Management and Marketing Development in Central and South-East Europe

Collection of Works

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For Editor
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UNIV. PROF. DR. MILIJA ZECEVIC

Professor Dr. Milija Zecevic was born in Vasojevici, the village of Vinicka, Montenegro, on Nov. 5, 1940. He graduated from the Belgrade University Faculty of Sciences – Department of Mathematics; he achieved his Master of Science degree from the Belgrade Institute of Economic Sciences; and Doctoral degree from the Belgrade University Faculty of Organizational Sciences. Professor Zecevic has organized numerous symposia and scientific gatherings covering the following topics: European Business and Management, American Business and Management, Japanese Business and Management, International Management, International Relations, International Diplomacy, European Integration Processes, Creating New Europe… Prof. Dr. Zecevic is the author of more than 200 papers, published in foreign and domestic collection of scientific papers and publications; he has also authored 39 course books in the field of Management, International Management, Mathematics, International Business, International Relationships, European Business, etc.

- Rector, Owner and Founder of European University, Belgrade;
- Commander of World Order of Science - Education - Culture, EAI, Brussels;
- Grand PhD of Western Philosophy, European Academy of Informatization;
- Honorary PhD, International University Albert Schweitzer, Geneva;
- Member of International Diplomatic Academy Senate;
- Full - time Professor at European Academy of Informatization, Brussels;
- President of UN Distance Education Board, Vienna;
- Academician of American Biographical Institute, New York;

Opening Words

Ladies and gentlemen, I would like to welcome you all!

First of all, since it is my great honour, I would like to welcome Professor Dr Srdjan Stankovic, the president of the National Council for Higher Education; Professor Dr Branko Kovacevic, honorary president of all universities in Serbia, and according to many, and especially according to my opinion, the best Rector the University of Belgrade has ever had; Professor Dr Ivo Armenko, who is also ambassador and who will preside the plenary session; deputy mayor, Andrija Mladenovic, Ma; Dr Dragan Lakicevic, director of the Institute of European Studies; Milan Aleksic, founder and president of the New Academy and member of the National Council. I consider Toplak to be one of us. He is our long-time friend from Slovenia, the Academician of the European Academy of Sciences and Arts from Vienna, by the way, splendid ambassador.

I would also like to welcome Deans and Vice-Deans: Professor Dr Leposava Zecevic; Professor Dr Olgica Zecevic Stanojevic; Professor Dr Boris Stanojevic; Professor Dr Dragan Nedeljkovic; Professor Dr Vladan Zecevic; Dr Dragoljub Martinovic, head, as they say, of the best School of Electrical and Computer Engineering of Applied Studies; Dr Srdjan Stojanovic, dean of Faculty of Pharmacy in Novi Sad; and Professor Dr Miodrag Nikolic, emeritus.

I will specially welcome the students of the College of Hotel Management that came in great number; students of the Faculty of European Business and Marketing; students of the Faculty of International Management Engineering; and among them are also some candidates, possible future students of the European University.

Our project, with all of our partners, but not just with our partners, regards science, education and diplomacy in function of peacemaking. That is, our strategic project realized in cooperation with the United Nations and all other members; and I believe that all professors, no matter how hard they work, they work on that project, because it is significant for the entire world. We also work on several projects that involve international business, international management, European business, international relations and international diplomacy, and all this is in cooperation with our foreign partners. Besides that, I should mention that all of our faculties have the accreditations. We have basic studies, master studies and doctoral studies in all three areas; and now we also have the fourth area – medicine.

Apart from our obligatory assignments that are necessary for gaining the accreditation and work license, we have developed the international cooperation. We are associated with countries of the European Union, as well as with some South and North American countries, depending on a project, but mostly with the United Nation's support.

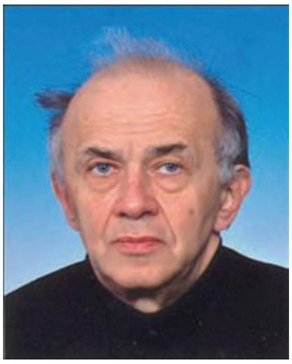
Our name is the European University, but, if I may say, we are the European University of Belgrade. And our best university is, indeed, the University of Belgrade. If it were not for that University, all other universities would not exist. By saying this, I do not refer only to Serbia but also to Slovenia, Croatia, Macedonia, and Montenegro. And regarding our name, *The European University* stands for different integration concepts. We all know that World Integration is inevitable, but there is also Euro-Atlantic Integration, which we do not support a lot. I think the reason for this is evident - because of the NATO alliance. Furthermore, there is also Euro-Asian Integration; and we are most fond of the Euro-Russian Integration. We believe that Europe cannot progress without Russia; and I always, as someone that has been following and watching that development throughout years and also as mathematician, state that there is no college book that we had studied that wasn't from Russia, whether it was a workbook or something else.

Nowadays, I think that all Europe should cooperate with Russia, alongside with Serbia, of course; while as Montenegro should remove their sanctions towards Russia. I mean, it is all right, I do not want to enter the politics but some things should be mentioned, which are significant for our development, and I mostly refer to Serbia, Montenegro, and the Republic of Serbia. But I also think about development of countries within the region of Central and Southeast Europe. This region is not as big as Germany; therefore, we should cooperate mutually and develop our business with all our neighbours in Central and Southeast Europe. We support the South Stream that connects all of this and surely this project, which is primarily New Europe's project, is changing on daily bases with new relationships, as you can see the climate is also changing. After all these floods, Serbia is in a difficult situation and we would like to thank to all of those that came to help us; and the first helpers came from Russia and Montenegro but there are also the others that have helped and keep helping in removing all these trouble.

Today, we are having the Plenary Session, which will be held according to the programme that you have the opportunity to see. Professor Dr Ivo Armenko will preside, and afterwards the room will be divided in two parts and two sessions will be held. All presenters will speak on selected topics, but they will mainly talk about the significance of younger generations' development. Young generation is increasingly starting to stand out and to claim its status. Somehow, that status is neither adequate in Serbia nor wider, because many people do not have jobs, and they are eager step out. This is not the case at our European University; because, we do not have not one graduated student that has not been able to find a job and this also includes the students that are accepting their diplomas tonight. Tonight we are having the diploma award ceremony, and as I have already said, we are also celebrating 30 years of the University, and 20 years of the Faculty of International Management Engineering. We are not talking about small period of time, and I would like to use this opportunity to thank all of our past and our present students, and their parents. I know it is not easy to endure, to allocate funds and to pay scholarships; but they believed in us and we have justified the confidence they relied on us.

I would say that we work with dignity, even though we work without major centres. Hence, we work wholeheartedly so the younger generations can achieve their affirmations and to loom.

One more time, I would like to welcome you and to wish you good health, fortune and joy! Also, to young generations, I wish progress and prosperity.



UNIV. PROF. DR. SRDJAN STANKOVIC

Professor Dr. Srdjan S. Stankovic got his Dipl. Ing. degree from the Faculty of Electrical Engineering, University of Belgrade, Yugoslavia, in 1968. He got his M. Sc. degree in 1972, and Ph. D. degree in 1975 from the same Faculty. His M.Sc. and Ph.D. dissertations were both from the field of System Identification; his Ph. D. thesis supervisor was Professor Pieter Eykhoff, Eindhoven University of Technology, the Netherlands. He was with the Institute for Nuclear Sciences, Vinča, Belgrade, Yugoslavia, from 1968 to 1972. Since 1973 he has been with the Faculty of Electrical Engineering, University of Belgrade, where he is currently Full Professor of Automatic Control. He held the Research Fellow position from 1972 to 1973 at the Eindhoven University of Technology, Eindhoven, the Netherlands. He held the Visiting Professor position at the Santa Clara University, Santa Clara, California, from 1987 to 1988, in 1998, 2001 and 2003. He also held different part-time consulting positions in Government institutions and industry, as well as in research institutions, taking part in big research and development projects (Institute for Nuclear Sciences, Vinca, Belgrade, Iron and Steel Works, Smederevo, Institute "Mihajlo Pupin", Belgrade, Institute of Applied Mathematics and Electronics, Belgrade, Ministry of Health, etc.). His teaching activity encompasses different fields. He introduced, at the Faculty of Electrical Engineering, University of Belgrade, the concept of undergraduate and postgraduate courses on Stochastic Systems and State Estimation, Digital Signal Processing, Adaptive Systems, Artificial Intelligence and Neural Networks and Medical Decision Making Systems. He currently teaches different undergraduate and postgraduate courses at the Department of Signals and Systems. He has been supervisor of about 40 M. Sc. theses and 15 Ph. D. theses. Prof. Srdjan S. Stanković published numerous scientific papers from the fields of System Identification, Stochastic Systems, State Estimation, Digital Signal Processing, Processing of Medical Images, Large Scale Systems and Neural Networks (see the list of publications). He was also leader of numerous scientific and R & D projects either for Yugoslav (or Serbian) Science Foundation or for industry, with a large variety of subjects (Adaptive Control Systems, Development of Intelligent Controllers, Processing and Recognition of Communication Signals, Telemedicine, Design of Real-Time Computer Control Systems for Hot Strip Mills in Iron and Steel Industry, etc.). He published a textbook on Nonlinear Control Systems (with R. Tomović). He has been Scientific Coordinator of two Tempus Projects within the CARDS Program, related to curricula development and life-long education in ICT in Health Care. He gave numerous presentations of his research activities throughout the world. Currently, his main research interests include Large Scale Systems, Multi-Agent Systems, Neural Networks and Decision Making Systems in Medicine.

He was Head of the Automatic Control Department at the Faculty of Electrical Engineering in Belgrade for many elective periods. He is actually Head of the Department for Signals and Systems. He was a member of the Theory Committee of the International Federation of Automatic Control (IFAC). He has also been a member of Organizing and Program Committees for numerous symposia, of Editorial Boards of scientific journals, as well as of different professional associations. He is actually President of the Serbian Association for Electronics, Telecommunications, Automatic Control, Informatics and Nuclear Technology. Univ. Prof. Dr. Srdjan S. Stankovic is now President of the National Council for Higher Education of the Republic of Serbia.

Professor Dr. Srdjan Stankovic:

Estimated presidency, estimated Rector Zecevic, estimated colleagues, ladies and gentlemen, dear students, first of all, I am very pleased to see us in such a great number today. Therefore, I would like to speak to you first.

I will try now, briefly, to go back to something that colleague Zecevic has already mentioned at the very beginning, which is our joint work on establishing the quality in higher education. That was our battle from the first day. Therefore, that “Bologna”, which we call “Bologna”, is actually formed on a noble idea of *community*. That turned into many formalities, which may have not been and still aren’t appropriate, but the idea of community has brought us to try to make our higher education to have the quality as any other education of the entire Europe, in order to adequately achieve the community.

When it comes to law regulations of this kind of system, we, my colleague Zecevic, alongside with other colleagues here present, have tried to really achieve the quality that is expected from us in some future European association. And with achieving the accreditation, that was truly painstaking, but successful work, we have finally accomplished this. I am very grateful to my colleague Zecevic for showing even then to all the sceptics, to those that didn’t believe in realization of the predicted way, that this is possible on private universities, which was great challenge; and that it was possible to do that properly and adequately. I am grateful for that. That was the bright example for others and it affected the entire line of reactions that were then, naturally, positive. We managed to do the first cycle of accreditation in this country within three years, which is the rear example in Europe. It is the record time and sometimes, so they say, we are lazy, and sometimes, it is the other way round. We used to be very dedicated to that work; there were probably some mistakes, but now we are doing the second cycle of accreditation where mistakes are being corrected and where everything is already known and therefore everything can be done in much relaxed manner.

This is the part that regards the education. Of course, why is it important to mention you, my dear students? It is important, because the idea of community is actually based on the fact that mobility of students exists. Therefore, you should move. You should be here during your first academic year; tomorrow, during the second year, you should go somewhere else; and during the third year, you should be on some other place, as one pleases. And it should be a European association of young people that share the same values within their education, and later, of course, on the labour market as well. This is the concept of homogenization that was a motto of the Bologna process and the entire European Union. Hence, I believe that, accomplishing what we have managed to accomplish, is very important. The accreditation that is acknowledged on international level, our Commission for Accreditation has full membership in the European Association, is the guarantee of our success.

However, it is not only the matter of education. I would also like to mention something else, that is: research, conferences like these and that is the way towards the European Union, based on that community, which should be achieved, on one side, and on the other, the way of creativity that should be realized everywhere.

Hence, universities have always been, from the Middle Ages onwards, the core of creativity. Not to go to the ages of Plato, but to remain in the Middle Ages – the time since when the institution of university, similar to what is now, had appeared. Creativity has always been university's basic characteristic. For that reason, these sorts of conferences that are oriented towards scientific work, towards community, are indeed significant for activities, which I believe should be done more frequently in this country.

I had the honour and pleasure to present the higher education in Serbia on the meeting in Brussels. With great satisfaction, I have to tell you that people over there are well informed about us and the image of us is highly positive, at least in the area of education and science that states that we should only try to use our capacities, which we already have. Therefore, we should be more creative, and we should let it out into the open. We shouldn't be excessively bothered with some kind of forms that we have fallen into and that are slowing us down. Nobody is imposing those forms on us, nor the number of ECTS that were established long time ago. Of course, if that is the part of the law, then we should comply with that. But, is that the meaning of the whole story? Certainly, that isn't. The important thing is that we should move forwards and use these kinds of events to cherish science, in general.

I would like to say a few words on the subject of this University that we are talking about today, that is, the European University. Indeed, one really had to be a prophet and to name university like this, in those days. I believe that is very important and that this event is a step further of our efforts to accept and get used to it. I am not referring to the word, but to the fact that we are part of Europe and that our activities are also European. However, that has not completely been accepted by our society, our citizens. Therefore, this kind of assembly, now oriented towards South-Eastern and Central Europe and we form their intrinsic part, is certainly one step closer to changing our state of mind and to make our path towards Europe wider and attractive with less obstacles that are, of course, inevitable.

In that regard, I wish you all a lot of success in your work, on this assembly; a lot of success to the European University, in general, and I wish us to communicate more often in this manner and to try and somehow contemplate those general aspects that I have mentioned. Therefore, I wish you successful work and better path towards European Union.

Thank you very much!

UNIV. PROF. DR. BRANKO KOVACEVIC

Univ. Prof. Dr. Branko Kovacevic, Full Member of AESS from 2009, was born in Belgrade, Serbia on 29 June, 1951. He received the B.Sc., M.Sc., and Ph.D. degrees, all from the University of Belgrade in 1975, 1980, and 1984, respectively. From 1975 to 1977 he was a research associate in the Computer Systems Labaratory, Institute Mihailo Pupin, Belgrade. From 1977 to 1981 he was a research fellow in the Department of Automatic Control, Military Institute of Technology, Belgrade. In 1981 he joined the Faculty of Electrical Engineering, University of Belgrade, where he is presently Full Professor, teaching courses in control systems theory and its applications, as well as in signal processing.

He was awarded the Engineers Prize of the Economic Council of Belgrade, the Dušan Mitrović Prize of the Yugoslav Society of Electrical Engineers (ETRAN), the Branko Raković Prize of the Faculty of Electrical Engineering, the Outstanding Research Prize of the Institute of Applied Mathematics and Electronics, the Teaching Prize of the University Students Council; the Prize of Serbian Association for Informatics, the Prize of Association of radio systems engineers, the Prize of Belgrade Alumni and Friends Association, the Prize of Board of European students of Technology (BEST), the Prize of European students of Electrical Engineering (EESTEC), the Vojislav Stanojevic Prize and Nikola Tesla award of Serbian association of university professors and scientists, the Mihajlo Pupin award of Foundation Selak, the gold medal of Euroepan Economic chamber, the honor President of Friends Association of Serbian and China. He is also a member of IEEE, a member of EURASIP (European Association for Signal Processing), a member of WSAES (World Society and Academy for Engineering and Science), a member of national association for electronics, communications, control and computers named ETRAN, and a full member of Academy of engineering sciences of Serbia and Montenegro. Dr. B. Kovacevic is the president of ETRAN Section for Automatic Control, the President of ETRAN Program comitte, the president of Serbian Association of electrical engineers, the honour president of the Conference of Serbian Universities and the Editor in chief of the Journal of Automatic Control (published by the Belgrade University Press). He is also a reviewer of IEEE Transcations, IEE Proceedings, IFAC Automatica and Signal Processing.

Dr. Kovacevic was vice-dean of the Faculty of Electrical Engineering, University of Belgrade, vice-president of the Belgrade University Senat, vice president of the Faculty of electrical engineering council, the dean of the Faculty of electrical engineering, the Rector of University of Belgrade and the President of Conference of universities in Serbia. The biography of Dr. B. Kovačević was published in Marquis Who's Who in the World, Who's Who in Science and Engineering and Who's Who in Finance and Industry, as well as in the Cambridge bibliograpical centre edition. He was also a visiting professor at the Florida State University, Turky University in Finland, Baghdad State Univeristy in Iraq, State University in Tripoly, Libya, as well as a lecturer at the European Institute for System Sciences. Dr. Kovačević is author of twelve books and over 100 scientific journal papers and more than 200 conference papers. He was also the supervisor of nearly 150 Diploma engineering thesis, 40 M.Sc. thesis and 15 Ph.D. thesis, and participated in more than 60 research and scientific projects, as well as at several FP7 and TEMPUS projects. The results of these projects are implemented in industry plants, or are used for designing the military defense systems. Dr. B. Kovacevic is also consultant of the LOLA Institute of technology, the Institute for computer controlled systems Mihajlo Pupin and in the Institute for electronics and applied mathematics. In addition, he is consultatn of the Serbian government for education and science, and co-president of the Foundation for young talents. His research intereststs lie in the field of robust estimation, system identification, adaptive and nonlinear filtering, optimal and adaptive control, and digital signal processing.

Professor Dr. Branko Kovacevic:

I would like to thank you, estimated mister Rector, estimated members of presidency, estimated professors, scientists, dear students. It is my great pleasure and honour to address you. This time, I am not doing that as a friend of professor Zecevic, I know professor Zecevic for a long time – since my college days; but I am addressing in the name of the Conference of Universities of Serbia, where I collaborated with professor Zecevic for six years, and where he had played, I believe, the key role in creating something named the Conference of Universities of Serbia. He was the integrative factor, because we had difficulties in communication. There were ideological divisions on private and public spheres. It was considered to be heresy, so to speak, to collaborate among each other and that led to decomposition of the entire education system. Thanks to wisdom, patience and diplomacy of professor Zecevic, the two of us managed to persist and to be the first in Europe by making the unique first Conference of Universities of Serbia. Believe me, it is also miracle for Europe.

We are the only country in the world that holds its universities all together, and they jointly collaborate. Today we have eighteen universities, half of them are public and the other half are private.

As professor Stankovic has stated, professor Zecevic is mathematician and, which is a rear thing for mathematicians, he has dealt with pragmatic things. Mathematicians usually live in virtual reality; they work on their theoretical research and do not ask themselves about its purpose. Hence, professor Zecevic has used the mathematics for applying it on the other exact science called “social”, that is, the economics. Basically, the economics is a craft and it cannot exist without strong mathematics and without the tools, such as various kind of predictions, mathematical modelling, and finally, financial mathematics and various calculations.

During the end of the ‘90s of the last century, we had lived in different, better country, three times bigger than this one and under the name of Yugoslavia, but professor Zecevic understood the instability of situation. Unlike Serbian politicians, who weren’t realising the changes in the world: the fall of the Berlin Wall, the end of the Cold War and that world was about to change. At that time, professor Zecevic realised that the existing work personnel in economy and agriculture does not please the requirements of modern times. He had foreseen that the market will become open, that globalization will occur and that we will need completely different quality of managing structure in agriculture, and that is the reason he created the European University. Mainly, he wanted to open the frontiers, to internationalize education and to respond to modern time requirements. This is the first private university in this region, and the first one to introduce the applied sciences. Mathematicians rarely do something similar, although Noble Economics Prize winners are mostly mathematicians.

And this is how the European University was created, precisely on these principles mentioned by professor Stankovic, the principles of something named the Bologna Process, which has encountered many misinterpretations in our surroundings. Here, people have understood this Process as firm forms and rules that cannot be applied in our education; that it, simply, bothers us and implodes our education system. Nowadays, you can hear a lot of nonsense on television coming from those who do not understand that *Bologna* is merely a word and nothing more. Bologna is a system of rules, a system of values that you have to adjust to your situation. That is what we have tried to achieve with these reforms and with accreditation, and I believe that we have moved things a little further, regardless of everything else. Our greatest accomplishment is that the University of Belgrade was put on Academic Shanghai Ranking List. This is the recognition for the entire academic community of Serbia, because all professors of Serbian universities, whether they are public or private, originate from the University of Belgrade and they have built its great education system. Apart from the University of Belgrade, there are only two more European universities on this list. The first one is the Lomonsow Moscow State University, and the other one is Charles University in Prague. Therefore, all of us together, I am referring to those that are here today, have made great Serbian school that produced something good, which is Serbian education system.

And as professor Stankovic has stated, young people should be included from the very beginning into research work and they shouldn't see education as collection of regulations thought by us for them to know everything about life. No, that is not the point. We should teach them a few things. First of all, we should teach them to work hard and good; but on the other side, they should also know how to think with their own mind; and finally, of course, they should know the principles of their profession. What is changeable in professions? Well, the only thing that keeps changing is technology. Because, if you think about it, some things had been widely known half century, or a century ago, even though the technology had not been used to create and realize them. Technology has entered into all life areas, all sciences and all spheres of human actions. Therefore, one should profoundly study the principles of his or her profession. It is something that is thought during studies, but a person should make an effort and individually develop a creative way of thinking and use those principles to solve the problems brought by life. On the other hand, one should be prepared to learn constantly, because technology is always changing and one needs to adjust. Of course, everything is variable and there is always something new.

Finally, I would like to state one more important thing understood by professor Zecevic, which many failed to perceive. Many people, mostly in politics, believed that *globalization* is the magic word and that the free market is solution to all our problems. However, free market is only one mechanism and it is insufficient. It is also needed something called personal or regional development. In order to cooperate with the world, one should first work on his or her own personality and integrate into bigger networks and wholes. You cannot cooperate with anyone if you are not strong enough on the local level. There is something called human responsibility, but there is also corporative and social responsibility. That is the reason I believe that these students have chosen the right faculty and I am certain that they will have plenty to learn. But I must say that we, around here, make only *Players*, which they become by playing the big games. I wish you a successful conference and prosperous work. And, of course, I have faith in all of you. You should also have faith in yourselves, and in order to achieve something, you should also have faith in that. Novak Djokovic, when he was only six years old, knew that one day he would be one of the greatest tennis players of the world. It took him only eighteen years to accomplish that, and I wish you to make your dreams come true a lot faster than Nole. Thank you!

MR. ANDREJA MLADENOVIC

Mladenovic was born in Belgrade on 15 March 1975. He is married with three children. By profession, he is an international manager and a lawyer. He completed his master studies at the European University Faculty of International Engineering Management, and enrolled to doctoral studies with the same university. He is fluent in English. In the period between 2000 and 2004, he served as deputy mayor of Zemun Municipality. In this capacity, he was dealing with issues related to sports and youth, refugee and social problems, and relations with religious communities. Thereafter, between 2004 and 2008, he served as a member of Belgrade City Council. He dealt with sports and youth issues. During this tenure, he also served as Vice President of the Organizing Committee of the European Youth Olympics, the games held in Belgrade in 2007, and as a member of the Executive Committee of the Organizing Board of the Universiade, also organized in Belgrade in 2009. Mladenovic was a member of Zemun Municipal Council between 2000 and 2004. He served as the party whip of the Democratic Party of Serbia at the Belgrade City Council between 2004 and 2008, and also as of 2011 and up to the present. He has been the Democratic Party of Serbia member since its inception in 1994, and served on various posts in the party ranging from a member of the party Executive Board, President of its Youth, spokesperson and chairman of the party Belgrade chapter. The Government of the Republic of Serbia, in November 2013, appointed Mladenovic a member of interim authorities of the Belgrade City Council. Currently serves as the Belgrade deputy mayor.

Mr. Andreja Mladenovic (Deputy Mayor)

Ladies and Gentlemen, dear friends, honourable Professors, Academics, your Excellency Ambassador, I wish to welcome you in the name of Belgrade. It is my great pleasure to address you at the beginning of this international conference organized by the European University. First of all, I would like to thank to Rector Professor Dr. Milija Zecevic for assembling us all today, for his great work and effort that have lasted for decades. He had a vision and he used it, as Rector Kovacevic has already stated, to connect the education in Serbia and to join the private and public sector which indeed gave us a modern private university that can serve as an example for organization of an institution of higher education, in Serbia. We, younger generations, the students of Professor Zecevic can only hope to achieve the slightest piece of Professor's biography, and I believe that even that would be a great success. Professor Zecevic is, indeed, man with a vision, someone who is known for his work and effort and for his great contribution to science in our country and I believe that this is my way to express the gratitude wholeheartedly and, in the name of everyone, to say one enormous: "Thank you, Rector!" Thank you for all your great energy. I really think that Professor Zecevic is a true example that with that kind of energy anything is possible, and every life goal is achievable. Professor Zecevic has enormous energy and he demonstrates his vision on each step of the way, therefore, I believe that he is a unique representative and indication to all of us for success.

During this type of international scientific conferences we are fully aware of the importance of the scientific approach in education and generally in each segment of our society, which is very important for its development and for improvement of our community. In the last ten days, I had had the opportunity to give my words of welcome at three different conferences, and this one is the third. The one was about infrastructure and engineering business, the other was about health issues and now we have this one that concerns the management and social sciences. What I need to say is that without this combination of science and scientific approach, professions in development of our society are not imaginable. I really think it is about time to give the deserved space to that professional and scientific approach.

That is the way we, in Belgrade, plan to act in the future. If I may say, this is the guiding star of the new authorities in Belgrade, that is, to have in mind that scientific approach with each political decision made. Many different choices are made every day, which affect our lives and change some directions. Of course, in making those decisions, when the approach is not good and supported with some scientific research, one can make big mistakes. We are witnesses of numerous wrong decisions that have been very expensive for us. It is difficult to correct them now and it is certain that some things should be ended, even though we are deeply conscious of their wrongness and worthlessness. So, I am not talking here about wrong intentions, but about the wrong approach and insufficient information in decision making process. Therefore, regarding all this I believe that science and professional approach for education should be more present, it should impose itself, to be more persistent, more direct, and if I may say, more rough. We must not allow that people without sufficient experience, and perhaps without knowledge, make the decisions that affect our lives and development of our society.

Today, we have found ourselves, here in Belgrade, in this 2014, of having the less budget than the last years. That is devastating for us, the citizens of Belgrade, because I think that the budget and the money for capital development should be larger, and that it is the correct approach. However, we have had the planning, organization and management that have given us more expenses than incomes. Therefore, that is the problem and not only of Belgrade, but of the entire state. We can see it to be a world trend – to make more costs than incomes; which is something we need to put a stop to. I do not believe it is possible for us to achieve that in this year, maybe not in the following as well, but with good planning, we can at least contribute to equalization between the expenses and incomes.

Nevertheless we have considerably less resources than the last years, serious capital projects are being planned. We need to go into those capital projects professionally, with scientific approach, good projects and planning. If I name those projects, I think that you will also understand their significance for Belgrade; for example, the worth of designing the Belgrade railway junction, or the Sava Amphitheatre, or Belgrade Waterfront, or, how important is for Belgrade to start building a new metro railway station, etc. So, these are all big projects for which we won't be able to obtain cheap credit loans, because we have already used these types of credits and now we do cannot do the same. However, there are some possibilities, with good planning and with finding the investors, and with new agricultural zones, because unfortunately Belgrade has fallen behind some other municipalities in Serbia.

