and the huge benefits initiatives in electronic transactions have drawn the attention of scholars towards Internet and its use in nascent firms (King, He, 2006; Ifinedo, 2009; Weisberg et al., 2011). On the other hand, these firms face comparable challenges with regard to accepting and implementing technological innovations and internet based technologies
The extensive acceptance of Internet based technologies enacted an opportunity for new organizational forms to emerge in new markets and possibly transform established markets. Yet, these new organizational entities that exploited the capabilities of the Internet had no organizational edifice upon which to pattern their own nascent structure (Lovvorn, Chen, 2013).

With the growing reliance on computerized systems and increasing rapidity of the introduction of new technologies, user acceptance of technology continues to be an important issue (Yi & Hwang, 2003; Zarea and Salamzadeh, 2012). The literature generally review potential readiness, adoption and diffusion factors which SMEs perceived as important to influence their decision. To some extent, the studies propose an e-readiness model as a basis of considering firm readiness and adoption to embrace internet applications. Such studies concern on the pre-adoption, and adoption stages issue by addressing the potential motivations and barriers of internet technology acceptance (Mohamad, Ismail, 2009).

Different authors use different terms to show acceptance; For instance, they used internet business solutions (IBS), e-commerce technologies (ECT), e-commerce/e-business internet technologies (EEIT), e-commerce communications and applications technologies, web-based technologies, internet/www technologies (Ifinedo, 2011). Kwon and Zmud (1987) have proposed a phased model of information technologies' implementation consisting of six stages: (i) initiation (organizations find the match between IT solutions and its application in organization); (ii) adoption (decision is reached to invest resources); (iii) adaptation (IT applications are available for use); (iv) acceptance (IT applications are employed in organizational use); (v) routinization (organization’s governance systems are adjusted to account for the IT application); and (vi) infusion (IT applications are used within the organization to its fullest potential) (Dholakia, Kshetri, 2004).

Due to the ownership and decision making power of SMEs being held by some people, adoption of e-commerce into their organization is heavily reliant on these people’s acceptance of the technology. The following factors are primary to the acceptance of e-commerce (Perry, Schneider, 2001): usefulness, intention, ease of use, and external variables (Cloete, 2003). Based on a literature review on the subject of identified stages of Internet use at company level that was conducted in order to establish the conceptual framework on the specific scientific area, a theoretical model of Internet adoption and use by exporting SMEs was proposed by Azaria and Hajidimitriou (2010).

Al-Gahtani et al. (2007) postulate that four constructs act as determinants of behavioral intentions and usage behavior: (i) performance expectancy: the degree to which an individual believes that using the system will help him/her attain gains in job performance, (ii) effort expectancy: the degree of ease associated with the use of the system, (iii) social influence: the degree to which an individual perceives that important others believe he/she should use the new system. Social influence is
system-or application-specific, whereas subjective norm relates to non-system-specific behavior, and (iv) facilitating conditions: the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system.

It is not enough to identify drivers and barriers without looking at where and when the drivers and barriers influence the IT adoption process. Furthermore, it is insufficient to identify the acceptance of innovation as a mere mental exercise without paying due attention to the physical implementation. Therefore, it is necessary to identify and to incorporate the sources of and influences that different stakeholders have on the whole IT adoption process. The whole IT adoption process started from the communication of ideas, decision making, implementation, and evaluation also need to be studied and understood. By understanding IT adoption as a process, SMEs could anticipate and accommodate the role of stakeholders into their IT adoption process (Samiaji, Didar, 2005).

The findings of the study conducted by Bhaskaran and Gligorovska (2009) reveal that the majority of SMEs have only adopted e-mail and informational websites and that the SMEs have not adopted intranets, extranets, e-business, e-commerce and other capabilities. When SMEs introduce higher level capabilities, the firm tends to ladder-up the technology adoption scale. SMEs were reticent to leapfrog and adopt more sophisticated capabilities. Ghobakhloo et al. (2011) argue that the rich diversity of different perspectives toward factors that affect IT adoption process is available on a huge body of literature. The review of previous research has identified a number of influencing factors. Most of these perspectives and studies have concentrated on influencing factors such as top management, organizational behavior and characteristics, firms resources, government, customers, supplier and external IT consultant and vendors.

Davis (1989) investigated various influences of technology acceptance and came up with two significant determinants "perceived usefulness" and "perceived ease of use" as a theoretical base for specifying the causal link between attitudes and behavioral intentions towards technology (Aleke et al., 2011). Some authors found that there are a number of internal factors that influence the success of the adoption decision, on the one hand, and the implementation process, on the other hand. Among these, we might mention various systems for the socialization of the workers, the rotation of personnel for exemplary purposes, the simultaneous implementation of information technology and quality systems, and professionalization in the case of family firms. There are also inhibiting factors of the adoption and implementation, such as the modification of the firm's hierarchy and power structures, as well as the absence of qualified personnel (Bruque, Moyano, 2007).

Idisemi et al. (2011) investigated the factors affecting the effective utilization of information technology and the adoption of more sophisticated IT solutions in SMEs in Lagos, Nigeria. The paper identifies eight key factors that affect the effective utilization and adoption of more sophisticated or advanced IT solutions in
Nigerian SMEs. The barriers identified include: infrastructural inadequacy, financial constraints/cost of implementation, lack of awareness and education, lack of skills and training, lack of openness and knowledge sharing, lack of policy and institutional framework, electricity constraint, lack of support from government and banks. Ghobakhloo et al. (2011) examine the factors within the technology-organization-environment (TOE) framework that affect the decision to adopt electronic commerce (EC) and extent of EC adoption, as well as adoption and non-adoption of different EC applications within small- and medium-sized enterprises (SMEs). The Findings of the study revealed that e-commerce adoption within SMEs is affected by perceived relative advantage, perceived compatibility, CEO’s innovativeness, information intensity, buyer/supplier pressure, support from technology vendors, and competition.

Ifinedo (2011) conducted a study which aimed at contributing to the discussion related to what causes Canadian SMEs to be reticent about accepting internet and e-business technologies (IEBT) in their operations and also seeks to gain an understanding of the relative importance of each of the selected factors in the research setting. The research findings indicated that perceived benefits, management commitment/support, and external pressure are significant predictors of IEBT acceptance in the sampled SMEs; the results did not show that organizational IT competence, IS vendor support, and availability of financial support positively influence IEBT acceptance in the sampled SMEs. Love et al., (2004) conducted an empirical analysis of the barriers to implementing e-Commerce in SMEs in construction, Australia. The paper identified and categorized substantial barriers into technical, financial, organizational and behavioral. In addition, risk, uncertainty, change and knowledge were identified as the underlying factors in EC adoption.

THEORETICAL FRAMEWORK

As mentioned earlier, the objective of this study is to develop and test an integrated conceptual model of the Internet acceptance in nascent firms. Several scales adapted from the literature on innovation diffusion and technology acceptance, measuring such constructs as computer experience, computer enjoyment, computer self-efficacy, perceived ease of use, perceived usefulness, and future intentions to use Web-based technology (Pajo,Wallace, 2007). As Oliveira and Martins (2011) argue, there are many theories to study internet acceptance at firm level. The most used theories are as follows: (i) technology acceptance model (TAM) (Davis 1986), (ii) theory of planned behavior (TPB) (Ajzen, 1985), (iii) unified theory of acceptance and use of technology (UTAUT)

---

4 Chief executive officer (CEO)
(Venkatesh et al., 2003), (iv) DOI⁵ (Rogers 1995), and (v) the technology-organization-environment (TOE) framework (Tornatzky, Fleischer 1990). In this study, the authors follow the TOE framework. The TOE framework posits that the adoption of innovations depends on organizational, environmental, and technological factors. Then the research hypotheses are categorized under these three factors (see Figure 1). Table 1 shows the operational definition of the variables.

Figure 1: Conceptual framework

Source: Ifinedo, 2011

⁵ Diffusion of innovation
Table 1: Definitions of the variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Perceived benefit</td>
<td>Refers to the benefits that IEBT can provide for the adopting organization (Iacovou et al., 1995)</td>
</tr>
<tr>
<td>2 Relative advantage</td>
<td>The degree to which an innovation is perceived as being better than the idea it supersedes (Ifinedo, 2011)</td>
</tr>
<tr>
<td>3 Compatibility</td>
<td>The degree to which IEBT is compatible with all aspects of our business operations (Ifinedo, 2011)</td>
</tr>
<tr>
<td>4 Complexity</td>
<td>The possible levels of complexity in the use of such IEBT (Ifinedo, 2012)</td>
</tr>
<tr>
<td>5 Management support</td>
<td>Refers to the involvement, enthusiasm motivation, and encouragement provided by management towards the acceptance of IEBT (Ramdani et al., 2009).</td>
</tr>
<tr>
<td>6 IT competence</td>
<td>Refers to the level of technical expertise available to the organization (Zhu et al., 2006)</td>
</tr>
<tr>
<td>7 IS vendors' support</td>
<td>Refers to the support for implementing and using IT applications that a business obtains from external sources of technical expertise (Rogers, 2003)</td>
</tr>
<tr>
<td>8 Financial resources availability</td>
<td>The financial position of SMEs and the investment in complex IEBT (Ifinedo, 2011).</td>
</tr>
<tr>
<td>9 External pressure</td>
<td>Refers to the influences that an SME receives from sources external to it (Ifinedo, 2011).</td>
</tr>
<tr>
<td>10 Firm size</td>
<td>Firm size was measured by number of workforce (Ifinedo, 2011).</td>
</tr>
<tr>
<td>11 Industry type</td>
<td>5 industry types were used to measure this variable.</td>
</tr>
<tr>
<td>12 Intensity of competition</td>
<td>The intensity of competition in the business was assessed on a Likert scale.</td>
</tr>
<tr>
<td>13 IEBT Acceptance</td>
<td>Measures related to the frequency, extent of use, and criticality of the use of such technologies in business operations (Ifinedo, 2011).</td>
</tr>
</tbody>
</table>

TECHNOLOGICAL FACTORS

Recent research has recognized that technological factors are not the only key to the effectiveness of Internet/e-business technologies acceptance. However, their role is highlighted in the existing literature. The more knowledge an organization has about technological innovations/inventions, the more likely it will be to accept and then to adopt technological innovations (see Ifinedo, 2011, 2012). Technological factors are also referred to as innovation characteristics in some studies of organizational adoption (Brown, Russell, 2007). In this study, the following factors were identified: (i) Perceived benefit, (ii) Relative advantage, (iii) Compatibility, and (iv) Complexity.
ORGANIZATIONAL FACTORS

Some recent studies have indicated that various organizational factors are likely to have a significant influence on Internet/e-business technologies acceptance (see Ramdani et al., 2009; Ifinedo, 2011). Organizational factors could be defined as all of the hardware, knowledge, attitudes, and skills that exist within the organization in which the internet technologies is to be implemented. On an extensive literature review and considering the unique context of this study, the following organizational factors are deemed important: (i) management support, and (ii) IT competence.

ENVIRONMENTAL FACTORS

Environmental factors are those changes in the business environment that create threats as well as opportunities for an organization and are normally out of the control of the managerial staff (Teo et al., 1998; Ifinedo, 2011). Based on the prior studies and the existing literature, the following environmental factors were identified: (i) IS vendors' support, (ii) Financial resources availability, and (iii) External pressure.

METHODOLOGY

The data was gathered through a survey between the spin offs in three main universities of Iran. A random sampling method was used using Cochran's formula. Then, based on the formula 100 spin-offs should be selected among 137 spin-offs as the research population. After distributing the questionnaires, 96 sound questionnaires were gathered and analyzed. Tables number 2 and 3 show the configuration of the population.

Table 2: Research population

<table>
<thead>
<tr>
<th>Incubator</th>
<th>Number of Spin-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Tehran</td>
<td>34</td>
</tr>
<tr>
<td>Amirkabir University of Technology</td>
<td>38</td>
</tr>
<tr>
<td>Sharif University of Technology</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>137</td>
</tr>
</tbody>
</table>
A pilot test was initially conducted to enhance the study’s content validity. Moreover, the majority of the measures used in the study were taken from previously validated sources (see Table 1). Convergent validity, Average Variance Extracted (AVE), composite reliability (CR) were examined as well (Table 4). The control variables were assessed as follows: firm size, industry type, and intensity of competition. PLS smart was used to test the research hypotheses. The AVE values must be above .50; CR and Cronbach's alpha values must be above .70. Table 5 shows that in no case was any correlation between the constructs greater than the squared root of AVE (the principal diagonal element). Thus, the measurement items used for this study demonstrate good convergent and discriminant validities.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td></td>
</tr>
<tr>
<td>1-5</td>
<td>58</td>
</tr>
<tr>
<td>5-10</td>
<td>32</td>
</tr>
<tr>
<td>10-50</td>
<td>6</td>
</tr>
<tr>
<td>Above 50</td>
<td>0</td>
</tr>
<tr>
<td>Industry type</td>
<td></td>
</tr>
<tr>
<td>Biotechnology</td>
<td>6</td>
</tr>
<tr>
<td>IT</td>
<td>8</td>
</tr>
<tr>
<td>Nanotechnology</td>
<td>32</td>
</tr>
<tr>
<td>Robotics</td>
<td>22</td>
</tr>
<tr>
<td>Electronics</td>
<td>28</td>
</tr>
<tr>
<td>Intensity of competition</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>18</td>
</tr>
<tr>
<td>Medium</td>
<td>26</td>
</tr>
<tr>
<td>High</td>
<td>52</td>
</tr>
</tbody>
</table>

Table 4: AVE, CR, and Cronbach's alpha

<table>
<thead>
<tr>
<th></th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management support</td>
<td>.77</td>
<td>.93</td>
<td>.90</td>
</tr>
<tr>
<td>Compatibility</td>
<td>.93</td>
<td>.97</td>
<td>.96</td>
</tr>
<tr>
<td>IT competence</td>
<td>.86</td>
<td>.96</td>
<td>.94</td>
</tr>
<tr>
<td>External pressure</td>
<td>.62</td>
<td>.90</td>
<td>.88</td>
</tr>
<tr>
<td>Financial resources availability</td>
<td>.73</td>
<td>.88</td>
<td>.83</td>
</tr>
<tr>
<td>Relative advantage</td>
<td>.78</td>
<td>.93</td>
<td>.91</td>
</tr>
<tr>
<td>Perceived benefit</td>
<td>.79</td>
<td>.92</td>
<td>.87</td>
</tr>
<tr>
<td>IS vendors' support</td>
<td>.63</td>
<td>.83</td>
<td>.74</td>
</tr>
<tr>
<td>IEBT Acceptance</td>
<td>.62</td>
<td>.86</td>
<td>.79</td>
</tr>
<tr>
<td>Complexity</td>
<td>.77</td>
<td>.91</td>
<td>.87</td>
</tr>
</tbody>
</table>

6 Smart Partial Least Squares
Table 5: Inter-construct correlations and the square root of AVE

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.88</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2</td>
<td>.27</td>
<td>.96</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>.41</td>
<td>.20</td>
<td>.92</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>4</td>
<td>.03</td>
<td>.34</td>
<td>.28</td>
<td>.79</td>
<td>0</td>
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<td>0</td>
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<tr>
<td>5</td>
<td>.07</td>
<td>.01</td>
<td>.17</td>
<td>.27</td>
<td>.85</td>
<td>0</td>
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<td>6</td>
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<td>.28</td>
<td>.78</td>
<td>.10</td>
<td>.89</td>
<td>0</td>
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<td>8</td>
<td>.09</td>
<td>.05</td>
<td>.18</td>
<td>.23</td>
<td>.82</td>
<td>.19</td>
<td>.89</td>
<td>.80</td>
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<td>0</td>
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<tr>
<td>9</td>
<td>.27</td>
<td>.50</td>
<td>.26</td>
<td>.52</td>
<td>.29</td>
<td>.17</td>
<td>.29</td>
<td>.22</td>
<td>.79</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>.04</td>
<td>.14</td>
<td>.20</td>
<td>.01</td>
<td>.01</td>
<td>.04</td>
<td>.00</td>
<td>.04</td>
<td>.10</td>
<td>.88</td>
</tr>
</tbody>
</table>

Legend: Management support: 1; Compatibility: 2, IT competence: 3, External pressure: 4; Financial resources availability: 5; Relative advantage: 6; Perceived benefit: 7; IS vendors’ support: 8; IEBT Acceptance: 9; Complexity: 10

FINDINGS AND DISCUSSION

In this study, a formal PLS model is provided along with a discussion of the properties of its estimates. Smart PLS was used to analyze the data and test the hypotheses. PLS recognizes two models: the measurement model and the structural model. The measurement model consists of relationships among the conceptual factors and the measures underlying each construct. It is assessed by examining individual item reliabilities, internal consistency and discriminant validity. It is necessary to test that the measurement model has a satisfactory level of validity and reliability before testing for a significant relationship in the structural model (see Tables 4 and 5).

The structural model gives information as to how well the theoretical model predicts the hypothesized paths or relationships. It is estimated by the path coefficients and the size of the R-squared values. Smart PLS provides the squared multiple correlations for the endogenous construct in the model and the path coefficients. R-squared indicates the percentage of the variance of the constructs in the model. The path coefficients indicate the strengths of relationships between constructs. Figure 2 shows the structural model. The coefficients could be compared to the ones which belong to other variables. The test of significance of all paths was done using the bootstrap re-sampling procedure. Figure 3 illustrates the t values. As the estimations were done at 95 percent significance level, then the
Factors Affecting the Acceptance of Internet and E-Business Technologies (IEBT):  19
t values should be higher than 1.96. Table 6 shows the characteristics of the model, and the test results. Based on the figures, IS vendors and complexity do not affect the IEBT Acceptance. Because their t value is lower than 1.96 and then the hypotheses are not confirmed.

*Figure 2: Structural model*
Table 6: Characteristics of the model

<table>
<thead>
<tr>
<th></th>
<th>Loading</th>
<th>Standard deviation</th>
<th>T value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management support → IEBT Acceptance</td>
<td>.307</td>
<td>.114</td>
<td>2.67</td>
</tr>
<tr>
<td>IT competence → IEBT Acceptance</td>
<td>.292</td>
<td>.101</td>
<td>2.88</td>
</tr>
<tr>
<td>Compatibility → IEBT Acceptance</td>
<td>.156</td>
<td>.087</td>
<td>5.78</td>
</tr>
<tr>
<td>External pressure → IEBT Acceptance</td>
<td>.311</td>
<td>.072</td>
<td>4.28</td>
</tr>
<tr>
<td>Financial resources availability → IEBT Acceptance</td>
<td>.484</td>
<td>.632</td>
<td>3.76</td>
</tr>
<tr>
<td>Management support → IEBT Acceptance</td>
<td>.160</td>
<td>.094</td>
<td>2.67</td>
</tr>
<tr>
<td>Perceived benefit → IEBT Acceptance</td>
<td>.194</td>
<td>.564</td>
<td>4.34</td>
</tr>
<tr>
<td>IS vendors → IEBT Acceptance</td>
<td>-.075</td>
<td>.197</td>
<td>.384</td>
</tr>
<tr>
<td>Complexity → IEBT Acceptance</td>
<td>-.001</td>
<td>.084</td>
<td>.012</td>
</tr>
<tr>
<td>Relative advantage → IEBT Acceptance</td>
<td>.112</td>
<td>.103</td>
<td>2.70</td>
</tr>
</tbody>
</table>
The GOF index is calculated to examine the fitness of the model. The lowest figure for accepting the fitness of the model is 0.36 (Akin et al., 2009), and the GOF index in this model equals to 0.63. Then its fitness is in an acceptable level.

\[ GOF = \sqrt{\text{communality} \times R^2} \]

\[ GOF = \sqrt{0.75 \times 0.53} = 0.63 \]

Table 7 shows the result for one-tailed variance analysis. In other words, variables were tested with one-tailed variance analysis to see whether there were significant differences between them or not. The results show that the control variables do not affect the hypotheses.
Table 7: One-tailed variance analysis

<table>
<thead>
<tr>
<th></th>
<th>SS</th>
<th>d.f</th>
<th>MS</th>
<th>F</th>
<th>sig</th>
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<tbody>
<tr>
<td><strong>Firm size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>1.523</td>
<td>3</td>
<td>0.508</td>
<td>0.804</td>
<td>0.495</td>
</tr>
<tr>
<td>Within groups</td>
<td>58.085</td>
<td>92</td>
<td>0.631</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59.609</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Industry type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Between groups</td>
<td>2.516</td>
<td>4</td>
<td>0.629</td>
<td>1.003</td>
<td>0.41</td>
</tr>
<tr>
<td>Within groups</td>
<td>57.092</td>
<td>91</td>
<td>0.627</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59.609</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intensity of competition</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>0.127</td>
<td>2</td>
<td>0.064</td>
<td>0.099</td>
<td>0.906</td>
</tr>
<tr>
<td>Within groups</td>
<td>59.482</td>
<td>93</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59.609</td>
<td>95</td>
<td></td>
<td></td>
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</tbody>
</table>

**CONCLUSION**

Spin-offs are knowledge based companies which are seeking to take advantage of the knowledge created by academics and its steering academic core (Salamzadeh et al., 2011; Sooreh et al., 2011). One of the main problems is the acceptance of Internet and E-Business Technologies (IEBT) in such companies. Then, in this paper, the authors tried to investigate the elements which affect their acceptance. Authors used technology-organization-environment (TOE) framework to examine the hypotheses. Based on the findings all the hypotheses were supported, except complexity and IS vendors' support. Moreover, control variables did not affect the IEBT acceptance. In other words, no matter how large spin-offs are, how intense is the competition, or what the industry type is, the mentioned variables, other than IS vendors and complexity, will affect IEBT acceptance. The findings of the research are in line with prior studies. For instance the importance of management support and IT competence are discussed in studies such as Ifinedo (2011, 2012), Ramdani et al. (2009), and Zhu et al. (2006). Scholars such as Davis (1989), Iacovou et al. (1995), Ghobakhloo et al. (2011), Aleke et al. (2011) also highlight the importance of perceived benefit, and relative advantage. Moreover, authors such as Ifinedo (2011), and Love et al. (2001) elaborate the role of external pressures, and financial resources availability. However, there are some limitations in the present study. First, lack of access to spin-offs in these three universities was a critical issue in this study. Second, future research should benefit from investigating factors and conditions affecting which are not discussed in this research, due to the main focus
of the study. Third, this study is limited in having included only three case studies. In the future more cases should be examined, not only of other spin-offs and start-ups from just one region.

REFERENCES


APSTRAKT

Danas, kako firme postaju sve konkurentnije na svojim poljima, korišćenje interneta i elektronskih poslovnih tehnologija postaje integralni deo aktivnosti firme – pogotovo kod Spin-off baziranih na tehnologiji. Ne može se povećati njihov učinak ako ne iskoriste ove inicijative. Sa druge strane, spin-off-ovi koji su u razvoju i bave se novim tehnologijama se suočavaju sa puno problema zbog neadekvatnog korišćenja tehnologija koje se baziraju na Internetu. Jedan od glavnih problema jeste prihvatanje Interneta i tehnologija elektronskog poslovanja u takvim kompanijama. U ovom radu autori su pokušali da istraže faktore koji utiču na prihvatanje ovih tehnologija. Autori su koristili okvir tehnologija-organizacija-okruženje da bi ispile hipotezu. Nalazi pokazuju da su svi faktori uticajni, osim kompleksnosti, IS podrške proizvodjača, veličine firme i tipa industrije.