We were behind Jagodina, Pazova, Indjija, etc. I do not have anything against those towns; moreover, I am extremely interested in their fast and good development. But, Belgrade, being the capital city, cannot permit to stand behind anyone in our state. I am saying this from position of the main city's citizens, without any intention to start the issue whether we will have the new *Belgradezation* of Serbia. We do not need that, but without the development of our capital city, Serbia cannot simply consider its own development. If you look at the corridor 10 within road and railway traffic, corridor 7 in water traffic, one cannot simply imagine the development of those corridors without the main city. That is something we all must insist on in the future, but we won't be able to do it without active cooperation with our universities, especially with the University of Belgrade, but also with private faculties and universities that, certainly, can contribute a lot. This is the active cooperation on different areas and levels. Surely, Belgrade, being the real centre of universities, has the right chance to put itself equally, on education level, with cities of East and Central Europe. Without any intention to be pretentious and too ambitious, I believe that our real goal for the following period can be to stand on a level with other capitals of Europe.

One more time, I would like to thank you for your participation on this international scientific conference. I hope that these papers, written by our dear professors, won't remain only that, but that we will be able to accomplish some of the ideas and to help the decision-makers by making those decisions more precise, with more quality and to give the results, and to put that connection between science and policy of social responsibility on the highest level.

I would like to thank you and, one more time, I would like to thank to Rector Zecevic, and to wish you all successful work in further course of the conference.

UNIV. PROF. DR. LUDVIK TOPLAK

Rector of the University of Maribor (1993-2002) Ambassador of the Republic of Slovenia to the Holy See (2002-2006) European Faculty of Law in Nova Gorica Faculty of Postgraduate Governmental and European Studies, Brdo, Slovenia President, European Centre Maribor 2008 Member of the European Academy of Science and Arts 2000 Member of the Collegium Observatory Magna Charta Universitatum (2000-2004) Member of the Steering Committee of the I.C.H.E. (International Conference on Higher Education) 1999 Member of Paneuropean Union Member and President of the Danube Rectors' Conference (1996-1999) Member of the international committee European Forum Alpbach 1999 Governor of the American Chamber of Commerce in Slovenia (1999-2001) Member of the board CRE-EUA (1998-2001) President of the Conference of Independent Colleges in Slovenia 2009 Titles of Honor: STATE: Ambassador of the Republic of Slovenia in Science (2000); UNIVERSITY: Golden award of University of Maribor; MUNICIPALITY: Honorable member of Municipality

The Need for Education for Management and Marketing Development in Central and South-East Europe

Prof. dr. Ludvik Toplak

The term “Central and South-East Europe” has been in use as a political term since the fall of the Berlin wall. In the last 25 years, political circumstances changed. Therefore, the term “Danube region” will be used in the following discussion; a term that has a longer historic and cultural meaning, also being politically neutral. This contribution would like to present the need for education in this area, especially targeting management and marketing development in the process of the European integration. Reintegration of the Danube region as a inseparable part of Europe requires a wholesome approach in education.

I. Key facts:

- The Danube region is a natural, **geographical and ecologic area**, connected through culture and politics, displaying a **large diversity of small nations with long cultural identity** which requires a **specific approach toward promotion of academic excellence** and economic competitiveness in the global world.
- As a **political space** we are talking about some 15 – 20 countries with long cultural and political identity, which for this reason requires **specific approaches of intercultural communication**, inter-religious communication. One therefore has to develop instruments of **transnational cooperation**.
- Due to a specific historical and political development of smaller nations, as well as interests of the large nations to manage and influence the territory, today we have to develop political and cultural instruments for **recovery with the vision of European identity and in Europe**; it is therefore imperative that instruments of **transition and European integration** are being developed.
- Regarding formation of **new world centres of power with a population of a billion people**, and the larger nations in vicinity; the **Danube region needs to develop specific instruments** to enable the smaller nations to follow the needs of **modern technologies and the global market**, as well as developing **academic excellence and competitiveness. Therefore, new educational approaches and public administration and business management are needed as well**.

The **strategic problem of this area** has also been recognised by the European Union which during the Hungarian presidency in 2011 approved the so called **Danubian Strategy**.

The EU Danube Region Strategy (DRS) is the macro-regional development strategy and action plan for the regions and countries located in the catchment area of the Danube river. It targets the sustainable development of the Danube macro-region as well as the protection of its natural areas, landscapes and cultural heritage. **Acting on the request of the European Council in June 2009, the European Commission submitted a proposal for the DRS in December 2010, which was adopted during Hungarian Presidency in 2011**.

II. Today's challenge and needs for the Danube region:

The Danube region is an area with many small nations with thousand years of history and their individual political identities. Many small nations have the need to solve joint transnational issues, but they cannot count on the support of the academia. Transnational questions cannot be solved by public universities, even if those are autonomous, because they are always politically determined.

Challenges include the language and cultural diversity; there are 20 countries in the region, 20 different educational systems, 1.5 million classrooms, 18 different languages spoken and 4 religions present.

Needs:

We need a strong network of autonomous universities, public and private, that are willing to and have capabilities to autonomously and flexibly respond to the challenges of time,
also in the area of management and marketing development.

Independent university: Alma Mater Europaea - AMEU was established upon the initiative of the Danube Rectors' Conference and individual universities.
It started out as a small independent institution "European Center Maribor" in Maribor Slovenia, but not in the capital city. Slovenia was chosen because it was a small nation,
not endangering anyone and traditionally open towards all countries.
AMEU Salzburg is seen as a competent institution that can provide the academic support and coordination. The cooperation with the European University Belgrade and other autonomous academic centers of excellence is urgent.

III. The Academic sphere

These principles are specific problems of the Danube region: research, education, development;

- Bologna principles: compatibility, mobility; employability, quality, competitiveness, autonomy and responsibility;
- Respecting national entities and identities;
- Inclusion and cooperation of public and private universities, institutions and individuals;
- Unified European university space
- Infrastructural inclusion into the Danube Strategy
- Appeal to government institutions, to accept and include the project as a priority project of the European Union for the Danube region – the appeal to go through the university background
- The project of infrastructural inclusion should be included into development plans at national and European level

In this area, several initiatives were already implemented:

- Danube Rectors' Conference
- Alpe Adria Rectors' Conference
- European Academy of Sciences and Arts Salzburg
- Danubian Academic Conference
- Alpbach club (as the oldest civil initiative that addresses many Danube-related issues)
- Institut für den Donauraum und Mitteleuropa (Institute for the Danube Region and Central Europe)
- CEEUN – Central and Eastern European University Network

- o ALADIN (ALpe ADria Innovation Network)
- o CEEPUS (Central European Exchange Programme for University Studies)
- o And many more

IV. AMEU International activities

1. Today, I would like to introduce the international conference: **Science and Technology - DIT dr. Juraj Plenković 2014** which will take place the last few days of June in Opatija. It is the 21st conference, in honour of its founder, the late prof. dr. Juraj Plenković, who in the first years of transition and war in the Balkans started this scientific and academic initiative. In the last twenty years, over 100 scientists and professors from 30 – 40 Danube region universities would meet in one of the Croatian coastal towns. Last year's 20th anniversary conference hosted 180 scientists and professionals from over 20 countries. The conference is organised by the Croatian Communication Association, the World Communication Association and Alma Mater Europaea.

This year's conference is special, as it is the upgrade of all of the current conferences, since it will introduce several new thematic scopes and sections.

<u>Sections:</u>

1. SOCIETY, SCIENCE AND TECHNOLOGY;
2. E-EDUCATION AND SCHOOL OF THE FUTURE;
3. COMMUNICATION MANAGEMENT;
4. SOCIETY, TECHNOLOGY AND INTERGENERATIONAL DIALOGUE;
5. TRANSPARENCY AND SECURITY IN THE GLOBAL COMMUNICATION SOCIETY;
6. RELIGION, CULTURE AND MEDIA;
7. TECHNOLOGY AND THE NEW COMMUNICATION TRENDS IN TOURISM;
8. EUROPEAN IDENTITY AND SMALL NATIONS: NEW SOCIAL CHALLENGES;
9. HOLISTIC VIEW ON HEALTH AND EDUCATION;
10. ARCHIVING AND DOCUMENTING IN INTERCULTURAL CONNECTING DANUBIAN REGION AND THE EU;
11. MANAGEMENT OF NGO ORGANIZATION IN THE COUNTRIES IN THE DANUBE REGION;
12. NEW TRENDS IN THE DEVELOPMENT AND TECHNOLOGY OF INSURANCE.

2. RIEN

Regional
Interactive
Educational
Network

RIEN is about introduction of interactive technology in education. Briefly: the blackboard, white chalk and paper books are going to be replaced by an interactive whiteboard and electronic learning tools.

In order to successfully integrate different countries to the project, the following is still needed:

• incorporating project RIEN to EU development programs, concretely to Danubian strategies, state and regional programs as well,

• linking competent political representatives that recognize the strategic interest and the opportunity of the project,

• adopting the "Interactive Whiteboard Common File Format" as standard, following the example of Great Britain, to achieve a unified data format for the interactive whiteboard (and thus increase efficiency and reduce noneconomic purchase of equipment),

• connecting own production, developmental, educational and publishing resources in the region.

3. IUS DANUBE

Alma Mater Europaea - European Centre Maribor has, in accordance with its basic mission **transition and reintegration of the European Economic Area - Danube Region**, prepared a conceptual project with the working name **"Ius Danube"**. The mission of the project is to create a centre of excellence, which would contribute to the harmonization of EU law in the Balkan region and indirectly affecting the transition, reintegration and peace in the EU. World-class professional institutions in the field of law, economics and information technology are invited to the implementation of the project.

Aims and objectives of the project

- Participation in preparation and modification of laws on the content of the project in the Danube region;
- Joint meetings, workshops, congresses and consultations on the topic of the content of the project and the unification of the EU;
- Solving current problems and open issues in the areas of project contents in the Danube region;
- Preparation and commissioning contentfor the web portal »Lex Danube« (regulations, case law, professional literature, forum, etc. ..);
- Expert advice, exchange of opinions and views, and collaboration on the topic of project contents in the Danube region;
- Help toeconomic operators and national authorities in the implementation and enforcement of law;
- Studies and analyses of legislation and case law in specific areas of content in the countries of Danube region;
- Studies and analysis of macro -and micro- climate in the areas of project contents in the Danube region;
- Registration and participation in European and international competitions in the fields of project content;
- Synergistic effects of the project on the integration of content competitiveness and success in the Danube region;
- The centralization of knowledge, practices, experiences, rules, and success on the principle of "one-stop-shop".

4. Distance Learning at AMEU

AMEU is a leading institution for Distance learning, considering Information Technology and practical experiences. The complete system for Distance Learning is implemented, using:

- Professional videoconferencing system Vox
- e-Learning Management Environment - Moodle

- Recorded sessions
- Interactive teaching tools

Advantages of distance learning at AMEU are 24/7 availability of study materials, high flexibility in implementing the study requirements, considering time and space, and open source tools as well, which are financially beneficial and contribute to high economic competitiveness of the programs. This is especially important for management programmes, for the purpose of management and marketing development in the process of the European reintegration of the Balkan countries, where there is the need to upgrade the existing management programmes with new knowledge. This is the key mission of the University of Belgrade, too.

5. Accredited study programmes at AMEU

Already accredited study programs at AMEU are following the main issues of Danube region:

- in the field of ecology, infrastructure and energy: Ecoremediation, bachelor's and master's degree,
- in the field of transition and reintegration: European business studies, Finances and Management (bachelor and master) and PhD in Communication management,
- in the field of intercultural communications: Archival studies and Records Management, master, Intercultural Communications: Communication management (in the process of accreditation) and Institute for Jewish and Minority Studies, Humanity and Anthropology, master and PhD,
- in the field of health and social issues: Social Gerontology, bachelor, master and PhD, Health Studies (Physiotherapy, Nursing, Public health sciences and Integrative health sciences), bachelor and master.

CONCLUSION

It is very gratifying and encouraging to see the **European University Belgrade** getting so actively involved in the development of academic excellence in the field of management and marketing in the Danube region.

Universities and other academic institutions in Danube region are invited to take an active participation in development and implementation of the academic programmes that are relevant and competitive in Danube region and Europe.

It is proposed to the Academic institutions of Danube region to appeal to the Public and Government institutions, to offer any free Academic capacities to be freely available for educational and research purposes, and to promote relevant academic programmes in the framework of the Danube Strategy programmes, including management and marketing.

Today’s contradictions during the times of crisis are asking the academic sphere to contribute; in addition to political and economic recovery, we especially need moral and professional recovery. Internationally oriented, private and public universities in the region can together with local universities, rationally implement programmes and contribute to quality, peace and well-being in the region, and consequently in Europe.

UNIV. PROF. DR. IVO ARMENKO

Prof. Dr. Ivo Armenko was born on 22 May 1946 in Montenegro. He graduated from the Faculty of Economics in Belgrade in 1969, and he was awarded his Magister degree at the Faculty of Economics in Belgrade in 1984. He received his PhD from the Faculty of Economics in Banja Luka in 2004. He began his career in HTP ”Sveti Stefan” in 1968, where he worked until 1980 as a company director. From 1980 until 1986, he worked as a director of the branch of Yugoslav Tourist Association in London. From 1986 until 1990 he worked in HTP “Montenegro turist” Budva as a commercial director. Between 1990 and 1992 he worked in Yugoturs - London as an assistant director. From 1992 until 1996 he worked as a commercial director of HTP “Budvanska Rivijera”. From 1996 until 1998, he was the member of the Government of Montenegro holding the post of the Minister of Tourism.From 1998 until 2004 he served as the managing director of HTP ”Budvanska Rivijera”. In 2004 he assumed the position of Ambassador of Serbia and Montenegro in Madrid. In terms of academic experience, he worked as a lecturer and professor at several higher education institutions. Since 2009 he has assumed the position of Ambassador of Montenegro in Athens and he has been hired as a professor at American University, “Indianapolis” in Athens as a lecturer in the Department “International Relations.” In 2011, Dr. Ivo Armenko, together with Prof. Dr. Rade Ratkovic, founded the Faculty of business and tourism in Budva and there he teaches the courses of Marketing in Tourism. During the entire time of his involvement in the economy, Dr. Ivo Armenko was actively involved in many of the working bodies of the Government of Montenegro and professional associations. He was a longtime member and president of Tourism Board of Chamber of Economy of Montenegro, longtime member of the branch of the Tourist Association of Montenegro and the Tourism Organizations of Montenegro.

THE RURAL TOURISM AS NEW DEVELOPING TENDENCY IN TOURISM OF EUROPE AND MONTENEGRO

Prof. Dr. Ivo Armenko

In the world today, within the institutions that deal with development and trends in tourism, is considered that, in this century, the rural tourism is significant segment for development of complete tourism in Europe and in the world. The World Tourism Organization believes that Europe and the world, in general, possibly contain very important rural tourism market. Analysing the rural tourism development trends in Europe, it is thought that the concept of *rural tourism* usually refers to activity where the rural culture is the most important element of the offered product. Key traits of the rural toursim product are *interpersonal relationship*, that is, the contact made with a tourist; *perception* of a village and rural people with their direct and economic environment and guest-tourist's *paritcipation* in traditional and lifestyle activities of local people.[1]

Tourism statistics of many touristic European countries, to measure their rural tourism participation in complete tourist traffic, usually show the numbers related with agritourism. Depending on the country, those numbers can go from 3 to 6% of the complete traffic participation. However, it is not difficult to assume that by using one objective methodology, this participation can be significantly higher. If we take into consideration that today and in contemporary methodologies, under the rural tourism, one, aproximately, takes into account the entire tourist traffic made outside the urban area and navigation, than we may often find professional interpretations that the rural tourism in Europe and in the world takes part up to 25% of the complete tourist traffic.

In all European tourism development projections, national touristic organizations and goverments of the respective countries have predicted a good future for rural tourism. Its significance is manifested in diversification of the rural economy elements; further on, in enabling preservation, protection and improvement of cultural heritage; in protecting landscapes, nature; in improvement of the environment; and in supporting rural arts and crafts. Within rural areas, throughout economic projects, many activities, which would normally die out, are being revitalized. For example: production of oil, cheese, honey, wine, olives, dried fruits, different fruits and vegetables, meat products, etc.

If we would want to quantify rural toursim in Europe nowadays, we could use the data presented by the authors Demonja and Ruzic in their book "Rural Tourism in Croatia", Zagreb, 2010, pag. 253:

It has been estimated that[2]:

- There are more than 200.000 accomodation units within member countries of the European Union
- Approximately 20% of accomodation units are rooms with bed & breakfast services, and approximately 80% is accomodation with self-service kitchen

[1] Cabruni L. 2004 WTO Seminar Proceeding: Rural Tourism in Europe: Experiences, Development and Perspectives

[2] The data is taken from publication: *The Future of Rural Tourism*, Ehrlich K (2010); published in collection of papers of 1st Croatian Congress on Rural Tourism, held in 2007, on Hvar

- Direct daily consumption per person is from 45 to 80 euros, out of which 1/3 refers to accommodation services (15-30 euros) and the rest on local services, which shows the multiplicative income of 1 euro spent on accomodation services since it brings 2 euros to local economy.
- 4 beds make an income equivalent to 1 workplace
- Considering agritourism, for example in Austria, one out of five farmers provide agritourism services
- In reality, in the EU (27) countries, the number of accommodation units in rural toursim is between from 600.000 to 1.000.000 objects, with 6-12 million beds and 1,5-3 million workplaces.

Lately, the roural tourism is mostly being developed in Europe and it is forseen that this positive trend of development will continue in the next 10 to 20 years. Reasons for this statement can be found because of the evident expansion of the EU and because of well organized European Federation of Rural Tourism (EuroGites).

The presence of international organizations, such as the ECEAT (European Center for Ecological and Agricultural Tourism) and the EuroGites (European Federation of Rural Tourism), has influenced favorably on promotion and commercialization of rural tourism. Their importance is mainly in adopting the standards for the entire European area and obliging all federation members to include those standards within the criteria, refering to their areas.

We are giving the general criteria of the European standardization of rural tourism (EuroGites):

1. Household postition in natural environment, village or small town less than 5000 inhabitants in village, town or typical traditional settlement
2. Rural environment, with stated features of traditional heritage and exquisit natural values
3. Tourism is neither the main nor prevailing activity, nor it is the main source of income in immediate environment: the ratio of touristic beds to number of inhabitants, within rural areas, must be 1:1
4. Good conservation of environment, quiet and silent position, wihout any noise and pollution (smell and noise that are typical for traditional agriculture are acceptable)
5. Authenticity of accommodation facility and ambience
6. Hospitality: host’s special care for guests
7. Small capacity of accommodation facility: top limit is 40 beds, if it isn’t legally specified or prescribed with internal standardization of a member
8. Social sustainability in the context of multi-functional activities within the rural area
9. Connection with local community and traditional culture: if they wish, guests have the opportunity to make the contact with the local environment
10. Local products and gastronomy – available in the environment
11. Culture (folklor, artisanal products, customs, heritage...) – available in the environment
12. Respecting the proscribed judging criteria: respecting the adapted evaluation standards

Member countries of the EuroGites Federation are: Austria, Belorussia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, France, Georgia, Germany, Hungary, Israel, Lithuania, Latvia, Luxembourg, Norway, Poland, Portugal, Rumania, Serbia, Slovakia, Spain, Switzerland and Great Britain.

Analyzing modern touristic agencies in rural tourism development, we can come to conclusion that Montenegro is the beginner in development and commercialization of rural tourism. Therefore, Montenegro has the opportunity to build its future in this sector by following the examples of successful touristic destinations.

Leader Programms and Local Action Groups (LAG)

Since year 1992, as basic principle for approaching to structural funds, the European Union has been developing specific methods of rural development named the *Leader Approach*; and has been using the namesake initiative of the Community to finance different activities.

The basis of the *Leader Approach* is the cooperation between state administration, local government, non-governmental organizations and private-commercial sector with aim to define the development directions on the level of developing capacity; hence, with aim to exchange the knowledge and experience of rural communities.

That cooperation is being realised throughout, so called, the *Local Action Groups* (LAG), which is a form of local-private partnership made by representatives of local and regional authorities, and by representatives of the private sector, the civil society.

In the course of the first fifteen years (1991-2006), the principle of the *Leader Approach* was one of, so called, *Community Initiatives,* and has been financed from different EU structural funds. During this period of time, there had been three generations of these programs: *Leader I* (1991-1993); *Leader II* (1994-1999); and *Leader* + (2000-2006). Also, all the while, the member states and their regions had the independent programs with separate financing from different EU funds.

In the aforementioned period, the principle of the *Leader Approach* had been developing and improving. At the same time, its application had also grown. Whether, it had been regarding the number of LAG (Local Action Groups), which was part of the principle or used the principle as a base for its functioning; or regarding the local communities, included into the principle of the *Leader Approach*. On the other side, the resources, invested by the EU and its member states for the application of the principle, had been increasing from one year to another. Good results and the influence on development of the local communities had provoked, not only the bigger institutional support, but also the principle's generation of additional amount of resources coming from local communities and their business sector.

Successful application of the *Leader Approach* has brought to "integration" of this principle in the entire Rural Development Strategy of the EU 2007-2013. In order to stimulate the rural development within newly founded European Agricultural Fund for Rural Development (EAFRD), the EU has been supporting the application of the principle of the *Leader Approach* in each state member, since year 2007. This way, the *Leader Approach* has become part of national and rural development programs, supported by the European Union.

Analysis of the Institutional and Normative Strucutre that Regulate Rural Tourism in Montenegro

In the last fifteen years, the agriculture, tourism and rural development in Montenegro have been exposed to the effect of transition process. The activities have developed in direction of establishing the legal structure and strategic guidelines for development of agriculture and rural area, and for adjusting the agricultual policy of Montenegro with the Common Agricultural Policy of the European Union.

The augmentation of the entire potential of tourism industry in Montenegro, expressed throughout the trend of augmentation of the rural tourism development, directed the authorities to create the special law regulations, with purpose to stimulate and support new investors in this area that are interested in creating the objectiv touristic product in rural area.

Hence, the government of Montenegro has voted the Tourism Law, throughout which several models of development had been defined with purpose to stimulate the development of entrepreneurship, based on traditional values, atractive natural ambience, authentic architeture of village, traditional agricultural products, handmade products and other activities.

With the new Law, the administration procedure on business registration, tax payments, accounting records, etc. has been simplified.

For better promotion of the aforementioned Law, and sensing that the rural population does not have enough information about the stimulative measures of the Law, the competent ministries came up with a plan to make the Handbook that would contain the instructions necessary for easier comprehension of assumed formalities, and for better use of the existing measures for rural tourism development that are part of the Goverment’s policy for this area.

SWOT Analysis

For better presentation of the basic elements regarding the atractivness of the rural area of Montenegro, as touristic destination, we are presenting the review of SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), which helps us to obtain the better picture of their affect on this destination’s rural tourism development.

The authorities of Montenegro are aware of the fact that the rural area sustainable development is an optimal development solution. The role of the State is crucial in this case for voting the necessary law regulations and for investing in infrastructure. With revitalization of the village, different measures should also be taken to encourage the return of local population from the cities, and therefore, to bring back and secure the majority of population for preservation of traditional values.

The rural tourism in Montenegro has good chances for development. Most of all, since its rural area, in comparison to most of European countries, has remained mostly well preserved.

STRENGHTS	WEAKNESSES
• Attractive natural environment • Cultural historical heritage • Ecological conservation of the region • Ambient high quality architecture • Hospitality of the residents • Healthy spring water • Organic food production in rural household • Existence of the Touristic organization and touristic agricultural associations	• Low level of development of • No brand • Inadequate market information about the potentials of this area • Weak infrastructure • Neglect of the rural region in comparison to coastal area • Insufficient signalization • Insufficient number of accommodations prepared to be offered to the market
OPPORTUNITIES	**THREATS**
• Production the Rural development Strategy • Expansion of touristic season • Opportunity for branding of local products • Opportunity of improving the work of the local infrastructure • Education of the population about the conservation of natural and cultural values • Engaging the local government in development of rural tourism • Alleviation of coastal areas with the development of rural area	• Selling houses and grounds to foreigners unwilling to respect the traditional values of the place • Danger from devastation of the space with illegal construction and different dumping grounds • No construction standards established by the Law • Unqualified staff members within the rural tourism sector • Insufficient awareness of the inhabitants about the significance and preservation of public good and the perspective of development of this sector

The importance of rural tourism in Montenegro is reflected in the opportunity of improving the quality of life in the village area and in reduction of its depopulation. We may easily say that the Montenegrenian village, especially the north part of Montenegro, is displaced. Searching for better work and life, the population has moved into the cities, but immediately becoming the part of the urban poverty that depends on social funds of the State. Therefore, it is necessary to use the future policy of development and to give the opportunity to each region of Montenegro to improve their chances for development; the chances which are based on a particular region’s special development projects. The universal approach of rural development would not give the satisfactory results, considering the specific characteristics of certain regions. For that reason, it is necessary to give the special concept of development, for each rural region in Montenegro, on condition of saving the traditional values, nature and cultural heritage. The idea is to use this approach for accomplishing the state of social and economic security of the rural population and, therefore, to achieve equal values in comparison with urban population.

SESSION 1:

EUROPEAN BUSINESS AND MARKETING CULTURAL DIVERSITY AND TURISM

UNIV. PROF. DR. LEPOSAVA ZECEVIC

Prof. Dr. Leposava Zecevic was born April 24, 1970 in Belgrade. She completed elementary and secondary school in Belgrade. In 1992. she completed undergraduate studies in Belgrade at the Faculty of Economics, Department of Marketing, with thesis titled “The product and price promotions as elements of the marketing mix”. In 1194, Prof Dr. Leposava Zecevic completed IFAM MBA University and accqired the title of BBA-IFAM - graduate manager of international business. In 1997, at the Faculty of International Management, she completed postgraduate Master’s studies, with Master’s theses on the topic: „International marketing and creative approach”, thus gaining the title of Master of Science International Management. In 1999, at the Faculty of International Management Prof. Dr. Leposava Zecevic defended her doctoral theses entitled: „International Marketing - a global management approach” and thus accqired the title Doctor of Science International Management. At the Faculty of International Management in the same year, Dr. Zecevic gained the position of Assistant professor. In 2003 at the European University - Faculty of European Business and Marketing she gained the position of Associate professor for the courses: International Marketing and European Marketing, and in 2007, gained the position of Full Professor for the scientific field - management and business. Dr Leposava Zecevic is the Dean at the Faculty of European Business and Marketing and at the moment, she is full professor for the courses: Marketing Principles, International Marketing - global approach, Marketing Strategy and Management. Prof. Dr. Leposava Zecević is the author and co-author of numerous scientific and professional papers published in domestic and foreign magazines and monographs, of numerous books, and has participated in a number of scientific symposiums at home and abroad.

MARKETING MANAGEMENT IN THE FUNCTION OF GLOBAL PLANNING

Prof. Dr. Leposava Zecevic

Abstract

Global Market is completely new field for internationally oriented companies and their management. Those who do business on international market should adapt on foreign environment and favourably resolve conflicts between political, cultural and legal forces in order to achieve the success. Global Marketing is science and art of business connected with other numerous disciplines and it surrounds us every day; it has great influence on our lives and it is essentially important for companies' survival and success. The reason for this is the growth of global business activities, which constantly open more possibilities.

Planning and product development are in the heart of global marketing. New products should be developed or the old ones should be modified in order to satisfy new or to change the consumers' needs on global and regional basis; but at the same time, corporative goals of technical achievements and financial profitability should also be satisfied. In many multinational companies, each product is being developed with possible world use and unique multinational market requirements are involved, whenever it is technically achievable. Therefore, the main goal of plan process sometimes lies in development of standard product – product or line of adjusted products, into products and their lines that develop to be attractive on global level. In function of global planning, we must consider the following assignments: 1) identification of unique requirements that should be included in goals of production and specification, as well as, in technical activities of a leading unite; 2) every other activities needed for planning, production, introduction and supporting the products in affected units; 3) identification of all activities that are not simultaneous with the plans and activities of a leading unit.

Global companies may have some advantages, since they are in position to use the resources from around the world. During the early stages of process of global planning and product development, the global emphasis is on identification and evaluation of requirements, of a leading unit and affected units; also, the emphasis is on including those requirements into the plan. On the other hand, during the later stages, the emphasis is on efficient development and design of a global product, with minimum configuration differences, and on development of the support system of aptitudes in every unit, that is, of each participant. The result of interaction and communication is the activity of planning and developing the products on global basis and products that are primarily intended for global markets.

Key words: management, marketing, market, international marketing, global marketing, product, product planning, product development, global planning.

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The product development is in the heart of global marketing. New products should be developed or the old ones should be modified in order to satisfy new or to change the consumers' requirements on a global and regional basis. At the same time, corporative goals of technical achievements and financial profitability should also be meet.

With the growing competition, capable to react quickly with introduction of new products, world planning on production level provides greater number of material use. Company that adopts the world approach to product management finds itself in better condition to develop products with specifications, compatible on world basis. On the other side, company that leaves the product development to independent units will have difficulties when transmitting its experience and technology. In many multinational corporations, each product is developed with possible world use and unique multinational market requirements are included whenever it is technically achievable[1].

Some corporations design their products in order to fulfil the regulation and some other key requirements of the main markets; and after that, if it is necessary, smaller requirements are fulfilled in different countries. For example, *Nissan* makes leading models that can easily be adjusted to local sale on bigger markets[2]. For other situations, the company also provides certain additional models that can be adjusted to local segments' requirements. Using this kind of approach, *Nissan* is able to reduce the number of basic models from 48 to 18. Therefore, new product can be introduced simultaneously on all markets of the firm; and firms, such as *3M* and *Xerox*, develop most of their products with that goal on their mind. Some markets may require unique approaches to global products development; in *Gillett*, time is the only concession to local taste. Developing markets, such as Eastern Europe and China, had to start with older and cheaper products, before they could start selling modern versions. In world agriculture, where the growth mainly occurs on developing markets, the traditional approach of introducing the global product may hold new products outside the consumers' reach because of the high prices[3]. For that reason, in the company such as *Procter & Gamble* they first consider what is affordable for the consumers from different countries, and afterwards develop the products that their customers are able to purchase. For example, the company *Pampers* has developed new type of cheaper diapers, for Brazilian market, named *Pampers Uni*. The strategy is to create different price levels, to attract the consumers so they can move on to the next stage of products, because of the income growth and desire for better product[4].

Hence, the main goal of the process is not developing, but stimulating the adaptability of product and product line that improve to become more appealing in the world.

The process of product development starts with birth of an idea. The ideas can come out of the very company – from research and development personnel, sells staff or anyone that participates in the company's activities. The mediators can also suggest some ideas, because they are closer to changeable and usually different requirements of international consumers. Competition is the main source of ideas; since, an idea coming from a foreign competition can be modified and improved, to be suitable for some other market's characteristics. For example, when the president of the company *d-Con* came back from his European journey, he also brought to the USA something that seemed unusual idea for packaging the insecticides. On the market where aerosols predominate, the new idea needed spray protection against insects in the form of a *pencil*. Finally, the company gained the American rights for the product that is being represented on the European market by *Tamana*, the branch of *Shell Oil*.

[1] "Black & Decker's Gamble on Globalization", Fortune, May 14, 1984, 40-48

[2] Kenichi O., "Managing in a Borderless World", Harvard Business Review 67 (May-June 1989), 152-161

[3] "Blade Runner", The Economist, April 10,1993,68

[4] Bill S., "Behind the Tumult at P&G", Fortune, March 7, 1994, 74-82

For great number of companies, especially those that produce industrial good, consumers are the best source of new products' ideas. Out of 30 products with the largest world sales in year 1990, 70% comes from production and marketing (and not from laboratories). For some companies the requests from governments and for example, the United Nations, represent the source of new product ideas.

Most of the companies develop hundreds ideas each year. For example, *3M* can have 1000 new ideas for production by applying for small development funds every year. The ideas for production are being considered on market, technical and financial basis: *Whether the market is important? Whether the company can break through it? Could the product be massively produced?* And if the answers to these questions are positive, than: *Is the company able to produce and put that product on the market with profit-making?* For example, cereal manufacturers can cease the introduction of their products on the market, such as Brazilian where normally they do not eat breakfast, because it would require the expensive educational process.

The idea of product, which does not obtain *the green-light* in some stage, does not necessarily have to be discarded. The most progressive companies maintain data about "various possibilities". Very often, these data are used for development of some other products. One of the most known examples refers to *3M*. After the development of new twisted fiber 50 years ago, the commercial procurement service did not know what to do with its technology. Among the discarded ideas were also bra cups without seams (they were too expensive) and diapers for one-time use. Finally, the fiber found its use in production of surgical and industrial masks. When new idea of product obtains *the green-light*, the first pilot models are being made. It implies great engagement of resources, especially if the product requires some specialized working staff and specific rooms. In the output stage, which is followed by the full commercialization, preliminary product units are being tested on the spot or in limited mini campaigns.

All development stages –idea generation; screening; product and process development; scale-up and commercialization – according to their nature, should be global and with inputs of all markets involved into the process. If it is possible, original product designs may be adapted later, easily and without great amount of money. The process has been greatly facilitated with the use of CAD (computer aided design)[5]. Hence, some companies are able to design their own products and to meet most standards and requirements in around the world; with some modifications made, depending on the country. The process of product development can initiate each unit in the organization, in the native or in the foreign country. If the initiative begins from the branch that lacks technical and financial resources for implementation, the assignment will be given to another company's unit. Usually, it is the central department for research and development in the parent companies. Big multinational corporations naturally have laboratories for development that can take over the assignment on more locations. For example, *Gillette* has two laboratories: one in the USA, and the other in the United Kingdom. In cases like this the coordination and the information flow between the units are extremely significant[6].

Global companies may have an advantage in being able to use the resources from entire world. *Otis Elevator Inc*.'s product for high-rises, the *Elevonic*, is a good example of this. The elevator was developed by six research centres in five countries. *Otis*'s group in Farmington, Connecticut, handled the systems integration; Japan designed the special motor drives that make the elevators ride smoothly; France perfected the door systems; Germany handled the electronics; and Spain took care of the small-geared components. The international effort saved more than $ 10 million in design costs and cut the development cycle from four years to two.

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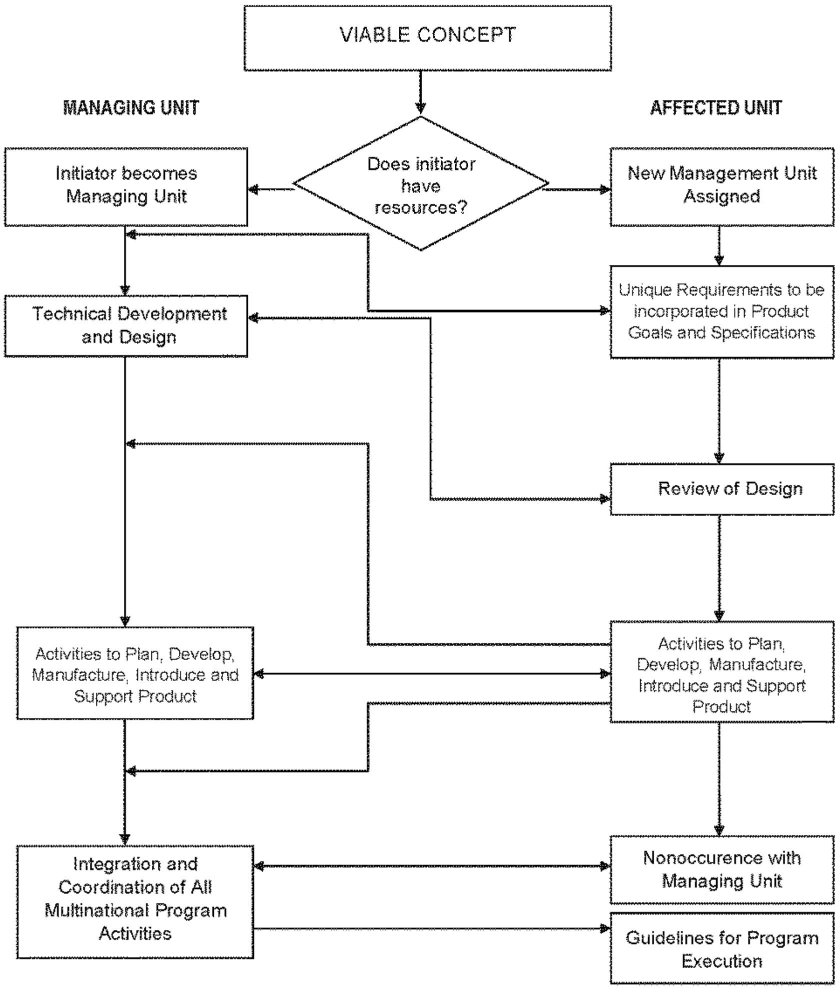
[5] "How Gillette Keeps Research and Development Close to Local Markets", Business International, February 1, 1985,33-34

[6] "The Stateless Corporation", Business Week, May 14, 1990, 98-106

In some cases, the assignment of natural development can be based on combination of special market and technical knowledge. When big American copying machines manufacturer found itself in the situation that the Japanese companies were taking over its market in a small section of copying machines in Europe, that American manufacturer's branch in Japan got the order to develop some additions for the product line. The product that was produced and developed in Japan later was presented on the USA market. Hence, even though the activity of product development can be made inside the parent country, all affected units can participate actively in planning new product's development and market. For example, the branch will directly communicate with the directorate, but it will also make contact with international departments that can support the branch in its current activity of development. This usually implies the personnel transfer from one location to another.

The activities of typical global program are summarized in **figure 1**. The leading unit has the assignment to achieve: **1)** unique world technical development and new product design that is suitable to standard global design and to global standards of production and procurement, and also to obtain the possibility of transferring the complete design in all affected units; **2)** every other activities needed for planning, development, production, introduction and support of the products in a leading unit, alongside with directing and supporting the affected units in order to provide simultaneous introduction; and **3)** integration and coordination of all global activities of the program.

Figure 1, GLOBAL PROGRAM MANAGEMENT



Source: *Ilkka A. Ronkainen"Product Development in the Multinational Firm", International Marketing Review, winter, 1983.*

On the other side, the affected units have the assignment to accomplish: 1) identification of unique requests that should be included into product goals and specifications, as well as in technical activities of a leading unit; 2) all other activities needed for planning, production, introduction and support of the products in a leading unit; and 3) identification of all activities that do not occur simultaneously with a leading unit's plans and activities.

During the first stages of product development process, the global emphasis is on identifying and evaluating the requests of both the managing unit and the affected units and incorporating those requests into the plan. During the following stages, the emphasis is on the efficient development and on design of a global product, with a minimum of configuration differences; and also, on the development of supporting systems' capacities in each unit. The result of interaction and communication is product development activity on a global basis and of products designed primarily for the world markets[7].

This approach effectively determines in debates for and against globalization, that is, localization and it offers clear way of simultaneous specification and implementation of the effective program on several markets. For example, when it is about the technical development, the members of the branches take active participation in developing processes to ensure that the global specifications are incorporated into the initial design of a product.

Process should be formated. In industries, which are known for technological changes, the 9-12 months delay from presenting on the market can reduce potential income of a new product by half. In order to decrease the time of development, companies, such as *NEC* or *Canon*, use multidisciplinary teams that work on the project from the begining until the end, using the parallel approach in product launching[8].

The designers begin with their work before the viabilty test; the production and marketing start to warm up long before the end of the design. These kind of teams depend on computer systems for product's design, simulation and analysis. According to estimations of *Toyota Motor* company, they will be capable of developing a new car each year, while most of competition requires to five years. Certainly, with new independant technologies that do not have clear answer of the market, the longer development cycle is usual and it is recomendable.

Firms that use world class manufacturing management have more possibilities for developing the products that can be rapidly introduced to any market. The enterance to foreign market can either have the form of production or marketing abroad[9].

The Location of Research and Development Activities

The earlier tendency of most multinational coroporations was to locate most of their operations of product development within the corporation – mother branch (parent). Recently, many experts recommend companies to start using the resources based abroad in order to improve their capacity of applying on the international level. For example, in the company *Asea Brown Boveri*, 90% of their research and development is done inside laboratories.

Dutch electornic giant, *Philips* used to launch centrally all of its researches and developments, but now 70% of financing comes from the business units[10]. The use is obtained from international contacts, and with reseach and development abroad new things are being added to existing product line of the company, which increases the chance for the global success.

[7] "Herzog: New Products Mean New Opportunities", International Ambassador, March 23, 1979, 3

[8] lka A.R, "Product Development in the Multinational Firm",International Marketing Review 1, (Winter 1983), 24-30

[9] Bro U., "Speeding New Ideas to Market", Fortune, March 2, 1987, 62-66

[10] Edward G. K., "Customize Your Product Development", Harvard Business Review 66 (November-December 1988), 46-52

For example, in 1988 W.R.Grace opened the Research and Development Center of 8 million dollars, in Japan. Even though the costs are not small and the regruting is difficult, the use is great. Japan offers the company increased awareness about technological development and easier availability to that development which can be used for better reaction, not only on local but also on global markets. The Research and Development Centre is part of Grace's triad approach that includes three leading areas for technology difusion[11]: USA, Europe and Japan. Many other companies, among which are also *DuPont*, *Upjohn*, *Campbell* and *Eastman Kodak*, launched similar centers.

Investing into the research and development abroad mainly comes from four reasons: 1) in order to help the technology transfer from a parent company towards the branch; 2) to develop new and better products for foreign markets; 3) to develop new products and processes for the simulated application on world markets of the company; 4) to develop new technologies of long-term research nature. The firm's decision to choose the international operations grows from the first type of investiment until the third, or the fourth, where predjudices towards direction that does the work are gone.

The semple of 35 American and European multinational companies is used to determin the type of research and development done abroad; also, how to choose the locations and manage them, and what are their connections with local entities. In many cases the companies should be close to their markets to satisfy local styles and requirements. This strategy or condition are not limited only to companies of consumers goods. The regulation in pharmaceutical industry often dictates to American companies having laboratories for European formulas.

In real multinational companies, the research and development location is determined by the existence of specific capacities. For example, all the researches and development in *3M*, associated with photography, are set in Italy, in Ferania division that was taken over by the company in the 60s of the last century[12]. In the *Ford Motor* company, the development of specific automobile or the component will be given to the technical centre with the biggest expertise. Setting the research and development operations abroad can also provide the approach to foreign scientific and technical staff and information, whether it is in the industry or on the leading universities. The local decision may be stimulated with unique characteristics of the market. For example, many car manufacturers have their own centers for design in California so they could supervise technical, social and aesthetic values of the fifht, by size, car market in the world[13]. In addition to that, many technological innovations and trends in design, which originate from there, give the special fashion image. Many companies regionalize their researches and development. For example, American multinational corporations base their European researches and development in Belgium for its central location and desirable market characteristics; also, directions of the European Union are often postitioned there and it is not difficult to find well educated personnel. Regional centers may also serve for the adequate supervision of the consumers' trends in the world. Hence, *Sharp*, one of the leading Japanese electronical companies, besides two centers in Japan, has also centers in Hamburg (Germany) and Mahwah (New Jersey).

Governments of the host countries look upon extremely positively the research and development centers, considering them to be good investements[14]. As one of the investing conditions, developing countries increasingly demand for the research and development; sometimes, to such extent that in some cases companies leave the country where extra costs are

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[11] Georges LeRoy, Multinational Product Strategies: A Typology for Analysis of Worldwide Product Innovation Diffusion (NY:Praeger, 1976), 1-3

[12] "In the Labs, the Fight to Spend Less, Get more", Business Week, June 28, 1993, 102-104

[13] "For Best Results, Decentralize R&D", Business Week, June 28, 1993, 134

[14] "W. R. Grace Extends Global R&D to Japan", Business International, December 5, 1988, 377-382

no longer needed. Countries that are known for their attempts to influence the multinational corporations are Japan, India, Brazil and France. Various governments, such as the Canadian, offer financial awards to multinational corporations to start or to expand their researches and developments on the foreign markets[15]. Local activities of research and development can also give the positive publicity to the company. Internally, the local research and development can lift up the moral and ascent the branch on the level beyond the ordinary manufacturing operation[16].

Many multinational corporations, which still use multidomestic strategies, preceed with development because of the product modification – to continuously ensure that the product meets the requirements of a local regulation. When it comes to requirements for a local content, great development investments may be needed from the affected units[17]. In these cases, local technical personnel should find an alternative, ingrediants that are available in domestic area and make the initial texts. Most of the testing is usually done in regional laboratories or in direction (mother firm).

CASE STUDY: Draft of Locating Ford's Activity Centers as Response to Challanges of Globalization

For the purpose of maintaining its status in the 90s, *Ford* organizes design and engineering teams in centers of excellence. This approach has two goals: avoiding dupplication of the effort and using the similarity of Ford's specialists.

Located in several countries, centers work on key car components. For example, one is concentrated on some types of motors; the other projects and develops joint platforms – springs and other components – for similar size automobiles.

The idea is, then, for designers to stylize the exterior and cabin on each market in order to meet the local tastes. Each automobile is usually made on the same continent where it will be sold. For example, *Ford* introduced *Mondeo* from Europe that was built for replacing the ten year old *Sierra* in Europe in 1993, and *Tempo/Topaz* in the USA, in 1994. The one year gap between presenting in Europe and the USA should allow for the same management team to take charge of fabric launch in Genko, in Belgium and in Kansas City, in Missouri. The American and the European versions share 75% of joint parts, even though the American is slightly longer and it contains more chrome. Five Ford's design studies were supposed to agree on design suggestions that went from soft, curved lines to sharp, angular lines. Even though the European operations kept in charge of the project, key responsibilities were divided. The American side took over the automatic transmissions, while the European managed the manual transmissions.

In the past, *Ford*'s big, autonomous European and North American operations had projected and built completely different models, keeping extremely divergent requirements on these two markets. But nowadays, tastes converge and the company can no longer permit duplicative activities. "If we haven't done it like this, the Americans and Europeans would have made their own automobiles", says Jacques Nasser the presiding of Ford Europe. "We lack the resources for product development, mostly engineers, and with this kind of business they are efficentely utilized." On April, 1994, *Ford* announced great reorganization that will unite North American and European operations into a unique division.

[15] Susan M., "Picking Japan's Research Brain", Fortune, March 25, 1991, 84-96

[16] Robert R., "International R&D: The Establishment and Evolution of Research and Development Abroad by U.S. Multinationals";Journal of International Business Studies 9 (Spring-Summer 1987), 7-24

[17] Jack N.B. and William A.F., "Transnational Corporations: Market Orientations and R&D Abroad", in The Multinational Enterprise in Transition, ed. Philip D.G. et al. (Princeton, NJ: Darwin Pres,1984), 378-389

Organization of Global Product Development

The activities of product development are taken over by specific teams. Their assignment is to subimt the new products to severe examination in specific aspects of developing cycle in order to eliminate weak products before they are being invested in. The promising prototypes should be, rapidly, taken out of the laboratories to the market.The representatives of all affected functional areas can be found in each team, for securing the project's integrity. It is necessary to have a marketing member in the team, in order to estimate the consumer's base for new product; an engineer should ensure that the product is manufactured in the planned format; and a financier should keep the costs under control. A member of the international team should constantly participate in the product developing process, and not only when it is required. With international representative in every team for the product development, some multinational corporations ocasionally maintain the meetings only with their international teams[18]. Typical international team can be made out of five members and each of them is in charge of a product and geographical location. Others may come from the central laboratory for research and development and for domestic marketing planning. The function of an international team is to support the branches and to give the international contribution to all actions of planning. The key contribution of an international team's members is the potential for universal characteristics that can be used all over the world as unique characteristics that are required for individual markets[19].

These multidisciplinary teams use maximally the profitability of research and development, forming the decision-making. That is, they increase the need for developed mechanisms of report submission and for levels of committee approvals. For example, as the answer to competition, company *Honeywell* formed the multidisciplinary "tiger team" to build the thermostat for a 12 months period, instead of the expected 48 months (4 years).

Challenges that may occur, with teams or proposals for collaboration between research centers, are language and culture barriers. For example, North American pragmatic engineers do not need to have the confidence in their European colleagues that are more prone to theory. Also, the national rivalry may interfere with acceptance of foreign ideas; and many companies have sloved these problems with intesifying the communication and exchanging their personnel[20]. With growth of basic researches' costs and reduction of products' life cycles, many companies decided to unite their forces in research and development. The USA government and many American multinational corporations perceive this kind of approach as necessary for restauration of technological competition[21]. In 1984, the USA voted the National Cooperative Research Act that grants companies the long-term cooperation on research and development projects without fear of being marked as the advocates of coorporate trusts. Since then, more than 70 consortiums for research and development have been formed, in order to develop the technology out of artificial intelligence from those that can take over the leadership over the Japanese production of semiconductors. The main consortiums in this field are *Microelectronics*, *Computer Technology Corporation* and *Sematech*, which are formed as the answer to smiliar Japanese alliances. Both the European and American companies use the approach to consortium with the development of the high definition of television. There are also consortiums in Europe; for example, *Joint European Submicron Silicon* that annually spends 1 billion $ on researches. These consortiums are useful and may face the challenges of any strategic alliance.

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[18] S. Tamer C., "Multinational Corporations and the Management of Technology Transfer", in Technology Transfer, ed. A. Coskunm Samli (Westport, CT: Quorum Books, 1985), 217-229

[19] "A Warm Feeling Inside", Business Week, December 2, 1991, 70

[20] "Companies Try New Approaches to Maximize Payoff from R&D", Business International, January 25, 1988 17-21

[21] "Manufactures Strive to Slice Time Needed to Develop Products", The Wall Street Journal, Feb 23,1988,1-24

Testing New Capacities of Production

The final stages of product development process include the testing of the product concerning its effect and projected market acceptability. Depending on the product, the testing procedures may go from reliability tests in a pilot factory to mini launching, where the effect of the product on the world market will be estimated. Each testing will prolong full commercialization and increase the possiblity of the competition's reaction. The price of the marketing test is very high – in the average from 1 to 1,5 million $ on the market. Because of the high rate of failure of new products (it is estimated to be 67% in the USA) that are usually ascribed to market or marketing reasons, most of the companies want to ensure that their product will gain the consumers' acceptance; for that reason, the testing of a product is done or its launching is limitted. This can imply product's introduction to some country – for example, Belgium – and making the decision on continuing into the other parts of the Europe, based on the effect of a product on that test market[22]. In many cases, companies rely too much on instinct and feeling in their foreign marketing, while using the tests and researches for domestic market. During years, the lack of testing brought to series of products' disasters. The most serious mistake is assuming that foreign markets have the same priorities and life style like domestic. For example, *Coca-Cola's* failure in the 20s, when the company for the first time entered into the German market, was ascribed to the fact that Germans did not like the bottle design and the taste, which was not what they expected, since the cooling machines were not widely reachable. That is the reason why half a million dollars advertising campaign, done by J. Walter Thompson Berlin, did not succeed[23]. The other example of failure is the introduction of canned soups to Italian market in the 60s, by *Campbell Soup*[24]; and the company repeated the experience in Brasil, in 1979. The researches done after the failure in Brazil discovered that it mostly happened, because women in this country were fulfilling their roles of housewives, partially by doing the work such as the soup making. The similar discovery was made in Italy.

Other reasons for a product's possible failure are the lack of its originality, the unexpected technical problems and the erroneous matching of functions. The latter may occur not only between, for example, the engineering and marketing, but also within the very function of marketing. The projecting (engineering) can make such product's charachteristics that can be impossible to exploit them. Advertising can make a promise to a consumer something that no other marketing function can deliver.

The trend goes towards complementing of testing the marketing mixture. All components are being tested; including the formulations, packing, advertising and price forming. The marketing test is necessary because testing is an artificial situation before the launching; it tells the researcher what people are saying that they will do, and not what they really do. The marketing test carries within itself the great financial risk that can be limited only if is possible to do the testing in a limitted area. In that case, the ideal thing would be to use the localized advertising material – that is, radio and tv stations and press that would cover only the limitted part of a region. However, even on developed markets, such as the Western Europe[25], there are not enough of localized medias.

Since the marketing test is highly risky or even impossible to do in Europe or in other regions, the researchers have developed three research methods for solving this problem:

1. Laboratory Testing of Market – it is the least real in the sense of consumers' behaviour during a time period; but it allows the television exposure, which is usually impossible.

[22] David S.H., "Survey Finds 67% of New Products Fail", Marketing News, February 8, 1986, 1
[23] David A.R., Big Business Blunders (Homewood, IL: Dow Jones-Irwin, 1983), 23-25
[24] "Campbell Soup Fails to Make it to the Table", Business Week, October 12, 1981., 66
[25] Lauren W., "Mars Widens its Line in UK"; Advertising Age, May 16, 1988, 37

2. **Marketing Mikrotest** – it refers to the constant consumer panel that is served by retail, managed by the research agency. New products enter the market with high quality, ads in colour, cupons and free samples. The initial enterance and repeated shopping are being supervised.

3. Forced Distribution Tests – are based on permanent consumer panel that offers the information; but new products can be seen in regular shops.

This is real, but the competition are momentanously aware of a new product. The important criteria for successful testing is accomplishing the cooperation with key retail organizations on the market. In Europe, the retail trade is focused in small number of companies; for example, in Finland it is in wholesale corporations and in England in multiple retail. When *Mars Confectionery* was testing its new product in England, chocolate milk, the company could not obtain the distribution into big supermarkets and complete the market testing of its product; therefore, the company changed its approach by focusing its advertising on home delivery market.

Management of Global Product Launch

The influence of global product launch can be big, just like the price of bad launch. High development costs and competition's preassure force company to introduce the products to as many as possible markets. But at the same time, the company can not afford new products that are not effectively introduced, presented and supported on every market where the company applies. Global product launch implies a product introduction in three or more countries of a region in very short period of time[26]. In order to accomplish that, the company must do series of measures. Managers for those countries should be hired during the first stage of manufacturing strategy's formulation, to ensure that regional and local points would become part of the entire message of corporation and production. Product launch team (formed out of different representatives of: product, marketing, production, sales, services, projecting and communications) can also approach the problems from industrial aspect; unlike domestic aspect, which increases the competition of a product on all markets.

The adequate reflextion should be dedicated to requests of localization and translation before the launch. It means that real messages are being formulated and transmitted to key internal and external audience. Cultural and technical differences should also be considered. The advantage of simultaneous launch is that causes enhanced attraction of a product, since it is instantly available on all key geographical markets. Global product launch normally requires more education and support from sales channels than it is the case with domestic market shares.

As the result of developing efforts, many marketers may have great number of individual items in their product portfolios, formed out of different product lines – that is, out of groups of products that are managed and presented on the market as one unit. In addition to that, regional differences are part of the strategic planning of challenges process. For global companies, planning based from one country to another can result in pointless participation in the world market. Planning processes that are simultaneously focused on wide range of the market, provide global marketers with instruments for risk balancing, resources, competition economy of scope and profitability in order to establish stronger long-term positions[27]. For example, *Mars* was outside the American chocolate milk market, despite its capacity, because the market was dominated by *Hershey* and *Nestle*. However, *Mars* entered into the chocolate milk marktes, most of all in Europe.

[26] Robert M. and Laura E., "Launching your Product Globally"; Export Today 6 (September 1990), 13-15

[27] Yoram W. and Susan P.D., "International Portfolio Analysis and Strategy: Challenge of the 80s", Journal of International Business Studies 12 (Fall 1981.), 69-82

In spite of an assignment's challenge, a multinational marketer should have balanced product portfolio – the right mixture of new, growing and mature products, in order to ensure sustainable long-term competitive advantage to his firm. Optimally, the portfolio will contain *the cash cows* that require some financing but provide the cash and *the stars*, the market leaders on growing markets.