KLJUČNE REČI: informacione tehnologije, prihvatanje, firme u razvoju

Article history:
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UN REGULATION ON ELECTRONIC CONCLUSION OF COMMERCIAL CONTRACTS

UN regulative o elektronskom zaključivanju ugovora

Zoran Radulovic
Miroslav Radulovic
Dejan Kostić

ABSTRACT

Significant industrial development and the creation of nation-states in the 19th century influenced, among other things, exposing the need to establish, and thus regulate, international relations in the economic field. Notwithstanding the lack of consensus regarding the definition of international economic law, it is undeniable that it is a legal category, which is only prima facie very similar to commercial law as a branch of positive legal rights which exist in every state. Technological development in the field of electronic communications has opened enormous possibilities, among other things, in the way of concluding agreements in the field of international economic relations. By the nature of the matter, in this case emerged a need to address the many dangers and problems that are primarily related to the possible misuse of the veracity of the expression of subjects who enter an agreement, which includes a variety of technical details such as the electronic signature and others. Model Law is an important source of international law which does not exist at all in the domestic commercial law.

KEYWORDS: international business transactions, conventions, model law, Electronic Communications, Electronic Signature

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UDK: 004.738.5:339.542.2; 347.7(4-672EU); 341.24 ID NUMBER: 203858188
INTRODUCTION

The development of electronic communication has caused the need to internationally regulate the issue of concluding contracts in the field of international economic law via such means. Certainly, the activities in substantial law, primarily by the United Nations, incited by clearly defined needs of international business subjects to conclude a mutual transaction in a simpler and faster way.

The UN Convention on the Use of Electronic Communications in International Contracts signed on 23rd November 2005 in New York City\textsuperscript{10} by 18 countries\textsuperscript{11}.

The United Nations Convention on the Use of Electronic Communications in International Contracts - ECC (hereinafter: the Convention) was signed with the view to facilitate the use of electronic communications in international trade. The text of the Convention was prepared by the UN Commission on International Trade Law (UNCITRAL).\textsuperscript{12}

As very important sources of international economic law, in this sense, we can mention documents issued directly by the UNCITRAL: 1) UNCITRAL Model Law on Electronic Commerce, and 2) Model Law on Electronic Signatures.

(UNCITRAL’S) OBJECTIVES OF ADOPTION OF THE CONVENTION ON THE USE OF ELECTRONIC COMMUNICATIONS IN INTERNATIONAL CONTRACTS

UNCITRAL has been active in formulating uniform legal standards for the use of electronic communications in the field of trade since the 1980s. As already stated in a way, the first result of this work is the adoption of the UNCITRAL Model Law on Electronic Commerce in 1996 (MLEC), and followed by the UNCITRAL Model Law on Electronic Signatures (MLES) in 2001. Although these international legal acts can be characterized as complete and consistent, a number of issues remained unresolved. They relate primarily to the ability to use electronic

\textsuperscript{11}The Convention has been ratified by 3 states: Dominican Republic, Honduras and Singapore. The states which are not signatories but have publicly expressed the intention to adopt it are: Australia, Columbia, Mauritius and Thailand. The Convention came into power on 1st January 2013.
\textsuperscript{12}UN Convention on the Use of Electronic Communications in International Agreements adopted by the UN General Assembly on 23\textsuperscript{rd} November 2005.
communications in cases where a formal written request or a similar form envisaged in the contract or another act, which were usually created before the wider use electronic means. As the Model Law contained different variations and specific solutions for different countries, UNCITRAL saw the need to establish a basic core - common provisions, which will increase uniformity and hence predictability in international trade law and the conclusion of the international commercial transactions. Similarly, the Commission on International Trade Law has concluded that some of the provisions of MLEC and MLES are outdated and should be amended.

As a result of this view, the Convention on the Use of Electronic Communications in International Contracts was created and adopted, with the following objectives:

1. to eliminate the barriers stemming from the formal requirements and forms contained in other international agreements or national laws;
2. to enter into national legislations groups of common substantive provisions, which would ensure a higher level of uniformity, both in regulation and in application;
3. to update and supplement the provisions of the Model Law on Electronic Commerce and the Model Law on Electronic Signatures and
4. to provide basic and further possible solutions to national laws, particularly the laws in those states where such laws exist, but are partial and insufficient to regulate this issue in a comprehensive manner.

One of the main purposes of electronic communication, as seen in the Convention, is the removal of barriers to international trade arising from the introduction of formal requirements to agreements created prior to the rapid development of electronic communications.

**THE PRINCIPLES ON WHICH THE CONVENTION IS CONCIEVED**

Given the substantive law content of the Convention, it is safe to say that the United Nations Commission on International Law was guided in the making of the Convention by the following principles:

- indiscrimination,
- technological neutrality,
- functional equality of communications and
- irrelevance of the place of origin of participants in international treaties, taking into consideration the particular solutions of the Model Law on Electronic Commerce and the Model Law on Electronic Signatures.
This convention is also, to some extent, inspired and fueled by the decisions of the United Nations Convention on Contracts for the International Sale of Goods, in particular with regard to the general principles and scope of application: the principle of parties’ autonomy of will, the obligation to uniformly interpret the Convention, to define additional criteria for the interpretation of the Convention, the determination of the term "place of business", etc.

**AREAS OF APPLICATION**

The Convention, in contrast to the United Nations Convention on Contracts for the International Sale of Goods does not require that interested parties have their place of business within contracting states of the convention. It is quite natural, bearing in mind the essence of electronic communication which, among other things, entails that the place of contract conclusion is completely irrelevant.

Therefore, the Convention applies:

1. if the contractual relationship is regulated by the law governing electronic commerce or electronic communication of States Parties, or
2. if the parties have validly chosen as applicable to their electronic communications regulations of signing states, or
3. if the application of the Convention is appointed by agreement of the parties.

The Convention is excluded from the application in the case of purchase of goods:

1. for personal or family use or for household use, unless the seller, at any time before or at the time of conclusion of the contract, neither knew nor should have known that the goods were bought for any such use;
2. at a public auction;
3. in the case of impounded goods or other proceedings by the judicial authorities;
4. securities and money;
5. boats, hovercrafts and aircrafts, as well as
6. of electricity.

Also, in cases where such electronic business is already regulated, the application of the Convention is excluded (for example, international payment system, contracts relating to securities held by the intermediary, the electronically transferable records, etc.).

States can adjust the area of application of the Convention by submitting declarations. Thus, the declaration limits the application of the Convention to cases where all the the parties involved in business transactions have their place of business within contracting states of the Convention.
The parties may modify or derogate from any provision of the Convention, in terms of application. For this solution, the starting point was the fact that this is a common provision in international treaties, in particular the United Nations Convention on Contracts for the International Sale of Goods, where the freedom of contracting is considered an overarching principle. However, in practice, this freedom is limited by the factors of public interest and interests of morality, and possible national imperative norms, which could all mean restriction on the freedom of the contracting parties. This represents a departure from a fundamental principle – an element of the contract conclusion, the freedom of contract which is in agreement with the consent of wills, the manifestation of the will of the subjects of law, in this case with international characteristics. From this follows, in our view, the main difference between international trade law and commercial law in a particular country. In fact, it is the existence of a public law element in international transactions which is of quite secondary importance in domestic law.

**SUBSTANTIVE PROVISIONS**

The Convention guarantees, at the international level, the principle of non-discrimination and banning discrimination in matters of electronic communications. This principle has already been inserted into the basic framework for the Convention and incorporated in the Model Law on Electronic Commerce for national legislations. It also secures the principle of and determines the parameters for the functional equivalence of electronic and paper-based communications.

Convention regarding electronic signatures introduced some innovations in terms of functional equivalence recognition of all types of electronic signatures. Starting from the UNCITRAL Model Law on Electronic Commerce and the Model Law on Electronic Signatures, the Convention introduces two novelties: (1) the term "person of consent" is replaced by "parties of intention " in order to deliver better coverage of different functions and jobs related business with signatures which transcends mere exposure of compliance, and (2) a protective provision which provides that electronic signatures offer a safe way to identify the party, while suggesting, either alone or together with other evidence, that the party actually performs a specific function relevant to the business operation.

The Convention also determines the functional equivalents for the document original and the issues pertaining to the time and place of sending and receipt of electronic communications.
**ACTS OF UNCITRAL ON ELECTRONIC COMMERCE**

*Sources of Law on Electronic Commerce*

The most important sources of law in electronic commerce are

1. UNCITRAL Model Law on Electronic Commerce
2. UNCITRAL Model Law on Electronic Signatures
3. Directive on Electronic Signatures
4. Directive on Electronic Commerce
5. Directive on the Protection of Personal Data

*Legal acts adopted within the UNCITRAL*

UN Commission on International Trade Law (UNCITRAL) has directed, besides the mentioned activities, special attention to the area of the unification of legal rules in the field of electronic commerce. In this sense, following have been prepared and adopted: Legal Guide on Electronic Funds Transfers, the UNCITRAL Model Law on Electronic Commerce and the Model Law on Electronic Signatures.

*Legal Guide on Electronic Funds Transfers*

The Legal Guide was published in 1987 as a separate publication by the UNCITRAL. It contains five chapters that relate to the general issues of electronic funds transfers. These are the agreement on the transfer of funds and the instructions for transfer, fraud, errors, incorrect handling and treatment under the direction of the transfer and the liability related to these issues.\(^{13}\)

**UNCITRAL MODEL LAW ON ELECTRONIC COMMERCE**

UN Commission on International Trade Law (UNCITRAL) on 12th June 1996 adopted the UNCITRAL Model Law on Electronic Commerce\(^{14}\), in order to facilitate the use of modern means of communication and data storage. Model prescribes certain internationally acceptable rules to remove legal uncertainty and create a favorable environment for the development of electronic commerce.

\(^{13}\) The text of the guide can be found at: [www.uncitral.org/ Model Law on Electronic Commerce](http://www.uncitral.org/uncitral/en/uncitraltexts/electronic_commerce/1996Model.html)

The rules of the Model Law should be acceptable to countries with different legal, social and economic systems, and for the development of international economic relations. Model Law removes defects created by inadequate legislation at the national level.

Therefore, the law should serve the national legislators in drafting legislation which regulates the conclusion of the contract using electronic technology.

In Article 1 of the said Model Law it was pointed out that this law applies to all information in the form of a message used in the context of commercial activity. Legal recognition of electronic messages is governed by Art. 5 of this act, and provides that the information shall not reduce legal validity or enforceability solely because they are given in the form of electronic messages. In addition, Art. 9 prohibits in any legal proceedings disregarding instruments that would mean denying the admissibility of electronic messages as evidence, and that the information in the form of an electronic message shall be given proper probative value.

The written form of information, signature and the original information was decided by the Model Law in Articles 6, 7 and 8. Where a law requires information to be in writing, an electronic message meets this requirement if the information that is contained in it is accessible and usable in the later data.

The Model Law has decided on issues related to sending messages, conclusion and validity of contracts in Articles 11-15. If the message is used when executing the agreement, such an agreement shall not take away the validity or enforceability solely on the ground that an electronic message was used for that purpose.

Time and place of sending and receiving messages was resolved by the Model Law in Article 15. Unless otherwise agreed between the originator and the addressee, it is considered that the message was sent at the time when it entered the information system outside the control of the originator or of the person sending the message on behalf of the originator.

The regime of transport documents is regulated by Articles 16 and 17 of the Model Law so that, if the law requires a written form of any action or the use of paper documents, this requirement is met if the action is carried out using one or more electronic messages.
UNCITRAL MODEL LAW ON ELECTRONIC SIGNATURES

Model Law on Electronic Signatures was adopted in 2001. The Model Law is intended to contribute to legal certainty in the use of electronic signatures. It contains 12 articles. The Model Law applies when electronic signatures are used in the context of commercial activities and operations.

In the Article 2 of the Model Law, the electronic signature is defined as a message in electronic form which is attached to or logically associated with other electronic messages and is used to identify the signer's consent with the message content. In addition to the definition of an electronic signature, the same Article provides the definitions and other relevant issues such as certification, electronic mail, signee or certified service provider.

The legal effect of electronic signatures is regulated by the Article 6 of the Model Law. If the law requires a signature of one person, that requirement is considered to be satisfied with respect to that electronic message, if a method is used to identify the signer and if their consent has been requested to the information that the message contains. At the same time it is required that the method should be reliable.

Obligations of the signatories are contained in Section 8, and duties of certified service operators are contained in Section 9. In short, they comprise operating according to the rules of the trade and national regulations, providing security for electronic signature and up to date introduction of all relevant changes into the system. In order to develop trust, a certified service operator must have certain financial and human resources, certain quality hardware and software systems.

The obligation to recognize foreign certificates and electronic signatures, regardless of location or place of issue is regulated by Article 12. Given the global nature of electronic commerce, this provision is of utmost importance.

CONCLUSION

1. To one of the few generally accepted theoretical views on international economic law, that it is a legal discipline still in the process of being constituted, we can also add the claim that it is, already in this phase of its creation, experiencing, among other things, significant innovations that are associated with the development of technology, especially in the field of electronic communications. This applies to the emergence of the possibility to conclude

agreements in international economic relations electronically, i.e. through the use of electronic technological means.

2. Of great importance is the activity of the UN in passing international legal acts which regulate the issue of concluding commercial contracts electronically. In this regard, of particular importance is the UN Convention on the use of electronic means of communication in international agreements adopted in 2005 by the UN General Assembly on the proposal of the United Nations Commission on International Trade Law (UNCITRAL). The central objective of the adoption of this Convention is to create the conditions to conclude international legal transactions more quickly and thereby encourage general trade. In addition to the basic principles on which said Convention is founded (non-discrimination, technological neutrality and the functional equivalence of communications), we would like to highlight the potentiated irrelevance of the place of origin of participants in international treaties which lessens the relevance of this contracting element which is an integral part of many traditional principles of commercial law relationships.

3. Unlike the UN Convention on the International Sale of Goods, the UN Convention on the Use of Electronic Communications in International Contracts does not require that interested parties have their place of business in Contracting States of the Convention, which is a direct consequence of relativisation of all location marks since the introduction of e-business resources in economic activities.

4. As very important sources of international economic law enacted by the UNCITRAL, we can mention the Model Law on Electronic Commerce of 1996 and the Model Law on Electronic Signatures of 2001. Rules adopted through these model laws give importance to the principle of legal certainty and enable the development of electronic commerce. The abovementioned models as specific international legal acts should serve the national legislators when adopting regulations governing the area of electronic commerce and electronic signatures. Also, we would like to highlight the significance of the Legislative Guide on the Electronic Transfer of Funds (1987), which represents an agreement relating to the electronic transfer of funds, particularly to frauds, errors, incorrect handling and acting according to transfer instructions, as well as to liability related to these issues.

5. In applying the mentioned international legal acts, the parties must be aware of the limitations that exist due to public interest, public morality and particularly due to the imperative norms of national legislation, which means respecting the public law element whose very existence seems to make the international economic law quite different from the national.
REFERENCES

**APSTRAKT**

Bitni industrijski razvoj i stvaranje država nacija u 19. veku uticala je, izmedju ostalog, i na potrebu ustanovljavanja i regulisanja medjunarodnih odnosa u oblasti ekonomije. Uprkos manjku koncenzusa kada je u pitanju definicija medjunarodnog zakona ekonomije, to je bez sumnje oblast zakona, koji je prima facie vrlo sličan privrednom pravu kao grane pozitivnih prava koja postoje u svakoj zemlji. Tehnološki razvoj u oblasti elektronskih komunikacija je otvorio ogromne mogućnosti, pored drugih stvari, u načinu zaključivanja ugovora u oblasti medjunarodnih ekonomskih odnosa. Po prirodi stvari, u ovom slučaju pojavila se potreba da se ispita niz opasnosti i problema koji su povezani sa mogućom zloupotrebom istinitosti izraza subjekata koji zaključuju ugovor, što uključuje i razne tehničke detalje kao što je elektronski potpis i drugi. Model zakona je važan izvor internacionalnog zakona koji ne postoji u svim domaćim privrednim pravima.

**KLJUČNE REČI:** medjunarodne poslovne transakcije, konvencije, model zakona, elektronske komunikacije, elektronski potpis

**Article history:**

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CREDIT ACTIVITIES OF COMMERCIAL BANKS IN SERBIA: CAUSES AND CONSEQUENCES

KREDITNE AKTIVNOSTI PRIVREDNIH BANAKA U SRBIJI

Ljiljana Zipovski16, Goran Kvrgić17, Nataša Vujadin18

ABSTRACT

Lending activity in Central and Eastern Europe countries has been strongly supported by international banks and financial organizations, and most respected European banks whose subsidiaries operate in the banking area of Serbia in the period of strong credit expansion or before 2008. After the beginning of the global economic crisis, whose first signs were observed last quarter of 2008, lending activity of the banking sector recorded a downward trend. In terms of systemic and specific risks which the banks have been faced with intensely, with the help of responsible management levels within the banks, Parent banks, and the active role of central banks and international lending bodies, the lending activity has not stopped. Under the auspices of the so-called Vienna Initiative, commercial banks in Serbia managed to maintain their lending activity, changing their business models and management techniques applied to the balance position. Conditions that the largest European banks are facing and problems arising from the request for the reduction of borrowing because of requirements relating to the capital increase, international standards of Basel III, a shift in the form of short-term horizon of lending at the expense of long-term loans, there is a questionarising as to what implications these changes might have on commercial banks operating in Central and Eastern Europe, and thus Serbia.

KEYWORDS: loans growth, euroization, ratio loans to deposit, NPL (non-performing loans), core deposits, EMBI, risk appetite, ALM, Basel III, CEE countries.

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CREDIT ACTIVITIES OF BUSINESS BANKS -THEORETICAL FRAMEWORK

In order to understand more clearly the credit situation and the activities of business banks in Serbia it is necessary to pay attention to the theoretical analysis of credits and credit politics.

The main task of banks as financial and monetary institutions is seen in placements of credit means for financing the clients’ needs. For banks to be able to complete that task they have to manage certain volume and structure of financial and credit potential which can be seen in the balance sheet of the bank (Bjelica, 2001). Financial potential of the bank represents the sum of all sources of means shown in the liabilities of the balance sheet. Naturally, the financial potential of the bank is not the potential for placements, that is, credit potential. Every business bank has to single out the appropriate means in the form of mandatory reserve so that the credit potential represents financial potential decreased by the mandatory reserve which is singled out and put on a special account in central bank. The mandatory reserve is also the reserve of safety and security through which the central bank can influence the increase or decrease of credit activity of banks.

Financial potential of banks is seen in the deposit and non-deposit sources of means. Deposits are gathered by the non-banking transaction activities (commerce, non-commercial sector, population) and they can be, when it comes to time, (short term) or time deposits (short term and long term). Non-deposit bank means have reached the potential of a bank by its special commitment or by institutional canalization. Such non-deposit structure of means is made of: means of the initial capital, bank reserves, loans by the central bank, other banks, foreign banks etc. and the means gathered form the market sources.

Credits as the dominant forms of placements represent debtor creditor relationship where the bank gives the right of money management to the debtor (client), for a certain period of time under specific conditions. While signing an agreement about the credit the most important elements which represent its structure are singled out:

1. Loan maturity
2. Interest
3. Collateral - cover
4. Safeguards

Various maturity structures of loans refer to various types of credits. So we have short term (up to 1 year), middle term (from 1 to 7 years) and long term (over 7 years)(Ćirović,2001). Interest rate which is applied by the bank is basically formed in the financial market. Nominal interest rate is made of real interest rate and the inflation rate which is adjusted according to the additional bank spread which represents individualization of the degree of risk for specific debtors.
Depending upon the type and the time frame banks approve the coverage and they can also ask for an appropriate coverage. Long term credits are always followed by appropriate coverage considering the increase of risks they imply. Smaller banks usually approve loans with the real coverage. Clients with the low credit rating get loans with the appropriate collateral because of the high risk the bank may face untimely payments. Within the credit agreement bank can foresee certain protective clauses for itself and for the client. The form of the protective clause depends upon financial potential of the debtor and the quality of its management. The mentioned clauses can be seen with the long term loans, having in mind the increased credit risk.

In financial practice there are several most important loan functions: mobilizing function, function of sustaining the liquidity and the continuity of production, function of regulating the supply and demand on the market, loan function in international economic exchange and the control function.

While approving the credit every bank faces a certain degree of credit risk, because every approved credit bears the possibility of not being returned on time which represents a loss for the bank which is absorbed from the reserves or the capital. In order to decrease the credit risk bank does the so-called credit analysis whose goal is to determine the credit abilities of the debtors.

Credit analysis implies: analysis of financial flows and analysis of financial indicators. Main form of analysis of financial flows refers to the balance of income which can be connected to the balance sheet. Starting point is understanding the financial flows of the observed company in the previous period, but it is also very important to understand the future financial flows especially when approving the long term loans. Financial indicators represent the relative relations which are supposed to foresee the degree of certainty that the company will be able to pay back the loan. Indicators can be divided into the following groups: indicator of liquidity, indicator of debt, indicator of efficiency, indicator of profitability and the indicator of foreign exchange effects (Ćirović, 2001). All mentioned indicators are calculated based on the data from the balance sheet.

In the modern banking the process of approving the credits has become more complex than before. Technology of crediting begins with filing the credit request which is then processed with the goal to determine accurate height of the credit risk. Bank brings credit estimate based upon the information which are presented by the loan applicant, based upon his or her own data as well as based upon the appropriate outside information. After credit approval the bank not only does the technical business regarding the charging the loan payments and interests but also monitors all credits which are in operational function. The goal of monitoring is understanding the total loan portfolio as well as following the performances of every individual loan (Ćirović, 2001). There are many types of credits. The most approved loans are: short term credits for working capital, investment credits, revolving credits, credits for financial restructuring, mortgage credits, consumer credits and increasingly popular cash credits.
Bank practices are different. Depending on the economic activities and macroeconomic environment, credit activity will change.

**CREDIT ACTIVITIES OF COMMERCIAL BANKS IN SERBIA**

The (IMF, 2005) study analyzed the causes of significant rates of credit growth in Central and Eastern Europe countries (CEE) and concluded or to concluded that key macroeconomic implications of rapid credit growth include inflation and a weakening of the current account in the CEE countries.

The study (IMF, 2005) highlights the parameters that determine the nature of credit risk, which included:

1. The type of borrower
2. Sectoral breakdown of the borrower
3. Currency denomination
4. Maturity, interest rate conditions and collateral,
5. Real estate market development.

In the period before the global crisis, the largest share of lending to the corporate and retail have been fueled by resources coming from foreign banks or subsidiaries. This period was characterized by a significant increase in consumer loans to households, significant impact of foreign exchange risk, which reflected foreign currency and indexed loans, with the largest share of financing from foreign banks, i.e. subsidiaries which had better and longer-term funding sources, as well as a significant increase in foreign currency deposits.

The banking sector in Serbia in the period before the global crisis, whose effects are observed in Serbia in Q4 2008 year, recorded a significantly high growth annually. Nominal growth in loans to corporate clients reached the value of 40% i.e. the nominal growth of 30%. Strong credit growth in Serbia was also typically of all other countries of Central and Eastern Europe. A strong growth in lending to retail clients, industry and non-financial institutions experienced a peak in mid-2008, after which, during the years of crisis it significantly reduced up to the level and below 10% of real growth in loans to corporate clients and even stronger for loans to retail clients.
The loan portfolio in the banking sector in Serbia is characterized by a high share of indexed loans to total loans of corporate clients and individuals, and at the end of Q1 2012 year range respectively at the level of 78% including "pure" FX loans and indexed loans (mainly related to the EUR, USD, CHF) at the level of 68%. The high share of indexed loans in the banking sector is a result of the macroeconomic environment and high inflation, depreciation of the local currency (foreign exchange risk), but except for system indicators, it is about the specific indicators within the banks in the form of "protection" of assets, particularly bearing in mind the medium and long term loans.

Source: NBS, 2013
The National Bank of Serbia, due to difficulties in conducting monetary policy in high indexation process started strong dinarization shaped through(NBS, Memorandum on the Strategy of Dinarization of the Serbian Financial System signed by NBS and RS Government) which defines the basic pillars.