Main advantages of accessing a product portfolio are:

1. Global rewiev of international competitive structure, especially in terms of long-term settings.
2. Guidelines to formulation of the global strategy of international marketing based on proposed disposition of insufficient resources on product lines.
3. Guidelines to formulation of marketing goals for specific international marktes based on the thesis for every product line's part on each market that is served – for example, to make the profit or to block the expansion of competition.
4. Goal of suitable visual communication that can be made with integration of significant amount of information in appealing and simple formate.

Before making the strategic choices based on this type of portfolio, an international marketer should consider great differences associated with variables, such as mode of entry and exchange rate; management references for goals, for example, focus on countries with similar market characteristics; and marketig costs. For example, the price of some market entrance can be lower because the company is already present there and because of the chance of dividing the distributional network.

The applicaton of accessing a product portfolio has more limitting factors. The international competitive behavior does not always follow the same rules that apply on domestic market of a company. For example, the main local competition can be a company that belongs to government and whose main goal is to maintain the employment. Relationship between the market participation and profitability can be shaken with series of international environment factors[28].

Government's regulations have the influence on products that company can introduce on every market. For example, big American tobacco manufacturers estimate that they could win 30% of Japanese tobacco market out of 10 billion $ a year if there were not for the restrictions applied to the manufacturers that do not come from Japan. Offered product lines are also under the influence of different local laws on content – those who appoint that certain percentage of final product's value has to be manufactured locally[29].

Market tastes have imporatnt influence on product lines. Not only can they switch the content of a product, but can also demand some gadgets on a given market, which are not available on other markets. The fact that multinational companies manufacture the same products on different locations, can affect the consumers' perception regarding the risk and quality of the product. If the product is manufactured in a developing country, for example, an international marketer should estimate whether a famous brand can compensate the preocupation that a consumer may feel.

Situation can be far more complicated for retailers that import their goods from independant manufacturers of developing countries, under the retailer's private name[30].

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[28] Hoover: Revamping in Europe to Stem an Earnings Drain at Home", Business Week, February 15, 1982, 144-146

[29] "Coke in Japan High with Georgia Coffee", Advertising Age, March 19, 1984, 48-52

[30] Anne H., "Culture Shock", Advertising Age, May 17, 1982, M-8, M-9

Generally speaking, the effects of country of origin on a product perceptions are harder to determin because of the hybrid products.

Concetration vs. Diversification

Marketer should make decisions about specific product lines, regarding a country's market, with optimal combinations of product lines and items, and goal segments of the market. While choosing its market within a country, the company should make decisions that overcome those refering to market's appeal and the company's position. Policy of market expansion determins the division of resources among different markets. Hence, the basic alternatives are ***concentration*** on small number of markets and ***diversification*** that is specific for its increase on relatively great number of markets. Expansion strategy is determined with the market, marketing mixture and factors that refer to the company. Those factors that are associated with the market primarily determine the market's appeal. With high and stable growth rate on only few markets, the company will probably choose the concetration strategy, which is often the case with innovative products in the initial stage of their life cycle. If demand is intense in the entire world, such is the case with consumer goods, the diversification may seem appealing[31]. If the markets respond to marketing shares by the growing rate, the concetration will take place. However, when the price of the market participation becomes too high, marketers search for the possiblity of diversification. The uniqueness of the offered product regarding the competition also presents an important factor in expansion strategy. If the lead time over the competition can be considered, the decision to diversify does not have to be urgent. Nevertheless, very few products can afford that kind of a luxury.

Figure 2. CHART – FACTORS AFFECTING THE CHOICE BETWEEN CONCENTRATION AND DIVERSIFICATION STRATEGIES

FACTOR	DIVERSIFICATION	CONCETRATION
Market growth rate	Low	High
Sales stability	Low	High
Sales response function	Decreasing	Increasing
Competitive lead time	Short	Long
Spillover effects	High	Low
Need for product adaptation	Low	High
Need for communication adaptation	Low	High
Economies of scale in distribution	Low	High
Extent of constraints	Low	High
Program control requirements	Low	High

Source: *Igal Ayal and Jehiel Zif, "Marketing Expansion Strategies in Multinational Marketing," Journal of Marketing 43, Spring 1979.*

[31] Susan P.D. and Samuel C.C., International Marketing Research (Englewood Cliffs,NJ:Prentice-Hall, 1983), 298-303

In many product categories, the marketers can be affected by spillover effects. If we take, for example, the impact of satellite channels on advertising in Europe, where product ads now reach the entire west European market. The greater the degree to which globalization of marketing mix elements can be standardized, the diversification is more probable. Overall savings through economies of scale, can then be used in marketing efforts. Finally, the goals and policies of the company itself will guide the decisions making on expansion. If extensive interaction is required between mediator and client, efforts are most likely to be focused because of limitted resources.

In determining the optimal combination of products and product lines that will be marketed, the company should also think about the choice of individual markets, and about the transfer of products and brands from one region into another, or from one market to another. The result will often be the marketing of product lines and products in specific country, which represent the combination of global, regional and national brands.

The decisions made about specific goals may result with choosing the narrowly defined segments in prefered countries. This strategy is possible for marketers of special products intended for clearly defined markets, for example, ocean sailboats. Taking care of more segments on different markets, is typical for the companies oriented towards consumers that have enough resources for wide market coverage.

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UNIV. PROF. DR. OLGICA ZECEVIC STANOJEVIC

Prof. Dr. Olgica Zecevic Stanojevic was born on 28 December, 1967 in Belgrade. She finished primary and secondary school and the Faculty of Philology (1992) in Belgrade where she also gained her MA degree (1997) and PhD degree (1999) at the Faculty of International Management.

She started her professional career at the Academy of Pedagogy (1992) and the Faculty of Teacher-training in Belgrade. She continued her academic teaching career at the Faculty of International Management and IFAM, European University (1995), where she is still a full professor at Bachelor and Master studies in the field of Management and Business for the courses European Cultural Environment, Cultural Diversity, Cultural Relations and International Cultural Communications at the Faculty of European Business and Marketing in Belgrade. She has been continuously working on cultural diversity and intercultural communication in the field of managment and business since the beginning of her academic and teaching career at the European University. She is the author and co-author of numerous academic works and a participant in scientific reasearch projects both at national and international academic and professional conferences in the field of management and business, and she published several editions of the book ’European Cultural Environment’, ’Cultural Relations’ and ’International Cultural Communications’.

CULTURAL DIVERSITY OF SERBIA THROUGH SYSTEM OF CULTURAL DIMENSIONS

Prof. Dr. Olgica Zecevic Stanojevic

Abstract

Cultural diversity is the driving force of development, not only regarding the economic growth, but as the mean of achieving better intellectual, emotional, moral, social and business climate in the world. On General Conference 2001, the UNESCO manifested this opinion by adopting the *Universal Declaration on Cultural Diversity* which affirms that: "...cultural diversity is as necessary for humankind as biodiversity is for nature". For that matter, Serbia, being the country with rich cultural heritage and tradition, has a special role and responsibility in promoting and preserving its culture, but also the cultural diversities of South-eastern Europe. These efforts are necessary, not only to preserve cultural-historical identity, but because of the economic prosperity and successful business cooperation of the entire region. Therefore, in its relations with Serbia and with the entire region, the European Union has specially emphasised strengthening of intercultural connections and promoting of cultural diversity to achieve peace, cooperation and progress, in this region. Accepting and endorsing cultural diversity, by getting to know dimensions of your own and of the other cultures (which are especially supported by innovative use of informational technologies, media, educational systems, management, business and marketing) encourage the dialogue between civilizations and cultures, which fortifies their mutual respect and understanding. Hence, it is significantly important to be acquainted with the cultural dimensions of Serbia in business and management. That is, to perceive the way those dimensions are expressed in business environment, considering the fact that acknowledging and accepting their existence is prerequisite for successful business collaboration and communication.

Key words: Cultural diversity, Serbian culture, cultural dimensions, south - east Europe, intercultural dialogue

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Precisely for these reasons, the cultural diversity has become the most important subject in modern world. *The Convention of the Safeguarding of Intangible Cultural Heritage*[1], which was ratified by 78 countries in 2007, affirms that: "This intangible cultural heritage, transmitted from generation to generation is constantly recreated by communities and gropus in response to their environment, their interaction with nature and their history, and provides them with a sense of identity and continuity, thus promoting respect for cultural diversity and human creativity".

Culture is the system of gained knowledge and beliefes of certain group of people, and it affects attitude formation, behaviour, feelings and opinion of members of that group[2] UNESCO defines culture as: "...set of distinctive spiritual, material, intellectual and emotional features of society or a social group, and that encompasses, in addition to art and literature, lifestyles, ways of joint life, value systems, traditions and beliefs"[3].

[1] UNESCO *The Convention of the Safeguarding of Intangible Cultural Heritage,*2007, http://www.portal.unesco.org
[2] Olgica Zečević Stanojević, *Evropsko kulturno okruženje*, Evropski univerzitet, Beograd, 2007
[3] UNESCO, Universal Declaration on Cultural Diversity, 2001, http://www.unescodoc.unesco.org

Also, “Culture should be understood as creational cognitive system, that is the system of knowledge, beliefs and values that exists in minds of its members”[4]. Therefore, we could say that culture has the same significance for human collective as personality, or character, has for a person. Thus, culture determines the uniqueness of group of people in the same way our personality makes us unique as individuals. Hofstede defines culture as “*the collective programming of the mind* distinguishing the members of one group or category of people from others”[5].

The system of cultural values is the essence of a culture. Cultural values are our basic assumptions of what is good and what is bad; clean or dirty; honest or dishonest; pretty or ugly; moral or immoral; normal or abnormal… Hofestede calls them “software of the mind”[6], and these assumptions differ between members of different cultures, as different responses to external influences of the surroundings. For that reason, members of one culture will consider to be their moral responsibility to protect a friend in trouble, even if that means not telling the truth for that friend’s sake; while this kind of behavior will cause disapproval and conviction of some other culture’s members, since that kind of action may be seen as violations of general rules, and therefore, dishonesty.

Cultural values have deep roots in our mind and are gained in early childhood, first in family, than in school and later in wider social surroundings. Precisely, this is the reason why usually we are not fully aware of our values and we consider them to be generally accepted; until we become acquainted with the different system of cultural values.

Cultural values are invisible *per se* until they become evident in our behavior. As such, they are visible for an external observer, *however their cultural meaning is invisible and it lies in the way it is interpreted by the members of a certain culture*[7].

2. Cultural Dimensions and Their Affect on Management and Business

Cultures have always represented the world in the eyes of that culture’s members. The world around us, our surroundings, asks every culture the identical questions and offers them various response options. Different cultures have simply made different choices at the very beginning: some cultures chose to drive on the right side of the street, while others prefer to do it on the left side; in most of the Western cultures, surname comes second, after the first name, while the situation in Japan is reverse, and it is probably because a family is considered to be more important than an individual. These opposites can be seen as inverted mirror images[8]. They don’t exclude each other, but are complementary and give new perspectives.

Some researchers (Hofstede, Trompenaars) have done great work among different cultures of the world and therefore, we can have precise collected statistical data; while others have empirically described characteristics of cultural dimensions so we can compare them with Serbian culture and establish its position among those cultural dimensions. In management and business, these cultural dimensions, in a very subtle but unambiguous way, have influence practically in every aspects of business; starting from organization, company’s structure, through planning and management, awarding and motivating the employees, control and management’s style and leadership.

[4] B. Žikić, Kognitivna antropologija i nematerijalna kulturna baština, Glasnik Etnografskog muzeja, Beograd, 2006, br. 71, str. 11-23

[5] Greet Hofstede, *Culture’s Consequences*, Sage Publications, London, 2000

[6] Ibid.

[7] Greet Hofstede, *Culture’s Consequences*, Sage Publications, London, 2000

[8] F.Trompenaars and C.Hampden-Turner, *Riding th Waves of Culture*, MCGraw-Hill, New York, 1998

a) Cultural Dimension with Regard to the Concept of Time

Researchers of cultures in management and business have interpreted differently the time orientation dimension, taking into consideration all relations within cultures between time and business. Kluckhohn and Strodtbeck consider that a man thinks universally about time in different categories of *past*, *present* and *future*[9]. Tompenaars shares their opinion but he also believes that not all of the mentioned time categories are treated equally.

Our perception of time is under the great influence of our culture, considering the fact that *time* is an idea and not an object. Time is an important dimension of the manner in which we organize our experiences and activities; and the way we conceive it, for example, will affect our planning, strategy making and coordination of activities with other people.

Traditionally, Serbian culture is predominantly oriented towards the past. According to Kluckhohn and Strodtbeck, in the field of planning, past-oriented cultures will recreate the behavior that has already been established. Also, these cultures tend to ascribe status based on age, social class, sex, ethnicity and professional qualifications.

Time orientation significantly affects the way some cultures perceive societal changes. In every change the continuity is also included; that is, the tendency to maintain some of the aspects of the culture in order to preserve the identity. Past-oriented cultures deal with their past and their present and do not accept any changes until they are utterly sure that their cultural-historical heritage is safe and protected in time to come. Understanding of this notion is especially important for those foreigners who are trying to introduce some new business ideas in Serbia; but as well, for the innovators in business who also belong to these past-oriented cultures. Becoming aware how our own cultural values shape our behavior and the way of thinking usually is the most difficult assignment in these cultures.

According to Hofstede[10] and Tompenaars[11], cultural dimension of time also clearly distinguishes between *short-term* and *long-term oriented cultures*. These researches position Serbia among *long-term oriented countries*, together with Portugal, Czech Republic, Hungary and Austria.

Companies that work in *long-term cultures* are focused on building the strong position on the market, and are not interested in instant results. Managers, usually family members or close friends, have sufficient time and resources to give their long-term contribution. In these cultures it is very important to have personal network of acquaintances with accomplished long-term interpersonal relationships; and in Serbia this is called *to pull some string*. The potential of *pulling strings* is for life, and nobody wants to jeopardize it for some short-term profit.

Furthermore, *time* does not mean the same in different cultures and it provides the members of some culture to coordinate their activities, which is very significant in the context of business. For example, the time of some meeting can be approximate or precise; the established deadlines for assignments can be essentially important or merely directions on the path. For most of the people of Western cultures, time represents precious goods. They save, spend and waste time, because: *Time is money!* This perception of time leads them to live in impeccable time schedule. On the other side, for Eastern and Southern cultures, such as Mediterranean or South-eastern cultures, with Serbian culture included, time is less tangible and more elastic; hence, life is organized in more flexible and relaxed manner.

[9] Kluckhohn and Strodtbeck; Trompenaars and Hampden-Turner

[10] Greet Hofstede, *Culture's Consequences*, Sage Publications, London, 2000

[11] F. Trompenaars, C. Hampden-Turner, *Riding the Waves of Culture*, MCGraw-Hill, New York, 1998

Just like every culture has its own sign language, they also have what Edward T. Hall defines “the silent language”[12]. It is important to understand its meaning, because when we take for granted our own time system and we project it to other cultures, we miss to read hidden messages and we discard ourselves the significant feedback. In respect of time orientation, Hall distinguishes to types of cultures: *monochronic* and *polychronic*; while, Trompenaars and Turner[13] define them as *sequential* and *synchronous time oriented cultures*. In *monochronic*, or *sequential*, cultures time is percieved and used in linear mode. It is the path extended from the past towards the future. Time is divided into segments, sequences, and it has the form of a timetable that renders a man to concentrate on only one thing at a time. In cultures like this, normally, a schedule has the priority over every other aspects and it is treated as unchangable. Therefore, memebers of monocrhonic cultures do not like interruptions, which can lead to isolation among people. Time can be seen as a room in which, in a certain moment, some people are welcome, while others are forbidden to enter. There is time and place for everything. Every change provokes insecurity and leads to displacing the entire line of actions. This is the reason why cultures like these insist on punctuality and every delay is seen as sign of disrespect, disorganization and sloppiness. Thus, maybe we could say that members of monochronic cultures, more than doing the right thing, they prefer doing the thing right.

On the other side, *polychronic*, or *synchronous*, cultures are quite the opposite.The concept of time is understood as a cycle with intervals that repeat in certain rythms and seasons, just like the nature. Therefore, we could say that this time orientation is more adjusted to the natural rhythm of life. Members of these cultures want to do the right thing, no matter if it changes the deadlines or plans. It usually means that they’ll do more things at the same time, since there is one goal but several paths can lead to it. Time is a subjective and the meaning of time is treated as such. We could say that certain people deserve special attention and it is crucial to give them enough time, at any moment; the priorities are respected, and even unconsciously, the schedual and the rhythm of life are subordinated to the needs of those people. For example, members of Serbian culture, just like people that come from Mediterranean, Latin American and Arabic culture, will end or delay even their most important meeting in order to recieve a phone call from a family member; or they can be late to some meeting because they might happen to meet some good friend on their way. These cultures are very tolerant towards being late, which can almost be welcome considering the facet that both parties are allowed to finish some unplanned important business.

In order to function effectively in polychornic cultures, for example in Serbia, it is important to learn and understand the local language of time, because polychronic cultures tend to differ in the life rhythm and priority system.

b) Cultural Dimension with Regard to the Concept of Space

Just like time, the concept of space is also percieved distinctively within different cultures. However, according to Hall every culture has its concernes about space; hence, they percieve their theritories and their personal space (that is the proximity between the people in an interaction). Every live creature has its visible space limit (skin) that separates it from the exterior world. Nevertheless, this visible limit is also surrounded with numerous invisible limits, which can be more difficult to percieve and to see, but are still very real and existing. These other limits start with individual (personal) space, and end with being part of somebody’s territory’.

[12] Edward T.Hall, *The Silent Language*, Anchor Books, New York, 1990

[13] F.Trompenaars and C.Hampden-Turner, *Riding th Waves of Culture*, MCGraw-Hill, New York, 1998

Marking the territory, which is the inborn characteristic of living creatures, represents the act of claiming the right on it, possesing and defending it; and it is the vital link in the chain of events that are essential for survival. The tendecy to mark their territory is highly developed with humans and it is under the strong cultural influence. According to Edward Hall[14], every person has an "invisible space bubble" that can spread or shrink depending on: the relationship with people that surround the person; emotional condition of the person; his or her cultural heritage and the person's activity. This is what a personal space means and only few people are briefly allowed to come into it. The changes that can happen inside the "bubble", caused by the lack of space or mess, may provoke feelings of unpleasantness or even agression. However, these "invisible bubbles" vary from culture to culture. For example, they are very big in Northen Europe and therefore, people stand at the distance. On the other hand, in Southern Europe, which includes Serbia as well, these "bubbles" are smaller and for that reason, what is considered to be normal for these cultures, for the people of Northen Europe is considered to be intimate relationship. Therefore, this could meen that for them members of Southern cultures are getting "to close" during their normal everyday interactions.

Kluckhohn and Strodtbeck[15] discern three cultural variants of relationship towards the concept of space: *private*, *mixed* and *public*. These variants define the way some culture is oriented towards the space that surrounds it, how it perceives its use and especially how some culture comprehends the meaning of property over the space. Hence, *the private orientation* believes that the space is for the owner's exclusive use and it defines wider and narrower[16] space that surrounds it as a part of its territory. Usually, when the space owner feels like other people are invading his or her space, the safeguards are implemented. On the other side, *the public orientation* perceives the space as something that is available to everybody. While, in *the mixed orientation* the perspective of differing between private and public, depends on the context and current circumstances.

The space orientation has great influence on management and business functioning; especially in the field of communication and when it comes to arranging the office space or the business space. Managers that work in private-oriented cultures will mostly base their communication *one-on-one* and will have tendency towards secrecy and holding the information for themselves. The information is power and it is not available to everyone. The offices in these cultures are closed type, completely separated and possibly private; that is, each office has its own door.

Contrary to that, those who work in public-oriented cultures will probably establish numerous informational networks and open interactions and will make sure that the information flow is free and available to everyone. Normally, offices in these cultures are opened type, with tables that can be only separated with partitions; and if the private offices even exist, their doors are usually open.

In the mixed-oriented cultures, such as Serbian, managers do the selection of information and pass on only the information they believe to be necessary for realization of the job. According to that, the office space is usually divided into formal working section, which contains smaller offices, bigger space for the meetings and specially made space for less formal occasions.

[14] Edward T.Hall, *The Silent Language*, Anchor Books, New York, 1990
[15] Kluckhohn and Strodtbeck, *Variations in Value Orientations*, Peterson, New York, 1991
[16] Compare it with E.T. Hall's *personal space* (AN)

c) Cultural Dimension with Regard to Environment

The man's survival has always implied the harmony or the battle with nature: winds, floods, droughts, cold weather, earthquakes, volcanoes, etc. Depending on the climate, cultures had to discover their ways to try to subordinate the nature or to adjust to it. The economic development of a man can also be seen as gradual strengthening of funds and finding the modes to tame the forces of nature. The evolution of society has brought to transforming the original fear that the nature might destroy human existence into the fear that man might destroy the nature.

However, natural forces are not the only factor of surroundings that man has to deal with. It is also necessary to protect oneself from other people, whether they belong to the same culture or not, but one should also try to understand the unknown reality.

New challenges and dilemmas are constantly imposed to a man by surroundings and environment. The uncertain future is basic life fact and different cultures try to deal with it in different modes that fall within the domain of technology, law and religion. Technology includes every human creation that helps us to defend from the insecurities of the very force of nature. Laws, which refer to every written and unwritten rule that conducts socially acceptable behavior, help us to protect ourselves from the insecurities and other people's unpredictable behavior. Finally, religion (which includes our learning about the unknown) and science (which includes our knowledge about what is known) may help a man to accept the insecurities he cannot defend himself from. The line between defending from the insecurities and accepting them is fluid. Many of our defense modes are meant to control the unknown, but actually from the objective point of view that is not the case. However, they do help us sleep more calmly.

Certain cultures differ on the basis of level of feeling threatened in ambiguous situation[17], for that reason they have developed some beliefs and institutions in order to try to avoid that kind of state, which is the feeling of insecurity. Therefore, we can talk about cultural dimension of *universalism* and *particularism*[18].

Serbia is in the front line of the countries with explicit cultural *particularism*, followed by Poland, South Korea and Russia. Particularsim is focused on the special nature of current circumstances: A person is not merely "a citizen", but also my friend, brother, spouse, child or someone very special to me, who has exclusive rights to my love. Therefore, I need to support and protect that person no matter what the rules say. At the same time, the others rarely deserve that kind of love and I don't tend to give as much of my attention to them.

According to Trompenaars and Hampden-Turner[19], but to Kluckhohn and Strodtbeck as well, there are two basic cultural orientations regarding the nature and environment. For example, some cultures believe that they can control the nature and environment by adjusting them to their own needs; whereas, others consider humans to be a part of nature and environment. For that matter, a man should *adjust* to nature's laws and forces; or *submit* to them; or finally, to try and *create a harmonious relationship*.

The submission to nature implies the understanding by which humans see themselves left to the mercy of physical forces of nature or/and to the will of God. In this context, the life is perceived as predetermined or merely a matter of the case. It is considered that the inevitable shouldn't be changed with some kind of act of will, being that in the best case those actions are hopeless, and in the worst case they are blasphemous. For example, the expression "If it's God's will!" illustrates this cultural orientation's way to language. Also, it affects the planning and goal

[17] Greet Hofstede, *Culture's Consequences*, Sage Publications, London, 2000
[18] F.Trompenaars and C.Hampden-Turner, *Riding th Waves of Culture*, MCGraw-Hill, New York, 1998
[19] F.Trompenaars and C.Hampden-Turner, *Riding th Waves of Culture*, MCGraw-Hill, New York, 1998

settings in different cultures. Therefore, it is logical to expect that in particularism oriented cultures, goals will be blurry and undefined, subject to changes; while the planning is merely the expression of our intentions, and not strictly determined path. The cultures that are oriented towards the harmonious relationship with nature will also take into consideration the ecological factors and will take care about the conservation of nature and environment; for example, through recycling and using the ecological packaging, so that man's actions affect the environment's natural rhythm and harmony as less as possible. Finally, it is believed that domineering cultures, which tend to control the nature and environment set specific and unambiguous goals and plans that are expected to be realized at any cost. Hence, any exterior obstacle must be conquered.

Even though there are no official scientific data, it can be said that Serbian culture is traditionally oriented towards nature, alongside with Mediterranean, Arabic and some Asian cultures. This is something to have in mind when dealing with Western companies, since they may see the plan changing and not respecting the deadlines as sign of disorganization and inability to do the job well.

Western cultures managers often tend to impose more uniformed procedures and methods to other cultures and usually they succeed in it; precisely because some of the other cultures are used to adjusting and accepting strong exterior influences. And, even though, the original idea was to impose and to gain the control, it was realized because of different point of views-adjusting to exterior influences. Paradoxically, these two completely opposite situations in this case are shown as perfectly compatible.

d) Cultural Dimension of Human Relationships

Horizontal Relationship (Individual-Group)

A man is a social being. This statement is valid in all cultures. However, the level and the mode of an individual's integration into a social community significantly differ between cultures, which, perhaps, has the biggest influence on formation of consciousness and value system of some culture's member. All scientists agree that there are two basic models of horizontal human relationships within a culture, therefore cultures can be oriented towards: *individualism*[20] and *collectivism*[21] (*communitarianism*[22] , that is *group*[23]). It depends if the identity of a person is based on individuality or on a social group.

Individualism has been described as "the primary basis for self-definition", and collectivism as "the primary basis for group goals". Normally, cultures differ according to which of these two processes they tend to give the priority; even though, a culture can contain both of these orientations. Do we connect with other people by discovering everyone's desires and then trying to overcome the differences? Or do we tend to emphasize some kind of common concept of public and collective wellbeing? Do parents teach their children to think in the first person singular "I" and to be independent; or they teach them to think in the first person plural "We" and take care of them in later years, and expect loyalty in return?

According to Hofstede's research, Serbian culture is traditionally collectivistic. However, new research done by Trompenaars shows that Serbia is in the group of individualistic countries, which coincides with new trend of changes in Serbia and its surroundings, because of the contacts with Western cultures and their influence.

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[20] Hofstede, Trompenaars, Kluckhohn and Strodtbeck

[21] Greet Hofstede, *Culture's Consequences*, Sage Publications, London, 2000

[22] F.Trompenaars and C.Hampden-Turner, *Riding th Waves of Culture*, MCGraw-Hill, New York, 1998

[23] Kluckhohn and Strodtbeck, *Variations in Value Orientations*, Peterson, New York, 1991

Vertical Relationship (Hierarchy)

One of the main questions of human existence, answered by many cultures, concernes the inequality between people. Inequality is a multidmensional concept and it can be displayed in form of prestige, wealth or power; in these three fields, different cultures do not give the same importance to the status. However, in every culture, sucessful sportsmen, artists and/or scientists have a special status, but only in some cultures people from these professions gain wealth, and rarely power. Generally speaking, in each culture there are two contrasting forces: the one that tends to make a distinction among statuses on all levels, while the other force trys to keep the equality among people by removing the concept of status on some level[24]. The battle between these two forces – status consistency and general inequality – is one of the basic dilemmas in every culture.

According to Trompenaars and Turner, in every culture some members are given the higher status than the others, which is an indicator that special attention should be paid on those people and their activities; and while some cultures base their selection on accomplishments, others base it on age, class, sex, education, etc. Therefore, cultures can be divided on those in which the status is *achieved* with personal acting, and those in which the staus is *gained* based on characteristics that already exist.

In his research of cultural diversity, Geert Hofstede has also dealed with question of unequal distribution of power within a society. He calls this cultural dimension *the distance of power*, and it refers to the extent to which some institutions, organizations or societies accept the fact that the distribution of power is uneven. Often, the inequality in these cultures is expected and it’s even desirable, since it is considered that the hierarchy where everyone has its own place is necessary for proper functioning of society. Usually, this referes those cultures that are oriented towards collectivism, and those who have less power depend on those who are more powerful. Also, in these cultures the privilegies, and status symbols are expected and are very popular and welcome.

In cultures where the distance of power is small, the equality among people and equal opportunities are very important. The hierarchy also exists but it is for the functional reasons and practicality. Usually, these cultures are oriented towards individualism and parents encourage their children to develop equal relationships; and within societies exists the interdependence among those that have more and less power.

Hofstede’s research, done over decades ago, categorize Serbia among cultures with great distance of power. Nevertheless, it is obvious that now there is tendency towards reduction of this distance, which is evident in family relationships, but also in educational system and in business organizations.

The Essence of Interpersonal Relationships

The essence of interpersonal relationships can be regarded from different aspects. However, it is basically divided on those cultures where relationships among people are the most important; they are omnipresent in people’s lives. These relationships are longterm and lead to mutual closeness and deep understanding, such is Serbian culture. The other group are cultures that tend to separate very strictly business and private life, hence the relationships between people are more focused on realization of the assignment. This cultural difference is significantly emphasized in international communication.

[24] Greet Hofstede, *Culture’s Consequences*, Sage Publications, London, 2000

Based on the level of expression of emotions, cultures can be divided into *affective* and *neutral*[25]. The amount of displayed emotions is often the result of social conventions. Along with Mediterranean, Serbian culture is classified among affective cultures and it is caracterized by expression of emotions and gestures as reflection of engagement and interest for the interlocutor and assignments. On the other side, the members of neutral cultures do not have tendency to demonstrate their feelings in public. For example, in British and Northern American culture, as well as in Northwestern Europe, being able to control your emotions is sign of civilized behaviour. Therefore, norms of emotional neutrality reject anger, enthusiasm and every other intensive feeling, sincer it is considered to be unprofessional.

Extremely neutral and extremely affective cultures may encoutner some issues in mutual business. That is, neutral person can be easily characterized as indiferent and cold, while affective person would seem as wayward and inconsistent. In these situations, the most important is to recognize differences and to restrain oneself from jumping into the conclusions based upon the amount of expressed emotions.

Closely associated with level of emotional expression is also the mode and the level we involve other people in our lives and on personal levels, and whether is that present in certain or in every situations of life. Based on this difference, Trompenaars and Turnere distinguish *specific* and *diffuse* cultures; that is *low context* and *high context* cultures.

In *specific* or *low context cultures* the manager differes the relationship with subordinate personel during an assignment and some other situation. If he or she meets some of his employees in a coffee shop, on a golf field or during a vacation, that does not mean that his or her authority is reflected on any of these new situations. Wherever manager meets some of the employees, it is considered to be isolated, specific case; and private life is strictly separated from business relationships.

Nevertheless, in *diffuse cultures*, that is *high context cultures*, each sequence of life and level of personality permeate mutually. Manager Director has great authority everywhere. For that reason, if he is in charge of a company, his oppinion about cooking will be better received than other employees' judgements. His taste for clothes and his worth are permeated with his managerial title, and he or she expect to be treated that way wherever he or she may go (at work, on a street, in a club or in a shop). In this case, private and business life overlap and permeate.

One of the problems that may ocurre when members of these two cultural categories meet is that the different space perception. That is, what one category may see as public space, the other may understand it as private and vice versa.

As mentioned before, Edward T. Hall[26] divides these categories into low context and high context cultures. The context determines how much information we need for effective communication, and how much of common knowledge is understood among the interlocutors. High context cultures, such as Serbian and French, believe that foreigners have to be informed about all circumstances before starting a business successfully, becuase in these cultures the person already has most of the information, and only small part of it is in coded, explicit part of a message. Coded, verbal message should be interpreted in the right way regarding the context, therefore it is necessary to be well informed and to understand nonverbal signs of communication. On the other side, high context cultures, as in the USA and the Netherlands, believe that communication regarding some concrete business contains all the necessary information for the interlocutor. The majority of these information is given in coded messages with usually literally meaning that does not need additional interpretation. These cultures are

[25] F.Trompenaars and C.Hampden-Turner, *Riding the Waves of Culture*, MCGraw-Hill, New York, 1998
[26] Edward T.Hall, *Beyond Culture*, Anchor Books, New York, 1990

very flexible and adjustable; while the high context cultures are rich and subtle, but with lot of "baggage" and for that reason a foreigner has difficulties to completely adapt to them.

Specific low context cultures, especially North American and Dutch, with their strictly divided private sectors, have great freedom of direct speech. Therefore, the expression: “Nothing personal!“, can be often heard in these cultures. In relationship with diffuse high context cultures, this kind of approach can be offensive. Specific cultures do not understand the conept of (*keeping/loosing*) *the face*, which can be threatened when some private information is exposed. Precisely, in order to keep the face, diffuse cultures preffer more indirect approach in communications. It is very imporatnt to avoid personal confrotation because it is impossible for the interlocutros not to take the remarks personally. Latin American, Asian (Japanese, Arabic) and Mediterranean cultures, in which contacts with family, friends, collegues and clients are intense and close, and where people are deeply involved in personal relationships, it is important to keep and maintain them. The members of low context cultures, such as American, German, Swiss and Scandinavian, tend to differ strictly between personal and business relationships, and for that reason they always need detail and explicit information. The need of people from these cultures to get explicit information, may irritate the members of high context cultures and vice versa. That is, people from low context cultures have doubts when members of high context cultures do not give sufficient information. One of the greates challenges of intercultural communication is finding the right context level in a given situation. Usually,withing their own culture, people manage this adjusting automatically. But in different cultures their messages are often misinterpreted and misunterstood.

Finally, Geert Hofstede differs between cultural dimension of *masculinity* and cultural dimension of *femininity*. In cultures such as Japanese or North American, the masculinity dimension is developed and dominant values are success, money and material goods. Hence, great importance is attached to income, progress in business and social accomplishments, which leads to big competition in interpersonal relatioships and great level of stress at work that, therefore, occupies central position in man’s life. The educational system is directed towards favoring high productivity and economical increase

On the other hand, in cultures such as Serbian, Danish and Norwegian, in which the femininity dimension is expressed, prevail those social values that are oriented towards caring for others and environment conservation, and towards the quality of life in general. Significant importance is given to human contacts and friendly atmposhere. People work to live and interpersonal relationships have the priority over job. The educational system is directed towards enabling for adjusting in society and for interpersonal cooperation, and great significance is given to employment security.

CONCLUSION

The research, conducted among students of European University, shows variations in almost every cultural dimension mentioned in this paper and in comparison with generations that participated in previous research, done by Hofstede and Trompenaars. These variations refer to expressing more individualism, less power distance and emphasized femininity. It is necessary to conduct new research that will follow this trend, in order to establish whether it will lead to changes in the very system of values in Serbian culture. Therefore, in that case, we can talk about new Serbian culture that adjusts to changes in regional and global surroundings, which is especially reflected in management and business via business cooperation among cultures.

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MANAGERIAL DECISIONS IN THE FUNCTION OF INTERNATIONAL BUSINESS DEVELOPMENT

Prof. Dr. Dragan Nedeljkovic

Abstract

The Decision-making process in the international business operations implies the use of far more complex procedures which involve the influences of numerous factors such as: host country politics, market growth evaluationa, capital structure and sources, culture, laws... Management of multuinational companies is faced with making complex decisions about various international activities of their companies. Different influences of internal and external environment point at the scenario of future cahnges in the international business which sets new challenges before company management in the decison-makinf process. An increasingly pronaunced homogenisation of management in the world has an impact on establishing new criteria, approaches and methods in the decison-making process.

Key words: Decision making, international business, management, multinational companies operation

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The Decision-making and managing process in International Business Operations implies the application of very complex procedures. The decision-making and managing process in multinational companies include: goal setting; data collecting, informing and interpreting; option-formulating; planning and programming; decision-making; politics-expressing and politics-applying; decision-observing; decision-validating; decision-modifying; data-saving and data-using.

Multinational companies have one clearly defined goal: *profit*. Hence, the first phase in decision-making process in multinational companies, the goal setting, has been clearly set. However, from this point on, the decision-making process in multinational companies is special in every way.

In order to obtain the profit, the multinational companies management should make more efficient decisions, regarding the elections of business practice and strategy that should be followed; and it is the same, regarding the elections of markets and countries suitable for establishing business operations. This requires correct and up-to-date information. Therefore, it's not surprising that the multinational companies' management dedicates a lot of time, talents and resources to collecting, reporting and interpreting data regarding great number of different factors: market size; consumer preferences; abilities and strategies of real and potential competition; attitudes of host countries' governments and their political orientations towards foreign companies concerning current and future risk; labour costs; capital costs; quality and reliability of a host country's infrastructure and corporative culture. After the collection and analysis of these data, and their preparation for use, the corporation managers can develop different decision options. This means that managers of multinational companies are able to form numerous set of options for their future business activities.

Shown in **Figure 1** are the decision-making phases along with goals and potential obstacles that have been indentified for each phase[1].

ASSIGNMENTS	GOALS	OBSTACLES
1. GOAL SETTING	Identification of interests	To agree
2. DATA COLLECTING, INFORMING AND INTERPRETING	Obtaining the correct information, based on which decisions can be made, understood. Transmitting information.	Incomplete, incorrect information; information delay; incorrect information interpretation; too many information
3. OPINION FORMULATING	Choice making	Limiting options; options giving based on favouritism.
4. PLANNING AND PROGRAMMING	Identifying and estimating consequences and using every option.	Favouritism, group opinion.
5. DECISION MAKING	Decision making and choosing the suitable option.	Favouritism, time limit.
6. DECISION EXPRESSING	Effective policy expression	Contraindications; misconceptions; preoccupation for personal image; media distortion
7. DECISION APPLICATION	Clear command and action control.	Expressing the problems; blurry authority lines; changes of situations.
8. DECISION OBSERVING	Informed about the policy and its effect when it is applied.	Lack of feedback; ambiguous relations between cause and effect.
9. DECISION VALIDATING	Validating the intended decision's effects.	Favouritism, group opinion.
10. DECISION MODIFYING	Policy modification in order to achieve the goal.	Insufficient resources, bureaucratic structure.
11. DATA SAVING AND USING	Learning from previous experience, to improve subsequent decisions.	Saving data partially or unreliably.

Figure 1. Decision-making process in multinational companies

Management of multinational companies has to make complex decisions about their companies' different international activities. After presenting the options to their companies in different countries or regions, where the business is taken, the decision-makers of multinational companies determine the way to "measure" and predict the factors that are out of their control, but that can significantly influence the decision-making process. These factors can include: host country policies; estimation of the market growth; capital structure; labour laws, and other.

After the decision of applying certain business strategy has been made, the management of multinational company explains and elaborates their decision to owners, shareholders and to other participants (lower levels of managers, employees, and the host country government).

Managers of multinational companies may also find certain obstacles in their decision-directing. Very often, management of multinational companies needs to ask first for the

[1] Prof. Dr Milija Zecevic, Prof. Dr Dragan Nedeljkovic, Management Decision Making, European University, Belgrade, 2014.

approval, from government or from other legal authorities of the host country, in order to conduct their decisions or company's operations. Depending on government's policy of a state, management of multinational companies can find some obstacles in conducting their operations. As opposed to that, multinational companies may have strong economic influence on government's decision-making, and sometimes that gives them power to influence their policy as well.

Management of multinational companies supervises administration, evaluation and modification of their decisions. The purpose of these procedures is to increase the effect of the final results through changes and corrections that have been made.

Saving and using data is essentially important for management of multinational companies, especially in the area of planning and predicting the future business policies and strategies. Inadequate saving and data using may affect the company's profitability. With different data banks within that multinational companies, the "institutional memory" of managers, the source of saving and using data can be significant.

The Influence of Social Responsibility on Decision-Making Process in International Business

Social responsibility could be formally explained as responsibility of a company's management in optimal choice of decision that should contribute to the welfare and interests of society and of the very organization.

Even though this definition may seem simple, social responsibility can be a difficult concept to understand, because different people have different beliefs when it comes to realization of actions that promote welfare of society. Social responsibility covers great number of issues, and many of them are ambiguous regarding the concepts of what is right and what is wrong. For example, if a bank deposits money, from some fund that has been entrusted it to a management, in the account with low interest rate on 90-day, and makes a profit out of it, could that be considered unethical? Also, is it socially responsible that a smaller corporation goes bankrupt because of a bigger one? Or let us think about companies like *Manville Corporation*, *Eastern Airlines*, or *Texaco*, all of these are oil companies that went bankrupt, which is completely legal, in order to avoid rising financial obligations towards the suppliers, the labor unions, or the competition. All of these examples contain moral, legal and economical preoccupations which is why it is not easy to define socially responsible behaviour.

One of the reasons why it's complicated to understand the concept of social responsibility is that managers have to answer the question: *Towards whom are they really responsible in their decision-making process?*

The interest, within an organization, can have any group, inside and outside that organization. Shown in **Figure 2** are the groups with interest in some organization that deals with automobile production[2]. Investors and stakeholders, employees, buyers and suppliers are considered to have the main interest in some organization, and they are essential for its survival. These types of interests are satisfied by management's efficiency, that is, by the use of resources to make the profit. The employees expect to be paid, and the consumers are interested in decisions that consider quality, safety and availability of the goods. When a group with main interests in organization becomes seriously unsatisfied, the organization's capability and its development are threatened.

[2] Prof. Dr Milija Zecevic, International Management, European University, Belgrade, 2012.

Other important groups, with interests within some organization, are government and social community. Most of the corporations exist only under legal founding acts and with permissions for foundation; and they function within security laws and within demands considering the conservation of environment and other laws and regulations inside a government sector. Social community also includes local government, natural and physical surroundings and quality of life. Special interest groups, within an organization, can include trade associations, committees for political activities, professional societies and members of consumer movements. Socially responsible organizations take into consideration the effects of their activities on all interest groups within organization.

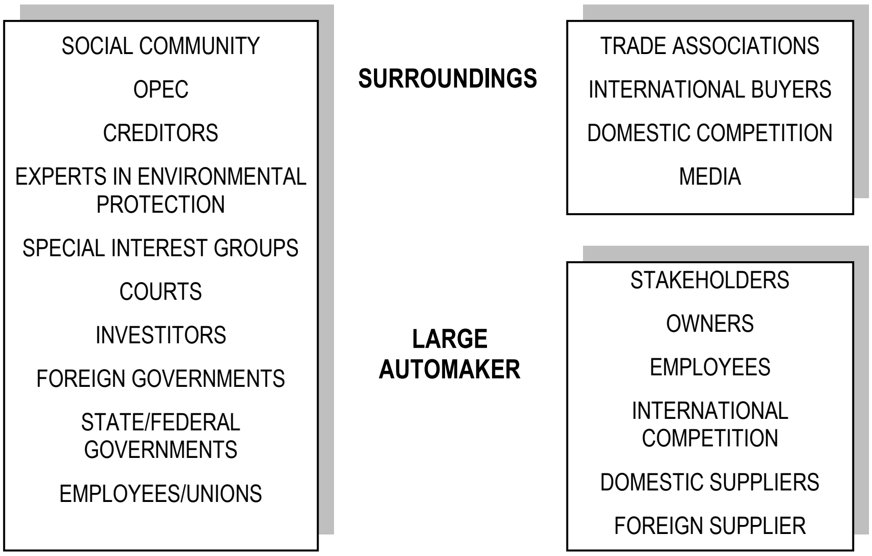

Figure 2. Groups with interest in car manufacturing company

Sometimes, the management of companies may confront and deal with those that also have some kind of interest in the company; but the management can also make decisions that would help in solving these conflicts.

For example, the company *Fina Inc*. was founded on an oil refinery in Port Arthur, state of Texas, in 1937. During the years, grounds with attractive ranch-style houses were sprouting in the shadow of this factory. Because of the noise and the unpleasant smell, the owners of the houses became unsatisfied with the fact that the factory is located in the middle of their zone. The residents expected from the company to buy their houses at the highest price of the market. In several occasions, *Fina Inc.* had tried to demonstrate its good will, trying to resolve these issues; and in the end the company agreed to buy the houses because the owners had the legitimate right of ownership. The management of companies, such as *Fina Inc*., act in socially responsible manner, by helping those with interest in their companies.

Criteria for Ethical Decision-Making

Most ethical dilemmas include conflicts between needs of a part and a whole; between an individual versus organization or organization versus society as a whole. For example, should a company introduce a mandatory drug and alcohol testing of its employees? Since, this can contribute to a company, but reduce employees' individual freedom. Or, should a company export the products, which do not satisfy the standards of the Ministry of Agriculture and Health, into other countries that have lower standards? (It will bring profit to that particular company, but it could also potentially harm numerous citizens around the world.) Sometimes ethical decisions involve conflicts between two groups. For example, should the potential local health issues, provoked by corporate waste material, be more important than jobs provided by that corporation, as the biggest employer in the city?

Managers deal with these kinds of difficult ethical choices, and in order to make the optimal decision, they tend to use normative approaches based on norms and values. Four of these approaches are relevant for managers, and they are: *utilitarian approach*, *individualism approach*, *moral-rights approach, justice approach*[3].

Utilitarian Approach

According to *utilitarian approach*, supported by Jeremy Bentham and John Stuart Mill, the moral decision is the one that produces the greatest good for the greatest number of people. In line with this approach, it is expected that, the one who makes decisions, should think over the effect of each alternative decision for all that are interested and to choose the one that causes the most positive effect on the greatest number of people. Considering the fact that the real calculation of these problems can be very complex, their simplification it is allowed. For example, a simple economical equation could be used for cost and profit calculations in dollars. Therefore, company management can make a decision that concerns only those that are directly affected by it, and not those that are indirectly affected. When *General Motors* chose to continue the operations in its factory in Arlington, in state of Texas, and to close the one in state of Michigan, the management justified this decision with claim that the one in Texas, generally, is more profitable for the corporation. Utilitarian ethics is cited as the basis for the recent trend among companies to monitor personal habits of their employees regarding alcohol and tobacco consumption at work during the working time; and in some cases, after the working time, as well because that kind of behaviour affects the entire workplace.

Individualism Approach

The individualism approach contends a decision to be moral when it enhances the individual's best long-term interests. The most important is the individualistic self-management, and the exterior influences that limit self-orientation should be strictly monitored. Individuals see the long-term possibilities that are the best for them, as criteria of a decision quality.

Considering the fact that individualism is sometimes misinterpreted to support immediate self-gain, it is not popular in the highly organized and group-oriented society of today. The individualism is closest to domain of free will, illustrated in Figure 6.1.

Moral-Rights Approach

The moral-rights approach states that human beings have fundamental rights and liberties that cannot be taken away by an individual's decision. Therefore, an ethically correct decision is the one that best maintains the rights of those affected by it.

The moral rights that should be taken into consideration in decision-making process are:

1. The right of free consent: individuals should be treated only how they themselves consent to be treated.

[3] J. Weiss, B. College, Business Ethics, Cengage Learning, London, 2012.

2. The right to privacy: individuals can choose how to behave outside their working place and working hour; and they monitor the information from their private lives.

3. The right to free conscious: individuals may refuse order that violates their moral and religious norms.

4. The right to freedom of speech: individuals may criticise constructively other people's ethics and legality of actions.

5. The right to life and security: individuals have right to life without threatening or damaging their health and security.

To make an ethical decision, managers need to avoid interfering with the fundamental rights of others. Therefore, a decision to eavesdrop employees' violates the right to privacy. The right of free speech would support "whistle-blowers" who call attention to illegal or inappropriate actions within a company.

Justice Approach

The justice approach affirms that ethical decision must be based on standards of equity, fairness and impartiality. Three types of "justice" are significant for manager's decisions:

1. Distributive justice requires that different treatment of individuals should not be based on arbitrary characteristics. Individuals that are similar regarding what is relevant for some decision should be treated similarly. Therefore, men and women should not receive different salaries if their work is the same. However, those who differ essentially, such are the differences between work qualifications or the responsibilities of a work position could be treated differently and proportionally to differences in qualifications and responsibilities. This difference should be clear towards organizational goals and assignments.

2. Procedural justice states that regulations should "fairly" be applied. Also, regulations should be clearly stated and consistently and impartially enforced.

3. Compensatory justice considers that individuals should be compensated for the cost of their injuries by the party responsible. Furthermore, individuals should not be held responsible for matters over which they have no control.

The justice approach is the closest to opinion that is basically in the domain of law, as it is illustrated in Figure 6.1, because according to it, the justice is applied through rules and regulations. This theory does not require complicated "calculations", as it is the case with the utilitarian approach; nor does it justify personal interest, like the individualism approach does. The managers are expected to define the attributes by which is acceptable unequal treatment of the employees. It is very difficult to answer the questions, such as: How to compensate discrimination from the past towards employees, members of minorities? However, this approach actually justifies what ethical behavior tends to correct; which is, honest behavior towards rules and insisting on differences that are relevant for different working places, and which would be the basis for different salaries and promotion possibilities. Most of the laws in domain of the management personnel are based on the justice approach.

The challenge of applying these ethical approaches is illustrated in decisions that should be made by the companies in tobacco industry.

Types of Management's Decisions as Response to Specific Social Demands

How should a corporation, confronted with specific social request, act? If someone, for example local government, has interest within a company, and they present some kind of request to a company, what corporate actions can be possibly taken? Management experts have developed action-answer scale and it is used by management of companies when there is a decision to be made, regarding some significant social issue. These obstructive, defensive, adapting and proactive actions are illustrated in **Figure 3**[4].

Obstructive Actions: Companies that accept these actions reject any responsibility for decision that has been made, claiming that the evidences about their wrong acting lead to wrong conclusions and set up different kind of obstacles in order to delay the investigation. During the years of discovering the *Watergate scandal,* that kind of obstruction was called *stonewalling*.

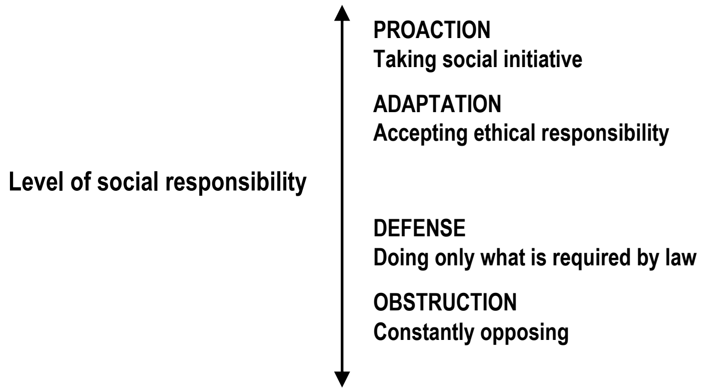

Figure 3. Types of Management Decisions

Defensive Actions: It means that a company is willing to take responsibility for decisions that have been made, which may also include some mistakes and carrying out some actions. A company cuts its losses by defending itself, but it doesn't act obstructively. It is general belief, among defensive mangers, that "these things happen and they are nobody's fault". For example, the *Goodyear* accepted the defensive strategy by deciding to continue with work in their factories in South Africa.

Adapting Actions: It means that a company accepts social responsibility for its decisions and actions, even though it may only act that way because of the external pressure. Companies that accept this kind of agreement normally try to take economic, legal and ethical responsibilities. If some external forces make the pressure, the managers agree to suspend the suspicious activities. For example, the decision of the *Exxon Company* to clean the oil spill that was released in Prince William Sound was made in order to adapt the company to ethical standards, which was mostly urged by public protests.

Proactive Actions: This means that companies take the "lead" in social issues. They seek to recognize social interests and to respond to them without any persuading or external pressure of those that have some kind of interest in their companies. The example for proactive actions is given by the *Potlatch Corporation*. This company produces cardboard milk cartons and the company management came up with idea to print it with photos of missing children. The company reported that few days after the *Alta-Dena Dairy* from Los Angeles had put the cardboard milk cartons in food stores, one of the missing little boys was brought back home. One

[4] R. Calori, Philip de Woot, A European Management Model, Prentice Hall, London, 2003.

more example of the proactive response is the corporative philanthropy. Many companies, including Miller Brewing, Coca-Cola and Westinghouse give great donations to universities, to the organization *United Way* and to other charities as in order to improve the welfare of society.

Obstruction usually occurs in companies that have actions based only on economic considerations. Therefore, defensive organizations are willing to work in legal frames; while, adapting organizations respond to ethical pressures; and proactive organizations use discreet responsibilities to improve the welfare of society.

According to words of an expert on the topic of ethics in business "Management is responsible for creating and sustaining the conditions in which people will behave correctly". Therefore, there are more methods that could be applied in managing and improving the ethics of a company: ethical leadership, code of ethics and ethical structures.

Ethical Leadership

The Business Roundtable, the association of top managers from 250 big American corporations, edited the report about the consequences of decisions that have been made, ethical policy and practices in companies like *Boeing, Chemical Bank, General Mills, GTE, Xerox, Johnson* & *Johnson* and *Hewlett-Packard*. The report concluded that top management has the crucial role. General Director and department Directors should base their decisions on ethical principles. They constantly need to demonstrate leadership in renewing organization's ethical values (by highlighting those principles in speeches, directives, company's publications and especially by demonstrating it with their actions). Therefore, top managers use their own behaviour to regulate the behaviour and working atmosphere inside the organization.

Code of Ethics

A code of ethics is a formal statement of the company's values concerning ethics and social issues; hence, it communicates to employees what the company stands for. Codes of ethics tend to exist in two types: *principle-based statements* and *policy-based statements*.

Principle-based statements are designed to affect corporative culture. They define fundamental values and contain general language of company's responsibilities, quality of products and the way to treat the employees. General statements of principle are often called *corporate credos*. The examples of corporate credo are GTE's *Vision and Values*, Johnson & Johnson's *The Credo* and Hewlett-Packard's *The HP Way*.

Policy-based statements usually outline the procedures that are used in decision-making process in specific ethical situations. These situations include solving conflict problems; solving conflict of interests; observance of laws; giving information and giving equal job opportunities. The examples of these statements are Boeing's *Business Conduct Guidelines*, Chemical Bank's *Code of Ethics*, GTE's *Code of Business Ethics* and *Anti-Trust* and *Conflict of Interest Guidelines* and Norton's *Norton Policy on Business Ethics*.

Ethical Structures

Ethical Structures represent the various systems, positions and programs that a company can undertake to implement ethical behaviour in decision-making. There is an ethics committee that contains a group of executive appointed to oversee company ethics. This committee arbitrates in cases of questionable ethical issues. Ethical committee assumes responsibility for disciplining those who made some mistake, which is important when an organization needs to affect behaviour of the employees directly. For example, Motorola has *Ethics Compliance Committee* for interpreting, clarifying and communicating the company's code of ethics and for solving the cases suspected to contain code violations.

Many of currently best companies realize that their success can be measured in various ways, from which many do not appear in financial reports. However, the relationship between the ethics and corporate social responsibility towards its financial performance is management's and management students' concern, which provoked a live debate. Many studies deal with issue if the emphasized ethics and social responsibility increase or reduce the financial performance. For example, James Burke made a list of companies that are known for their high ethical standard. The list included companies like: *J & J, Xerox* and *Eastman Kodak*. From 1950 to 1990, Burke had discovered that the market values of the companies from his list had grown at a rate 11, 3 percent a year. The ethics and social responsibility, and their joint influence on decision-making process are very popular topics and increasing number of researches deals with them.

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Manuals: Basics of Tourism; Tourism and Ecology; International Tourism, and over 40 other scientific papers: Sustainable Tourism as Factor of World Peace and Stability; Terrorism as Threat to Modern Tourism; Certain Elements of Establishing Companies within the EU Internal Market; Importance of Court Justice to Communitarian Law and Internal Market Development; Societas Europea (European Societies) – New Form of Company in the EU; Yugoslav Economy Re-integration into World Market Trends; Tourism, Heritage and World Cultural Heritage; Tourism, Ecological Awareness and Ecological Behavior; Importance of Ecological Management to Central and south-East Europe Tourism, Global Warming Influence to Traditional Tourist Destinations; etc. Prof. Dr. Bojana Rilke is a member of the European Academy of Science, Vienna, Austria.