**Figure 3: Currency structure of domestic loans to corporate sector in billion RSD(%)**

The high share of FX indexed loans is one of the strongest financial stability risk in Serbia, which the National Bank of Serbia recognized as a warning, and for that reason initiated „dinarization“.

The process of „dinarization“ stimulation is also done among other through the required reserves established by the central bank and according to which Decision (NBS, Decision on Banks Required Reserves with the National Bank of Serbia, 2013) is defined a different approach for required reserves that favors deposits and loans in local currency.

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19 The RSD base composed of liabilities maturing in less than 2 years is 5%, while the RSD base composed of liabilities over 2 years is 0%.
Conditions of strong systemic risks which the commercial banks have been actively facing especially in the last five years are: the high volatility of the local currency, the high share of NPL, reduced economic activity and strong inflationary pressure, which rose to the level of euroization significantly high level.

The crisis has opened negotiations between international lenders, the central government and the commercial banks that operate in Central and Eastern Europe in order to alleviate the looming crisis, through the so-called Vienna Agreement.

(EBCI, 2012) in analysis indicates the continued trend of active monitoring of credit activities of banks party to the Vienna Initiative, which is initiated to in order to protect the exposure of European banks to the markets of Central and Eastern Europe. The National Bank of Serbia protected the credit function and changed (NBS, Decision on Banks Required Reserves with the National bank of Serbia, 2009) enabling the calculation of exemption from reserve requirement for deposit and loans received from abroad in October 2008 to end of 31 December²⁰

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²⁰During 2013 central bank adopted Decision and delay maintenance period for end of 2014.
Figure 5: The overview of ratio loans/deposit for Serbian banking sector during 2008-2012


Figure number 5 ratio of loans and deposits of the banking sector in Serbia indicates a strong trend of decline in Q2 2012 when it was 133.6, the level of 119.9, which was the last day of the 2012 year. Significantly lower loan-to-deposit ratio of the banking sector in Serbia is the result of reduced lending activity, reduced risk appetite of commercial banks are willing to take, as well as change their ALM model function. In fact commercial banks in Serbia, and even the biggest European banks, and Parent banks, whose bank subsidiaries operate in the Serbian banking area, are faced with changing business models in the midst of systemic and specific risks towards optimization of assets and liabilities of its balance sheet. Question of optimization initiated under conditions of reduced lending and finding the instrument through which yields will be realized, as well as the required level of interest margin, requires active management of passive foreign bank's balance sheet. Funding sources will be subject to many analysis and projections, especially in the part relating to stable sources of funding and core deposit. The new mantra that commercial banks Europe-wide, especially in Central and Eastern Europe, should actively adopt is: self-financing. Managing customer deposit structure of retail and corporate clients in the short term to the greatest extent, while the funds granted by the Parent banks and financial institutions with maturities and long-term, would mean a more conservative approach to the placement of available funds, which implies that the loans to the greatest extent will be of shorter maturities.
In figure number 5 are observed and concave point reduction ratios of loans and deposits during the World Saving Week. By actively stimulating interest rates offered on savings, commercial banks actually increase the deposit portfolio and reduce ratio deposits and loans.

Essentially, the period from the beginning of the World Saving Week could be treated as a seasonality factor given that the largest share of FX savings "roll over" for a period of 12 months, while in absolute terms in specified term deposit accounts for nearly 50% of total FX savings on the banking sector level in Serbia.

*Figure 6: The overview structure of FX rate for non-financial clients in %*

[Graph showing the structure of FX rate for non-financial clients]

*Source: NBS, 2013 and www.euribor.org*

Figure number 6 shows the structure of the total interest rate for FX loans to non-financial entities that do not show significant volatility by looking at nominal value over the analysis period. Assuming that they are approved FX loans tied to floating rate EURIBOR3M, included into account the average value on a monthly basis, the net value would represent the amount of risk appetite. The level of fixed margin on average around 600 basis points from Q1 2012, is spread over the international floating rate and indicates the perception of systemic and specific risks presented by quantum.

The trend of a significant reduction in inter-bank floating rate EURIBOR3M is accompanied by a fixed component and margin risk, bearing in mind the general market conditions.
Country risk Serbia and perception of credit risk in Serbia can be monitored through the EMBI index\textsuperscript{21}. Trend EMBI index Serbia indicates that during the 2012 ranged between 400 and 600 basis points.

\textit{Figure 7: The overview of FX rate for non-financial clients in \%}

\textit{Source: NBS, 2013}

\textit{Figure 8: The overview of EMBI Serbia movement in bp}

\textit{Source: Bloomberg}

\textsuperscript{21}EMBI – Emergen Markets Bond Index Serbia - JPMorgan
According to (EBA, 2013) during 2012 and the first months of 2013, quality of the loan portfolio of European banks has been deteriorated. Also, there is a downward trend in the balance sheet items and the loan portfolios of European banks, and the continued trend of strengthening the balance sheet among other things, the level of indebtedness. The direct result of the financial crisis, economic instability and bank regulatory reform adapt to the new business environment.

Answers to questions for future funding, the most reputable banks are given in the report made by the European Banking Authority developed after extensive research expectations of European banks in mid-2013. According to the report (EBA, 2013) banks are not interested in high-risk activities and increasingly move toward a more balanced approach with a focus on retail clients.

As the largest European banks announced in the future there are expected to be face with increase of credit risk, as a one of the biggest, but also with a strong effect of the presence of funding risk structures.

Questions of funding structures are the result of poor or insufficient growth that would support the liabilities side of banks’ balance. For this reason and due to new international regulatory measures contained in the application of the new so-called Basel III standards, which require strengthening of structural liquidity and standards within the banks themselves by defining the desired level of loans / deposits will cause many changes. Specifically, it is expected that the largest European banks will model their business through:

- boosting capital,
- slashing trading assets,
- reducing excessive lending,
- focusing on core deposits as a funding source, and
- realigning their business models.

**CONCLUSION**

Bearing in mind the impact of global as well as European systems and specific trends on the Serbian banking sector, it can be concluded that the commercial banks in Serbia will continue to change and adapt business models, with a greater emphasis on ALM, by more active management on the liability side of banks' balance sheets. Finally, it can be expected that the trend of growth in the credit function in banks requires strong economic incentives and a stable macro-economic conditions, and the availability of funding sources, both by international financial institutions and organizations, the Parent banks and the local structure of the deposit.

A problem caused by weak credit growth in Serbia is not different than those faced by the regional banking sector, and countries of the European Union. Due to the systemic, but also specific risks that come from local and European...
environment, it is legitimate to expect active changes within the banks themselves and active management of liability and asset side of banks’ balance sheet.

One of the last measures of the central bank is involved in the NBS Decision (NBS, Decision on Banks Required Reserves with the National Bank of Serbia, 2013) and implies extending the deadline to the end of 2014 instead of the 2013, and is linked to the release of the obligations of calculating reserve requirements for deposits and loans received from abroad during the crisis, as well as support measures for the preservation of the credit potential of the banking sector in Serbia.

REFERENCES

Zajmovna aktivnost u zemljama centralne i istočne Evrope je bila veoma podržana od strane internacionalnih banaka i finansijskih organizacija, najuglednije evropske banke čije grane posluju u bankovnom okruženju Srbije u periodu velike ekspanzije kredita pre 2008 godine. Nakon početka svetske ekonomse krize, čiji prvi znaci su se mogli videti u poslednjem kvartalu 2008, zajmovna aktivnost sektora banke je beležila pad. Došlo je do sistemskih i specifičnih rizika sa kojim su se banke suočile, uz pomoć odgovornog menadžmenta u bankama, sedištima banaka, i aktivne uloge centralne banke i medjunarodnih zajmovnih tela, zajmovna aktivnost nije nestala. Pod pokroviteljstvom takozvane Bečke inicijative, privredne banke u Srbiji su uspele da održe svoju zajmovnu aktivnost, uz promenu poslovnih modela i tehnika upravljanja primenjenih na bilansnu poziciju. Uslovi sa kojima se suočavaju najveće evropske banke i problemi koji proističu iz zahteva za smanjenje pozajmica zbog zahteva za povećanjem kapitala, internacionalni standard Bazel III, promena u kratkoročnim pozajmicama na račun dugoročnih, učenja na privredne banke ali postavlja se pitanje kakav uticaj ove promene mogu imate na privredne banke koje posluju u centralnoj i istočnoj Evropi, i u Srbiji.

KLJUČNE REČI: rast pozajmica, evroizacija, odnos zajmova i depozita, nekvalitetni krediti, glavni depoziti, EMBI, apetit rizika, ALM, Bazel III, zemlje centralne i istočne Evrope.

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NOMINAL AND REAL CONVERGENCE OF SERBIAN PRICE LEVEL AND REAL INCOME TOWARDS EURO AREA

NOMINALNA I REALNA KONVERGENCIJA NIVOA CENA U SRBIJI I REALAN PRIHOD U ODNOSU NA ZONU EVRA

ABSTRACT

To become one of the more developed countries Serbia has to attain higher growth rates in order to converge in real income. Low price level relative to more developed countries assumes that the process of convergence in income levels should be followed by a process of price convergence. We estimated linear relationship between the price level and real income that shows positive correlation and that can be interpreted that countries with higher income are characterized by higher prices. This paper aims to describe the current position of Serbia relative to other European countries as well as to quantify the relationship between the level of real income and the price level. The results of this research also suggest what would be the relative changes in price levels as a consequence of the increase in real income.

KEYWORDS: price level, income, price convergence, inflation

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22The views expressed in the paper are those of the authors, and do not necessarily represent the official view of the National Bank of Serbia

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INTRODUCTION

A stable macroeconomic environment is the main precondition for stable and sustainable growth. And only in a stable macroeconomic environment will it be possible to develop new businesses and open new companies. In interaction with the school system that would provide adequate profiles of workers, these processes will result in increased employment and increased economic activity. The key precondition for attracting new foreign direct investments (FDI) is stable macro environment, where investors will be aware that the money they invest is in a safe place.

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

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

This paper analyses the consequences of convergence in real income and in price levels in the European countries and transition economies according to the data obtained from Eurostat and IMF WEO from April 2013. The paper also examines the relative position of Serbia and consequences of convergence to the movement of real exchange rates.

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

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

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

Data description and research methods

The data used in this paper are obtained from different sources. The first part of the analysis that describes the relative position of Serbia and other countries in the region towards EU 27 is made using data collected from the Eurostat data base and National statistics, while data used in the other part of the paper that is concerned with price convergence towards EU 27 and Euro area are obtained from the IMF WEO outlook from April 2013.

Data used in the first part of the analysis are comparative price levels that are calculated as ratios of PPPs\textsuperscript{26} to exchange rates. Data available on the Eurostat data base are calculated on the yearly basis and provide a comparison of the countries’ price levels with the EU 27 average. Calculated index is interpreted as follows: The price level higher than 100 means that the country concerned is relatively expensive compared to the EU average, and vice versa. The EU average is calculated as the weighted average of the national PLIs, weighted with the expenditures corrected for price level differences. The price level indices provide and indication of the order of magnitude of the price level in the country in relation to others, particularly when countries are clustered around a very narrow range of outcomes.

Data on the overall price level and sub-categories of CPI are available on the Eurostat data base. Data on price levels is obtained from the Eurostat data base from 2007 to 2013, while the average from January 2013 to July 2013 is used for 2013. The data is given on a yearly basis. In order to calculate the price level on a monthly basis, we used monthly data on CPI and HCPI from the Eurostat for the period from January 2007 to July 2013, as well as data on the nominal exchange rate for the same period from the representative National banks’ statistics.

\textsuperscript{26} In their simplest form PPPs are nothing more than price relatives that show the ratio of the prices in national currencies of the same good or service in different countries.
In order to obtain monthly price levels, CPI is divided by the nominal exchange rate for the representative month, corrected for the ratio of the yearly price level and the yearly average of the ratio of CPI and the exchange rate.

From the data obtained using this methodology, we calculated the ratio to the EU 27 for every month and obtained the time series of price levels on a monthly basis.

The graphical representation of the data obtained in this way is given in Figure 1, and the economic explanation is given in the following section.

**INCOME AND PRICE CONVERGENCE**

The previous section dealt with the relationship between price levels among countries in the region relative to EU 27, but the previous analysis did not explain the relationship between prices and the real income in those countries and did not quantify the inflation pressures coming from the convergence in income.

In order to quantify the effect of the currently low price levels on future inflation movements, we collected data from the International Monetary Fund’s World Economic Outlook (IMF WEO) from April 2013 and tried to define the current position of Serbia towards the European countries taking into account the real GDP per capita.

From the IMF WEO from April 2013 we collected data on GDP per capita expressed in PPP, GDP per capita in current prices expressed in American Dollar for European countries. We analyzed the linear relationship between the level of income and price level between European countries, while for the representative measure we chose the Euro Area.

As the measure of the level of real income we used GDP per capita expressed in Purchasing Power Parity (PPP) measure or equivalently dollars of the same purchasing power. The data on GDP per capita in PPP is obtained when GDP per capita in local currency is divided with real exchange rate, while GDP per capita in USD is obtained by dividing GDP in local currency with the nominal exchange rate. Since prices in Serbia are relatively low compared to US, nominal exchange rate is higher than real exchange rate. Real exchange rate is obtained when nominal exchange rate is corrected for the ratio of price levels in the home country and abroad. The IMF WEO from April 2013 uses nominal exchange rate of 86.1 RSD/USD for 2013, while real exchange rate is estimated at 45.2, which means that 1 USD in Serbia can buy almost two times bigger amount than in the USA.

The relative price level is given by the following expression:

\[
\frac{P}{P^*E}
\] (1)
Where \( P \) stands for domestic prices expressed in local currency, \( P^* \) stands for prices abroad expressed in foreign currency (in a case of IMF WEO, \( P^* \) stands for prices in the USA expressed in USD) and \( E \) stands for nominal exchange rate expressed as local currency needed for one unit of foreign currency. Two countries can be compared when local and foreign prices of the same basket of goods are expressed in the same currency. According to the data from IMF WEO from April 2013, we can conclude that Serbia is about twice cheaper than the USA.

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

\[
S = E \frac{P}{P^*E} \tag{2}
\]

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

GDP expressed in USD is calculated in the following way:

\[
GDP(USD) = \frac{GDP(local\_currency)}{E} \tag{3}
\]

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

\[
GDP(PPP) = \frac{GDP(local\_currency)}{S} = \frac{GDP(local\_currency)}{S} = \frac{GDP(USD)}{E \frac{P}{P^*E}} \tag{4}
\]

According to data from IMF WEO from April 2013, GDP per capita in Serbia expressed in USD was USD 5 666.6, while GDP per capita expressed in PPP was 10 787.6. The assumption made in IMF WEO is GDP growth rate in in Serbia of 2.0 per cent, and y-o-y inflation of 5.5 per cent in December 2013.

Ratio of GDP per capita in USD and GDP per capita expressed in PPP gives relative price level between representative country and the United States. This ratio is divided with the ratio of GDP per capita in USD and GDP per capita in PPP for the Euro Area in order to obtain price level of representative country relative to the Euro Area. The data from the IMF WEO from April 2013 show that prices in Serbia were at 50% of the level of the Euro Area.
RESULTS

The main characteristics of price levels in Serbia

The main characteristic of the Serbian price level is that it is relatively low compared to the EU 27 and the Euro Area. One of the main goals in the coming period is EU and EMU accession which also assumes fulfilling Maastricht criteria27. One of the criteria relates to inflation rates and assumes that HICP inflation (12-months average of yearly rates) shall be no more than 1.5% higher than the unweighted arithmetic average of the similar HICP inflation rates in the three EU member states with the lowest HICP inflation28. This criterion is especially important to the monetary authorities in Serbia, since price stability, measured by y-o-y inflation rates, is going to be influenced by the initial price level.

When making decisions on the inflation target, one has to consider the current price level relative to other countries in the region as well as inflation pressures that will be generated through this relationship. Another way to approach this issue is by making separate analysis of the different categories of consumer goods to define a relative position of each category, and to determine to what extent it is fine to expect inflation pressures.

The data on relative price level is collected from the Euro stat. The relative price level is calculated relative to EU 27 and can be seen in Figure 1 and Figure 2. The sample period is from January 2007 to September 2013.

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27 The euro convergence criteria (also known as the Maastricht criteria) are the criteria for European Union member states to enter the third stage of European Economic and Monetary Union (EMU) and adopt the euro as their currency. The four main criteria, which actually comprise five criteria as the "fiscal criteria" consist of both a "debt criteria" and a "deficit criteria", are based on Article 140 (ex article 121.1) of the Treaty on the Functioning of the European Union.

28 EU member states with a HICP rate significantly below the comparable rates in other Member States, do not qualify as a benchmark country for the reference value and will be ignored, if it can be established that their price developments have been strongly affected by exceptional factors (i.e. severe wage cuts and/or a strong recession).
As can be seen from Figure 1, the total price level in Serbia is among the lowest in the region, and is about 57% of the EU price level. Only prices in Bulgaria are at the lower level than in Serbia. It can also be seen that the price level in Serbia recorded an increase in 2008 and 2009 with currency depreciation at the beginning of the crisis. An increase was also recorded in 2011, when, the increase in inflation caused the overall price level to increase despite currency appreciation. Since Serbia adopted the managed floating exchange rate and there is a very high pass-through from depreciation rates to inflation, exchange rate plays a very important role in determining price levels.

The data on price level of the main categories of the HICP and CPI for Serbia, Bulgaria, Romania, Turkey, the Czech Republic, Slovenia, Hungary, the Slovak Republic, Poland and Croatia show that there are several categories of products whose prices in Serbia are among the lowest, or even the lowest in the region, and prices that are among the highest or at the average for the region.

Prices of food and non-alcoholic beverages, and alcoholic beverages and cigarettes, prices of energy, furniture and transport services are among the lowest in the region. Prices of energy and telephone and telefax equipment and services were the lowest in the region during the whole period from January 2007 to July 2013. Prices of household appliances, automobiles, motorcycles and bicycles and audio and TV appliances are at the average for the region. Those products are mainly imported, so their price level is determined abroad, and their relative price level is mainly determined by the exchange rate movements.

Source: Eurostat, authors’ illustrations.
We can conclude that Serbia is expected to increase its prices, since some of the main characteristics of the transition period are related to harmonization of tax rates, convergence of incomes and labor costs, liberalization of trade and factor markets and increased coherence of monetary policy.

Tax rates play an important role in determining the price level. Serbian tax rates are among the lowest in the region. Tax increase is one-time shock on the inflation rates. Serbia experienced an increase in VAT in October 2012 when VAT was increased from 18% to 20%, but the rate is still relatively low. Table 1 gives the list of countries and their respective VAT rates.

Table 1: VAT rates in CEE and SEE countries

<table>
<thead>
<tr>
<th>Country</th>
<th>VAT rates</th>
</tr>
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<tbody>
<tr>
<td>Serbia</td>
<td>20%</td>
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<tr>
<td>Croatia</td>
<td>25%</td>
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<tr>
<td>Hungary</td>
<td>27%</td>
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<td>Romania</td>
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<td>Czech Republic</td>
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<tr>
<td>Turkey</td>
<td>18%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>20%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>20%</td>
</tr>
</tbody>
</table>

The food prices play a predominant role in determining the overall level of prices in Serbia, since food prices comprise around 35% of the Serbian CPI. The analysis shows that food prices in Serbia are currently at the 65% of the EU 27 average, and very close to their level in 2010. Just before the crisis of 2008, food prices in Serbia were relatively higher than in Bulgaria and Romania. However, since October 2008, dinar prices stagnated, while the dinar depreciated, so food prices in Serbia in 2010 were above those in Bulgaria and Romania. In 2011, we experienced an increase in food prices which is a consequence of a sharp increase in prices of the primary agricultural products in 2010. Although dinar strengthened against the euro and weakened against the dollar in 2011, the nominal effective exchange rate appreciated, but the increase in food prices was a result of price movements in world markets, as well as of the current unfavorable situation in the food market in Serbia. The year 2012 is characterized by a decrease in food prices, but also in the total prices. The convergence towards EU, however, was lower than in 2011.
In the literature this topic is best known as the Balassa Samuelson effect. Thus, upon forging closer economic ties, countries with initially low prices might experience relatively rapid price increases, through tradeables, non-tradeables, or both. If convergence works mostly through tradeables, then its implications may be transitory, part of a potentially brisk transition toward a common price level in the region. However, to the extent that price convergence occurs through the relatively gradual process of productivity convergence, the implications may be long lived.

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

The difference between tradables and non-tradable goods is not exact, but Figure 2 shows that pure tradable goods such as clothing and footwear are on the average or even among the highest in the region. On the other hand, services such as hotel accommodation and restaurants, transport services, telephone and telefax equipment and services are all among the lowest, if not the lowest in the region. We can argue in this manner that Balassa Samuelson effect holds in the case of Serbia, and that we should expect that on its way towards EU Serbia will experience new inflationary pressures that come from the price convergence.

One factor discussed prominently in policymaking circles that may be contributing to the cross-country differences in inflation is the price level convergence or the “inflation catch-up”. According to the argument, if prices expressed in a common currency are initially different across countries, convergence to a common level of prices implies higher inflation in countries where prices are initially low. There are several reasons for which to expect at least some price convergence in Europe. A progress toward a single market, including the already completed trade liberalization and adoption of the single currency, should narrow down the differences in common-currency prices across countries, at least for traded goods. To the extent that the currency conversion rates chosen at the launch of the euro did not equate price levels across the euro area, scope remained for further price convergence after January 1999.
The following part of the paper formally tests the relationship between the level of income and the price level.

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

The data set contains 44 European countries. Using data from the IMF WEO, we calculated GDP expressed in PPP and GDP expressed in USD for the Euro Area. Figure 3 and Figure 4 present the findings. We analyzed separately data for 2012 and 2013 to find out whether there were any changes in the estimated relationship that occurred in this period. Since we are interested in the relationship between Serbia and the Euro Area, we emphasized these data on the figures.

Figure 2: Income and price levels in Serbia, Euro Area and European countries in 2012 according to IMF WEO April 2013

Source: IMF WEO from April 2013, authors’ calculations
Figures 2 and 3 show the relationship between level of real income and price levels between European countries, Serbia and the Euro Area.

Figure 3 shows that according to the data on real income and price levels in 2012 and 2013 there exists a positive relationship between real income and level of prices. This means that countries with high real income have higher prices, and vice versa. According to the data from 2012, Serbia was below the trend line, while the Euro Area was somewhat above the trend line. This means, that in 2012 according to IMF estimations, prices in Serbia were below the level that is in accordance with real income per capita, while for the level of income in the Euro Area, prices were to some extent higher.

Since level of income in the Euro Area is way higher than in Serbia, we assume that on its way towards the EU, Serbia is expected to have higher growth rates. The estimated linear relationship between prices and income show the changes in prices that will come with convergence in income. Estimated relationship \( y = 0.45 - 2.08 \) suggests 68.9% of variations in price movements is explained by real income and that convergence in income towards the Euro Area of 1% assumes real appreciation of 0.45% in the long run.

Real appreciation also means that prices in Serbia would have to increase to a greater extent than nominal depreciation and prices in the Euro Area.

We included data for 2013 into analysis in order to follow if real appreciation happened after one year. While the IMF WEO from October 2012 assumed a
decrease of 0.5% in GDP measured in PPP, the last database from April 2013 assumed an increase of 2.0% in 2012. Since inflation rates in 2013 were lower compared to previous year, but nominal exchange rate is assumed to appreciate, we had real appreciation that pushed Serbia back to the trend line for 2013.

The estimated linear relationship from Figure 3 suggests that 71.0% of relative price level is explained by the level of real income, which is somewhat higher than in 2012. Another conclusion from Figure 3 is that Serbian prices are in accordance with the level of income in 2013, while the Euro Area is still above the trend line. According to the data from IMF WEO from April 2013, Serbian per capita income based on PPP is at the level of 69.0% of the Eurozone per capita GDP PPP. Important information considers price level. In order to estimate the relative price level, in this research we used a ratio between GDP expressed in American dollar and GDP based on Purchasing Power Parity pressures in the coming period.