THE PROTECTION OF WORLD HERITAGE AND ITS IMPORTANCE FOR TOURISM SERBIA AND THE COUNTIRES FROM THE REGION

Prof. Dr. Bojana Rilke

Abstract

The heritage represents „something brought from the past or something marked by the tradition”. The United States initiated the idea of cultural conservation with nature conservation. The General Conference of UNESCO adopted the Convention concerning the Protection of the World Cultural and Natural Heritage on 16 November 1972, which came into force on 17 December 1975. Until June 2013, it has been ratified by 190 states. Since the 90’s of 20th century the World Heritage Committee started to shape the concept (the idea) of the Oral and Intangible Heritage of Humanity, as the part of world heritage, concerning immaterial goods. From 2003, since the Convention in Abu Dhabi the immaterial heritage has become the part of UNESCO’s world heritage. The intangible haritage consists of oral tradition, art performences, social customs, rituals, knowledges and customs connected with the nature and the space, knowledges of ancient handcrafts... It is a great advantage for the country to have a site which could be nomianted for the UNESCO’s World Heritage Liste, and it is even more important to be added to the list. It means the aditional interest for it, aditional impulsion for its tourism and for its economy the aditional income. Each country must first take an inventory of its significant cultural and natural properties, what is called the Tentative List. After that it selects the property from this list to place it into the Nomination File. At this stadium the country can get certain help from the World Heritage Fund. The Nomination file is evaluated by the International Council on Monuments and Sites - ICOMOS and the World Conservation Union . These bodies make their recommendations to the World Heritage Committee, which meets once per year to determine whether or not to inscribe each nominated property on the World Heritage List. There are several criteria to be fulfilled but the site has to meet at least one of them to get to the list. If the Nomianted Site is in a certain sort of danger (caused by the nature or the human activity) the government that nominated it could request the threatened World Heritage Site to be put on a List of World Heritage in Danger.

When the site is already placed on List, it is controlled from time to time, what means that the position on the World Heritage List could, under certain circumstances, be withdrawn. The World Heritage Committee has divided the whole world into five geographic zones whereby Serbia is in the zone - Europe and North America. In Serbia there are four sites under the protection of UNESCO - all of them belong to world cultural heritage, whereby one of them is on the List of World Heritage in Danger. In Serbia UNESCO has protected the town Stari Ras and the Sopoćani Monastery (1979), Studenica Monastery (1986) and Galerius' Palace (Felix Romuliana) in Gamzigrad.

On the List of World Heritage in Danger since 2006 there are four monasteries in Kosovo and Metohia – Dečani Monastery, Monastery Peć, Gračanica Monastery and the Church Our Lady of Ljeviš. Srbia has olso eleven sites on its Tentative List. For the List of Oral and Intangible World Heritage of Humanity Serbia has independently nominated Krsna Slava, and Djurdjevdan together with some other countries. In general it is very prestigious to have a site on the UNESCO list of world heritage - because these sites are the backbone of the global heritage tourism industry and tourists just love to visit these sites. And it is very well known how important that all is for the tourism for each country and each economy.

Key Words: Convention concerning the protecttion of the world heritage, unesco, natural heritage, cultural heritage, world heritage in danger, oral and intangible heritage, tourism

* * *

Introduction

If we say that the future is actually unwinding scrolls of the past - what do we mean by that?

All that is ahead of us, everything we are going to experience at some future time, is associated and rooted in what we have already experienced and lived through. So it will be repeated - not literally, not identically, not completely, but /yellow omitted/ what is stated as "the former" will definitely have an impact on this of "today" and the future, or what we call "tomorrow". Since we are all in some way defined by the past and carry it ourselves.

History and studying it have had always been important, interesting, intriguing - but when compared to some other areas, at first glance, it may seem as if it has nothing to do with. Especially with tourism – and particularly when it is understood only as relaxation tourism, i.e. when it is considered only as a kind of rest, relaxation, fun. All of a sudden people got intrigued by legacy, the connection between legacy and present - and consequently the impact of heritage on tourism appeared.

Legacy can be defined as "something brought from the past or something that is celebrated by tradition." If understood in this way, some countries can be regarded as rich and some as poor with legacy – however, each of them has it. The question is: How to present it, how to "use" it. And again, some people do it better, while some do not.

Respect for the past

In order to identify the importance of history and its connection to tourism, the general relation of emitting countries to the past must be examined.

Some countries are simply obsessed with their past and the best example for this is the United Kingdom. "The hunger" for the past is a phenomenon mostly related to Western tourists, both European and American. There were not so many Asian tourists in the past who visited the remains of ancient cultures - large middle age remains of Bagan in Burma and Angkor Watt in Cambodia or Borobudur in Java.

Although this situation partially changed when some people from developing countries began to travel, it seemed as if the fever for preservation of all that belongs to the past failed to grow its roots in Asia, which can be confirmed by frenetic construction works being underway in many Asian capital cities. For example, in Bangkok where many old buildings have been destroyed and replaced with new ones and many of its channels filled up. Or in Lebanon – where the Ottoman villas that escaped demolition during the civil war are currently being demolished to make space for new apartment blocks, banks and business centers.

However, the western trend of worshiping the past is more recent. Until a few decades ago, the way the westerners were thinking about it was also different from the way they are currently thinking.

For instance:

• Not long ago an Italian Baroque church was turned into a car wash; or

• some forty years ago at Stonehenge, there were no restrictions and prohibitions - the children were able to play around and touch the stones - the visitors were few and there was no need for any kind of protection; or

• the stones from Hadrian's Wall were used by the locals for building their huts and barracks; or

• the famous Church of St. Mark in Venice was decorated with pillars and statues stolen in Constantinople, etc. etc.

The past has therefore recently become significant only to the extent that the present benefit from it.

Changes in the perception (understanding) of the past

What caused the change to occur all of a sudden? And did it really happen so suddenly? And why it did not happen everywhere and equally?

There are two suppositions that crystallized in the search for answers to these questions:

(1) The first supposition has been the emerging uncertainty - some "old guarantees" have been destroyed - for example, those related to the job for life. The advanced technologies have made unskilled and semi-skilled jobs redundant and unnecessary and it often happens that highly skilled workers have to change their jobs for several times in their career.

All of a sudden it has become easier to look to the past than to the uncertain future. "Nostalgia" for former times takes many aspects and forms - the circumnavigation of ancient attractive sites, the use of reflective neoclassical styles in architecture, the fashion of worshipping antiques, the interior decoration in the former method, but also selling nostalgic magazines ("Country Life" in the UK or "American heritage" and " Cowboys Life " in the U.S.) or advertising destinations stating that they are still "exactly the same as they were before" (slogans related to tourism in Ireland or Croatia).

Although this phenomenon is a characteristic of the West, it is not older than one hundred years. In the postwar years, the interest for the past accelerated, keeping up with changes in technology, in construction, in social behavior - which accelerated on their own.

Everything in the world takes place very rapidly, and constantly faster; but it happens faster in the west than in other countries – in developing countries, for example, which brings us to:

(2) The second supposition - and that is the position of Western countries in the demographic circle.

In fact, with all its uncertainties and all its turmoil, late capitalism has made rich the vast majority of people in the West. This has resulted in many things: the choice of whether and when to have children, better health care, and consequently longer life, all of which changed the demographic balance in the industrialized world. Western countries have an aging population that has a relatively large amount of money and a lot of free time and who are still in good shape for the trip. It is typical for the elderly to like to remember the past and they often turn to it.

Unlike western developed countries, most developing countries are still at a different, much lower level of economic (and often political) development. The death control in these countries is more advanced than the birth control (due to various health programs), so that these countries have a much younger population. Young people are generally less interested in the past. And if the recent past is colonial, there is a good reason for them not to remember it.

However, most of tourists coming to developing countries are from developed countries, so these are the tourists who create demand in developing countries. And destinations tend to harmonize their offer with the demand. It means that these countries are starting to take an interest in the past, but in a different context – to turn it into cash. Presenting the past to the world gives it a commercial, economic dimension (which is certainly a very important aspect of tourism).

However, despite this economic dimension, tourism has some other aspects, like social and environmental. What happens with them in the context of the selling the past? In the context of selling or inheritance or heritage? Do they come into conflict?

Does tourism destroy heritage or add some value to it

There is no simple answer to such a question. Just like in life, nothing can be seen just in black and white. And as it is impossible to consider the economic, social and environmental impacts (aspects) of tourism in isolation, so the effects of tourism related heritage must be placed in a wider context. There are numerous examples to support both of these claims.

There are numerous examples – both in Europe and outside it – that tourism protects the heritage and adds some value to it:

- tourists in Provence in France, paid to attend summer work camps for the restoration of old buildings; or
- in the UK, the desire of the public to see the sights of "living spaces" and gardens, enabled the old aristocracy to maintain sometimes dilapidated piles of stones which they called their homes and ensure that the architectural complexes remain as a whole[1]; or
- the interest of tourists for art stimulated the relevant authorities in India and New Zealand to train local artists to restore old works of art and in that way mark the local heritage; or
- the presence of tourists in the US South West has increased the artistic productivity and revived old tradition; or
- revenues from tourism have helped to finance the protection of the famous Angkor Wat in Cambodia, etc.

On the other hand, there are also many examples of tourism devastating heritage in some way, diminishing the value of culture because:

- marketing the devil dance masks in Sri Lanka and its mass production in various styles and colors to meet the tastes of tourists has led to the loss of its cultural significance and therefore degrading its social status; or
- many important art cities, like Bruges, Salzburg and Oxford, suffer from traffic jams, smoke and devastation of their buildings because tourists are coming to see them; or
- Alarde ritual also has lost its true meaning, the ritual which takes place annually in the Basque town of Hondarribia (or Fuenrtarrabia in Spanish). Every year since 1639, on 8 September, this city celebrates breaking the siege of the Prince of Condé. Very colorful procession passes the town, playing on various instruments and climbing to the shrine of the Virgin of Guadalupe on the hill of Jaizkibel. Given the large number of tourists, the government decided in 1969 that this ritual should repeat twice on the same day; or

[1] It has been criticized by those who consider it as just another way for the higher class to preserve its priviledges on the expense of "common" people.

- in Venice (Italy), all city functions are constantly stalled due to the large number of tourists. It is known that one day the city needed to be "closed down" because a huge number of tourists caused an all-out collapse; or
- *see-destroy concept* has emerged as a serious problem in the palace of Schönbrunn in Vienna, where the annual visits of 1.7 million people is causing great damage to its floors.[2]

Thus, whether tourism destroys historic heritage of a country? I think the answer could still be negative, because even though the commercialization of art forms can belittle them to some extent, at the same time it brings some economic benefits that could be used for their preservation and further development.

Australian aboriginal art could serve as a good example for the above statement - its popularity with tourists and Caucasian works of art dealers has led to significant changes in the way in which it is created, but, in the absence of alternatives, the big question is whether the authors would survive with no income, and therefore whether the arts would survived without this new form of production.

The key answer to this question is therefore a **lack of alternatives**, because as of capitalism has become the dominant mode of production and consumption - everything has its price. It seems certain that the capitalist system, as long as it lasts, will continue to determine the commercial value of art, antiques and even inheritance or legacy.

Tourism advocates further environmental protection (which may be necessary for its survival and development) and which may also be in conflict with some social attitudes, for example, the costly maintenance of historical monuments may not always be in the best interest of local residents. Or the desire to preserve buildings and monuments for future generations may result in restricting access for those who want to continue the tradition.

Stonehenge can be taken here as a good example. Each year during the solstice, since1990's, the police, "tourists" and "Druids" are involved in legal disputes over it. The modern Druids have celebrated this day at Stonehenge since 1905; and tourists have organized free festival in the field near Stonehenge since the mid-1970s. Constantly increasing number of people overburdened the sights, which has led to its possible devastation.

And there were fierce conflicts raging over how to use this sight - all mainly because the authorities, instead of getting the festival moved away from Stonehenge, they tried to get it discontinued.

There may be some sound reasons for the protection in the way "do not touch" in some historical sites, but it could be rare destinations - such as Hadrian's Wall.

In addition, there is little point in preserving monuments if they can be seen only from the air – in that way they lose their sense that they used to have for previous generations.

In other words, valuable legacy and valuable heritage should be protected, but by enabling its visibility and making it accessible and properly used. It helps UNESCO and its World Heritage protection.

[2] When will those in charge of managing historical buildings start to insist that tourists should remove their shoes in summer – which is common throughout the year in temples in India and Thailand – and put some covers over them in winter as it is normal to do in Poland? This, however, can help to reduce the damage inflicted by heavy shoes and high heels.

UNESCO and the protection of the World Heritage - Natural, Cultural, Non-material -

The idea of protecting cultural and natural resources was launched by the United States in 1965. White House held a conference titled "Preservation of World Heritage" to protect the "world-class natural and other eligible regions and historical sites for the entire present and future mankind." The same proposal was also set by the International Union for Conservation of Nature in 1968 and presented at the UN Conference on the Environment in Stockholm in 1972.

Convention on the Protection of the **World Cultural and Natural Heritage** adopted by the General Conference of UNESCO on 16 November in 1972 came into force on 17 December 1975 and until June 2013 it was ratified by 190 countries.

Some 981 attractions were found on the list of world heritage by UNESCO in 2013, 759 of them were cultural, 193 natural and 29 common.[3]

World Heritage Centre is physically located in Paris at Place de Fontenoy number 7. Arabic, English, French, Russian and Spanish are official languages.

Since the 90s of the 20th century, the Committee for the Protection of the World Heritage has begun to establishing the concept of **intangible world heritage**, as part of the heritage that relates to intangible assets. As of 2003, the intangible heritage has become part of the UNESCO World Heritage List at the Convention held in Abu Dhabi at the time. Intangible heritage consists of an oral tradition, artistic performances, social practices, rituals, knowledge and practices related to nature and the universe, knowledge and skills of traditional crafts...

And for "**some site**" to even get on the UNESCO's list of world heritage, it must comply with certain procedures and meet certain criteria.

Nomination

Each country, on its own, creates an inventory of significant cultural and natural resources. It is called a provisional or experimental list. From this list, and only from it, the country chooses the sight which is quoted in the document submitted for nomination.

The country that has submitted the nomination of a sight can then get certain assistance from the World Heritage Fund:

- in the preparation of the list, while working on the nomination procedure for a potential site or developing management plan for the conservation of the same;
- in organizing training and giving support to activities related to the work of the World Heritage;
- with technical cooperation in providing expertise and financial support for various conservation initiatives;
- providing emergency assistance to allow urgent repairs resulting from adverse human activity or natural disaster.

[3] Most of the sites are located in Italy (49); followed by those in China (45); and in France and Germany (38 respectively).

The International Council on Monuments and Sites – ICOMOS and *The World Conservation Union* carry out the evaluation of nominated sites[4]. These bodies provide their recommendations to the World Heritage Committee. The Committee meets once a year and takes decision on whether to enroll or not the nominated landmark in the World Heritage List, and sometimes it delay in making the decision requesting additional information from the country that nominated the site. There are a number of criteria - to be included on the list a site must meet at least one of them.

The Cultural Heritage Criteria:

(1) to represent a masterpiece of human creative genius;

(2) to exhibit an important interchange of human values, over a span of time or within a cultural area of the world, on developments in architecture or technology, monumental arts, town-planning or landscape design;

(3) to bear a unique or at least exceptional testimony to a cultural tradition or to a civilization which is living or which has disappeared;

(4) to be an outstanding example of a type of building, architectural or technological ensemble or landscape which illustrates (a) significant stage(s) in human history; “;

(5) to be an outstanding example of a traditional human settlement, land-use, or sea-use which is representative of a culture (or cultures), or human interaction with the environment especially when it has become vulnerable under the impact of irreversible change;

(6) to be directly or tangibly associated with events or living traditions, with ideas, or with beliefs, with artistic and literary works of outstanding universal significance. (The Committee considers that this criterion should preferably be used in conjunction with other criteria).

The Natural Heritage Criteria:

(1) to contain superlative natural phenomena or areas of exceptional natural beauty and aesthetic importance;

(2) o be outstanding examples representing major stages of earth's history, including the record of life, significant on-going geological processes in the development of landforms, or significant geomorphic or physiographic features;

(3) to be outstanding examples representing significant on-going ecological and biological processes in the evolution and development of terrestrial, fresh water, coastal and marine ecosystems and communities of plants and animals;
to contain the most important and significant natural habitats for in-situ conservation of biological diversity, including those containing threatened species of outstanding universal value from the point of view of science or conservation.

If a landmark of the World Heritage has found itself in some kind of danger (either natural or human) the State Party concerned may request to be inscribed on **the List of World Heritage in Danger**.

[4] The word “site” has been adopted in the Serbian language as well. Although it has several meanings, in the context of this paper it is used to refer to the landmark, “the place that should be seen”.

The Non-material Heritage Criteria:

(1) to be traditional, but still alive;

(2) to be inclusive, i.e. to connect the past, the present and the future;

(3) to the representative or to represent knowledge, traditions, customs and skills that can be transferred in a community from one generation to the next, or to other communities and

(4) be rooted in the community that identifies with them, creates them, maintains and transfers.

All tentative World Heritage sites must pass tests of authenticity in design, materials, human labor or location and if it refers cultural landscapes, they must be authentic in their character and components. This however is not always so simple. In fact, it is relatively easy to prove the authenticity of all forms of isolated archaeological sites, abandoned for a long time, where it is somewhat easy to control the access and protection. The situation is quite different with a complex, living and inhabited urban centers (such as Krakow or Quito, or Havana), where problems are constantly created in terms of the conflicting demands for protection and requirements of the people who live there.

After the evaluation, if any of the stated criteria is satisfied, the World Heritage Committee includes the particular site on the list, and by that it becomes declared the World Heritage site, or the site of special cultural or natural importance.

Sites declared as being of special cultural and natural importance to the general heritage of the mankind are then cataloged, conserved and named under certain conditions, and they also can obtain some funds from the World Heritage Fund. If some site on the list does not receive any financial aid, it still has some benefits by being positioned on it - the prestige that it belongs to "something valuable, authentically brought from the past or something that is marked by tradition" - which always results in higher number of visitors, and thus generating the income from them.

The World Heritage Fund provides four million US dollars annually to support the activities, and according to the Convention, it is allocated to its signatory countries to help them protect the world's cultural and natural resources that are located in the area and enrolled in the List of the World Heritage Sites, or on the list of World Heritage in Danger or temporary - a tentative list. This fund is financed through mandatory and voluntary contributions by the signatory countries, as well as private donations. The World Heritage Committee allocates its funds by priority - which is of course given to the most vulnerable sites.

World Heritage Management

The World Heritage management is not a simple task. Each World Heritage site must have a management plan that:

(a) provides a detailed policy regarding visitors,

(b) determines the amount of fares,

(c) determines the development of the local tourist business,

(d) determines the potential damage,

(e) determines when there are too many visitors and therefore reduces their number in the peak season,

(f) Determines the way certain visitors will be treated (school trips, bus tours, experts).

The landmarks - sites must be well maintained (they must be cleaned of debris and have secured utilities services for visitors - information services, cafeterias, guides, toilets). Sites should have access to information about the importance and (if relevant) the chronological development of the attractions in an intelligible form, at different levels and in different languages, as well as on-site information to enable visitors to orient themselves and avoid intrusive, self-appointed guides.

That is almost never the case in the majority of the world heritage sites, so in most sites, especially those in developing countries or where tourism and managing visitors are not yet sufficiently developed, the service sector is at the very low level.

The importance of the World Heritage site is huge - it is a magnet for visitors, which means that all the elements - accessibility, transport, accommodation and other services need to be tactically deployed to meet the needs of visitors, on the one hand, and yet avoid too many commercial establishments, on the other.

To harmonize these two things is sometimes very difficult. And just because in many cases there is a direct conflict between:

1 site managers who want to limit the number of visitors in order to avoid damage,

2 local people who want to get the material resources of the visitors and

3 national governments, who often want to use the image site for marketing purposes.

When the management of World Heritage is being established, it is essential to take into account the long-term interests. In addition, there are numerous challenges to this type of management:

- The problem of operational management is often a complex issue – it requires local management control and trained staff who know and understand the importance of specific landmarks of the specific site. The manager is also responsible (a) for the safety of visitors (b) for the safety of the site, so that visitors are provided with a high quality experience, but without the negative impact on the actual site.
- Nomination of sites for World Heritage List includes changes, the increased the number of visitors, more retailers, the efforts made by the government to carry out too much of the restoration and destroy the environment with that intrusive development.
- A large number of visitors can create problems and congestion can lead to frustration, and consequently to the vandalism. There must be mechanisms established for the disposal of waste, recovery runs, all in terms of environmental conservation of the sites – as well as for the benefit of visitors.

When the site is once registered on the list it is (theoretically) periodically audited, which means that something put on the World Heritage List can be withdrawn if the site management is not behaving in accordance with the Committee recommendations regarding the protection.

There are some examples of countries whose sites have nearly lost their position in the world heritage out of various reasons and when the World Heritage Committee found that the recommendations for the prevention and control of pollution have not been followed.

The position on the World Heritage List can be withdrawn if the sight is so degraded that it loses those criteria that qualified it for the inclusion - perhaps due to the lack of protection, excessive restoration or due to natural circumstances.

World Heritage list of UNESCO in Serbia and the region

The World Heritage Committee needs to preserve the heritage of all countries of the world divided into five geographic zones:

(1) Africa,
(2) Middle East and North Africa
(3) Asia and Oceania
(4) Europe and North America (including Canada and USA)
(5) Latin America and the Caribbean

According to this, our region belongs to the group four, Europe and North America. Majority of protected sites are located there too - or simply said - good old Europe is full of protected areas. There are 169 in total just in Italy, Spain, France and Germany, which is quite an impressive number, given that there are 981 in total in the world (2013).

Our region, including the countries created of those forming the former Yugoslavia, there is a total of 19 protected sites on the UNESCO World Heritage List - 4 natural (in Montenegro, Croatia and Slovenia); 13 cultural (in Bosnia, Montenegro, Croatia, Macedonia, Slovenia, Serbia); 1 at risk (in Serbia).

Natural heritage sites protected by UNESCO are:

(a) Montenegro - Kotor Bay and the National Park Durmitor with Tara Canyon

(b) Croatia - Plitvice Lakes National Park, and

(c) Slovenia - Škocjanske caves

Cultural sites protected by UNESCO are:

(a) Bosnia and Herzegovina – The Old Bridge and the old part of the town of Mostar and Visegrad Bridge in Visegrad built by Mehmed Pasha Socolovic,

(b) Croatia – Eufrazy Basilica, the Cathedral in Sibenik, Diocletian's Palace, the old city of Trogir, Dubrovnik and Stari Grad Plain in Hvar,

(c) Macedonia - Ohrid Lake and its surroundings

(d) Slovenia - mercury mine in Idrija

(e) Serbia – Old town of Ras and Sopocani Monastery, Studenitca Monastery, in Gamzigrad - Romuliana Palace of Galerius

World Heritage in Danger includes some monasteries in Serbia, as follows:

(1) Decani Monastery

(2) Pec Monastery

(3) Gracanica Monastery

(4) Our Lady of Ljeviš

UNESCO World Heritage Sites in Serbia

As already mentioned, there are four sites in Serbia on UNESCO's list of world heritage sites, one of which on the list of World Heritage in Danger.

(1) Sopoćani Monastery and Stari Ras

Sopoćani Monastery was built by King Stefan Uros I (1243-1276). It is located not far from the source of the Raška River, 17 km away from Novi Pazar. The beauty of the frescoes in this monastery is currently famous all over the world - it represents the greatest achievement of the European painting technique at the time.

The old city of Ras is a medieval complex of monuments located at the place where the roads leading to the west and the south met and went away to the east. Various armies and states have alternated there during the millennia of its existence. The place where the city is situated has a rich history that goes back to the Bronze Age.

The oldest preserved Serbian works of art were created in Ras, and late in 12th century it was the cultural capital of the country.

Extensive archaeological excavations in the medieval complex of Stari Ras started late in 1971, and in 1979 the entire complex was put on the UNESCO World Heritage List as parts of the Middle Ages monuments protected as the whole within Stari Ras and Sopoćani.

(2) Studenica Monastery

Studenica Monastery is one of the largest and richest monasteries of the Serbian Orthodox Church, founded by Stefan Nemanja in 1190, and is located 57 km away from Kraljavo.

The fortified monastery walls are surrounded by four churches: Our Lady and the King's Church both built of marble, then St. Nicholas church and fourth one with only its foundations preserved. Monastery is famous for its collection of frescoes dating from the 13th and 14th centuries.

They have been on the UNESCO World Heritage List since 1986.

(3) Romuliana Palace of Galerius in Gamzigrad

Palace of Galerius (Felix Romuliana) is located several kilometers away from Zjecar and once it was the capital of the Roman Emperor Maximilian Gaia Galeria Valeria, late in the third and early fourth century. This is the most famous palace complex of Roman Empire provincial architecture.

There are extremely strong walls around the entire palace that once served to protect the town and the palace against the invasion of the barbarians. The interior walls were divided to serve two completely different purposes - the palace itself was located on one side (with richly decorated walls and mosaic floors), a small temple and the altar, and the other part was intended for ordinary people, with a large temple with spas and facilities to serve the palace.

The Palace Romuliana changed its name and appearance in the period between the 4th and 6th centuries. It was in the 11th century when it was mentioned for the last time as Gamzigrad Court.

Gamzigrad was added to the UNESCO World Heritage List in 2007.

(4) There are four monasteries on **the UNESCO's World Heritage in Danger List, -** Serbian medieval monuments in Kosovo and Metohija. These monasteries with their architecture, frescoes and icons and church furniture represent a rich record of the artistic developments in medieval Serbia, but their artistic value highly surpasses the framework of the local environment.

- **Visoki Decani Monastery** is the endowment of King Stefan III of Decani and King Dusan. Its construction was completed in 1335 and the frescoes painted around 1350. The monastery is located in a valley southwest of Pec, below the mountain range of Prokletije Massif.

The Decani Monastery was declared a World Heritage Site by UNESCO stating that its frescoes are *"among the most valuable examples of the so-called Renaissance Palaeologus Byzantine artistic painting and valuable record of life in the 14th century"*.

- **Patriarchate of Pec Monastery** is one of the most important medieval Serbian monasteries. It is located near Pec, close to Bistrica River at the entrance of the Rugova gorge.
  The church complex consists of four churches dating from the 13th and 14th centuries:
  - The Church of the Holy Apostles was built by Patriarch Arsenije I in 13th century and painted in 1250, at the time when the seat of the Serbian Orthodox Church was relocated to Pec.
  - The Church of St Demetrius was founded by Archbishop Nikodim around 1320.
  - The Church of the Virgin Hodegetria was commissioned by Archbishop Danilo II sometime after 1320.
  - The Church of St Nicolas was added to the complex at the same time as the Church of the Virgin Hodegetria.

- **The Gracanica Monastery**, located near Lipjani, some 10 km from Pristina in Kosovo, was built by King Milutin in 1321 as his, his wife Simonide and son Stephen's endowment. The church was dedicated to the Assumption of the Virgin. The monastery was constructed on the ruins of the old church and it is a masterpiece not only of the medieval Serbian, but also of all Christian art.

- **Monastery – Church of Our Lady of Ljevis** is a cathedral church of the town of Prizren in Kosovo and has been the seat of Prizren Bishops since the time of Byzantine rule in the region. It was built in the 10th century, and to this day it has endured much destruction, restoration, and was even turned into a mosque when the Ottoman Turks built up a minaret next to it and remodeled its interior. They painted it over and demolished the frescoes. It became again a Christian church after the liberation of Prizren in 1912; the minaret was removed in 1923. The basic conservation and restoration of the architecture and frescoes were performed between 1950 and 1953.