This is in line with the fact that the process of convergence is a long-run process and that it takes time in order to close the gap between price levels among countries. In the first year of the analysis, Serbia experienced a divergence in income and price level, and based on this, we can expect new inflation pressures in the coming period.

The relationship between price level and income is econometrically tested using panel framework. The sample includes yearly data for 44 European countries from the IMF WEO from April 2013 for the period from 2006 to 2013.

At first we tested relationship between changes in price level and real income. The dependent variable is the logarithm of the first differences of the ratio of GDP expressed in USD and GDP expressed in PPP, and the explanatory variable is the GDP per capita expressed in PPP.

Results from panel regression are given in Table 2:
Table 2: Panel regression

<table>
<thead>
<tr>
<th>Period: 2006-2013</th>
<th>Explanatory variable</th>
<th>Coefficient</th>
<th>p-value</th>
<th>R2</th>
<th>Adjusted R2</th>
<th>JB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Constant</td>
<td>Ln(GDP per capita PPP)</td>
<td>-5.09***</td>
<td>0.00</td>
<td>0.77</td>
<td>4.71 (0.09)</td>
</tr>
<tr>
<td></td>
<td>Ln(GDP per capita PPP)</td>
<td>0.49***</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
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<table>
<thead>
<tr>
<th>Period: 2006-2008</th>
<th>Explanatory variable</th>
<th>Coefficient</th>
<th>p-value</th>
<th>R2</th>
<th>Adjusted R2</th>
<th>JB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>constant</td>
<td>Ln(GDP per capita PPP)</td>
<td>-5.22***</td>
<td>0.00</td>
<td>0.82</td>
<td>0.93 (0.63)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.49***</td>
<td>0.00</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Period: 2009-2013</th>
<th>Explanatory variable</th>
<th>Coefficient</th>
<th>p-value</th>
<th>R2</th>
<th>Adjusted R2</th>
<th>JB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>constant</td>
<td>Ln(GDP per capita PPP)</td>
<td>-4.98***</td>
<td>0.00</td>
<td>0.74</td>
<td>6.65 (0.03)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.47***</td>
<td>0.00</td>
<td></td>
<td></td>
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Notes: White heteroskedastic standard errors

Results from Table 2 suggest that changes in real income explain to a great extent the changes in relative price level. We estimated three panel equations for three different data sets. The first assumes the period from 2006 to 2013, and then this period is divided into two sub-periods, of which the first assumes the period before the crisis (2006-2008) and the second is concerned with the period after the crisis (2009-2013). For all three sub-periods we obtained coefficients that are positive, significant and less than one. Coefficient of the level of real income is estimated to be in the range from 0.47-0.49, and the value of coefficient depends on the estimated period. Convergence in income of 1% assumes convergence in prices of 0.49% for the sample of 44 European countries.
CONCLUSION

On its road to the EU, Serbia has to take into account that increased economic activity, which is the main precondition for fulfilling some basic standards in case of relatively low price levels, will mean real appreciation in the long run. Real appreciation is important for macroeconomic policymakers that have to make a trade-off between increased economic activity and inflation rates. In order to create conditions for a better standard of living and opportunities to develop new businesses and increase employment, monetary authorities need to provide basic conditions for attracting new investors, the main one being price stability.

From the analysis provided in this paper we concluded that although overall price level is among the lowest in the region, this is not the case for all products and services. There are some products and services that exhibit high price levels such as tradable goods that are mainly imported. Prices of those products are among the highest in the region, and we do not expect inflation pressures from the increase in their prices. On the other hand, some products and services such as food, hotels and restaurants, telephone and telefax equipment and services are the lowest in the region and we state that Serbia, on its way towards the EU, can expect an increase in these, mainly non tradable goods. The analysis that is provided in the paper also suggests that Balassa-Samuelson effect holds, and that we should expect the increase in prices of non-tradeable goods in the coming period.

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

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


APSTRAKT


KLJUČNE REČI: nivo cena, prihod, konvergencija cena, inflacija

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CORPORATE BUDGETING: RELEVANCE FOR THE
COMPETITIVENESS OF SERBIAN ENTERPRISES

KORPORATIVNO BUDŽETIRANJE: VAŽNOST ZA
KONKURENTNOST SRPSKIH PREDUZEĆA

Slavoljub Sljivic29
Dragana Vojteski-Klijenak30
Milenko Pavlovic31

ABSTRACT

The traditional concept of corporate budgeting is subjected to serious critics by academic public and practitioners during the last two decades. A hypothesis is emphasized in the paper that corporate budgeting, despite critics, can be improved into an useful tool for increasing the competitiveness of Serbian economy. The object of explanation are three questions: (1) turning to the contemporary theory and practice of corporate budgeting; (2) the causes of the uncompetitiveness of Serbian economy, with an emphasis on the place and role of corporate budgeting in the wider context of management quality and (3) some limitations to corporate budgeting implementation in Serbian economy. The method of analysis and comparative method are used in the paper.

The main conclusion is that Activity Based Budgeting should become a genuine alternative to the traditional process of corporate budgeting in near future. Rolling Forecast and Enterprise Risk Budgeting can be very useful, additional, tools for measuring the performances of enterprises and protection from risk and uncertainty. Such the „package“ of budgeting concepts could improve significantly the quality of (corporate) management, and also the competitiveness of Serbian economy. The contribution of this paper consists in the evaluation of the theoretical validity of contemporary views on corporate budgeting and in underlying its relevance for resolving the problems of the uncompetitiveness of Serbian economy.

KEYWORDS: corporate budgeting, management quality, competitiveness.

JEL: G31

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INTRODUCTION

Budgeting is the part of the formal system of management control in organizations. A budget is a plan expressed in monetary terms that covers a specified period of time, usually one year. Preparing a budget comes after programming, which is also a planning process. Programs are principal activities which organizations have decided to follow in order to implement their strategies. In a profit-oriented enterprise, each product, or product line, represents a particular program. The essence of budgeting is that each program is translated (in monetary terms), into domain of the managers of responsibility centers who are charged with executing the program, or some part of it. Budgeting is essentially the process of negotiation between the managers of responsibility centers and their superiors (Anthony, Welsch, Reece, 1985).

The implementation of corporate budgeting is not an easy task in neither one economy, nor in Serbian economy too. The serious critics of corporate budgeting emerged during the last two decades. One of the first critics relates to the counter-productive effects of using budgets for measuring performances and rewarding managers. If managers are rewarded in a way that their performances are compared with forward, fixed budget targets, then such a system motivates people to lie. Lies are present not only in the process of formulating budget targets (for example, by establishing easily reachable targets), but also in measuring performances (for example, by moving expenses into the next year, or future revenues into the current year, etc.). Such lies and constantly gaming the system have serious consequences for organizations. A solution is not to abandon budgeting, but to change a way in which organizations measure performances and reward their employees. (Jensen, 2003; Jensen 2001).

Corporate budgeting critics encompass the broader list of problems, and not only the problem of measuring performances and rewarding managers. A common objection that assumptions on which budgets are based become obsolete already in the process of their preparing, is on the top of that list. A more radical version of this objection is that conventional budgets can never be valid, because they cannot capture uncertainty involved in rapidly changing environment.

Management control based on budgets imposes a vertical command-and-control structure and centralized decision-making to organizations. Such structures are more oriented towards cost reductions, than on value creation. Focusing budgets on annual financial performances often causes a mismatch with strategic and operational decision-making that emphasizes non-financial goals.

At last, budgeting process is linked to problems with people too. Superiors in enterprises consider that the managers of responsibility centers often don’t like to hold themselves accountable for their parts of the budget, do not fully cooperate in its developing, nor they understand the process of budgeting. Complaints relate to senior executives too, for their lack of direction or/end supporting the process of budgeting (Orlando, 2009; Hansen, Otley, Van der Stede, 2003).
A hypothesis is emphasized in the paper that corporate budgeting, despite critics, can be improved into an useful tool for increasing the competitiveness of Serbian economy. The object of explanation are three questions: (1) turning to the contemporary theory and practise of corporate budgeting; (2) the causes of the uncompetitiveness of Serbian economy, with an emphasis on a place and the role of corporate budgeting in the wider context of management quality and (3) some limitations to corporate budgeting implementation in Serbian economy. All three questions are discussing as separate parts in the paper. The last part concludes.

The method of analysis and comparative method are used in the paper. The paper’s goal is to point to those theoretical solutions which can improve the traditional process of corporate budgeting and to contribute strengthening the competitiveness of Serbian economy.

THE REVIEW OF CORPORATE BUDGETING RECENT THEORY AND PRACTICE

The concept of activity-based budgeting (ABB), emerged in literature in early 1990. This approach intends to advance the traditional budgeting system. It can be done by linking operating planning (based on activities and capacity management), with financial budget. Linking is performing in accordance to so called closed loop model, shown in Figure 1.

Figure 1: Consumption-Based Activity-Based Planning and Budgeting

Source: Stevens, 2004

Activity based budgeting performs in two stages. In the first stage enterprises establish demand requirements for their products and services, and then translate that demand into activity requirements and resource requirements. So called
consumption rates are used for the purpose of conversion. Consumption rates are the quantities of each input required to generate a unit of output (rate = input/output). In Figure 1, two consumption rates are shown: activity consumption rate and resource consumption rate.

When requirements for resource consumption are established, they are checked against available resource capacity. It will result in one of three possible situations: (a) there exists an unused capacity; (b) there exists capacity shortage and (c) capacities are 100% used. Taking into consideration that 100% used capacities is unlikely in practise, disbalance is resolving through the process of adjusting. Adjusting can encompass: demand quantity, production capacities, or the consumption rates of activities and resources. Changing the rates of activities and resources is usually the best approach for adjusting resources. It can be achieved through initiatives for improving technical-technological and organizational processes in enterprises. Activity based budgeting offers more flexibility for adjusting, in contrast to traditional budgeting which offers only a change in demand or/and available capacities. Adjusting required and available resources are performing through iterations, until desirable scenario, or so called „operating balance“, is achieved.

In the second stage, financial budget is developing, based on operating balance. Once the enterprise knows its demand, activities and resources, it is not difficult to determine relevant costs. Revenues are planning on the basis of demand quantity, selling prices and pre-determinated profit goals. Disbalance is removing by adjusting revenues and expenses through several iterations. Adjusting is more alleviated by the fact that financial indicators can be viewed not only in the aggregate, but broken down into information by products/services and other cost drivers.

The proponents of activity based budgeting underly several advantages of this approach, in comparison with traditional corporate budgeting. Firstly, ABB approach focuses on generating financial budget explicitly from (adjusted) activities and resources. In such a way, ABB approach avoids unnecessary calculating the financial effects of operationally infeasible plans. Secondly, the presence of more sophisticated operating planning in budget system provides the richer set of instruments for balancing capacity. Thirdly, lower-level managers and employees in enterprises can understand and communicate more easily operational, than financial information in a budget system. The implementation of ABB approach in practise is alleviated by the advance of activity-based costing software during the last few years (Stevens, 2004; Hansen, Otley, Van der Stede, 2003).

Beyond budgeting approach (BB) was developed during the late 1990. and culminated in a book with the same title, written by Jeremy Hope and Robin Fraser in 2003. The authors’ main idea is that the traditional system of corporate budgeting has to be abandoned. The alternative has to be radically decentralization of organization and the change of the system for evaluating managers performances. The main weakness of the traditional system of corporate budgeting is so called
annual performance trap. Managers are rewarded in accordance to their contributions for achieving enterprise financial targets, which are forwarded and fixed at the annual level. Such rewarding system motivates managers to demonstrate various disfunctional behaviours that bring them personal benefits, but are harmful for organizations and economy as a whole.

In order to eliminate these weaknesses, BB approach supports organizations to adopt the set of principles such as: introducing benchmarked performance standards (internal and external), for evaluating managers’ performances; rewards based on group performance evaluation, rather than individual performances; rolling forecasts, instead of fixed annual plans; introducing non-financial measures for measuring performances which are aligned with strategic goals, etc.

Abandoning the practise of rewarding managers for budget-based performances is only the first step towards radical decentralization of enterprises. Decentralization is realized through carrying authority to lower-level management and through the empowerment of employees. These processes are not compatible with the traditional system of budget control. Empowerment of employees will be efficient only when it is accompanied by a shift from result control (traditional budget control), to control based on employee selection, enterprise vision, its values, codes of conduct, etc.

Several years after BB concept emerged, the interest of academic public and practitioners shrunk, especially by consulting firms. Reason for that is in the fact that BB represents more a managerial philosophy, than concrete management accounting tool such as Balance Scorecard and Activity-Based Costing, for example. It has more sense to compare BB approach with other managerial philosophies such as Total Quality Management, or Value-Based Management. (Becker,Messner, Schaffer, 2010; Hansen, Otley,Van der Stede, 2003).

Rolling Forecast can mitigate many of the problems of corporate budgeting. The objects of forecasting process are revenues, expenses and profit/loss in enterprises’ income statement. The term „rolling“ comes from the fact that, as enterprise completes a quarter of results, it then extends its new forecasts continuously in the range of several quarters. The advantage of this approach is that managers are not rewarded for meeting fixed forward financial targets. Instead, managers are rewarded for meeting variable, but realistic and aggressive forecasts. Rolling forecasts are focusing on the key drivers of enterprise growth.

Time horizon of rolling forecasts is long-term and typically encompasses a period from 4 to 8 quarters ahead. Rolling forecasts are deprived of unnecessary amount of details which are present in traditional corporate budgets. Planning teams in enterprises are focusing only to those elements of business which drive growth and profitability. It refers especially to expenses which are separated into strategic (for example, marketing expenses, sales expenses, research and development expenses), and non-strategic (all other costs). Both categories of expenses are forecasted separately Paniccia, 2008).
Risk becomes the pre-occupation of corporate government more and more. Risk can influence on enterprise goals either in positive sense (opportunity), or in negative sense (threat). Boards of directors in enterprises need to consider the extent to which some risk is acceptable, the likelihood of risk materializing, and ability to reduce the frequency and impact of the identified risk.

Budgeting is the segment of corporate governance. Budgeting is a formal process which ultimate outcome are plans which are established for future time periods. Consequently, the question of risk needs to be considered in corporate budgets. Management accounting, however, discusses on risk mainly through the segment of capital budgeting. Risk analysis techniques encompass: decision trees, probabilities, standard deviations, portfolio analysis etc. (Collier, Berry, 2002).

In a literature, there are attempts to bring risk management more formally into the corporate budgeting. One such approach is called Enterprise Risk Budgeting (ER-B). The essence of this approach is to create transparency about how corporate policies (for example, in connection with capital expenditures, dividends, acquisitions, etc.), impact the firm’s expected financial position and total risk profile.

The first step in the implementation of this approach is to quantitatively model the enterprise,s cash-flows, using Monte Carlo simulation methodology. The purpose of this modeling is to create an overall idea on how much risky the business of enterprise is. Implementing Monte Carlo simulation assumes, at first, that risks from so called Risk Universe32 have to be identified and quantified by enterprise,s managers. It is not easy task, because some kinds of risks are difficult to identify (for example, reputation risk). For that reason, attention in this step needs to concentrate only to key commercial risks, such as changes in the prices of final products, the costs of raw materials, changes in foreign exchange rates etc. Enterprise creates the set of possible cash-flow variants, on the basis of identified key commercial risks.

After this first step, a question is asked: „What is the enterprise’s capacity to carry these risks?“ Enterprise’s risk capacity represents the combination of resources which a firm possessses for maneuvering in difficult times, in order to avoid costly adjusting to its business activities. Concretely, enterprise’s risk capacity is a function of three elements: (a) the amount of liquid assets (cash and cash equivalents); (b) spare debt capacity and (c) hedge positions.

Keeping debt comes with a costs. For example, enterprise which tries to rely on equity financing, gives up tax advantages that comes with debt financing. Beside that, investors require higher expected rates of return on equity, than on bonds. Keeping cash on the account reduces enterprise’s risk but, also, generates lower returns. Board of directors and enterprise’s management assess regularly if

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32Risk Universe encompasses all relevant risks which have an impact on future cash-flows, profitability and continued existence of an enterprise.
the current risk profile is desirable one, and if it needs to change. They perform risk optimization, which means adjusting costs with benefits from certain kinds of risk. Risk optimization is shown in Figure 2:

\[ Z \quad \text{Optimal risk profile, i.e. costs} = \text{benefits} \]

\[ \begin{align*}
X & \quad \text{Actions to increase risk (i.e., increase leverage, increase dividend, etc.)} \\
\text{Risk Capacity Surplus} & \\
\text{Risk Capacity Deficit} & \quad \text{Actions to decrease risk (i.e., hedge, retain larger share of net income, etc.)}
\end{align*} \]

Source: Alf Alviniussen and Hakan Jankensgard, 2009

Using simulation methodology is an important assumption for the implementation of ER-B approach. This methodology needs to be used as a complement to sensitivity analysis and stress testing. Simulation methodology allows to run the several thousands scenarios of enterprise financial position (Alviniussen, Jankensgard, 2009).

Theoretical dilemmas about improving or abandoning corporate budgeting has moved to the ground of empirical researches. One such research is carried out in the survey of 558 USA and Canadian enterprises in the production and service sectors. Survey results show that corporate budgeting has a key role in enterprise’s control systems. Most of enterprises do not plan to abandon this practise. Moreover, majority of enterprises intend to improve their budget systems in order to overcome some of the common critics.

Contrary to postulates of Beyond budgeting approach, very small number of enterprises from the sample (5% Canadian and 9% USA), reward managers on the basis of their contribution in achieving fixed forward financial targets. Time which managers spend on budgeting amount to 3-4 weeks in average, or 6%-8% of their annual working time. It is considerably less than what critics suggest (12-20 weeks, or 20-30% of manager’s time).

The majority of enterprises do not operate in unpredictable environments, and their budgets do not become outdate so quickly as what critics assume. Enterprises do face with unpredictable events, but utilize adaptive processes to mitigate such problems. Beside that, budgets are revised more often than expected (Libby, Lindsay, 2010).
It is generally accepted that different enterprises use corporate budgeting in different ways. These variations can be explained by influences from the external environment of enterprises, but also from its internal environment, or so called corporate context. An empirical research is carried out in order to establish how corporate context—enterprise’s size, diversity and degree of decentralisation—impacts to the choice of enterprise’s control mechanism and budgeting model too.

The results of research have confirmed a hypothesis that larger, more diverse and decentralized enterprises tend to use an administrative control system which strongly relies on using budgets. In such enterprises highly participation of middle and lower-level managers is present in budget activities. Great emphasis is placed on meeting the budget targets, because managers think that it is important to their careers. Communication is more formal, and budget system is sophisticated. From the other side, smaller and centralized enterprises rely on direct control and more frequent personal interactions, and less on formal budget communications (Merchant, 1981).

The question of leadership and its impact on organizational design has not been studied in accounting literature for a long time. Recent research shows that there is positive correlation between leadership styles and design and using budgeting and control system. Top managers use budgeting as an active “communication device” in order to transfer their priorities to subordinates, and to obtain inputs from them (Abernethy, Bouwens, Lent, 2010).

ON THE COMPETITIVENESS OF SERBIAN ECONOMY AND ON THE QUALITY OF (CORPORATE) MANAGEMENT

From the beginning of global crisis in 2008., Serbian economy performs negative, or modest positive GDP growth rates. Global crisis, however, is not the main cause of the poor performances of Serbian economy. Poor performances are companion of the transition of Serbian economy during several previous decades. Serbian economic growth lags behind the growth of other transitional economies too. Transitional gap is shown in Figure 3.

33 Real growth of Serbian GDP amounted: -3.5% (2009); 1.0% (2010); 1.6% (2011); -1.7% (2012) and 2.0% (2013-forecast).
Unsufficient competitiveness is the key cause of the poor performances of Serbian economy. The Global Competitiveness Report 2013-2014 ranks Serbia at 101. position out of 148 countries in the world. Serbia has worsened its competitive position for six places in respect to two previous annual reports. Decomposition of the sources of (un)competitiveness of Serbian economy is shown in Figure 4.

According to the results of survey from the same Report, top five problems of Serbian economy are: corruption\textsuperscript{34}, inefficient government bureaucracy, access to finance, government instability and inadequate supply of infrastructure. These problems are repeated from one Report to another, by almost the same order.

Low level of competitiveness of Serbian economy is manifested in practice through the inability to service liabilities regularly (liquidity crisis), inability to pay debts (solvency crisis), and inability to achieve necessary income level (profitability crisis). Economists are warning to these serious financial disorders for many years. Unfortunately, those warnings were not recognized seriously until now. Problems were resolved in a way that they were delayed.

Important question is not whether Serbian economy can achieve any growth, but how big is the bankruptcy risk? Some authors develop different methodologies for assessing enterprises’ bankruptcy risk. All these methodologies, however, point to three risk zones in which enterprises could be found. These are: safe zone, gray zone and distress zone. It is the best for the economy of every country, that enterprises perform in a safe zone, where bankruptcy risk is the smallest. “Red light” burns when enterprises approach to, or enter in, distress zone. Analyses show that almost all sectors of Serbian economy (except energy), are at the bottom of grey zone, i.e. at the borderline of distress zone (Malinic, 2013).

Serbian economy can come out of the grey zone of bankruptcy only by eliminating the key causes of problems, and that is low competitiveness. Analysis of pillars of competitiveness represents a good basis for systematic resolving the uncompetitiveness problems of Serbian economy. Having in mind nature and the content of this paper, pillars 5 and 11 are of special importance. Within pillar 5 (Higher Education and Training), Serbia is ranked between 114. and 140. position in the world scale. Within pillar 11 (Business Sophistication), Serbia is ranked at 141. position for willingness to delegate authority. These data speak convincing that improving competitiveness will not be possible without improving the quality of (corporate) management.

This process can be achieved by strengthening internal and external control mechanisms. Internal control mechanisms are: competent boards of directors, monitoring, internal audit, system of internal controls and internal market of managers. External control mechanisms involve: active capital market, presence of institutional investors, external market of managers and high-quality legislations (Malinic, 2013). The improvement of (corporate) management quality means, also, raising the quality of knowledge and continuous professional development. Managers have to accept a whole range of disposable new strategic and operational management concepts and instruments, such as: life-cycle costing, target costing, activity-based budgeting, total quality costing, environmental costing, benchmarking, the analysis of competition etc. (Malinic,Milicevic, 2012).

\textsuperscript{34} More on the theme of corruption in a reference (Petkovic,Petkovic, 2012)
SOME LIMITATIONS FOR THE IMPLEMENTATION OF CORPORATE BUDGETING IN SERBIAN ECONOMY

Very low Serbia’s rank within 5. and 11. pillars of competitiveness points to the conclusion that there are numerous limitations and barriers in improving corporate management. It relates equally onto budgeting, which is the important instrument of corporate management. In addition it is pointed to some limitations which disables wider implementation of corporate budgeting in Serbian economy.

The first limitation comes from atomised structure of Serbian economy. Namely, corporate budgeting is implemented in economies which main holders are joint stock companies. In 2012., 107,4 thousands of enterprises performed in Serbian economy, with 1,0 million employees. From the aspect of legal form, enterprises with limited liability dominate with 92,5% of the total number of enterprises, and employee the two thirds or 680 thousands of workers. Joint stock companies are the second, with only 2,1% of the total number of enterprises, and employee one fifth of the total number of workers. From the aspect of total number of employees, micro-enterprises dominate (up to 10 employees), which represent around 89% of the total numbers of enterprises\textsuperscript{35} (Agency for Business Registers, 2013).