These monasteries were put on the UNESCO **World Heritage in Danger List** in 2006, and also to the List of World Heritage in Danger due to the unstable security situation in Kosovo.

The **tentative list** of Serbia's 11 attractions includes: Gvozdena vrata (Iron Gates) - National Park, Deliblatska Pescara (sandstone) with its natural reserve, the Sara National park, the Tara National Park with the river Drina canyon, and Djavolja Varios (Devil's Town) - all as of 2002. Since 2010, the tentative list includes the Manasija Monastery, the Negotin ale-houses, the Smederevo Fortress, the archaeological site of Empress Town - Justinian Prima, and the historical place of Bac with its surroundings. In 2011, there were some medieval gravestones – tombstones added to the tentative and interim list, but as a common cultural heritage of the four countries (Serbia, Bosnia and Herzegovina, Croatia and Macedonia).

There are no items on UNESCO's list of **non-material world heritage** from Serbia. So far it submitted independently only Slava (a patron saint day), with traditional customs and decorating ritual kneading bread and making the seal that adorns the Slava cake.

Djurdjevdan has also been proposed for candidacy, but together with Macedonia, Croatia, Romania, Moldova and Turkey.

The final decision on whether Slava and Djurdjevdan will become the world non-material heritage should be made by the mid 2014.

Conclusion

Tourism is one of most important and largest industries. It can become a basic tool in overcoming the loss of biodiversity and help rooting out the poverty, especially in sensitive ecosystems and protected areas. It is all because the healthy natural environment is the first and most important prerequisite for strengthening the global industry. This leads to the fact that tourism stakeholders should be able to understand that they have a great deal of responsibility and that they are to become the torchbearers of sustainability.

It is impossible to achieve potential economic benefits that tourism can bring to global economy without a good management. In the context of this paper it primarily refers to the World Heritage sites management, where careful planning is especially important. The unplanned and uncontrolled tourism development may permanently destroy jewels of the world heritage.

However, World Heritage managers are often inadequately prepared to face all the challenges that are ahead of them, and primarily to deal with the relatively aggressive tourism industry. Their education is mostly limited to forestry management, environmentalism and biological sciences. On the other hand, the proper management of world heritage requires knowledge related to other forms of management: business management, marketing, and entrepreneurial risk management.

The main reason why some sites are chosen and put on the World Heritage List is the same one that makes millions of tourists come to these sites every year. All of that because it is "something that should be seen".

And if we learn that the basic principle on which the World Heritage Convention belief is grounded is the fact that the World Heritage sites belong to everyone and should be preserved for future generations, the question that imposes itself is how to connect mass visits of millions of people, tourists and the preservation of these sites for future generations?

The answer to this question lies in sustainable tourism. Directives by governments, managers and visitors of those sites that comply with sustainability are the only way to preserve the world cultural and natural heritage.

Teaching that we should "tread lightly" upon the Earth not only ensures the future of the world heritage sites but also the future of tourism. This is definitely a win-win combination for everyone involved: the actual site is better preserved and maintained, the visit of the site more pleasant, and consequently, the local economy is flourishing.

As it can be seen from all of the above said every tiny piece of cultural and natural heritage should be very much taken into account. And landmarks, or sites put on UNESCO's list are the backbone of the global heritage tourism industry - which means - each of such sites, any such attraction is a pearl of priceless value for a country that has it.

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PROF. DR. ANA MILENKOVIC

Prof. Dr. Ana Milenkovic was born on April 10, 1978 in Belgrade. She completed elementary school and secondary school in Belgrade. In 2002 she completed undergraduate studies in Budapest at the Manhattan Institute of Management and obtained Diploma: Bachelor of Business Administration. In 2002 she also graduated at the Faculty of International Management in Belgrade and acquired title: Graduate Manager of International business.

At the same time she worked at Junex Company which provides consulting services in the construction field as assistant to Project Manager. Specialization thesis is defended at European University in 2005 and acquired title: Specialist in the field of Marketing. In 2006 started to work as an Assistant at the Faculty of European Business and Marketing. Master studies with Master's theses entitled „Marketing with emphasis on promotion and creation of new media" is defended on 2006 at European University with acquired title: Master of Science Marketing.

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THE USE OF DIGITAL MEDIA CHANNELS AS SUPPORT FOR BUSINESS GOALS

Prof. Dr. Ana Milenkovic

Abstract

Both brand and agency marketers expect digital marketing budgets to continue to grow in 2014. Agencies expect a 20% year-over-year growth in digital spend in 2014, and brand marketers expect a 38% increase. Advertising and marketing decision-makers expect that video spending will continue to grow and will play a dominant role in their 2014 digital marketing plans. Approximately 61% of marketers surveyed plan to use the channel as part of their strategies. Therefore, it is important to consider how the different digital media channels can support business goals.

Anyway, digital channels always work best when they are integrated with other channels, so where appropriate digital channels should be combined with the traditional offline media and channels. The ultimate commercial aim of relationship marketing approaches such as e-CRM and social CRM is to increase engagement with customers leading to increase customer loyalty and so direct sales from these customers and indirect sales through advocacy. Understanding the different levers that contribute to increased engagement and loyalty amongst different customer groups should be the starting point in developing a customer retention and growth strategy.

Key words: Digital channel, loyalty, customer, strategy, communications, website, message, online

* * *

Using digital media channels to support business objectives

It is important to consider how the different digital media channels can support business goals. RACE (Figure 1) is a practical framework developed by Smart Insights (2010) to help marketers manage and improve the commercial value that their organisations gain from digital marketing. RACE is an evolution of the REAN (Reach Engage Activate Nurture) framework originally developed by Xavier Blanc and popularised by Steve Jackson (Jackson, 2009). It is intended to help create a simplified approach to reviewing the performance of online marketing and taking actions to improve its effectiveness. RACE consists of four steps designed to help engage prospects, customers and fans with brands throughout the customer lifecycle.

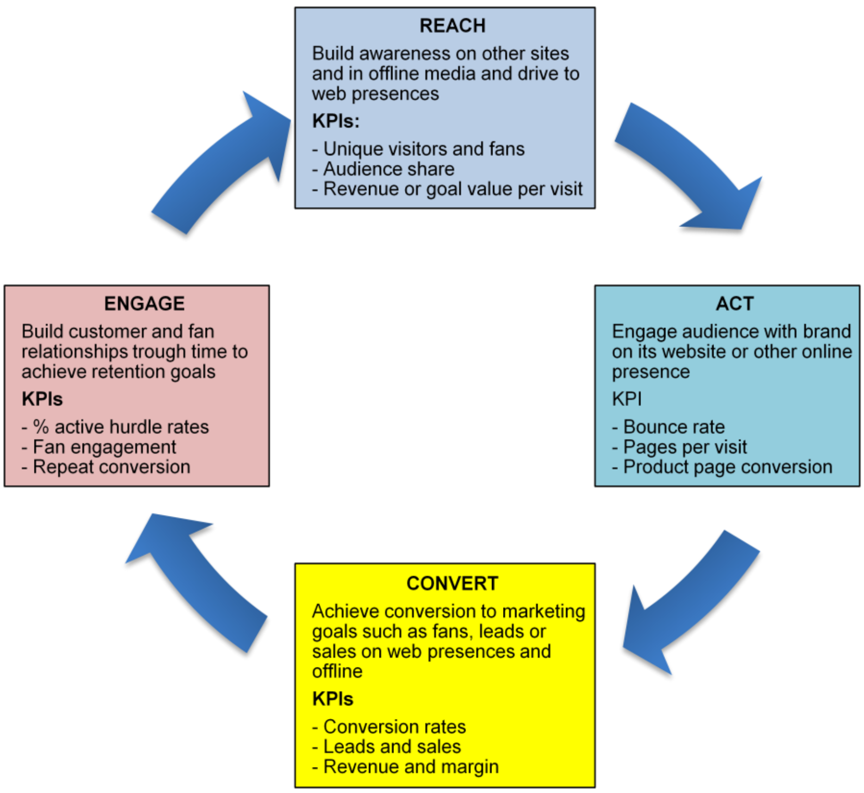

Figure 1: RACE, Reach-Act (Interact) Convert – Engage

• Step 1: Reach - Build awareness of a brand, its products and services on other sites and in offline media and build traffic by driving visits to web presences.

• Step 2: Interact - Engage audience with brand on its website or other online presence to encourage them to act or interact with a company or other customers.

• Step 3: Convert- Achieve conversion to marketing goals such as new fans, leads or sales on web presences and offline.

• Step 4: Engage- Build customer relationships through time to achieve retention goals.

Digital channels always work best when they are integrated with other channels, so where appropriate digital channels should be combined with the traditional offline media and channels. The most important aspects of integration are first using traditional media to raise awareness of the value of the online presences at the Reach and Interact stages, and second at the 'Convert' and 'Engage' steps where customers may prefer to interact with customer representatives.

The key types of digital media channels

There are many online communications tools which marketers must review as part of their communications strategy or as part of planning an online marketing campaign. To assist with planning, Chaffey and Smith (2008) recommend that these online marketing tools are divided into the six main groups shown in Figure 2. This is the essence of each digital media channel:

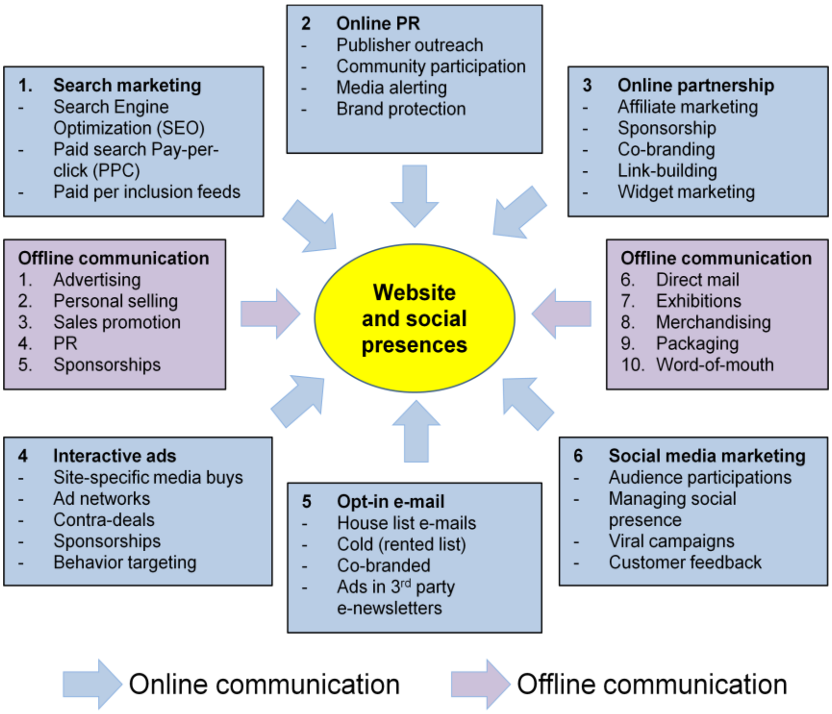

Figure 2. Six categories of e-communications tools or media channels (Chaffey and Smith, 2008)

Search engine marketing. Placing messages on a search engine to encourage click-through to a website when the user types a specific keyword phrase. Two key search marketing techniques are paid placements or sponsored links using pay-per-click, and placement in the natural or organic listings using search engine optimisation (SEO) where no charge is made for clicks from the search engine.

Online PR. Maximising favourable mentions of your company, brands, products or websites on third-party websites such as social networks, blogs, podcasts or feeds that are likely to be visited by target audience. Also includes responding to negative mentions and conducting public relations via a site through a social media news centre or blog, for example.

Online partnerships. Creating and managing long-term arrangements to promote online services on third-party websites or through e-mail communications. Different forms of partnership include link building, affiliate marketing, aggregators such as price comparison sites like Money supermarket (www.moneysupermarket.com), online spout sponsorship and co-branding.

Display advertising. Using online ads such as banners or rich media ads to achieve brand awareness and encourage click-through to a target site.

Opt-in e-mail marketing. Renting e-mail lists or placing ads in third-party e-newsletters the use of an in-house list for customer activation and retention.

Social media marketing. Companies participate and advertise within social networks communities to reach and engage their audience. Viral marketing or online word of mouth — messages is closely related to this. Here content is shared or messages are forwarded to help achieve awareness and, in some cases, drive response.

Business access and digital influence

There are different ways to assess online customer demand and characteristics for business services. The B2B market is more complex than B2C markets in so far as variation in online demand or research in the buying process will occur according to different types of organisation and people within the buying unit in the organisation. It is important to profile business demand according to:

Variation in organisation characteristics:

• Size of company — employees or turnover

• Industry sector and products

• Organisation type —private, public, government, not-for-profit

• Application of service — which business activities do purchased products and services support?

• Country and region.

Individual role:

• Role and responsibility —job title, function or number of staff managed

• Role in buying decision — purchasing influence

• Department

• Product interest

• Demographics — age, sex and possibly social group.

For generating demand estimates, business users the Internet can also be profiled in a similar way to consumers by assessing the following three dimensions.

The percentage of companies with access

In the business-to-business market, Internet access levels are higher than for business-to-consumer. European Commission Information Society has a Digital Agenda strategy which aims to develop the growing digital economy and as part of the initiative research is monitoring use of the Internet by business. Whilst the headline figure for Internet access of businesses in the majority of countries is found to be around 95 per cent it should be noted that there is significant variation depending on the size of the company, the sector it trades in and the type of organisation.

Understanding access for different members of the organisational buying unit among their customers is also important for marketers. Although the Internet seems to be used by many companies is it also necessary to discover whether it reaches the right people in the buying unit.

Business choice and influence

In B2B marketing, the high level of access is consistent with a high level of use. Most business now have a website as this helps identify suppliers, and there is a trend towards using the Internet for communications in the first instance. The perceived cost of implementing the technology is the most important factor across companies of different sizes, with security and legal issues also being significant.

Business transactions

Research by the European Commission (2011) reveals a large variation between how businesses in different countries order online, with the figure substantially higher in some countries such as Sweden and Germany in comparison to Italy and France. This shows the importance of understanding differences in the environment for e-commerce in different countries since this will dramatically affect the volume of leads and orders.

It is necessary to have basic profiling information such as age, sex, social group, product category interest or, for B2B, role in the buying unit. This information must be contained in a database system that is directly linked to the system used to display website content. For personalisation on a one-to-one level (C) more detailed information about specific interests, perhaps available from a purchase history, should be available. An organisation can use Figure 3 to plan their relationship marketing strategy. The symbols X1 to X3 show a typical path for an organisation. At X1 information collected about customers is limited. At X2 detailed information is available about customers, but it is in discrete databases that are not integrated with the website. At X3 the strategy is to provide mass customisation of information and offers to major segments, since it is felt that the expense of full personalisation is not warranted.

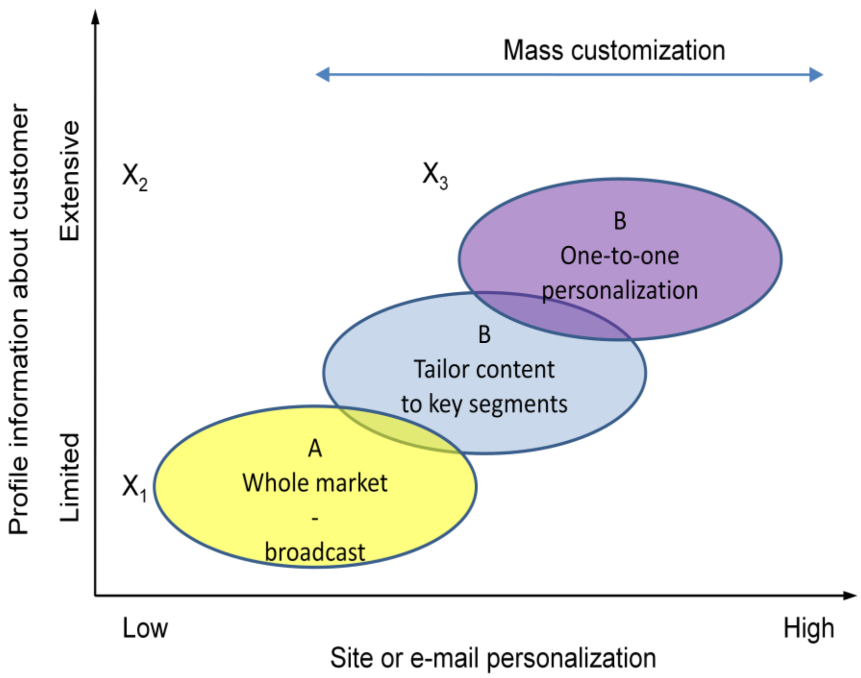

Figure 3. Options for mass customization and personalization using the Internet

Using digital media to increase customer loyalty and value

The ultimate commercial aim of relationship marketing approaches such as e-CRM and social CRM is to increase engagement with customers leading to increase customer loyalty and so direct sales from these customers and indirect sales through advocacy. Understanding the different levers that contribute to increased engagement and loyalty amongst different customer groups should be the starting point in developing a customer retention and growth strategy.

Determining what customers value

Consider the different forms of online interaction a consumer can have with a brand that can determine their perceptions of satisfaction and influence loyalty. Figure 4 shows how when using digital media for online retention marketing, our ultimate goal on the right of the diagram is customer loyalty. The factors on the left help to deliver two main drivers of loyalty. First, emotional loyalty where loyalty to a brand is demonstrated by favourable perceptions, opinions and recommendations including social sharing. These tend to influence emotional loyalty the most and these are important in determining customer satisfaction. Of course, a favourable customer experience is, very important to achieving repeat purchases. The second type of loyalty is behavioural loyalty where loyalty relates to repeat sales, repeated site visits, social interactions and response to marketing campaigns. To achieve these repeat sales, companies work hard to deliver relevant marketing communications either through e-mail and social media communications, web-based personalisation or through traditional media.

Figure 4. shows typical loyalty drivers to review, but customer research is essential to understand how specific factors affect loyalty and how satisfaction influences loyalty.

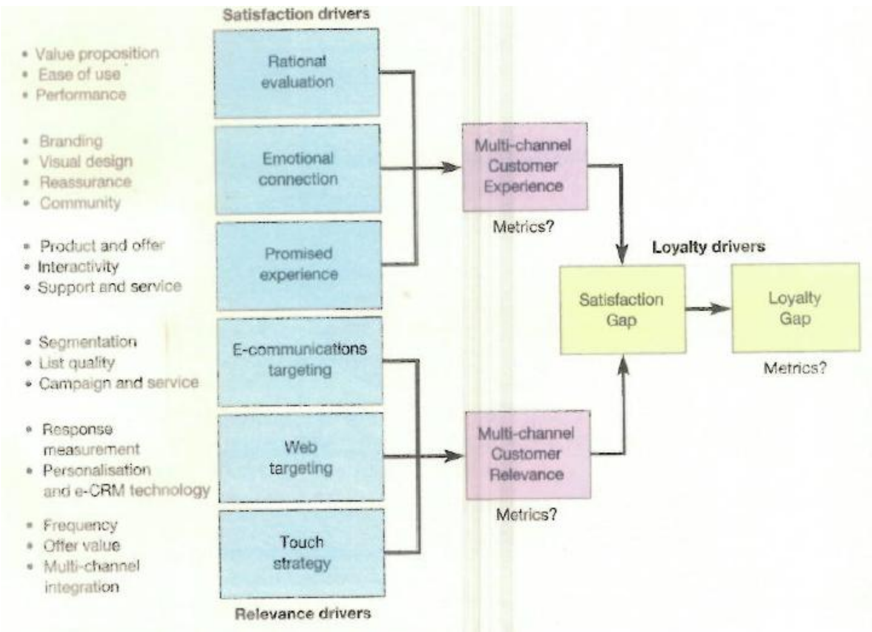

Figure 4. Factors affecting customer satisfaction and loyalty

The relationship between satisfaction and loyalty

Although the terms 'satisfaction' and 'loyalty' are sometimes used interchangeably, we have seen that they do not necessarily correspond. Customer satisfaction refers to the degree a customer is happy about the quality of products and services. As a customer's satisfaction with products and/or services increases, so should their behavioural and emotional loyalty together with advocacy.

Fill (2007) describes this stage of communications planning as context analysis. He identifies these aspects of context which should be researched: Customer context including dimensions of segment characteristics; levels of awareness, perception and attitudes towards the brand or organisation; level of involvement; types of perceived risk and influence of different members of the decision-making unit. Business context including corporate and marketing strategy and plans; brand/organisation analysis and competitor analysis. Internal context including financial constraints; organisation identity; culture, value and beliefs; marketing expertise; agency availability and suitability. External context including key stakeholders; communications and needs; social, political, economic, legal and technological restraints and opportunities. So, the context analysis references all existing plans such as business and marketing plans, internal and external information sources. Information from these will be collated and put into a campaign brief. More detailed campaign insight will be accessed and analysed once the agency or internal team are working on the campaign. Large agencies use 'data planners' or 'customer communications planners' to review all available external data sources such as market, audience and internal data on customer profiles, past campaign results on the most effective channels in generating product sales to assist clients in strategic development and execution of campaigns. This data is then used to inform campaign targeting and media selection. For example, a brief might specify that an FMCG client wants to run an online promotional campaign, with the goal of stimulating trial of products and adding to a prospect database through encouraging online registration. The campaign strategy or offer is based around offering daily prizes. The data planner involved uses all transactional data collected from previous similar campaigns campaign to be linked to socio-demographic data which is coupled with transactional information.

Customer insight for digital marketing campaigns

There is a wealth of customer insight information available for digital marketing campaigns, but it varies by sector. So it is important during the briefing or pre-planning stage to list all the possible information sources and then evaluate which are worthwhile, since some are free and some are paid syndicated research.

Examples of the types of customer insight related to online competitor and audience behaviour that might be accessed at this stage in the campaign from third-party syndicated research sources include:

✓ Site audience reach and composition. What is the breakdown of audiences by age, gender or socio-economic group on different sites? This data is available from online audience panel providers such as Nielsen Netrating, Comscore and Hitwise.

✓ Online buying behaviour and preferences. For example, from the Forrester Internet User Monitor or the BMRB Internet Monitor or TGI.net. In the UK, TGI.net gives information on typical product preferences for a particular site — for example, the percentage of the audience whose last holiday was a city break. Additional surveys can be conducted via publisher sites.

✓ Customer media consumption. The usage of different offline and online media for different target demographics can be accessed from sources such as Hitwise.

✓ Customer search behaviour. The proportion of different phrases and their importance can be used to inform messaging.

✓ Competitor campaign activity. The activity of current advertising campaigns and previous seasonal campaigns. For example, in the UK, this is available from Thomson Intermedia.

Different successful examples show the power of using digital channels in order to raise brand awareness, consideration and purchase:

Head & Shoulders

To mark Valentines Day 2014, shampoo brand Head & Shoulders partnered with Saatchi & Saatchi in the Philippines to run a hidden camera viral campaign, featuring young men a blind date with a lady (played by an actress) who has really bad dandruff. The campaign has attracted over 500,000 YouTube views so far, and has been featured in local media, including a talk show.

Ikea

Ikea made campaign for store opening that would engage people of Bergen to show up at the new store and attract media to cover the event so to have PR buzz. The idea was to ask IKEA's friends and neighbors to help with moving. Ikea created a fun and inviting visual universe and instead of communicating when and where the opening would take place, they just asked for assistance. A simple and charming website was created where people could sign up for various fun and engaging tasks. Via sharing features, the message was spread in social media.

Procter & Gamble

Procter & Gamble was the clear winner among sponsors of the 2014 Winter Olympics on YouTube, racking up 27 million views through the first week of the Games with videos including "Pick Them Back Up," which depicts the journey mothers and children go though on their way to sporting success.

Both brand and agency marketers expect digital marketing budgets to continue to grow in 2014. Agencies expect a 20% year-over-year growth in digital spend in 2014, and brand marketers expect a 38% increase. Advertising and marketing decision-makers expect that video spending will continue to grow and will play a dominant role in their 2014 digital marketing plans. Approximately 61% of marketers surveyed plan to use the channel as part of their strategies. Therefore, it is important to consider how the different digital media channels can support business goals.

A balance must be struck between online and offline communications techniques based on the strengths and weaknesses of the different media options Offline media are often superior in generating attention, stimulating attention and gaining credibility. Online media tend to be better at engagement due to personalisation, interaction and support of word-of-mouth.

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DOCENT DR. NEDA SAMARDZIJA

Docent Dr. Neda Samardzija was born on March 6, 1972 in Vukovar where she finished her primary and secondary school. Upon graduation from the Faculty of Philology in Belgrade (1996), she workewd as an assisstant lecturer at the Faculty of Philology in Kragujevac. Since 1997 she has been employed as a lecturer at the Faculty of Intenational Management, and then at the Faculty of European Business and Marketing of the European University since its foundation in 2001 where she still teaches as a docent for the courses Tourism Foundations, Tourism Management in the Mediterranean Countries and International Tourism. She finished specialist academic studies in the field of European Cultural Environment (2005) and gained her PhD degree in Tourism Management (2014) at the European University. She is the author and co-author of numerous academic works and a participant in national and ineternational conferences in the field of management and business.

TOURISM DEVELOPMENT IN THE MEDITERRANEAN

Docent Dr. Neda Samardzija

Abstract

Global market is a whole new arena for internationally oriented companies and their managers. Those who operate on international market need to adapt to foreign environments and skillfully solve conflicts between political, cultural and legal forces with the aim of achieving success. Global marketing is the science and art of doing business which is interrelated with many other disciplines and which is happening around us daily, it has much influence on our life and is of crucial importance for the survival and success of companies. The reason for this is the growth of global business activities which opens more and more possibilities. Planning and product development lies in the heart of global marketing process. New products should be developed or old ones modified in order to satisfy new or altered customers' needs on a global or regional basis, but at the same time, corporate goals of technical achievements and financial profitability should also be met.

In many multinational companies, every product is developed for possible world use and unique multinational market demands are included whenever it is technically feasable. Therefore the main goal of planning process is sometimes in the development of a standard product – a product or an adapted product line into products and their lines which are developed in order to have a global appeal.

We need to take into account the following tasks in the function of global planning: 1) identification of unique demands which need to be included in production goals and specifications as well as in technical activities of the managing unit; 2) all other activities necessary for planning, production, introduction and support of products in the interested units; 3) identification of all activities which do not happen simultaneously with the plans and activities of the managing unit. Global companies can have advantage of being able to use resources from all around the world. During the initial stages of the process of global planning and products development, a global emphasis is on the identification and assessment of requirements from both managing unit and interested units and incorporating those requirements into the plan. During later stages, the emphasis is on the efficient development and global product design with a minimum of configuration differences and on the development of support system for each unit's, i.e. participant's abilities. The result of the interaction and communication is the activity of planning and product development on a global basis and products aimed at primarily world markets.