The second limitation is imposed by the globalization of the world economy and by neo-liberal concept of free market. Creating so called „risk society“ is the important consequence of globalization. Neo-liberal ideology of free market destroys old „social contracts“ in enterprises. More and more number of contingent employees, part-time employees etc. are the consequences of that destroying. Enterprises are privatizing and restructuring. Enterprise restructuring is carried out through processes such as downsizing, delayering, outsourcing etc. In the same time, more complex organizational forms are forming, such as clusters, strategic alliances, and high performance work organizations (Milosevic, 2004).

The third limitation is the consequence of non-implementation of reforms in enterprises under government control. The total number of such enterprises amounted to 1.300 at the end of 2011. Reforms have been created as to include: privatization, restructuring, the improvement of corporate management, raising the transparency of performing business and other measures. These enterprises use direct and indirect subsidies from the budget of the Republic of Serbia (Vlada Republike Srbije, 2012).

At last, the fourth limitation comes from difficulties to separate ownership and control in Serbian enterprises and to delegate authority to professional managers. Based on the example of three medium-sized enterprises in Serbia, empirical study on corporate management has showed that the owners of enterprises are unwilling to repudiate tight personal control, even at the cost of organizational growth

\textsuperscript{35} Serbian economy is specific in respect to the fact that more than one quarter of total enterprises are enterprises which perform without employees
stagnation. All enterprises in the sample have shown inability to recruit and attract qualified candidates for managerial positions. Domination of a power-based culture is the reason for such behaviour in these enterprises. Power culture is laid on authoritarianism which is deeply rooted in the values of Serbian national culture (Janicijevic, Bogicevic-Milikic, 2010).

CONCLUSION

The traditional concept of corporate budgeting is exposed to serious critics by academic public and practitioners during the last two decades. Critics can be systematised into two groups. The first group of critics strives to keep corporate budgeting in the framework of management control process, but with specific improvements. The second group of critics considers that the traditional concept of corporate budgeting contains too many shortcomings and that is not worth fixing it.

Concepts such as: Activity Based Budgeting, Rolling Forecast and Enterprise Risk Budgeting fall into the first group. The concept of Activity Based Budgeting contains a healthy idea of linking operating planning (based on activities and capacity management), with financial budget. In this way, the unnecessary financial calculations of operationally unfeasible plans are avoided.

Rolling Forecast concept offers simpler and more accurate planning model. Planers avoid unnecessary details and concentrate themselves only to the key drivers of enterprise growth. Managers are rewarded for meeting financial targets which are contained in the long-term forecasts, usually 4-8 quarters ahead. Enterprise Risk Budgeting introduces formal risk analysis in corporate budgeting. This approach enables managers to identify and quantify enterprise’s risk, establish risk capacity and optimize it.

The second group of critics is led by Beyond Budgeting. This approach supports radical decentralization of enterprises and changing the system for managers rewards. Despite of beginning interest, academic public has lost motives to study this approach. Empirical researches didn’t confirm a lot of assumptions under Beyond Budgeting.

Theoretical analysis in this paper leads to the conclusion that Activity Based Budgeting should become a genuine alternative to the traditional process of corporate budgeting in near future. Rolling Forecast and Enterprise Risk Budgeting concepts can be very useful, additional, tools for measuring enterprises’ performances and protection from risk and uncertainty. Such a “package” of corporate budgeting concepts could advance significantly the quality of (corporate) management and the competitiveness of Serbian economy, too. The implementation of package will not be easy, having in mind limitations. Some of the limitations (atomized economy, globalization effects), cannot almost be influenced by the creators of economic policy. Other limitations can be influenced
either by political will (reforms of enterprises under government control), or by a change in manager's consciousness (delegation of authority problem).

This paper, also, has its own limitations. Advantage is given to breadth, instead to the depth of explanation. The breadth of explanation has enabled the topic of corporate budgeting to be viewed in a systematic manner. The intention was to encompass as much as great number of questions in the area of corporate budgeting and to direct these questions towards unsufficient competitiveness, as the burning problem of Serbian economy. From the other side, the depth of exploration was sacrificed. Corporate budgeting concepts deserve more space in this paper, having in mind their relatively poor treatment in domestic literature. It refers especially to Activity Based Budgeting. The list of limitations concerning the implementation of corporate budgeting is assembled more intuitively, and not on the basis of relevant empirical researches (which are not numerous, also). In any case, that list is not final and requires further extensions and confirmations.

All cited limitations represent a good road sign for further theoretical and empirical researches on the topic of corporate budgeting. The contribution of this paper consists in evaluation the theoretical validity of contemporary views on corporate budgeting and in pointing its relevance for resolving the problems of uncompetitiveness of Serbian economy.

**REFERENCES**


APSTRAKT

Tradicionalni koncept korporativnog budžetiranja je tema raznih kritika od strane akademske javnosti i onih koji rade u praksi tokom poslednje dve decenije. Hipoteza koja se naglašava u radu jeste da korporativno budžetiranje, uprkos kritikama, može biti poboljšano i postati korisna alatka za povećanje konkurentnosti preduzeća u srpskoj ekonomiji. Predmeti objašnjenja su sledeći: (1) okretanje ka savremenoj teoriji i praksi korporativnog budžetiranja, (2) uzroci nekonkurentnosti srpske ekonomije, sa naglašavanjem mesta i uloge korporativnog budžetiranja u širem kontekstu kvaliteta menadžmenta i (3) neka ograničenja implementacije korporativnog budžetiranja u srpsku ekonomiju. Metod analize i komparativni metod su korišćeni u radu.

Glavni zaključak je da aktivnost bazirana na budžetiranju treba da postane alternativa tradicionalnom procesu korporativnog budžetiranja u bliskoj budućnosti. Rolling prognoza i Enterprise Risk budžetiranje može biti veoma korisno kao alatka za merenje učinka preduzeća i zaštite od rizika i nesigurnosti. Ovakav ”paket” koncepta budžetiranja može značajno da poveća kvalitet korporativnog menadžmenta, a takođe i konkurentnost srpske ekonomije. Doprinos ovog rada jeste u tome što se on bavi procenom teorijske validnosti savremenih pogleda na korporativno budžetiranje i u naglašavanju njihve bitnosti za rešavanje problema nekonkurentnosti srpske ekonomije.

KLJUČNE REČI: korporativno budžetiranje, kvalitet menadžmenta, konkurentnost.

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HOW MEDICAL PROFESSIONALS CAN ADOPT ROUTE TO ENTREPRENEURSHIP?  
- A CASE OF SOCIAL EDUPRENEURSHIP IN INDIA

KAKO ZDRAVSTVENI PROFESIONALCI MOGU DA KRENU PUTEM PREDUzetništva?
-STUDIJA SLUČAJA DRUŠTVENOG PREDUZETNIŠTVA U INDIJI-

Reena Agarwal

ABSTRACT

This case study showcases the vision and initiative of an Edupreneur from India who has profound compassion and humanity towards the children with scholastic backwardness. He wanted to make the society sensitive and empathetic towards scholastic backward children and educate and train such children, to help them regain their lost identity. This case study discusses in detail the education acquired by the entrepreneur, what was his vision as an entrepreneur, what was his route to entrepreneurship, how he initiated his venture, how he operated the same, what were the major impediments that he overcame, what was the growth enjoyed by him and what are his plans for future expansion. It also showcases how the entrepreneur was successful in creating new jobs in the society, besides helping the slow learners to become self-dependant.

KEYWORDS: edupreneurship, entrepreneurial vision, slow learners, route to entrepreneurship, business model

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**INTRODUCTION**

Literate and skilled population is the foundation stone of a democratic and liberal society that aims sustainable growth. This creates a need for establishing and developing education system that prepares our future generations in a proficient manner. In every society there are significant numbers of children with scholastic backwardness. These children struggle to cope with the academic demands of the regular classroom and have difficulty in writing, reading and mathematics. Often admission is denied to such children by the normal schools. Today there is an immense need for, action oriented individuals and leading thinkers, with entrepreneurial minds and social sensitivity, to penetrate into education field to design and develop personalized educational programs for such children, who need empathy, exceptional care, special training and grooming.

The term ‘EduPreneur’ means 'Educational Entrepreneur' - a person who ventures into the entrepreneurial aspects of the educational domain. Dr. Krishna Dutt is one such social EduPreneur, who had a dream to educate and train the scholastic backward children and help them regain there lost identity. Dr. Krishna Dutt followed his dream and came a long way in creating a difference in the society. He pioneered a project named ‘Asmita’ to create awareness about scholastic backward children, educate and counsel the parents & society about such children, examine the training needs of such children, tailor-make the educational module and training programme to make them self-dependant, so that these children can join the mainstream. In the process generated a livelihood for himself and his family and also succeeded in creating innumerable jobs for others in the society. This model can be replicated in the countries across the world and thereby enhance the social as well as economic growth of those countries.

**METHODOLOGY**

The methodology adopted included the following visiting the project site and interacting with the entrepreneur as well as the other stakeholders. A questionnaire was drafted and then those questions were administered. A rough draft was prepared and then it was refined and vital learning drawn were depicted by way of diagrams.
ABOUT THE EDUPRENEUR

Dr. Krishna Dutt belongs to a village named Sawayjpur in district Kanpur (Uttar Pradesh). His father was a hard working farmer with average income, and who believed in simple living. Dr. Krishna Dutt attained his basic education from the primary school at Sawayjpur and the secondary school at Pali, both in district Kanpur. The funding for basic education was met by scholarships received from the state authorities and in graduation he managed to arrange his college fees by taking private tuitions.

As a young boy his aspiration was to become either a lecturer or a doctor. With this aim in life he pursued M.A. (psychology) from Kanpur University; Diploma in Medical & Social Psychology (D.M. & S.P.) which is now termed as M. Phil from Central Institute of Psychiatry (C.I.P.), Ranchi and Ph. D. in Clinical Psychology from Kanpur University.

While he chose to pursue M. Phil and Ph. D his father once said to him “you are going for higher studies, but the aim should not only be to earn your bread and butter, but also to do something exceptional in life”. It was this teaching of his father that inspired him. His perspective towards life changed and he decided that earning livelihood will not be the sole objective of his life. Instead, he would do some thing that would transform the lives of other people and, in the process, create social value.

After completing his education he joined King George Medical College, Lucknow (now known as Chatrapati Shivaji Maharaj Medical University) as a Clinical Psychologist. Since then he is teaching under-graduate and post-graduate medical students, doing Psychometric Assessment of patients, and prescribing psychological treatment to the referred patients.

ENTREPRENEURIAL VISION

According to medical science, impairments in adaptive behavior may manifest in two or more of the following areas – communication, self-care, home living, social and interpersonal skills, work, leisure, health and safety. A child’s mental growth is determined by his Intelligence Quotient (IQ) Level. It is calculated by the following formula:

\[
IQ = \left( \frac{\text{Mental Age}}{\text{Chronological Age}} \right) \times 100
\]

The formula implies that if a child’s mental age and chronological age are equal, his IQ will be 100%; if his mental age is higher then his IQ also will be more than 100%; whereas, if his mental age is lower, his IQ will be less, than 100%.
Intelligence Quotient (IQ) is used to determine the level at which one may be placed:

<table>
<thead>
<tr>
<th>IQ Level</th>
<th>Extent of Retardation</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%-70%</td>
<td>Mild Mental Retardation</td>
</tr>
<tr>
<td>35%-50%</td>
<td>Moderate Mental Retardation</td>
</tr>
<tr>
<td>20%-35%</td>
<td>Severe Mental Retardation</td>
</tr>
<tr>
<td>below 20%</td>
<td>Profound Mental Retardation</td>
</tr>
</tbody>
</table>

Based on the level of intellectual impairment four degrees of sub normality have been visualized and specified, namely:

<table>
<thead>
<tr>
<th>IQ Level</th>
<th>Categorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>85% – 100%</td>
<td>Normal Intelligence or Average</td>
</tr>
<tr>
<td>70% – 85%</td>
<td>Below Average but not mentally retarded i.e. Dull Normal (<em>SLOW LEARNER</em>)</td>
</tr>
<tr>
<td>Less than 70%</td>
<td>Mentally Retarded</td>
</tr>
</tbody>
</table>

According to Dr. Krishna Dutt, *Slow Learners* are those with border line functioning intelligence i.e., I.Q. ranging from 70% to 85 %. The *Slow Learners* need to be dealt differently and with necessary support, some of them can also be integrated to normal schooling. However in reality this group hardly receives any special attention. While the children with I.Q. ranging from 50% to 69%, classified as *Mild Mentally Sub-normal* are educable and trainable up to a certain extent. But this group, being more under-developed, can not be included to normal schooling, as they can not cope up the pressure of normal schooling. They need special training as per their specific ability (aptitude) after which they can be habilitated.

**CHOICE OF PRODUCT/SERVICE**

While assessing mentally sub-normal patient, he realized that if *Slow Learners* were admitted in normal schools there was a chance that he/she would develop personality complexes as they will be ignored, neglected and ridiculed by their counterparts, that is, the normal children. Incase they are admitted in a centre for mentally handicapped children, they would start imitating the oddities of their peer group, resulting in deterioration in their behavior, temperament and personality. Instead of progressing he/she starts degenerating. Hence they require specific
training and education considering their limited intelligence and behavioral problems, if any.

His counseling and advice benefitted the ailing children and assisted the parents in managing their ward in an appropriate manner. The parents who were adequately educated about their ward’s medical impairment and were deeply concerned about their ward’s improvement and development, requested Dr. Krishna Dutt, to establish a centre for the training and development of the *Slow Learners*. So he decided to conceptualize and establish an education centre for this special segment of children- who were neither mentally handicapped and at the same time nor they were average. He was also approached by the primary and secondary schools in the city for the counseling of parents and teachers.

*Figure 1: Route to Entrepreneurship used by Dr Krishna Dutt*
BUSINESS MODEL

Immense encouragement, inspiration and motivation from his philosopher & guide and his elder sister, lead Dr. Krishna Dutt to establish in 1989, *Asmita - A Centre for Slow Learners and Mental Health Care*, in a single room set-up at Indira Nagar, Lucknow with five slow learners. Initially these children used to come to the centre only for the evening classes. Dr. Krishna Dutt financed his venture with his personal savings, which he had accumulated, by curtailing his personal expenditure.

In those there were a hardly a few organizations located in New Delhi and Bangalore that worked for mentally challenged children, but there was no specific education centres for the Slow Learners. *Asmita* was the first institute of its kind in India, established exclusively to cater to the educational and the training needs of the Slow Learners.

The vision of *Asmita* is “to educate and train the slow learners and help them regain there lost identity”.

Examining the mental development of the slow learners

Design and develop innovative curriculum and teaching material to educate and train them

Conduct Orientation Programs for Parents
Help the slow learners develop under personal guidance and supervision
Train the Trainers
The primary activities of *Asmita* include - examining mental development of the slow learners; identify their training needs; evolve innovative curriculum to educate and train them; design and conduct orientation programme for the teachers and trainers; facilitate special short term courses to the teaching staff. The objectives are: (i) to be adequately equipped to handle the children needing necessary care; (ii) help the slow learners to develop under personal guidance and supervision; (iii) educate and counsel their parents; (iv) interact regularly with the parents to update them with their ward’s progress in school; (v) collect information about his/her behaviour at home; (vi) showcase the creativity and talent of these children by organizing programmes and exhibitions.

Dr. Krishna Dutt has also created a team of young trained volunteers, who help in (a) conducting surveys; (b) organizing awareness campaigns; (c) conducting health camps; (d) providing counseling services; (e) conducting seminars and workshops; (f) sensitize the doctors and primary and secondary school teachers in urban as well as rural areas. The primary objective of such an initiative is that children may receive education as per their aptitude, inherent ability and specific interest. Today Dr Krishna Dutt, along with his team of volunteers, provides free consultation and free of cost medicines in rural areas, including his home village Sawayjpur. Initially twenty five volunteers joined his organization, today there are approximately two hundred plus volunteers who work for this noble cause.

A pilot survey conducted by *Asmita* in collaboration with the Department of Social Work, Lucknow University, conducted in Uttar Pradesh, indicated that approximately 6% to 8% children fall in the category of Slow Learners. Dr Krishna Dutt also observed that regular books with standard curriculum were being used to educate the slow learners. He took initiative and developed special curriculum which offers customized learning material; adopts new teaching methodology and promotes innovative techniques of learning befitting such children.

Dr Krishna Dutt faced many hardships in his journey the biggest problem was the paucity of funds but he did not lose heart and continued to work for the cause. His patience, passion, hard work, commitment, persistence and perseverance kept him going. No special efforts have been made for advertisement and publicity. The beneficiary clients are the only source of publicity for *Asmita*.

Recently *Asmita* got shifted to relatively bigger premises, to cater to the growing demand for their services. Today Asmita educates and takes care of about hundred such children. There are about twenty five people who are employed in the organization, besides this there are more than two hundred volunteers who assist Dr Dutt in this mission. So far more than two thousand slow learners have been trained and developed by Asmita and thousands of parents and teachers who have been counseled and guided by Dr Krishna Dutt and his team.
**FUTURE GROWTH AGENDA**

Dr Krishna Dutt intends to develop a chain of Slow Learners Centres all across Uttar Pradesh and the other states of central and northern India. In the next ten years he intends to train about one hundred thousand slow learners and create hundreds of new jobs in the society.

**LEARNING DRAWN**

Dr Krishna Dutt believes that one can create his own fate, design his own destiny by one’s firm resolution and strong determination. His precept to the young professionals is that they should gather courage and create their own venture work religiously for a noble cause, profits will automatically roll in. People should not run after jobs rather they should initiate ventures and create innumerable jobs in the societies. There are immeasurable latent needs in the societies people have to be entrepreneurial enough to identify those needs, design and offer the desired products or services to fulfill those needs.

**APSTRAKT**

Ova studija slučaja prikazuje viziju i inicijativu edupreduzetnika iz Indije koji saoseća i koji je human prema deci koja imaju problema sa usvajanjem gradiva u školi. On je želeo da ukaže društvu na decu koja imaju problema sa učenjem, i da ih obrazuje i obuči da bi oni povratili svoj izgubljeni identitet. Ova studija slučaja razmatra do detalja koje obrazovanje ima sam preduzetnik, koja je bila njegova vizija kao preduzetnika, koji je bio njegov put do preduzetništva, kako je započeo svoj posao, kako ga je vodio, koji su bili glavni problemi sa kojima se susreo i koje je morao da prebrodi, u kakvom je rastu on uživao i koji su njegovi planovi za širenje u budućnosti. Rad takodje pokazuje kako je preduzetnik bio uspešan u stvaranju novih poslova a takodje i pomagao onima koji sporije uče da postanu nezavisni.

**KLJUČNE REČI:** preduzetništvo u obrazovanju preduzetnička vizija, oni koji sporo uče, put ka preduzetništvu, poslovni model.
THE ROLE OF TALENT MANAGEMENT IN THE DEVELOPMENT OF THE MARKETING TEAM

Uloga menadžmenta talentima u razvoju marketinškog tima

Valentina Mucunska Palevska

Todor Badarovski

ABSTRACT

Talent management is the process of attracting, retaining and developing talented people for the companies. Through this activity companies provide quality staff which will contribute to further development and greater competitiveness.

Today’s labor market is paying attention to talent of the staff, to the point that nowadays companies increasingly hire so-called "head hunters(talent)" or similar agencies in order to recruit the most talented people currently on the market. Talent management means not only hiring the most talented people but also their retention and further development of their talents. These companies usually carried out through regular training, promotion and monitoring of talent among employees.

Talent management is particularly important when it comes to marketing teams. These teams should be composed of highly trained and talented people because they are dealing with a highly creative activity where despite good training, having talent is very important. This paper presents action research conducted in 13 marketing organizations. The purpose of the paper is to verify the impact of the quality of talent management on the development of employee performance, and thus the success of the whole team.

KEYWORDS: management of human resources, talent, talent management, marketing, team performance of employees.

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UDK: 005.953.2:005.322 ; 005.551:658.8 ID NUMBER: 203867916

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INTRODUCTION

Increased competition posed by globalization and permanent changes in the markets, is forcing companies to pay more attention to the wishes and needs of their customers in order to attract and retain. Here the main role takes the marketing. True art nowadays is to retain existing customers and also to attract new, which is one of the main goals of each company.

But marketing is not a magic wand which could be only moved in order to reach and accomplish all the goals of the companies. It should be strategically planned and designed with all the necessary resources and associated activities. The practice of spending enormous sums on marketing without a defined purpose in an effort to create measurable results is already a cliché that slowly fades away. Of course you need to invest in marketing, but investments should be directed to well-defined, realistic and clear objectives.

All resources and activities, especially marketing, are of great importance for the companies. However, the most valuable resource of any organization is the people or human resources because without them companies would not exist. Since managers concluded that through proper management and management of human resources companies have no large additional costs to achieve increased competitive advantage, managers pay more attention to these resources.

In terms of recruitment of human resources every company strives to attract the largest possible number of talented people and keep employees longer. Attention focuses on building talent and competencies of employees, in their recruitment and selection, and in further employment through continuous monitoring of talents and developing them. Development of employees and their talent is done through a series of activities performed by companies such as training, seminars, internships, courses, specializations etc.. All this is done because companies are aware that the company with the best trained, talented, educated, skilled and motivated employees who are properly installed and managed, has a good chance to achieve higher competitive advantage.

MANAGEMENT OF HUMAN RESOURCES

The old concepts of human resources represented by the following definitions are now considered obsolete:

- Human resources represent the total knowledge, skills, abilities, creative opportunities, motivation and loyalty available to an organization.
- Human resource management is defined as a series of actions which allow the employees and the organization that uses their skills to align the goals
and the nature of their employment, and secondly, to ensure their relationship.

- Management of human resources is a series of interconnected activities and tasks of management and organization aimed to provide an adequate number and structure of employees, their knowledge, skills, interests, motivation and behavior needed to achieve current development and strategic objectives of the organization.

Presents the concept of human potential management (HPM) and argues that the old concept of human resource management (HRM) should be replaced by HPM. Argues that treating human beings as a resource to be used, utilized or manipulated like any other resource is demeaning. Further, with the increasing number of highly skilled knowledge workers, resentment of the word "resource" is likely to increase, since knowledge workers are inclined to be hostile to manipulation. They would prefer the organization to enable them to fulfill their true potential and, in so doing, help the organization to achieve its objectives. Also presents a definition of HPM and highlights the features which differentiate it from HRM.

In this new concept of thinking in terms of the management of human resources talent management takes the lead role.

**TALENT MANAGEMENT**

There is no single or universal contemporary definition of "talent" in any one language; there are different organisational perspectives of talent. Current meanings of talent tend to be specific to an organisation and highly influenced by the nature of the work undertaken. A shared organizational language for talent is important. There is high level of influence of management consultants in the development of the term in managing people with unique knowledge and skills. Organisational talent, in order that it can be identified and developed, must be visible, stimulated and nurtured, and the first step to this is to have an agreed organisational definition of talent.

Talent consists of those individuals who can make a difference to organizational performance through their immediate contribution or in the longer term by demonstrating the highest level of potential.

As definitions of talent are complex, ambiguous and incomplete, there can never be a "one size fits all". Understanding this ambiguity enables organizations to identify possible flaws in their approach to defining talent. Considering the distinct and separate notions of talent and success empowers organizations to ask more relevant questions around how employees are encouraged to leverage the talents they do have into success. Most talent management processes are driven by the
need to define and identify characteristics which indicate greater ability when compared to others.

This is still the focus of much talent management literature. Key areas that are important for management talents as part of the strategy of planning human resource are:

− Creating and maintaining an organizational culture that values the individual;
− Determining the future needs of the organization and how to develop individuals to meet those needs;
− Development of a team of talented individuals who can meet the future needs of the workplace;
− Establish ways to cope and manage HR activities to support program of talent development.

**MARKETING**

To claim that marketing is concerned with exchange is a currently accepted definition which allows wide interpretation and can be applied to almost all disciplines. A satisfactory definition should develop both inclusionary and exclusionary criteria. Marketing has an underlying purpose connected with the exchange of goods and services, and ideas can be studied only if they serve that purpose. It should be placed firmly in the economic sphere, employing strategies intentionally rendered and goal directed. This definition allows wide consideration of diverse subject areas, but keeps the process within specific parameters, bringing about its more satisfactory development as a scientific discipline.

Of the considerations in formulating the marketing mix there is one element which is often neglected - people. This includes not only customer reaction to the marketing proposition, but also the service provided to the customer. The role of the service giver is central to the analysis of the marketing mix in practical terms. "Putting people first" is described and its potential impact - as it pertains to customers, but, just as important, its impact on staff - is assessed.

Proper selection and recruitment of employees in the establishment of marketing teams is one of the key activities that directly affect VRS successful marketing strategies, policies and objectives that companies are trying to accomplish.
RESEARCH

The survey was conducted in 13 marketing companies (or marketing department) in the country. We conducted a survey using two questionnaires with 19 questions per closed. One is intended for managers and the second is intended for employees in the companies. Also, we surveyed 26 managers and 90 employees. The survey was conducted in January and February 2013.

Of 13 companies surveyed all but one are Macedonian, which is an international company based in Austria. This company is represented in more than 165 countries worldwide and is engaged in the manufacture, distribution and sale of non-alcohol drinks. This research has included its Balkan branch which includes Macedonian team with 8 employees and a manager, the Serbian team with 8 employees and a manager and Montenegrin team with 7 employees and a manager. Balkan branch manager was also questioned.

Four of the thirteen Macedonian companies that were surveyed are engaged in production, distribution and sale of products and services on the territory of the Republic and with headquarters in Skopje. They are considered in the group of large enterprises according to their size.

The remaining eight companies marketing agencies acting and working in the Republic of Macedonia are based in Skopje. According to their size these companies belong to the group of small and medium enterprises.

The general hypothesis of the study is: If human resource managers know how to identify, develop and use the talents of their employees in order to improve their efficiency then the work of the team in which they participate will improve.

From this hypothesis come the following three specific hypotheses:

− If human resource managers know how to develop the talent of their employees in order to improve their efficiency then the work of the team in which they participate will improve.
− If human resource managers know how to identify the talent of their employees in order to improve their efficiency then the work of the team in which they participate will improve.
− If human resource managers know how to use the talent of their employees in order to improve their efficiency then the work of the team in which they participate will improve.

This research is expected to get results and answers to the following questions:

− How companies and managers pay attention to employee talent?
− Do the new employees, who are chosen for their talent, quickly fit in work and working environment?
− Does the manager know how to identify employees who have talent?
− The manager knows how to develop and build talent who have employees?
− Do employees have the opportunity to be informed about the options for developing their talent?
− Are employees regularly sent on training and development in order to develop their talent?
− Are employees placed on jobs according to their talents?
− Do staff demonstrate increased efficiency and effectiveness when placed in jobs that match their talents?
− Is attention paid to the talent of employees in selection when forming teams for specific projects?
− Is the success of specific projects increased when teams are guided by established talents of employees?

Here are separated issues are indicative in terms of expected results.

In the first issue for the managers: if the managers pay attention to candidates who have talent in the recruitment process, all respondents answered as follows: a 1 (insufficient) did not answer us one respondent representing 0%, 2 (sufficient) also did not answer us one respondent or 0%, 3 (good) again replied no one respondent or 0%, 4 (very good) said 8 respondents or 31% to 5 (Excellent) answered 18 respondents or 69%.

The first question for the employees: if during the process of employment and selection was paid attention to talent you possess, all of the subjects answered and the answers were: with 1 (insufficient) responded 14 respondents or 15%, with 2 (Sufficient) responded 2 respondents representing 2%, with 3 (good) responded 32 respondents or 36%, with 4 (very good) responded 18 respondents or 20%, with 5 (Excellent) responded 24 respondents or 27%. The histogram looks like this:

*Figure 1: Role of talent in the selection*
From the answers we can conclude that the results obtained from employees and managers are not exactly the same. Managers consider that they have checked the talent of the employees.

Employees did not confirm this with their answers or did not notice that their talent was being considered.

The second issue for managers is: *Do you make efforts to develop and advance the talent of employees*, all respondents answered as follows: with 1 (insufficient) responded no one, that represents 0%, with 2 (Sufficient) answered 2 respondents representing 8%, with 3 (good) responded no one or 0%, with 4 (very good) responded 10 respondents or 38%, with 5 (Excellent) responded 14 respondents or 54%.

The second issue for employees is: *Does your manager encourage and motivate you to develop your talents*, all respondents answered as follows: with 1 (insufficient) answered 6 respondents or 7%, with 2 (Sufficient) responded 16 respondents representing 18%, with 3 (good) responded 14 respondents or 15%, with 4 (very good) responded 22 respondents or 24%, with 5 (Excellent) responded 32 respondents or 36%.

*Figure 2: Encouraging and developing talent among employees*

From the answers we can conclude that the statements of the employees and managers are similar but not completely identical. Both groups pointed to the fact that they are paying attention to their talent and are making efforts for its development. What could possibly indicate that managers do not pay much attention to the talent of the employees as they are trying to portray.

The third issue for managers: Are the employees regularly informed about ways and programs through which they can develop their talents, all respondents
answered as follows: with 1 (insufficient) responded no one that represents 0%, with 2 (Sufficient) responded 2 respondents or 7%, with 3 (good) responded 2 respondents or 8%, with 4 (very good) responded 8 respondents or 31%, with 5 (Excellent) responded 14 respondents or 54%.

The third issue for employees is: *Does your company regularly inform you of opportunities and programs through which you can develop your talent* , all respondents answered as follows: with 1 (insufficient) responded 12 respondents or 13%, with 2 (Sufficient) responded 22 respondents representing 25%, with 3 (good) responded 18 respondents or 20%, with 4 (very good) responded 12 respondents or 13%, with 5 (Excellent) responded 26 respondents or 29%. The histogram looks like this:

> **Figure 3: Informing employees opportunities for development**

From the results we can see that the statements of managers and employees do not match again. There is a notable percentage difference. This points to the fact that managers should pay more attention to the whole process of informing employees about their options for upgrading and improvement.

The fourth issue for managers is: *if they regularly test expertise, talent and training of employees*, all respondents answered as follows: with 1 (insufficient) responded no one that represents 0%, with 2 (Sufficient) responded 10 respondents or 38%, with 3 (good) responded 6 respondents or 23%, with 4 (very good) responded 8 respondents or 31%, with 5 (Excellent) responded 2 respondents or 8%.

The fourth issue for employees is: *Does the company regularly test the level of your training, talent and ability*, all respondents answered as follows: with 1 (insufficient) 14 responded that represents 13%, with 2 (Sufficient) responded 30 respondents or 25%, with 3 (good) responded 20 respondents or 20%, with 4
(very good) responded 10 respondents or 13 % with 5 (Excellent) responded 16 respondents or 29 %. The histogram looks like this:

*Figure 4: Testing the talent of employees*

<table>
<thead>
<tr>
<th></th>
<th>Managers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient</td>
<td>8%</td>
<td>18%</td>
</tr>
<tr>
<td>Sufficient</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Good</td>
<td>31%</td>
<td>22%</td>
</tr>
<tr>
<td>Very good</td>
<td>38%</td>
<td>33%</td>
</tr>
<tr>
<td>Excellent</td>
<td>23%</td>
<td>16%</td>
</tr>
</tbody>
</table>

The obtained results of the issue point to the fact that managers and employees are not satisfied with the level of testing that is done on employees to determine the talent they possess and whether it has developed. Statements of managers and employees are mostly similar, with small percentage concessions.

The fifth question for managers is: *Do employees show higher quality work when assignment of tasks and projects is carried out on the basis of their talent*, all respondents answered as follows: with 1 (insufficient) responded no one representing 0%, with 2 (Sufficient) responded no subjects or 0%, with 3 (good) responded 4 respondents or 15%, with 4 (very good) responded 14 respondents or 54%, with 5 (excellent) responded 8 respondents or 31%.

The fifth question for employees is: *Do your talents increase the quality of your work*, all respondents answered as follows: with 1 (insufficient) responded no one that represents 0%, with 2 (Sufficient) responded 12 respondents or 13%, with 3 (good) responded 8 respondents or 9%, with 4 (very good) responded 24 respondents or 27%, with 5 (Excellent) responded 46 respondents or 51%. The histogram looks like this:
From the obtained answers we can conclude that there is an increased quality of employees when they position themselves in the workplace according to their talents. This confirms the statements of respondents from both groups at highest percentages answered positively.

The sixth question for managers is: Does the success of specific projects increase when the team which is leading the project is set up based on the talent of its members, all respondents answered as follows: with 1 (insufficient) responded no one or 0 %, with 2 (Sufficient) responded only 2 respondents representing 8 %, with 3 (good) responded 4 respondents or 15 %, with 4 (very good) responded 12 respondents or 46 %, with 5 (excellent) responded 8 respondents or 31 %.

The sixth question for employees is: Does the success of specific projects increase when managers form teams responsible for projects based on the talent of employees, all respondents answered as follows: with 1 (insufficient) responded 4 respondents or 5 %, with 2 (Sufficient) answered 18 respondents representing 20 %, with 3 (good) responded 16 respondents or 18 %, with 4 (very good) responded 22 respondents or 24 % with 5 (Excellent) responded 30 respondents or 33 %. The histogram looks like this:
From the results we can conclude that the statements of employees and managers match although not completely. Both groups of respondents indicated that the success of specific projects increases if the teams that are leading are established based on talents of the team members. The only visible difference is that the statements of employees are a little less satisfied than the managers.
CONCLUSION

From the survey we can conclude that the most important resource in all companies regardless of their business size are the human resources. Without them a company could not exist. On the other hand, knowing the value of human capital and its impact on the success of any organization if the company invests in the development of employee performance will certainly contribute to the elevation of the quality of work performance. The more companies know how to use his staff as opportunities for achieving, competitive advantage increases.

A newer branch that stands out from the management of human resources is talent management. It potencies the role of individual talent in the organization and focuses on improvement and development. Talent management is a new way of thinking and acting in the management of employees. It basically does not represent nothing more than a new attractive name of the already established management activities. The main objective of talent management is to ensure sufficient numbers of talented people in the company in order to achieve its goals. Organizations that practice management talents are trying to promote the talent of every individual in the company through various programs for the development of competencies of their human resources and career development.

To manage the talents of employees, above all they need to discover, and then to move towards their development. Developing the talents of human resources is mainly done through the introduction and establishment of development programs within the organization or sending employees out of the organization to another institution. Considering that career represents all the jobs of an employee throughout his life, career development should constitute forward to each new work position of the employee.

This research was focused on talent management for the purpose of marketing teams and its role in their development. For this purpose, we surveyed 26 managers and 90 employees from 13 companies. The research that was set up and conducted in this master's thesis had objectives and expected results. Based on the hypotheses the derived variables during the investigation were fully confirmed, and it also confirmed the expected results.

From the results we can conclude that managers and companies largely pay attention to talent of the candidates in their selection. They use different methods of interviews for detailed testing in order to spot and assess the level of talent of employees. Most of the companies are using more than one method for determining the talents of employees in order to thoroughly investigate the level of talent that they possess.

This research shows that proper selection of employees according to their talent directly affects the speed of adaptation of the employee in the new work environment and work tasks. In other words, if a talented new employee is asked to perform a task and it is accepted in the organization then he soon will adapt to new working conditions and will thrive in it.
− Also, this research shows that managers know how to identify talented employees with a view to fully utilizing and developing. This indicates that managers are focused on discovering the talents of each individual. With it they open the opportunity for appropriate allocation of staff to the appropriate place.

− Managers devote considerable time and resources in order to inform employees about the opportunities for enhancing the talent they possess. At the same time they motivate and encourage employees to join the development programs and to upgrade themselves with new knowledge in order to develop their talent.

− Employees are regularly sent on training courses, seminars and other development programs aimed at developing and upgrading the talent they possess. Here is a dilemma for permanency in the application of these methods by managers. The need to send everyone to the training and how many trainings are enough? Subjective opinions are about the quality and quantity of the trainings. Maybe with different methods of research managers would have received relevant data?

− Managers and companies should position employees according to their talents because it increases their efficiency and effectiveness and overall complete the quality of their work. Interestingly, these positive responses are received by the managers surveyed and also by the surveyed employees to whose talent were related the issues.

− During the selection of employees for special projects their talent should be detailly perceived for creating a well balanced and focused teams for the given task. At the same time from the research it can be concluded that the success of specific projects carried out by teams whose members are selected and chosen for their talent for a given task is increased. However, questions are posed: How many employees are there in the marketing departments of companies surveyed? Might be that a few employees are working on all of the projects and have competition in the organization, so they and their supervisors give positive answers for successfully completed tasks to a specific project?

**RECOMMENDATIONS**

Recommendations of research are the following:

− High performance in terms of the attention that managers pay to their employees and their talent, and the implication that they successfully manage with talents of employees leads to recommendation for conducting research in the same area with other methods, techniques and instruments for confirmation of the answers.
Such research is good to be implemented in other marketing companies and marketing departments in organizations in the country to complete the image of talent management, and its effect on the results of the organization.

Such or similar research is well to be implemented in companies with different core business for comparing the results in order to prove the application value of talent management in different organizations.

When setting up another research in the area of talent management is good to start from the results and conclusions emerging from this research and upgrade them to a higher level.

As a final recommendation to impose the following: This research is good to be used in companies for comparison, confirmation or denial of the situation in terms of talent management in their organizations.

REFERENCES


APSTRAKT

Menadžment talenata je proces privlačenja, zadržavanja i razvoja talentovanih ljudi u kompaniji. Ovim putem kompanija sebi pribavlja kvalitetno osoblje koje će doprineti daljem razvoju i većoj konkurentnosti.

Današnje tržište rada obraća pažnju na talente zaposlenih, do te mere da danas kompanije unajmljuju takozvane ''lovce na glave(talente)'' ili slične agencije da bi pronašli i zaposlili najtalentovaniije ljude trenutno na tržištu. Menadžment talenata ne znači samo zapošljavanje najtalentovanijih ljudi već njihovo zadržavanje i dalji razvoj njihovih talenata. Obično kompanije ovo sprovode kroz redovne treninge, unapredjenja i nadgledanje talenta medju zaposlenima.

Menadžment talenata je posebno važan kada su u pitanju marketinški timovi. Ovi timovi treba da budu sastavljeni od talentovanih osoba koje su visoko obučene jer se oni bave vrlo kreativnom aktivnošću gdje pored svih treninga ipak je veoma važno imati talenat. Ovaj rad predstavlja istraživanje koje je sprovedeno u 13 marketinških organizacija. Svrha ovog rada jeste da verifikuje uticaj kvaliteta menadžmenta talenata na razvoj učinka zaposlenog, a samim tim i na uspjeh celog tima.

KLJUČNE REČI: menadžment ljudskih resursa, talenat, menadžment talentima, marketing, učinak tima zaposlenih

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EXAMINE THE QUALITY OF EDUCATION IN RURAL AREAS: – CASE STUDY - SERBIA, DISTRICT KURSUMLIJA

ISTRAŽIVANJE KVALITETA OBRAZOVANJA U RURALNIM OBLASTIMA: STUDIJA SLUČAJA -SRBIJA, OBLAST KURŠUMLIJA

Marko Protic

ABSTRACT

This study aims to examine the quality of education provided by schools in Kursumlija, a rural district of Serbia, from the perspectives of administrators, teachers, and students. The purpose of this study is to explore the challenges of providing quality education to rural day secondary schools in Kursumlija district of Serbia and to identify strategies which might be adopted to address them. The study was guided by the following research questions: (1). What challenges do Serbian rural teachers, students and schools face in implementing the secondary school curriculum, (2) how can these challenges be addressed?

KEYWORDS: rural schools; rural teachers; teacher education; professional development; quality education

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INTRODUCTION

Young people, who live in rural areas of Serbia, are less likely to finish elementary school and to complete high school, and maybe the college, than their urban and suburban peers. These adolescents are also more likely to use alcohol. In fact, rural adolescents between the ages of 8 and 12 have the highest levels of alcohol use in this age group. Out-of-school time programs in rural areas can provide healthy and constructive activities that offer productive ways for children and youth to spend their time, build positive relationships, and receive academic support.

Out-of-school programs in rural areas share many of the same challenges that programs in other areas face, such as coping with limited funding and addressing staff recruitment and retention issues. But studies have also identified unique challenges that can hinder the success of rural out-of-school programs. Although many rural areas are not impoverished, communities farther away from urban areas have higher poverty rates than those adjacent to urban areas. Nearly one in five rural children lives in poverty, compared with 15 percent of children in urban areas.

Socio-economic disadvantages and limited health services put some rural youth at risk of academic failure or participation in “risky behaviors,” such as substance abuse or criminal activity. One in five rural children is food insecure (that is, he or she has limited, uncertain, or no access to nutritious or safe foods) (Campos, 1998). Geographic isolation can also limit access to health care and other social services. Correspondingly, limited preventive services can contribute to an increased risk of poorer mental health.

Living in a rural area is also associated with higher teen suicide risk, as research links geographic isolation and a heightened risk of suicide among the male teen population.

Suicide rates in some rural communities are among the highest in the nation. Rural communities are often spread over large geographic areas, resulting in long travel distances between children’s homes and program sites (Crocker, Major, Steele, 1998).

Children in impoverished rural households are three times more likely to be without transportation than are children from non-rural households.

Rural areas often lack public transportation systems, and travel by car or van is adversely affected by rising gas prices. As a result, information for out-of-school program practitioners in rural areas, rural out-of-school programs face immense logistic and financial difficulties in transporting participants to and from program sites.

Most out-of-school-time programs face funding challenges. However, meeting these challenges can be particularly daunting in rural communities, which typically have fewer financial resources to draw from than urban areas. Rural communities have smaller populations and fewer businesses, public institutions, and community
organizations than their urban and suburban counterparts. Limited local job opportunities in some rural communities contribute to fewer available private-sector partners (e.g., local business and community organizations), making it especially difficult for rural out-of-school programs to plan and implement activities requiring substantial resources (Cuddy, Fiske, Glick, 2008).

In addition, rural out-of-school programs face a hurdle in obtaining federal funding, which is often allocated on the basis of population size. Rural communities’ small populations tend to be insufficient for many state and federal grant programs. As it is, the amount of money that rural programs spend on each participant is far lower than the amount spent by their urban and suburban counterparts (Dovidio, Hebl, 2005).

Low population density, a less-educated workforce, and limited financial resources make recruiting and securing trained staff difficult in some rural communities. Highly competent staff requires specialized training, which is more readily available in suburban and urban areas. When staff members in rural out-of-school programs do receive training, many move to urban areas for better job opportunities. Such migration deprives program participants of qualified staff and discourages program administrators from offering job training in the future for fear that it will encourage the departure of already-scarce staff.

During the period extending from the past to the present day, economists, social scientists, and politicians have suggested that education has a crucial role in the development of a country. Social and economic developments of a country depend directly on the education levels of workforce. Today, there is a global and intense competition in the marketplace. In this competitive world, in order to meet the expectations of the business, quality of education provided for the adolescences is becoming increasingly important. In order to make the future better than today, educational authorities explore tools to assess the quality of the educational outcome by measuring the effectiveness of the components of educational systems, and search the ways to make educational reforms.

Deficiencies in Serbian education system, especially in rural areas, are financial difficulties, shortage of teachers, and lack of school buildings, laboratory equipments, computers, and libraries. The regional infrastructures of education system eliminate equal opportunity in education. The level of benefit from education differs not only from one city to another, but also from one district to another in the same city. Although basic education secured by the laws, there are some differences in practices of education based on various variables such as region and socio-economic status. Most parents are not satisfied with the quality of rural schools (Dovidio, Major, Crocker, 2000). They thought that the quality of rural schools could not compare with urban schools. Besides, for parents the physical conditions of the rural schools are not good. Since the children seen as human power in the rural areas, boys have to learn farming and agriculture, whilst girls have to learn home economics (Eckes, 2002).
The quality and the effectiveness of education depend on qualitative variables such as characteristics of schools, teachers and classrooms, as well as quantitative variables such as achievement scores.

Teacher qualifications, curriculum implementation, school climate, parental involvement, availability of educational technology and instructional materials were acknowledged as important indicators of school quality. Educators, researchers, and the public believe that there are some differences between rural and urban education quality.

Namely, the education in smaller and rural schools was found to be less qualified and less effective than the education in larger urban or suburban schools.

School quality is relatively high if teachers have high academic skills, teach in the field they are trained, have at least several years of teaching experience, and participate in professional development programs. The experience and qualifications of teachers were assumed to have a direct impact on the overall performance of both the school and students. Especially in rural school districts where children often have less support at home, teachers play a critical role in schooling. Moreover, educators agree that experienced teachers and teachers getting high quality professional development increase student achievement. Teachers with strong academic skills are very successful to teach. Therefore, in order to improve the quality and effectiveness of schools, the investigation of teachers’ perceptions is considered a simple, gainful, and time efficient method.

Successful implementation of curriculum is essential to increase school effectiveness. There are some differences between the intended curricula defined by officials, and the implemented curricula, how teachers translate the intended curriculum into practice. Therefore, the impact of curriculum implementation and teaching quality in schools were considered as significant school characteristics that could clarify effectiveness variation among schools.

School climate have an effect on school effectiveness; hence, teaching process, learning process, and educational outcomes are affected by school climate. Students’ learning and performance depend mainly on the sort of school climate of their school. The students who in schools having a well school climate are more successful than those in schools having a poor school climate. Therefore, recognizing the factors that facilitate a well school climate is very important to understand the school effectiveness.

Parental involvement at all grade levels, as another indicator of school quality, is a critical factor influencing quality of education. It refers to both teachers’ attempts to involve parents in ongoing classroom or school activities.

Availability of computers and qualified school library media programs correlate positively with student achievement. Although use of educational technology has a significant positive effect on achievement, computers and the related electronic equipments required for connecting computers into network is generally absent or insufficient in rural areas.
Rural schools are vital parts of the Serbian public education system. However, access to quality education in rural areas is still problematic in Serbia. There are very large differences in the allocation of both physical and human resources and in the distribution of educational resources among the schools in different regions in Serbia.

Some conditions are often associated with rural schools: First, rural schools fail to meet the national standards of MONE in terms of student competences. Second, in rural schools, library and computer resources are insufficient to meet the needs of especially economically disadvantaged students in community. Third, teachers and administrators are not provided with much opportunity to participate in professional development activities in rural areas. Fourth, the geographic distance to the city center and lack of official support makes it more difficult to appoint, recruit, and retain well-trained teachers. In rural areas (Fan, 2003).

The challenges that Serbian rural schools face in recruiting and retaining qualified teachers cannot be overemphasized. The purpose of this study was to investigate some of the challenges associated with teachers and teaching in rural Serbian communities as well as identifying strategies that can be implemented to improve the working conditions of teachers as well as teaching in rural areas of Serbia. The descriptive survey research methodology was adopted for this study. Data for the study was gathered by means of questionnaires and interviews with teachers (10) and school heads (5) posted in Kursumlia district rural schools that were selected by a method of cluster sampling. The study established that Serbian rural areas are characterized by various challenges that negatively influence the delivery of quality education such as poor socio economic background, lack of basic infrastructure for teaching and learning, the problem of attracting and keeping qualified teachers in rural schools, poor funding and limited resources. Furthermore the low status accorded to the teaching profession, poor salaries of teachers, inadequate accommodation, limited career and professional development opportunities as well as poor working conditions were cited as obstacles to quality and effective teaching. In order to address challenges to achieve quality education in rural schools, the following strategies were suggested: awarding financial bonuses, incentives and a hardship and retention allowance to teachers who are willing to teach in rural areas; provision adequate physical infrastructure in the schools; provision of scholarships for teachers seeking further their education and ensuring that teacher training institutions should have programmes to prepare teachers for the conditions of rural teaching. The study is significant in that it identifies promising areas on which the government can work on to provide quality education to the rural folk so that they can successfully participate in the national and global economy. The study is also significant in that it provides an platform and springboard for the government to improve and enhance the professional status and attractiveness of the teaching profession.
STATEMENT OF THE PROBLEM

Education is a key investment in any country as it plays a crucial role to sustainable human and economic development. Thus investment in education is widely recognized as a means of supplying the critical human capital required for sustained economic, social and technological development of a nation. It is therefore important that nations invest heavily in education to ensure that the young, whether in rural or urban community, are equipped with knowledge, skills and competencies to enable them to contribute meaningfully to national development. The fight against the prevalence of extreme poverty and hunger in rural areas can only be successful through the provision of adequate education and training of the human capacity needed for rural development. This can only be ensured by having caring, competent and high quality teachers in our classrooms. This is why policy makers at all levels are focusing on teacher quality with emphasis on the issues of teacher recruitment, preparation, licensing and certification standards, as well as professional development.

All initiatives in educational development and provision, hinges on the available of quality teachers with suitable pedagogical skills, knowledge and characteristics (Farr, 1998).

Presently, the quality of education offered to children in many rural schools is poor. Thus, many parents are unwilling to invest in their children’s education because they are not convinced of its quality and value. Consequently, in many rural schools across of Serbia, low student enrolment and high dropout are widespread, further observes that due to their remoteness these schools differ greatly from those in urban areas such as in terms of children’s learning outcomes, they do not perform as well as urban schools. A contributing factor could be the quality of teachers posted to teach in rural schools. Contributing to this debate, in notes that such schools are hardly visited by educational advisers and thus further contributing towards poor teacher performance.

To worsen the situation well-qualified teachers prefer to teach in urban schools. The inherent physical and social characteristics of rural communities can result in novice teachers in rural areas experiencing unique and perhaps more profound isolation.

The picture that emerges, then, is that rural schools encounter a lot of difficulties as well as challenges due to lack of high quality teachers, the knowledge gap between the urban and rural schools is widening and rural children are falling behind their urban counterparts because the schools are in bad shape physically. It is quite evident that teachers in rural schools face greater challenges that are not compatible with their urban counterparts. This study therefore investigates the effects of the apparent neglect of rural schools by identifying some of the challenges commonly associated with teachers and teaching in rural
communities as well as suggesting strategies that can be implemented to deal with these challenges.

Rural schools have provided generations of children and young people with knowledge, skills and attitudes needed to become autonomous, responsible and productive citizens. Schools thus play a vital role in developing and sustaining rural communities and are crucial to Serbians’ sustainability and the realization 21st century.

For many families in rural Serbia, accessing quality education in the local area is becoming increasingly difficult due to a number of factors. Poor quality of schooling is evident in many ways in the public school system, especially in the rural areas, and is exhibited in the rate of absenteeism and the inability of children to read and write effectively. The statement of the problem is therefore: What are the challenges commonly encountered by Serbian teachers, students and schools in rural communities?

**RESEARCH QUESTIONS**

The purpose of this study is to explore the challenges of providing quality education to rural day secondary schools in Kursumlija district of Serbia and to identify strategies which might be adopted to address them. The study was guided by the following research questions:

1. What challenges do Serbian rural teachers, students and schools face in implementing the secondary school curriculum?
2. How can these challenges be addressed?
3. Research methodology

**RESEARCH DESIGN**

The design employed for this study was a descriptive survey in which multiple methods were used to obtain, explain and understand the viewpoints of participants in this research. The study used the descriptive survey method since the main focus was to gather information among teachers and school heads about the challenges faced by teachers and teaching in rural schools.
POPULATION AND SAMPLE OF THE STUDY

All school teachers and school heads working in Kursumlija district 2012 – 2013 constituted the population of this study. Ten (10) teachers and three (3) school heads working in Kursumlia district 2012 – 2013 constituted the sample of this study in which the method of cluster sampling was used.

RESEARCH INSTRUMENTS

The instruments used for data collection were a questionnaire and focus group interviews. Two sets of questionnaires were administered to school heads and teachers respectively. The questionnaire items were both closed and open-ended and solicited for both quantitative and qualitative data. The purpose of the focus groups was to validate and inquire into key themes and trends apparent in the questionnaire survey data. Two different types of focus groups were established and included groups of elementary school heads and teachers respectively.

DATA COLLECTION PROCEDURES

The research was conducted in Kursumlija district schools with teachers and school heads.

Elementary school heads and teachers in Kursumlija district were approached by the researcher to discuss the purpose of the study and to seek their consent for completing the questionnaires and also to participate in the focus group meetings and interviews. Participants who indicated interest in participating in the focus group meetings and interviews and returned consent forms were involved in the study. The researcher explained the purpose of the study to participants After the explanation, participants were invited to fill in the questionnaire and to participate in focus group meeting. Data were collected over a five week period in 2013.

RESULTS AND DISCUSSION

This section discusses the identified challenges commonly associated with teachers and teaching in rural day schools.


CHALLENGES FACING RURAL EDUCATION IN SERBIA

From the school heads’ perspective, Serbian rural areas are characterized by various factors that negatively influence the delivery of quality education. These rural areas are remote and poorly developed consequently many of these rural schools are poor and disadvantaged, lacking basic infrastructure for teaching and learning, roads and other transport, electricity and information communication technologies (It). Thus most rural areas have a poor socioeconomic background which invariably plays a role in quality education. The socio-economic realities of rural areas put the learners at a disadvantage to start with as they lack books and learning materials that they need. Furthermore the rural areas are not attractive for teachers because of limited resources. For the same reason, it was difficult to retain teachers in rural areas as well as finding suitable accommodation as another challenge for teachers in rural areas. Teacher shortages as well as specialist teacher shortages such as science and mathematics teachers in rural areas have also been confirmed in Kursumlija district. The findings of this study further confirm that Serbian rural schools have difficulty recruiting and retaining new teachers because of teaching conditions unique to rural schools.

Focus group discussions with school heads on challenges facing rural education in Serbia revealed that access to education is constrained and limited by factors associated with distance and with population density. These make access to education provisions both more difficult and more expensive. Other factors such as location of the school itself, curriculum breadth, range of community support services and availability of information communication technologies also impact on rural schooling. These rural schools are also constrained by circumstances of location and population: they are usually smaller in size, have fewer resources (budgets are linked to student numbers) and are more limited in the range of studies that they can offer.

Access to technology is crucial in today’s schools. Given the enormous potential of distance learning for rural schools and the universal necessity for today's students to be "computer literate," an adequate education system must ensure that the technology needs of rural students are addressed. Technology is the vehicle through which small rural schools can offer students an advanced, varied, and cost-effective curriculum (Fiske, Cuddy, Glick, 2002).

One of the greatest challenges being faced by rural education in Serbia as cited by the school heads is that of poor funding in rural schools. The budget allocated to the Ministry of Education is inadequate as a result this has caused widespread problems in both students’ enrolment and teacher commitment to teaching. Many rural schools lack the essential infrastructure to enable them function as safe, efficient and effective schools.

The physical state of classrooms is very poor, with floors full of holes, roofs and ceilings broken and pertinent facilities in a poor state of repair.
Teachers who participated in this study lamented the low status accorded to the teaching profession by noting that it is one of the most undervalued professions. Teachers are not particularly well paid, and the poor salary of teachers, when compared with their counterparts who are engaged in other professions with comparable level of education and experience, is one of the challenges teachers have to cope with. The salaries of teachers are seriously inadequate consequently; many teachers are forced to find additional income to augment their poor earnings, which invariably will have a serious negative impact on their overall performance.

Opportunities for teachers to earn additional income from private coaching of students and school based incentives which is common in many urban areas, appear to be quite limited, mainly because of widespread poverty in rural areas.

Focus group discussions with teachers also noted that the quality of life in the rural areas may not be as good as in urban areas. Accommodation is poor and teachers have to share accommodation, school facilities, resources as well as recreational activities are inadequate in rural areas. Teachers further noted that career advancement and opportunities for further studies are often unavailable or very difficult to come by in the rural areas. In addition teachers have raised health concerns in accepting offers to teach in rural schools. Most rural health service centers are not easily accessible.

The teachers surveyed in this study also cited difficult working conditions as a challenge they face in rural areas. Working conditions cited by teachers as challenges include lack of basic resources and materials, lack of a strong professional community, ineffective leadership, and discipline issues. Teachers report that large class sizes and the physical conditions of schools impair teaching.

**STRATEGIES FOR DEALING WITH THE CHALLENGES**

Teachers and quality teaching are critical factors to the development of any educational system. Any socio-economic strategy, aimed at improving schools and human development must, of necessity, emphasize the advancement and working conditions of teachers.

As part of this study teacher and school heads were asked to identify strategies that can be implemented to counter the challenges raised in this research. The participants identified the following strategies as crucial to the provision of quality education in rural areas.
IMPROVING THE WORKING CONDITIONS OF TEACHERS

The strategies that can be implemented to improve the working conditions of teachers must focus on teachers’ salaries and other financial incentives.

Teachers should receive salaries that reflect and are commensurate with being part of the teaching profession and their contributions to the society as well as wages that at par with colleagues with similar qualifications in other professions in the private sector. In addition teachers in rural areas should be compensated with additional financial incentives, in the form of hardship allowance and travel allowance higher than their urban counterparts. If teachers are paid an adequate salary they will not leave the teaching profession for better paying jobs.

The author suggest other financial incentives such as tuition support, loan forgiveness, and signing bonuses. Such incentives are seen as a motivating factor for teachers to accept position in rural areas.

The interviewed teachers also suggested a system of retention allowances to be paid every month for teachers teaching in rural areas. The teachers suggested the retention allowance to be pegged at 30% of their basic salary as this will go a long way in boosting motivation and morale amongst teachers. As part of the process of improving their working conditions, participant in this study highlighted the need for intrinsic motivators such as esteem and professional satisfaction which call for recognition of teachers as professionals and that they should actively participate policy making and curriculum development.

As part of improving their working conditions participants in this study highlighted the need for the government to provide adequate physical infrastructure in the school, including water, latrines, electricity, since infrastructure around the school makes a positive difference to teachers’ attitudes to work. The teachers noted the need to have road networks leading to rural area and school improved so that they become easily accessible.

CAREER AND PROFESSIONAL DEVELOPMENT FOR TEACHERS

As noted earlier on one of the challenges teachers in rural school face is that career advancement and opportunities for further studies are often unavailable or very difficult to come by in the rural settings, the participants highlighted the need for career development incentives package for rural teachers.

Such incentives include scholarships for teachers seeking further their education while working in a rural area and attain a higher qualification. Apart from scholarships the participants noted that the parent Ministry of education should invest in quality staff development. Research studies have indicated that...
high-quality staff development programs lead to improved classroom teaching and employee retention, especially in small and rural schools. However it is saddening to note that such efforts are hindered due to a shortage of funding.

The participants noted that they are called upon to implement contemporary educational trends and embrace new ways of delivery therefore the need for them to attend professional development and career advancement courses. By being involved in professional development, the participants noted that it is a way to improve the quality of instruction in classrooms.

The teachers also highlighted the need to have a cohesive professional body to control and regulate the conduct of teachers in the country just like the other professions such as medicine, finance, banking, accountancy, engineering and law. The participants also noted that this professional body should pay particular attention to the professional works and activities of teachers and ensure that not just anybody is made to perform the functions of a teacher, especially if the person is not professionally qualified.

**TEACHER PREPARATION FOR RURAL SETTINGS**

An important factor in improving the teaching conditions of rural schools is to focus on preparing teachers to teach in rural settings. The teachers that are recruited to teach in rural schools must be prepared for the conditions of rural teaching. They not only must have the credentials they need, but they should also be aware of the nature of small schools in rural communities. The teachers who participated in this study noted the need for teachers to have some experiences to prepare them for teaching in rural communities.

The school heads who participated in the study highlighted the need to recruit locals for teacher training since many teachers are reluctant to teach in rural areas and assisting local residents with potential to become teachers, in obtaining the needed education and training

**CONCLUSION**

Teacher play a pivotal role in any education system and they are the most important determinant of student learning is the classroom, yet as a result of the poor environment under which teachers work, especially in the rural areas, the quality of education has been adversely affected. This study attempted to highlight the challenges that teacher and teaching face in rural Serbian schools. It was found out that many rural schools find it increasingly difficult to recruit and retain qualified teachers. The study also revealed that rural schools do not have the
financial capacity to offer incentives to teachers as compared to their urban counterparts therefore fail to attract teachers to teach in rural schools. Furthermore it has also been shown that career and professional development opportunities for teachers are often more limited in rural and remote schools. Other challenges that rural education faces include poor working conditions of teachers, poor remuneration of teachers, and lack of adequate resources, inadequate accommodation and dilapidated buildings. The study also revealed that it is important for government to improve the working conditions of rural teachers by paying rural teachers a monthly retention allowance pegged at 30% of their basic salary as this will go a long way in boosting motivation and morale amongst teachers. Further, government should provide scholarships for teachers seeking further their education while working in a rural area and attain a higher qualification as well as investing in high quality staff development programs that can lead to improved classroom teaching and employee retention in rural schools. There is also need for a cohesive professional body to control and regulate the conduct of teachers in the country just like the other professions such as medicine, finance, banking, accountancy, engineering and law. This professional body should pay particular attention to the professional works and activities of teachers and ensure that not just anybody is made to perform the functions of a teacher, especially if the person is not professionally qualified. Finally teacher training institutions should have programmes to prepare teachers for the conditions of rural teaching

**LIMITATIONS OF THE STUDY**

Because of time limitations, the research was conducted only with a small population of privileged teachers and school heads in Kursumlija district. Therefore, to generalize the results the large Serbian population of teachers should have involved more education district in more provinces in the country. The extension of the study period of the research to a year in order to visit more education districts in the country could have made the findings more conclusive.
REFERENCES


Ova studija ima cilj da istraži kvalitet obrazovanja u školama u Kuršumliji, ruralnom delu Srbije, iz perspektive administratora, nastavnika i učenika. Cilj ove studije jeste istraživanje izazova koji postoje prilikom pružanja kvalitetnog obrazovanja u ruralnim srednjim školama u oblasti Kuršumlije u Srbiji, i da identifikuje strategije koje mogu biti usvojene da bi se oni prebrodili. Ova studija se vodila prema sledećim istraživačkim pitanjima: (1) sa kojim se izazovima susreću nastavnici, učenici i škole u ruralnim delovima Srbije prilikom implementacije kurikuluma srednjih škola, (2) na koji bi način ovi izazovi mogli biti prevazidjeni?

**KLJUČNE REČI:** ruralne škole, ruralni nastavnici, obrazovanje nastavnika, profesionalni razvoj, kvalitetno obrazovanje

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THE QUALITY OF MORAVA COUNTY TOURISM PRODUCT AS THE DEVELOPMENT FACTOR OF ECOTOURISM

KVALITET PROIZVODA TURIZMA MORAVSKOG OKRUGA KAO FAKTOR RAZVOJA EKOTURIZMA

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ABSTRACT

Morava County is an area rich in numerous tourism potentials which could present the key factor in positioning the County on the tourist map of Serbia. Tourism resources and plentiful attractions in this part of the country can indeed be of interest to the international tourism market. The latest trends in this industry, indicated through a rising direction towards natural eco-destinations, accelerating personalization, as well as an increasing interest for selected forms of the tourist movements, should serve as a basis for faster and more complex tourist activity in this area.

The paper provides an analysis of the most appropriate method for the creation of an optimal tourism product which would serve as the key factor in Morava County ecotourism development. Accordingly, it processes all relevant factors of efficient product management, development carriers, as well as strategic decisions executors bound to act towards realization of high economic effects. Achieved quality of Morava County tourism product should be a constant subject to increasing tourism demand, satisfying tourism offer and overall ecotourism development as one of the most prospective types of tourism in the future.

KEYWORDS: tourism, ecology, tourism product, quality, county, area

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INTRODUCTION

Morava County is a relatively new destination on the tourism market holding various potentials which could, with certain amount of endeavors and financial resources, be efficiently used for ecotourism development. That is to say, Morava County tourism potential presents a basis for the development of a quality tourism product, which leads to meeting the criteria of modern tourist demand. In order for this destination to survive and excel competition, it is indeed necessary to own a tourism product of a certain quality level. In a twenty-first-century surrounding, management of such a product presents a very complex and compound assignment for all levels of government structures.

The main condition for a better market position of the County lies in the acceptance of the changes on the market, which requires creation of a unique tourism product in line with international quality standards. Namely, its composition should be in accordance with valid standards ISO 9000, ISO 14000 and the concept of total quality which is used for tourism product quality evaluation.

Starting from attractive natural tourism resources, Morava County has a very good basis for rapid development of ecotourism, and therefore versatile economic development as a whole, because, as we know, tourism is a complementary activity to other economic sectors (agriculture, environment, transport, etc.). Ecological values as tourism resources provide ideal conditions for the development of different forms of tourism which can meet the diverse needs and demands of tourists, who increasingly prefer natural healthy environment. In the modern process of tourism transformation, ecotourism implies offer expansion, enrichment of the tourism content and creation of a variety of the programs for modern tourists.

The above-mentioned facts indicate that full attention must be given to the development of ecotourism in the future. This area, due to its preserved natural and environmental resources, can provide recreation in both physical and psychological sense, having a significant impact on the improvement of tourists’ health and work ability. In addition, unlike most other forms of tourism, it does not require significant financial investments, which is truly an advantage in the era of the global economic crisis.
TOURISTIC-GEOGRAPHICAL LOCATION OF MORAVA COUNTY

Morava County covers a region of western and central Serbia, spreading on an area of 3016 km², and comprises of the following municipalities: Gornji Milanovac (836 km²), Cacak (636 km²), Lucani (454 km²) and Ivanjica (1090 km²). According to the latest census, 212,149 inhabitants live on the territory of the County, out of which 44,438 in Gornji Milanovac, 114,809 in Cacak, 20,855 in Lucani and 32,047 in Ivanjica (Census of Population, Households and Dwellings in the Republic of Serbia, 2011 - first results, page 17). Morava County is bordered by Kolubara County to the north, by Sumadija County to the northeast, by Raska County to the east and southeast, and by Zlatibor County to the west. The borders of the County are mostly natural and aligned by small and medium-sized mountain ranges and the area of the County is of irregular oval shape in the north-south direction (Kovacevic et al., 1997).

Morava County has a relatively favorable tourism position, which is determined by a complex territory and rich variety of tourist attractions, surrounding counties and geographic position at the main traffic routes. This part of Serbian territory is surrounded by larger cities at a distance of 150 km (Belgrade, Kraljevo, Kragujevac) and tourist values of the neighboring districts and therefore provides great opportunities for valorization of its tourism value.

Looking at Morava County as a whole and in comparison with neighboring counties and beyond, it can be functionally characterized as versatile, reachable, collaborative and transitable (Novovic, 2007).

County’s versatility is reflected through the functional interconnection of the different geographical areas such as: mountain ranges, plain land, gorges, rivers, lakes and spas. These regions are characterized by a number of tourism values and specific facilities built and incorporated into the surrounding environment. They have initiated the development of many types of the tourism movements, rich content of tourist stay and diverse tourism offer. Numerous Morava County tourism attractions play an important role in tourism development. However, not all of tourism potentials are of equal value. Some are not being used properly, while others do not deserve more attention. Hence, versatility must be emphasized throughout tourism propaganda, offer and tourism development. Speaking of versatility in functional terms of the County, it surely is of equal importance for the development of the domestic and international tourism. It provides dynamics and meets various requirements of tourism trends in terms of presenting different landscapes and tourism attractions, as well as their integration and permeation.

Reachability of Morava County is reflected through its contact with Zlatibor, Kolubara, Sumadija and Raska districts, as well as neighboring districts. These connections are important because of the diversity of the surrounding territories,
with different levels of development, various natural and anthropogenic attractiveness, as well as larger and smaller tourism opportunities.

Functional position enables collaboration and completion while creating new values, which makes the area and corresponding events more versatile. Neighboring districts add special significance to the establishment of the new tourism offer, which expresses great collaboration characteristics of Morava County.

Being transitable, Morava County’s position is very favorable considering main, regional and local roads. Passing of the highway through the municipalities of Gornji Milanovac and Cacak provides a good connection to the biggest and most attractive natural and anthropogenic attractions of the County: mountain Rudnik with springs and Svrackovacka spa, Gornji Milanovac and its surroundings, Cacak and Ovcarso-kablaraska gorge with lakes and monasteries.

Based on the above-mentioned facts, one can easily conclude that Morava County is located in the western part of Serbia at major traffic corridors. However, its main disadvantage is the distance from the corridor X, without a tourism development point in its influence area. However, this can be compensated by extraordinary geotectonic framework with such natural attractions which can serve as a basis for the development of ecotourism, with its growing demand on the market.

**WHAT KIND OF TOURISM PRODUCT SHOULD BE CREATED FOR ECOTOURISM DEVELOPMENT?**

Creation of Morava County tourism products is a process, not an act, which should unify all components of world’s integrated tourism product in order to meet the principles of sustainable development. This process involves a number of components.

The first part of creating Morava County tourism product refers to the natural (and anthropogenic) attractiveness. The most important natural attractions for the development of ecotourism are:

- Geological structure in the form of the unique rocks suitable for the construction of tourist facilities, as well as significant relief structures which provide opportunities for the development of various selective forms of tourism (mountain, rural, green, spa, etc.);
- Rich hydro-potential, where the West Morava, Moravica and smaller rivers are attractive for river fishing tourism development and the side roads for sports and sightseeing tourism;
- Mostly moderate continental climate, particularly pleasant during the summer period is favorable for healthy vacation and sports;
A great abundance of flora, represented by a number of forest areas with the most significant Natural Park "Golija" under state protection is suitable not only for vacation and recreation, but also educational and scientific research in the field of forestry, biology and ecology (Protection and Development Program of Natural Park Golija and Biosphere Golija–Studenica, 2003-2007, 2002).

It is necessary to add significant anthropogenic treasure to the natural attractions:

1. Numerous monasteries, churches, cultural and historical monuments, memorials, etc. (Roman baths, Vracevsnica, Vujan mausoleum, monuments to victims of the NATO bombing, etc.) can be a basis for the development of religious tourism;
2. Various events (Trumpet Festival, then Pipers Festival...), with diverse contents contribute not only to tourism and culture, but also economic and social development of the County as a whole;
3. Ethno-tourism values with specific and interesting architecture, old crafts, customs, beliefs, cuisine, natural rarities etc., present the major tourist potential.

Rich, natural, ecologically preserved values of anthropogenic attractiveness can indirectly contribute to the promotion of Morava County as a healthy environment, through the development of different types of tourism. Natural-anthropogenic factor is extremely important because it affects the selection of Morava County as an ecological destination by tourists, but also their future behavior. Attractive features just may be the driving force and the leading reason why tourists choose to take trips.

The second part of creating Morava County tourism product is the so-called communicative factor or accessibility of the area. Good roads, built water supply systems, sewerage systems, power supply, telecommunications, information centers and systems and access to playgrounds, swimming pools, ski lifts and etc., allow guests easy arrival and a pleasant stay. This means that built infrastructure must be unique.

Morava County lies at approximately 100 km from Belgrade, the largest and most important domestic tourism market, and it may take from 1 to 3 hours by good roads to reach it. In addition, travel costs are lower compared to other more distant destinations due to its location in western Serbia.

The destination itself needs to achieve higher quality of the sports fields, walking trails, ethnic and amusement parks, regulated hunting grounds, sports and recreation areas in the mountains and rural areas. With good access to all tourist sites, this will allow rich experience for tourists and provide them the opportunity to shape their healthy holiday.

The third part of creating Morava County tourism product lies in the attractive facilities, built for an enjoyable stay: accommodation, restaurants, cafes, amusement units. Presently, there is more or less basic offer of accommodation and complementary capacities.
The main facilities are located mainly in larger and more developed tourist areas. Despite the relatively satisfactory number of hotels and motels, a lack of other basic facilities, primarily tourist apartments, resorts and bed & breakfasts boarding houses is painfully obvious.

Complementary accommodation capacities are extremely underdeveloped and many are not statistically accounted because of the insignificant number of tourists they accommodate. Through the adaptation of the existing and construction of the new accommodation facilities, Morava County could, in a very short period of time, increase significantly its offer, because such facilities do not require major financial investments.

Catering facilities, unlike accommodation ones, whether being their part, or independently located in separate capacities, are much more developed and placed more evenly. They can be found in all parts of Morava County, not just in major tourist areas. Furthermore, there are shops of all kinds and a whole range of services from hair salons to shoemakers, etc. Within this range, the creators of the extra-spending potential who combine different construction styles, gastronomy, hospitality and presentation of ethno characteristics, contribute to the quality of the offer, which should be the result of Morava County authenticity. Special attention should be given to this element of the tourism product, primarily because the material basis is a factor where tourists’ spending is directly implied.

The fourth part of Morava County tourism product creation is the “production” of tourism services, from supply elements to complete distribution and usage. The key role in this part should be played by management, i.e. management of all phases of tourism product establishment, to the final recognizable brand of the highest quality, which has already been achieved with traditional Trumpet Festival in Guca. During recent years, this Festival has been attracting over half a million visitors. Rising quality can be achieved by continuous improvements and innovating the crucial components of the program. Thus, at the beginning of 2008, a new competition system was implemented in the finals of the 48th Festival (Economic Review, 2008). For the first time, the semi-final competition was introduced, which resulted in decreasing by four the number of orchestras at the main festival program. The reason is simple: until then, the finale took about five to six hours, and visitors just could not wait for the announcement of the winners. In the new competition system, this period is much shorter.

Finally, the fifth part of creating Morava County tourism product depends on organizational policy, participants in the process, but also the state itself. In order to fully implement this part of the process, visa, monetary, tourist-organizational and state regime for tourist flow between countries, full coordination must be achieved, as it has already been done among the members of the European Union. As one can see, this is the most sensitive, the most complex and the most dynamic segment of the product creation, where positive movements have been noticeable in the last couple of years.
THE QUALITY OF MORAVA COUNTY TOURISM PRODUCT AS A STANDARD TO BE ACHIEVED

Previously described structured Morava County tourism product must have the quality in order to meet modern consumers’ expectations. Hereof, its creation should be in accordance with valid and accepted standards: ISO 9000, ISO 14000, ISO 14001, ISO 14002 and of subject to international norms of quality defined by the UNWTO, UNEP and different European commissions for certain forms of tourism. As a family, ISO 9000 group of standards includes coherent cluster of quality management system standards that facilitate mutual understanding in national and international tourism industry, which provides four main objectives:

1. Transparency of competences and responsibilities in tourism organizations and destinations;
2. Process compatibility
3. Risk identification and
4. Correction of errors and elimination of their causes (Hansruedi Müller, 2000).

Today tourism especially emphasizes the need for long-term security and preservation of pristine nature and environment. International standards ISO 14001 and 14002 administer the requirements of environmental management. By implementing a system of environmental management, Morava County tourism product can achieve many economic benefits:

- Gaining confidence of mass and selective tourists;
- Increasing share and reputation on the national and international tourism market;
- Satisfaction of investor criteria;
- More successful access to foreign capital;
- Improving cost control;
- Maintaining good relations with the environment and the community, etc. (Novovic, 2007).

Creating and defining the destination product in modern conditions is related to the development of the total quality management concept (TQM). This concept focuses not only on maintenance of achieved quality level, but its further improvement. Total quality is a philosophy rather than a system or a technique, which brings a number of benefits, not only operationally, but also in the area of strategic management. TQM can be defined as "a holistic, organizational approach that systematically seeks to increase customer satisfaction, by focusing on continuous improvement and without incurring to unacceptable costs growth" (Cooper et al, 2000).
If we start with the latest European tourism trends which primarily consider TQM to be a good management practice (Cosic, 2007), qualitative features of Morava County tourism product can be divided into the following main groups:

1. Rising the quality of tourist attraction to a European level;
2. The tourism product is fast becoming a component of physical, economic, social, environmental and political developments in each region, which allows Morava County to extend the season at any time, by using complementary components of the product; and
3. The tourism product should be more and more a result of scientific and technological achievements, adapted to the new-technology age tourist experience, and combine attractive authentic natural and anthropogenic components in order to provide a synergistic effect, allowing Morava County region to be worth more as a whole than the sum of its individual parts on the market.

Morava County tourism product determined in accordance with TQM practice becomes a "way of life". This means that it should be institutionalized, logically organized and correspondent to regional culture and tradition, all in order to adapt to modern tourists, disloyal and curious by their nature.

Concerning the achievement of the desired success, it is clear that TQM cannot be considered and treated independently, without connection to the marketing concept. Toward accomplishment of the highest possible level of market attractiveness, competitiveness, profitability and quality, Morava County tourism product must include not only traditional, but also modern marketing mix instruments.

**WHAT SHOULD BE DONE IN PRACTICE TO DEVELOP ECOTOURISM?**

So as to preserve a healthy natural environment and develop ecotourism in the future, the quality of Morava County tourism product is necessary. In order to achieve it, it is necessary to develop different types of contemporary selective tourism. Being highly diverse in motifs and of various degree of attractiveness, Morava County destination as such represents a favourable ground for the development of different types of tourism. Starting with interesting examples of spatial division of some developed countries, from the geographical aspect, Morava County area can be divided into:

1. Plain area;
2. Pre-mountainous area; and
Plain area includes urban and suburban settlements of Morava County. As such it enables development of the following types of tourism:

- City tourism, with different purposes (educational, cultural, business, congress etc.), which is possible to develop in all urban settlements, especially in Cacak;
- Religious tourism, considering rich cultural heritage of all settlements (urban, suburban and rural);
- Transit tourism, for the directions significant for western and central Serbia, on which there are rich natural and anthropogenic motifs (widely known the roadside monuments). For the needs of tourist visitors, it is necessary to arrange the existing and built new accommodation and food facilities on those directions, paying attention not to disturb natural ambience;
- Fishing tourism, on all waters of Morava County, with precisely defined locations for sport as well as economic and tourism fishing;
- Rural tourism, in suburban settlements, which should be converted into ethno-settlements of a high quality, but with the original physiognomy. In this field, there are infinite possibilities regarding offer enrichment, for additional contents may also include the events of everyday work: mowing, seeding, outdoor parties, slavas, etc.

Pre-mountainous area encompasses edges of the plain region, as well as hilly terrain of Morava County. It provides an opportunity for developing the following types of tourism:

- Rural tourism, on this area may be the leading form of tourism, which, together with agriculture as a dominant economic activity, may provide significant economic benefits. The most attractive villages are settled on the edges of the mountains Golija and Rudnik;
- Health tourism, as there are numerous thermomineral springs as well as active spas. All the springs and spas should be developed together with other touristic motifs in their surrounding, in order for those places to become significant and known, for treatment and prevention of ill people as well as active recreation, leisure and entertainment of healthy clients;
- Excursion tourism, regarding specific land configuration, and there is a numerous anthropogenic wealth as well. What is important for its more intensive development is tourism infrastructure arranging: playgrounds, pedestrian paths, bicycle paths, lookouts, etc.

Mountanious area, though the smallest, can play a significant role in the future tourism development in creating Morava County integral tourism product of a high quality. As an individual tourist motif or a complementary offer to other tourism aspects of premountainous area, it is favorable for the development of the following types of tourism:
− Winter sport-recreational tourism, primarily on Golija, as a mountain which satisfies international criteria of winter tourist centers. So as to preserve natural ambient, it is necessary tourist accommodation and food facilities to be built at its foot, not at the top, thus achieving rational use of space and not disturbing the environment;

− Health tourism, for this area combined with premountainous is suitable for treating cardiovascular and respiratory organs. Its significance is particularly visible in prevention. With a favorable combination of air ionization and the wind rose, Golija is included in the catalogue of Climatological Institute of Switzerland; and

− Hunting tourism, as Morava County mountain forest areas represent diverse wildlife habitats. A significant touristic motif for the adventurously oriented tourists may be the wolf chase, which is traditionally organized on Golija for many years;

Nowadays, regions of a relatively small spatial coverage as it is Morava County are difficult to find, on which it is possible, concerning a comprehensive tourist offer, to develop different types of tourism on the entire area. According to our proposal, dispersive spatial tourism development has to be well planned and organized, so as to obtain an integral tourist product of the highest quality in accordance with the aforementioned objectives of ISO 9000 standard, and particularly ISO 14001 and 14002 standards, in order to preserve the environment, and consequently, to develop ecotourism in this area.

SWOT ANALYSIS OF MORAVA COUNTY TOURISM PRODUCT

So that the visitors of Morava County as a tourist destination could use all the elements of its integral tourist product in a quality manner, it is necessary to provide:

− repletion of hotels and other accommodation facilities, catering and commercial facilities, etc., as well as

− physical reachability of the mentioned capacities and facilities, cultural-historical monuments and localities, sport-recreational and entertainment content, travel agencies, post offices, banks, health services etc.

Strategic perspective of Morava County tourism product development defines estimation of the elements with comparative advantages in relation to other destinations, of which may become the most popular tourism product of the highest quality from the aspect of modern tourists. For the purpose of testing the quality of Morava County tourism product, the SWOT analysis has been done.
Table 1: SWOT analysis of the quality of Morava County tourism product

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td>Favorable climate</td>
<td>Deficiency and a low quality level of the accommodation capacities service</td>
</tr>
<tr>
<td>Unspoiled natural environment</td>
<td>Deficiency of strong enterprises which can assume larger projects</td>
</tr>
<tr>
<td>Diverse tourism offer (natural as well as anthropogenic)</td>
<td>Undeveloped commercial offer intended for tourists (souvenirs, etc.)</td>
</tr>
<tr>
<td>Recognizability of the region in geographical terms</td>
<td>Obsolescence of traffic network and transportation capacities</td>
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<tr>
<td>Favorable tourism infrastructure</td>
<td>Deficiency of full and selective measures which would continuously and in the long term encourage tourism development</td>
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<tr>
<td>The gastronomic offer</td>
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<td>People’s hospitality</td>
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<tr>
<th>Opportunities</th>
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Source: Authors’ common opinion

Morava County acquires a significant precedence on the tourism market due to its natural and anthropogenic values. Natural beauties of the region combined with a variety of cultural and historical monuments from different epochs represent a great wealth for the intensive modern tourism development. If one adds to it a healthy food and the inhabitants’ hospitality, then Morava County tourism product should be placed on the domestic as well as international market.

Due to the opportunity of development of selective tourism forms on the entire area of Morava County, greater emphasis should be placed on the market segments with a particular interest to culture, protected environment, rural, spa, hunting tourism, etc. Thereby its greatest opportunity is related to stronger market penetration, with the aim of exploiting its potentials as well as possible over a longer period of time.
Major disadvantages of Morava County tourism product refer to the low quality level of accommodation services, that is to say, unconstructed capacities for the purpose of tourism development, distance from the corridor 10, as well as the competition of neighbouring districts: Zlatibor district (Tara, Zlatibor...), Raska district (Sopocani, Djudjevi Stupovi, Vrnjacka Spa, Mataruska Spa...), Kolubara district (Divcibare...) and Sumadija district (Bukovicka Spa, Oplenac, Sumarice...). The existing disadvantages can be eliminated by the development of different selective tourism forms, according to the abovementioned spatial disposition.

The listed advantages greatly outnumber the disadvantages, so that the quality of Morava County tourism product can be positioned as ’’an image of development, life and spirit of a nation, which has been preserved in its initial form’’ (Tourism Strategy of the Republic of Serbia) in the world of tourism.

A high-quality tourism product requires successful work coordination of the individual offer carriers, in order for them to realize their partial goals within the integral tourism product. Modification and improvement of the existing tourism offer is the key to success on the tourism market, which is characterized by an increasing competition between tourism destinations. In contrast to earlier periods when destinations endeavoured to attract tourists exclusively with favorable prices, nowadays they strive to provide an optimal set of services with a high-quality tourism product, appropriate to the segment of demand which is more and more ecologically oriented.

Analysis of the elements for the development of Morava County integral tourism product indicates several priority areas of intervention in the future. Focusing on the strategic plan is necessary for concentrating of human, financial and other inputs on the most significant factors whose timely and adequate guidance to the desired direction can show reliable results (Popovic, 2012).

Only in that manner Morava County can provide the tourism product of the highest quality which simultaneously satisfies mass tourist (with its scope and different qualities) as well as postmodern tourists (with lesser scope with specific purposes and a high quality), all within the ecologically oriented tourism.
CONCLUSION

Morava County has sufficient potential to build a tourism product of high quality, because it holds the resource of preserved environment, which allows for the development of ecotourism at an extraordinary level. Numerous analysis, not only domestic but also international, have shown that Golija (Ivanjica municipality) is a mountain with the most complex environmental values and astonishing energy point: wind rose, air ionization and exceptional biocenosis (Sustainable Development Strategy of Ivanjica Municipality 2009-2014, 2009). Therefore, it may be particularly important in solving the so-called business stress, allowing the County to become the center of the specific individual tourist movement.

In addition, Morava County possesses a variety of agricultural raw materials for the development of rich gastronomic tourism, whose prices in restaurants and hotels can be significantly lower than in the surrounding region. In this regard, tourism can achieve the highest integration with agriculture and ecology in this particular area.

Producing high quality uncontaminated food, agriculture becomes a factor and feature of the tourist offer, since it allows permanent and additional staffing in the evolving industry. On the other hand, tourism trends gain "peripheral" dimension, because ecologically pure, industrially clean, rich in agriculture area becomes more and more appealing to tourists. Thus, tourism can initiate the development of agricultural rudimentary zones, construction and penetration of other industries to this region.

When it comes to the relationship between tourism and the environment, preserved nature of this part of Serbia holds a good basis for the development of various selective tourism trends. This relationship provides a solid ground for continuous growth and improvements. It is particularly evident in the field of ecotourism and nature-oriented tourism, which combine the benefits of different types of tourism with the main goal of balancing the use and preservation of the environment. Thereby, it is important to emphasize that, unlike other forms of tourism, ecotourism development does not require significant financial investments, which can be a favorable circumstance for Morava County, especially in conditions of scarcity of resources in this transition period.

Morava County development prospective is reflected in the intensive orientation to the progress of ecotourism. This requires further engagement on the improvement and rising the quality of the tourism product, which can be achieved by establishing a wider range of complementary services that will advance tourism offer and thus contribute to the profiling of Morava County modern tourism product.

The established quality of Morava County tourism product will contribute to increasing visitors’ satisfaction, while improving the local community and its life standard. From an economic outlook, a defined tourism product will increase
employment opportunities and provide additional incomes for the local community as a whole. In social terms, the development of tourism will enhance the demographic structure, grow social contacts and cultural exchange with visitors. Ecologically, this development should be based on sustainability, which means that it has to be long-term achievable and environmentally acceptable for the local community.

REFERENCES


APSTRAKT

Moravski okrug je oblast koja je bogata mnogobrojnim turističkim potencijalima, koji bi mogli da predstavljaju ključni faktor prilikom pozicioniranja ovog okruga na turističkoj mapi Srbije. Turistički resursi i obilje atrakcija ovog dela zemlje mogu biti interesantni internacionalnom tržištu turizma. Najnoviji trendovi u ovoj industriji, koji su pokazani kroz porast interesovanja za prirodne eko destinacije, ubrzanu personalizaciju, kao i kroz porast interesovanja za pojedine oblike turističkih kretanja. Sve ovo bi trebalo da posluži kao osnova za bržu i kompleksniju turističku aktivnost u ovoj oblasti.

Ovaj rad pruža analizu najprikladnijeh metoda stvaranja optimalnog proizvoda turizma koji bi poslužio kao ključni faktor razvoja ekoturizma u Moravskom okrugu. Shodno tome, rad obradjuje sve relevantne faktoare efikasnog menadžmenta proizvoda, razvoja karijera, i strateških odluka koje moraju biti donešene na putu do postizanja bitnih ekonomskih efekata. Taj postignuti kvalitet proizvoda turizma okruga Morava bi trebalo da konstantno bude objekat turističke potražnje, da zadovoljava svojom turističkom ponudom i da doprinese ukupnom razvoju ekoturizma kao jednog od najperspektivnijih tipova turizma u budućnosti.

KLJUČNE REČI: turizam, ekologija, proizvod turizma, kvalitet, okrug, oblast

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THE REVIEW OF THE BOOK ENTREPRENEURSHIP-
MODERN DEVELOPMENT TENDENCIES

PREGLED KNJIGE PREDUZETNIŠTVO - SAVREMENE
TENDENCIJE U RAZVOJU

Slavko Karavidic
Mirjana Radović-Marković
Marija Čukanović-Karavidić


Book, „Entrepreneurship – Modern development tendencies“ represents comprehensive monograph which gives the complex and whole presentation of the real entrepreneurial phenomenon and issues of the entrepreneurial economy. Besides the theoretical hypotheses, it offers the range of solutions and practical examples, which makes it very applicable in entrepreneurial practice. This was achieved by the high degree of flexibility and complete integration of domestic and international perspectives and experiences into this useful material.

This book emphasizes the applied perspective of entrepreneurial economy of innovations and entrepreneurship, and it presents a unique analytical framework for the studies of business economics and entrepreneurship. In its seven parts of around 300 pages, it discusses the essential themes and defines the notions connected to this area.

Although entrepreneurship has a long tradition and its roots can be found in the distant past, this problematic is constantly developing and changing according to the changes in the business environment, determined by the economic, social and political atmosphere. Therefore, it has to be „the synthesis of the old and of the new, modern knowledge and traditional wisdom. Modern economy of entrepreneurship is constantly growing and developing in the joint action of these two.“ (Radović-Markovic,2013). That is how one should understand this scientific publication, which represents everything that makes the essence of entrepreneurial science at present, but leaves the space for its upgrading, modifying and expanding through new entrepreneurial challenges and requirements which will become its future characteristics. Therefore, one should expect that this valuable monograph will be also published, many times, with certain changes and additions and that it will constantly be in the function of development of this scientific discipline.
In the end, we recommend it to all those who are wondering about many theoretical questions and terms, as well as to those who are looking for the solutions for their entrepreneurial ideas which they do not know how to realize. It can also be useful to the researchers and scientific workers, which deal with this scientific discipline and want to see it in its integral version.

Taken from the book review
REVIEW OF THE CONFERENCE,, EMPLOYMENT, EDUCATION AND ENTREPRENEURSHIP,-EEE 2013

PREGLED KONFERENCIJE „ZAPOŠLJAVANJE, OBRAZOVANJE I PREDUZETNIŠTVO“-2013

Zorana Djuricic

The second international conference under the name of Employment, Education and Entrepreneurship, was held in Belgrade, from 16th to 18th October 2013 in the hotel Best Western Sumadija. This conference was organized by Faculty of Business Economics and Entrepreneurship from Belgrade in cooperation with International Research Institute for Social Entrepreneurship and Economic Development (IRISEED) Birmingham, Great Britain, Faculty of Economy and Management, Northwest A&F University, Yangling, Shaanxi – China, Faculty of Entrepreneurship, University in Teheran, Iran and European Council for small business and Entrepreneurship, (ECSB) in Turku, Finland.

The Conference was attended by a large number of participants who had their presentations within the plenary and thematic sessions. More than 250 experts from the areas of entrepreneurship, economy, management, marketing, information technologies, law took part in the conference and in their presentations, they pointed out to the most significant problems in the areas of employment, education and entrepreneurship.

Besides the papers of Serbian participants, papers for the conference were sent by the authors form Hungary, Bulgaria, Romania, Czech Republic, Austria, Albania, Great Britain, Portugal, Mexico, China, Iran, Algeria, Togo, Serbian Republic, Bosnia and Herzegovina, Macedonia, Croatia and Montenegro. The conference was also attended by three academicians: Prof. Dr. Mirjana Radović-Marković, Prof. Dr. Radmila Grozdanić and Prof. Dr. Slavko Karavidić. Besides the representatives of a large number of Universities and schools, the conference was attended by the representatives of National Bank of Serbia and other business banks, Ministry of Defense of the Republic of Serbia, Institute of Economic Sciences and other institutions.

Main goals of the Conference are: For a Conference to be a good platform for the exchange of international experiences and good practice directed towards
decrease of high unemployment rates and encouraging the employment through
greater dynamics in the development of private entrepreneurship, on the national
economies level and global as well.

To consider various possibilities and domains of developing enterprises (e. g.
Agribusiness, eco-tourism, green economy and other).

To determine the direction in which the new strategies of entrepreneurship
education should develop, in order to encourage creativity, development of
individuality, creative and logical thought, which are important preconditions for
encouraging the entrepreneurial initiative in practice.

To examine the possibilities of better synergy between the scientific and
educational institutions and the business environment.

Thematic areas of the conference were education, employment and
entrepreneurship considering that they represent the important trinity, with
causality between them which can be seen in the fact that private entrepreneurship
is the generator of creating new jobs and contributing to employment, and that
through entrepreneurial education, entrepreneurial competences are developed
which turn business ideas into reality and make entrepreneurial activities more
successful. This year we introduced a novelty in organizing the round table. The
theme was Possibility of creating green jobs in Serbia.

All papers at the conference went through professional review, after which we
accepted 100 papers. They are all published in four monographic publications:
Education and employment as opportunities for entrepreneurs; Entrepreneurship:
economic development and finance; Issues of gender IT and marketing in
entrepreneurship, Rural entrepreneurship: possibilities and challenges.

The Conference was opened by the representatives of Faculty of Business
Economics and Entrepreneurship Prof. Dr. Mirjana Radović-Marković president of
the Scientific Board), Mr. Dušan Cogoljević MA, owner and founder, Prof. Dr.
Goran Kvrgić, director, as well as the representative of the National Assembly Dr.
Aleksandra Tomić. After the opening ceremony, the working part of the
Conference was continued by very interesting presentations by Prof. Dr. Mirjana
Radović-Marković (Faculty of Business Economics and Entrepreneurship from
Belgrade), Prof. Dr. Snežana Ilijeva (University St. Kliment Ohridski from
Bulgaria), Prof. Dr. Radmila Grozdanić (Faculty of Business Economics and
Entrepreneurship from Belgrade), Prof. Dr. Slavko Karavidić (Faculty of Business
Economics and Entrepreneurship from Belgrade), Prof. Dr. Radovan Pejanović
(Faculty of Agriculture, University of Novi Sad), Prof. Dr. Boufelfda Ghiat
(Faculty of social sciences, University Oran from Algeria), Prof. Dr. José G.
Vargas-Hernández (Faculty of Economics and Management, University of
Guadalajara from Mexico).

At this year’s conference an agreement on business and technical cooperation
between Faculty of Business Economics and Entrepreneurship and University St.
Kliment Ohridski from Bulgaria was signed. This will contribute to the exchange
of knowledge and experiences in the future cooperation.
Within the thematic sessions which were dedicated to education, employment, entrepreneurship and ecology the participants had the chance to hear, discuss and give useful suggestions connected to the encouragement of entrepreneurial development of small and medium enterprises, solving the issues of unemployment, significance of education and rural entrepreneurship for the survival and development of society.

The conference was ended by a discussion and concluding remarks which were given by Prof. Dr. Slavko Karavidić. The prizes were given for the best work and contribution to the conference.

In the end we can conclude that the conference met the expectations of the organizer and the participants. Many new questions were raised, which will surely be included in the program of the following conference, whose organization has already begun.

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