Key words: Turism, turism management, turism development, mediterranean, tangible and intangible cultural heritage, creative tourism, sustainable tourism

* * *

Introduction

The history of the Mediterranean represents a history of interaction between cultures and civilizations of the countries that border Mare Nostrum, i.e. Mediterranean sea – a central route of transport, trade and cultural exchange between diverse civilisations – which connects all three old continents: Europe, Asia and Africa. There are nine countries of the South East Europe among them, such as Serbia, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro and Greece, according to the classification of the United nations World Tourism Organisation[1] which lists these contries as Mediterranean. Mediterranean landscape represents an ideal which was admired, painted and visited by artists, aristocrats and common citizens. These landscapes represent a typical picture promoted by tourism industry since its beginnings in the 19th century and which is, at the same time, its most sought-after attraction. Mediterranean landscape and its natural resources, first of all beaches and coastal part and vegetation, is of priority importance for the tourism development in the Mediterranean and therefore a special attention has to be paid to its preservation and management, but it is also equally important to develop new forms of cultural and creative tourism which have a huge potential for the development of coastal area as well as the hinderland of the Mediterranean. With its rich cultural and historical heritage, Mediterranean cultures represent the cradle of the European civilization. Since Ancient Egyptian, Greek and Roman times, through the remains of Moorish art, Medieval cities, beautiful churches and basillicas, Italian renaissance, all the way to modern architecture, this is where some of the most precious artistic, cultural and scientific masterpieces of European and world heritage were made. Greek Parthenon, Roman Collisseum, Gaudi's Sagrada Familia in Barcelona are just a few of the most well-known cultural and historical monuments and symbols which are prime tourist attractions. Cultural and historical heritage of the Mediterranean is today one of the most prestigious tourist attractions since the United Nations World Tourism Organisation's data show that cultural tourism accounts for 40% in the total tourism revenue of the region.[2] Intangible cultural heritage, such as Mediterranean diet, which has been under UNESCO's protection since 2010, folclore arts, customs and traditions, but also the relaxed lifestyle, so called 'dolce vita', are equally attractive to tourists from all over the world. Today, the Mediterranean holds the leading position among global travel destinations thanks to that particular interaction of history, culture and landscape, and this is how it is currently building its future in an ever more competitive world travel market.

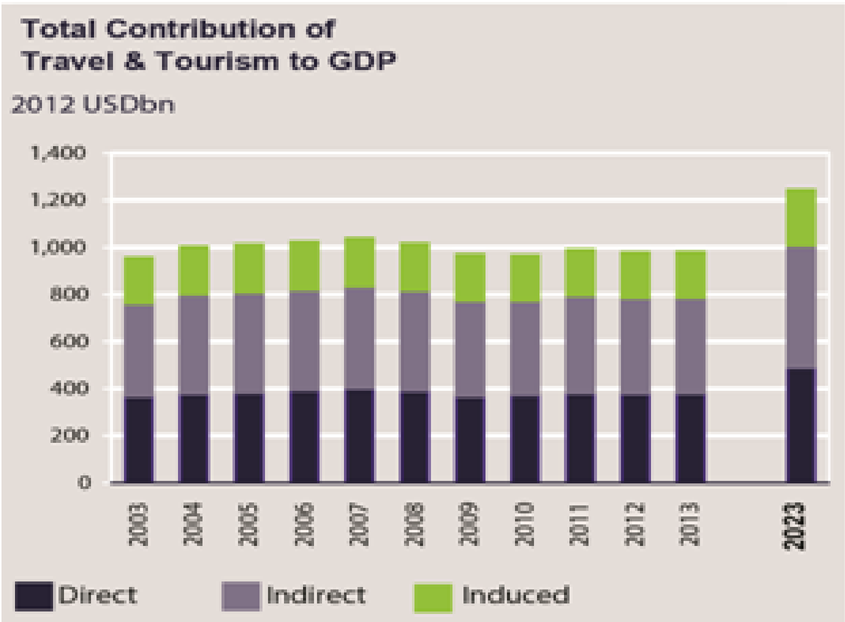
I Importance of Tourism in the Mediterranean

The Mediterranean has long been associated with 3S tourism, but because of often unplanned and uncarefully thought overdevelopment, majority of Mediterranean destinations are today in the stagnation or even degradation phase, and a clear management strategy and vison are needed if it is to keep its competitiveness on a global level and extend its life cycle, i.e. rejuvenate and remain attractive for new generations of tourists who have higher demands and expectations. Productive managers need to be aware of their goals and goals of their organisation. In order to meet the challenges of business environment today and tomorrow, managers need to be flexibile, directly active and focused on quality in everything they do.[3] Therefore toursim management of Mediterranean destinations is today focused on the development of new forms of creative tourism which emphasizes its cultural diversity and preservation of the authentic natural environment.

[1] Svetska turistička organizacija Ujedinjenih nacija (UNWTO) klasifikuje navedene zemlje kao Mediteranske zemlje (Izvor: www.unwto.org)
[2] Ibid.
[3] Prof. Dr Milija Zečević, Moderni menadžment, Naučno društvo za menadžment, Beograd, 2010

Even though Europe, and above all the Mediterranean, is still the number one travel destination in the interantional toruism, long-term forcasts predict that its global travel market share will decrease as new travel destinations develop. Tourism represents one of the most important economic activities in all Mediterranean countires, and three of them, France, Spain and Italy are among the top ten internationally most visited countires in the world, France holding the first position, and Sapin and Italy foruth and fifth respectively. Domestic tourism also plays an important role in these countries, which leads to migration of urban population to the coastal areas. The Mediterranean is the top destination in the world chosen by every third tourist. According to the World Travel and Tourism Council's statistical data[4] direct contribution of tourism in the GDP of Mediterranean countries is $377.5 million which was 4.3% in 2012. The direct contirbution of tourism means all the income from the industries which work directly with tourists, such as hotels, travel agents, airlines, as well as restaurants and recreational activities intended for tourists. It is forcasted that this share will increase by 2.6% by 2023. In the tourism sector, there were 7.989,000 employed, which accounts for 4.8% of total employment in the Mediterranean region, and the forcasts is this figure will icrease by 2% by 2023. According to the United Nations World Tourism Organisation's data[5], in 2012 the Mediterranean was visted by 191.1 million tourists, which accounts for 18.5% world travel market share and is by 2.2% more than the previous year. It is forcasted that the share of the Mediterranean in the world travel market will continue to increase, however, with a decreased rate, since the average groth rate of the world travel market is 3.6%.

Picture 1.Tourism contribution in GDP and employment in the Mediterranean 2012



[4] World Travel and Tourism Council, www.wttc.org

[5] United Nations World Tourism Organisation, www.unwto.org

Source: World Travel and Tourism Council, www.wttc.org

It is obvious that tourism is of fundamental importance as a source of income for most of the coastal communities in the Mediterranean. In order to increase their income, many coastal towns turn to tourism to make extra revenues. However, the destruction of natural environment and ecology was often tolerated in order to prosper economically. Hyperdevelopment and degradation of nature have thus lead to the degradation of tourist places and their attractiveness for tourists. Increased consumption of food such as fish and typical Mediterranean produce, olives, lemons, almonds, in the areas which already lack recources, endangers natural balance, while water shortage which is spent uncontrollably, especially during high season, not only for drinking, but also for showering, laundry washing, swimming pools and maintanace of golf courses and gardens in some parts of the Mediterranean represents the main issue. If the attractiveness of the Mediterranean coast is degraded by, for example, water pollution, the main source of income for these areas will diappear, and as a result other opportunities to attract investors for other activities besides tourism disappear as well. All these complex issues which are often intermingled have shown that it is necessary to organize an innovative management approach to tourism development of the Mediterranean coast.

II Historical Development of Mediterranean Tourism

Ancient civilization discovered Mediterranean as an attractive travel destination. The oldest known tourist attractions, The Seven Wonders of the World, were located mostly in the Mediterranean region. In the Ancient Greece the tourism development is perhaps best connected with national festivals such as Olympic Games, where citizens of many Greek state-cities gathered every fourth year in order to hold religious ceremonies and compete in various athletic disciplines and art performances.

The experience of Roman tourism is in many ways modern. Thanks to their personal wealth, Roman elite went to pleasure travels. Thanks to an impressive technological, economic and political improvemet, and above all a famous road network, Ancient Rome was able to raise tourism activities to a significant level. They started to sell souvenirs, travel guides, developed transport, travel accomodation and other services for travellers, and travel destinations developed rapidly. Among famous Roman resorts was Capri which was, because of its natural beauty, famous since ancient times as a favourite summer resort of Roman emperors, and Tacit claimed that 12 emperors had their villas on Capri, among them Tiberius and Marcus Aurelius.

In the mid 16th century European ’Grand Tour’ became fashionable when young aristocrats from Great Britain and other parts of Northern Europe travelled to the ’Continent’ in order to get education. These young travellers usually kept diaries, so it is possible to reconstruct in detail the toruism of that period. The first destination was usually Paris, and then for a year or two they went to famous Italian cities, Turin, Milan, Florence, Rome, Naples and Venice, which were admired for their renaissance and ancient art, which still represented the cultural standards for Europe as a whole. The visit to those cultural centres was of vital importance for anyone aspiring to enter the elite and was considered a part of education. The delight with the Mediterranean of that period is best described in a citation of a British author of the time, Samuel Johnson: ’A man who has never visited Italy, is always aware of his inferiority, because he did not see what is expected to be seen. The great goal of the journey is to see the Mediterranean coast... All our religion, almost all our law, almost all our art, almost all that makes us human, came to us from the Mediterranean coast. "[6]

In the early 18th century thanks to industrial revolution, densly populated urban areas resulted in the need and want for the travel to a more pleasent environment. Stimulus for the travel towrads the coast was a belief, increasingly popular in the mid 18th century, that tha sea-bathing in combination with sea water drinking is a good medicine for various diseases. In the beginning they were small and exclusive resorts, just like spas in the country, which were intended for the upper classes. Painters and writers, who often settled there, Goethe, Hemingway, Nenadovic, Monet, Cezannes, Picasso and many others, inspiredly described the Mediterranean coast and for ever romanticised its inahbitants and landscapes. In this period early resorts in the Azure coast developed where royal and aristocratic families spent their winters, and a bit later Mediterranean resorts expended. The arrival of the rich and famous such as Audrey Hepburn, Brigitte Bardot, Elisabeth Tailor or Grace Kelly in the Mediterranean coastal resorts in the mid 20th century sealed the position of the Mediterranean as a glamourous and elite dream destination.

III Contemporary tourism development in the Mediterranean

By the end of the 19th century, there was no population in the Mediterranean that reached more than a million inhabitants. Istabul had 875 000 inhabitants, and was followed by Naples (475 000), Madrid (400 000), Lisaboa (300 000), Rome (275 000) and Barcelona (250 000). Only a century after that, forteen Mediterranean cities developed with over a million inhabitants, a third of world tourists visit this region (around 228 million touruist annually), and 4500 square kilometres has been turned into tourist and accomodoation capacities.[7] This data shows an incredible development which occurred in the Mediterranean in a relatively short period since the middle of the last century until today.

Since the 50s in the 20th century, the Mediterranean is a synonym for a modern mass tourism. The development of mass toruism began in Liguria, in Italian Riviera, in French Provance and, particularly, on the Azure coast, and in the 50s of the 20th century it was increased by the appearance of resorts intended for the middle classes on Costa Brava in Spain, and later in the Ballearic islands and in Greece, and today it is spread along the Mediterranean coast in almost all the countries of this region. The expolosion of tourism in the Mediterranean started in

[6] prof. Dr Bojana Rilke, *Internacionalni turizam,* Evropski univerzitet, Beograd, 2005

[7] Luciano Segreto, Manera, C., Europe at the Seaside, The Economic History of Mass Tourism in the Mediterranean, Institute for Corporate Cultural Affairs, New York, 2009

the 60s of the last century thanks to the following factors: improved quality of life in North European countries, paid holidays and increased speed of mass transportation, particularly charter flights. Tourism in the Mediterranean has long been considered 3S tourism, i.e. tourism which relies on sun, sand and sea, and Mediterranean climate still represents the main attraction for tourists from all over the world. Today, however, the accent is increasingly on the development of creative tourism which combines a holiday in an authentic natural environment of the Mediterranean, direct introduction to rich cultural tradition and experience of the art of living, so called Italian 'dolce vita'.

The management of Mediterranean tourism has traditionally been based on a development and growth model which had the following characteristics:

- Primary goal was to increase the number of tourists, without regard to actual capacities;
- Priority was given to short-term gains and income, without taking into account long-term impacts on the environment;

- Tourism industry offered homogeneity and standardisation which reproducted the same tipology of architecture and space use in the whole region, which had negative effects on natural environment, as well as local population and cultural heritage.

These imapcts of tourism on the Mediterranean environment occured because of the tourist sector's need to build infrastructure (e.g. hotels, marinas, transport, etc.) and recreational activities (golf courses, water sports, thematic parks, beaches, etc.). Big tourist capacities, particularly hotel complexes and apartment buildings were developed on the northern Mediterranean coast since the 60s of the last century during the mass tourism boom. As a result of the overdevelopment, erosions of big beaches and dunes on sea coast appeared. This represents not only ecological but also economic problem: beach properties are prone to destruction from bad weather and effects of rising sea levels. Other important factor of damage are marinas. The development of a marina can trigger changes of undercurrents and thus the coast. Furthermore, the use of construction material such as sand leads to disappearance of coaral reefs and woods which leads to ground erosion and the destruction of natural habitats.

However, problems in this sector are specific in that the degradation of authentic natural and cultural environment results in the degradation of the very tourism industry which has negative consequences in other economic sectors which rely on toruism. In this way the travel destination itself loses attractvieness for tourist who turn to new horizons. Therefore , a piroirty of the Mediterranean tourism management today is a sustainable development of tourism and touristic potential and capacities of the Mediterranean which takes into account the balance between economic growth and destination development, preservation of natural environment and ecology, as well as preservation and revitalisation of tangible and intangible cultural heritage of Mediterranean countries. Mediterranean countires and the European Union have been cooperating together since 1975 on the Mediterranean Action Plan (MAP) under the auspices of the United Nations Environmental Program (UNEP) firstly to protect the environment of marinas, and since 1995 to promote regional sustainable development, preservation of biodiversity and integrated management of the coastal areas. International organisations and the European Union put great effort within this plan and especially within so called Plan Bleu to set standards of sustainable investment in tourism in the environmentally vulnerable areas of the Mediterranean coast.

The management of sustainable development of the Mediterranean which takes care of the preservation and promotion of natural and cultural identity represents the most important factor in the future development of this region as a globally competitive travel destination. Controlled construction of the infrastructure which is in line with the natural ambience and real capacities of the Mediterranean area can be an important factor for the development of the

Mediterranean destinations. Also, if revenues are directed to local communities, tourism creates new capital and employment which compensate the lack of agricultural and industrial development. Investments in management and tourism in the Mediterranean are extremely high, both from public and private sectors. In order to protect these investments, further investments are needed in the prevention of environmental degradation and fixing the damage already made. Actually, the tourism development in the Mediterranean depends mainly on the quality of natural and cultural environment: tourist facilities are not enough to make the destination attractive, although in the beginning they can create a pleasant environment which satisfies tourists. However, tourists want to experience the whole destination and then external factors become equally important as good hotel capacities. If it is allowed that the natural capital is destroyed, tourism industry will probably become unsustainable, because tourists will look for other destinations, and the employment and income will decrease, infrastructure will weaken and the destination will no longer be able to attract new tourists. Therefore, the sustainable development of Mediterranean destination means creative management of these destinations, integration of sustainable principles by tourism industry and raised awareness both in tourists and in local population.

Modern development of the Mediterranean tourism involves preservation and enhancement of cultural and natural heritage, from local gastronomy to the presevation of biodiversity. Challenges that managers of the Mediterranean tourism are facing are among others:

- An aging population in Europe;
- Increasing competition from other world regions ;
- Tourists demand for specialized sorts of tourism such as creative, eco, cultural or ethno tourism;
- Necessity to devlop practices in tourism that will take care of long-term sustainability and income for diverse participants in tourism system.

Modern management of the development of the Mediterranean tourism leads to a successful revitalization of Mediterranean destinations, tourist satisfaction and secures a long-term position of the Mediterranean as a leading travel destination in the world. Since the key to business success here is in a healthy environment, sustainable destination development best fulfills the vision of the future of the Mediterranean tourism. Namely, the sustainable toruism development management involves the balance between environmental, economic and cultural perspectives in relation to the existing resources and their future use. Therefore, managers and investors in tourism in the Mediterranean have to address the issue of destination management not only on business level, but also on sustainability level which offers both a common vision and strategic plan of the Mediterranean tourism development. Cultural diversity of Europe and the Mediterranean is its greatest competitive advantage as a globally desirable and attractive travel destination, so the modern tourism development in the Mediterranean must first be directed to preservation and promotion of the authenticity of tangible as well as intangible cultural heritage and the revitalisation of cultural traditions of local communities and cultural landscapes of the Mediterranean.

Case Study 1– Mediterranean cultural landscapes: Cinqueterre, Italy

Cultural landscapes witness the creativity, cultural and spiritual vitality of the mankind and represent a part of our collective identity. Some landscapes illustrate specific technique of land use, while others are connected to beliefs, traditions and customs which embody extraordinary connection between people and nature. In order to preserve the diversity of interaction of people with natural environment and protect traditional cultures, 85 of these landscapes worldwide are under UNESCO protection.

'Cinqueterre is a cultural area of extraordinary value, which reflects the harmony between man and nature which produces landscapes of exceptional beauty and quality and which illustrates a traditional way of life that still has and important social-economic role in the life of the local community'[8] Cinque Terre is a rocky part of the coast in Italian rivirea west from La Specia town which covers only 15 kilometers. 'Five lands', which is the meaning of the name consists of five villages: Monterosso al Mare, Vernazza, Corniglia, Manarola i Riomaggiore. Through economic activities in the region that was hardly suitable for human survival, in sense that there is fresh water shortage, land prone to erosion and difficult to cultivate and the domination of slow-growing vegetation, a fragile balance between man and nature was established and has lasted for centuries. Human community adapted to this seemingly inhuman and cruel natural environment and built compact settlements with narrow winding streets of specific appearance on rocky cliffs above the sea. In order to survive, throughout a long period inhabitants built terraces on these steep, hardly accessible part of the coast. Today, the whole area with the villages and the surrounding hills where terraced vineyards descend towards the sea represents a national park and since 1997 has been under UNESCO protection as a cultural landscape and a part of world heritage.

First historical data about Cinque Terre dates from 11th century. Monterosso and Vernazza were first inhabited, and then also other villages which were then under the military and political rule of Genoa. In the 16th century, in order to defend from Turkish attacks, inhabitants fortified old walls and built new defensive towers. The construction of railroad between Genoa and La Spezia revived these villages from isolation but this also caused the abandonment of many traditional crafts since the inhabitants started to leave. The area started to impoverish rapidly until the 70s of the 20th century when the first tourists began to arrive which brought about the regeneration of this region.

In 1998, Italian Ministry for environemnatal protection founded Protected natural marina Cinque Terre in order to preserve natural environment and promote sustainable cultural-economic development which is compatibile with natural and cultural landscape of the area. In 1999, National park was established in order to further protect ecological balance, landscape and cultural heritage of this location. After 2000, World Monuments Fund organization secured a donation in order to preserve terraced walls at this destination and Cinque Terre management plan was made.

Since it is strictly taken care of the preservation of natural and cultural heritage, a part of the charm of the villages lies exactly in the lack of urban and commercial tourism development. A walking trail, so called Sentiero Azzuro (a light blue trail), train and boats connect the villages, and it is impossible to reach them by car. This very authenticity is a part of the charm which makes Cinque Terre a very popular travel destination today.

Local tourism sector established an 'Environmental Quality Brand' for accommodation capacities, published a travel guide and all public information about the conservation of the area. In order to control the number of tourists, a Cinque Terre card is provided which allows access to all the paths, viewpoints, botanical trails, picnic and bird-watching spots, and it includes unlimited train ride between the villages. The revenues from tourism are invested back in the maintainance of trails, marina and the national park, as well as rail and ferry lines that connect this area. Also, part of the revenue goes to business sector which participates in providing tourism accommodation, and which uses energy and water saving techniques and local produce.

Case Study 2– Revival of Mediterranean intangible cultural: Venetian Carnival

Intenagible cultural heritage which lives in local customs, artistic crafts, knowledge and skills has become a main motivation for global travel. Traditional cultural values of the

[8] UNESKO: www.unesco.org

Mediterranean are best promoted through the participation in the everyday life – already mentioned Italian'dolce vita', Spainish siesta, French 'joie de vivre', traditional family spirit of Greece and the Mediterranean hinderlands, as well as emotional interaction between hosts and guests, and a creative approach to tourism best offers this kind of authentic experience to new generations of tourists. Cultural interaction spurred by this kind of touristic encounters contributes to understanding, tolerance and world peace.

In Italy, February is carnival time when the whole country is covered with masks, confetti, colours and lights which create a unique atmosphere. Today this intangible cultural heritage is a tourist attraction which has its roots in ancient traditions and folklore where fun and history create a special cultural event. Carneval has its origins in Roman Saturnalias which were celebrating a New Year. According to Roman Chatolic calendar carnival is held between the Twelveth Night and Easter fast. In the beginning this celebration was charaterised by unlimited consumption of food, drink and sensual pleasures as a certain temporary escape – an opportunity to forget social norms of behavior, particularly in the sense of social order, and during times this custom spread throughout the world and developed into different forms of entertainment. From North to South, Italy celebrates carnival with wortld famous tradtions which attract thousands of tourists every year from all over the world, and the most famous is certainly the Venetian carnival known for elaborated masks worn by the participants. It was started after the victory of Venice, "Serenissima Repubblica" ('The Happiest Republic') over the patriarch of Acuileia, Ulrico di Trevena, in 1162. In that honour, people started to gather and dance at the St Mark's square. During the renaissance, this became an official festival, and until 18th century, when it was particularly popular, carnival kept the image of Venice in the world. But in 1797, after Napoleon's conquest, it was interrupted, and the use of masks was strictly forbidden. During 19th century it occurred temporarily, but mainly at private parties in aristocratic villas.

After a long period, the carnival was organized again in 1979. The Italian government decided to revive history and culture of Venice in tourism purposes in order to fill the hotel capacities out of season and they used a traditional carnival as a major means to do that. The production of masks started again on the initiative of Venetian students, also for the tourism purposes, and today mask shops outnumber grocery stores in Venice. During the period of some ten days, various manifestations are organized at squares and canals, as well as mask balls in historical villas, and one of the most important events is the most beautiful mask competition selected by the commission which consists of international fashion designers.

Today, around three million travellers visit Venice during Carneval. This example clearly shows how thoughtful revival of intangible culture has contributed not only to the regeneration, preservation and promotion of cultural-historical tradition, customs and old skills of the destination, but it also became a lucrative source of income for the local population in an otherwise out-of-season touristic period for the Mediterranean.

Conclusion

The Mediterranean has always attracted artists who found in it inspiration and who, in turn, created of it a romanticised landscape, 'sentimental geography'[9] whose main strenght is our imaginary experience of the Mediterranean, a place where legends and history are intervened, western, eastern and southern cultures meet, where both sirens and ancient gods live, but also emperors and thinkers, poets and their muses. The image which was created, first in literature, and then in film industry established a picture of idylical landscapes with a mild climate and rich

[9] Xavier Girard, Mediterranean from Homer to Picasso, Assouline, Paris, 2001

gastronomy where rich and famous rest and party, and since the mid-20th century this utopia has finally become available to a common man. French ’joie de vivre’ (joy of living) and Italian’dolce vita’ (sweet life) became a symbol of a ’good life’ and many visitors from West and North Europe decided to permanently settle here. Through cultural media, the Mediterranean area recieved a cult status of a ’promised land’ where time passes slowly and where people are still in harmony with the nature. From the aspect of modern tourism management, serious efforts are needed in order to maintain this picture in real future, and this is primarily possible through a sustainable development of creative tourism which will take care of the preservation and revival of the rich tangible and intangible cultural heritage and authentic natural and cultural landscapes.

A creative approach to tourism management in the Mediterranean is necessary for these travel destinations to remain competitive on the international and global travel market. In this respect, creative tourism in the Mediterranean offers a powerful incentive since the revenues it generates can be directed back through initiatives for a long-term preservation of cultural and natural resources of the destination. This is at the same time the best management strategy of the sustainable tourism development in the Mediterranean, particularly for the countries in the Mediterranean hinderland, such as Serbia, which will in a best way make use of all the advantages of the Mediterranean travel destinations and enable them to keep their international and global competitiveness through preservation and promotion of cultural diversity and a specific cultural-historical heritage and lifestyle, as well as a unique natural environment. UNESCO defined creative tourism as ’a travel directed to an authentic experience, with the participation in learning about art, heritage or a special character of a place’ while at the same time providing ’ a connection with those who live in this place and create a living culture’. This new form of tourism, however, requires that tourism managers also evolve and educate themselves in a way which will enable them to recognize the creativity of their destinations and thus offer new opportunities for the development of the Mediterranean destinations in order to meet increasingly more diverse interests and needs of tourists.

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DOCENT DR. MARIJA LUKIC

Docent Dr. Marija Lukić was born in Sabac on 6th of March, 1980. In the year of 1998. she was admitted to the Faculty of International Management in Belgrade which she finished as the best student of her generation with the GPA 10,00 and thesis International Management and Business with special refference to Japanese Management (mentor – prof.Dr. Milija Zecevic, founder, owner and Rector of European University Belgrade). Upon defending the thesis in 2002. she received the degree „Graduate Manager of International business“. In the same year she was admitted to postgraduate-master studies of European University, as scholar of the University where she started working as a teaching assistant – prentice in Faculty of International Management and as a teaching associate of Rector Prof. Dr. Milija Zecevic. Since 2002. she has worked as a teaching assistant – prentice with prof.dr Milija Zecevic for the subject Management, and assistant for teaching organisation, business administration and public relations. Since 2004. she has participated, as a student-Proctor of European University, in conferences of Republic Council for the development of university education. May 2005. She defended specialist paper at European University on the topic International Management and Business with special refference to Japanese Management- Team Management (mentor prof. dr Milija Zecevic) and acquired the title „ Specialist in the field of Japanese Management“.

Under mentorship of Rector of European University, prof.dr Milija Zecevic, she begian creating Master`s thesis International Management Teams-Team management which she defended in December 2005. and acquired the title „ Master of Scence of International Management“. She tested Managing roles and Managing skills through practise, working on business cases and participating in establishing and affirmating of licenced American marketing agency Studio marketing J. Walter Thompson, where she has worked as an Account Manager since february 2006., and after that as an Account Director. By working in marketing sector she successfully created and acctualized Marketing strategies of multinational companies such as Kraft Foods, Mazda, Gas, Mothercare. Dr. Marija Lukic gave special contribution in organisation of international sport project of tennis tournament Davis Cup (Serbia-Australia) where she played the role of project leader.

She defended PhD thesis titled International Management of multinational companies with special refference to the companies from USA, Japan and Europe – comparative approach, mentor prof.dr Milija Zecevic, in front of the commission of European University in october 2008. and acquired the title „ PhD in Science of International Management“. Dr Marija Lukic published the following scientific works: Management – science, theory or art, published in the collection of works of European Academy of Science, Vienna 2008.

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LIDERSHIP AND TEAM MANAGEMENT

Docent Dr. Marija Lukic

Abstract

The development and reinforcing of team spirit has become the trend in international and local business. While in certain organisations team spirit motivates and impowers employees, there are others where team work is demotivating and less efficient. The role of the team leader gains more and more importance due to the fact that the team is efficient only when it operates unanimously and directs its energy towards mutually defined goal, otherwise it can be destructive. Teams achieve their goals only if they have clearly defined vision which they follow and efficient team management. Team management consists of two key elements – leader and the team, i.e. the followers. The team which achieves results has to operate as organised group of people working together towards a certain goal, within specific operational sphere, having the leader and defined attitude towards environment, making team decisions and accepting responsibility.

Leader, in the context of team management, is the one who creates conditions, in which the team, working together, achieves results, who motivates and transfers the vision. Leadership in contemporary business gains in importance as a process in which the individual influences the group in order to achieve mutual goals. Team management is the most efficient when personal interests and aims are put in function and subordinate to higher, team goals creating synergy of information and knowledge of team members.

Key words: Leadership, team, team menagment, vision, goals, efficiency, motivation

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Most of the companies doing business today are working in the international environment, by using different formats, and international business by itself should be perceived as constant game in the world entrepreneurship arena and with a very strong competition around. To succeed in complex and complicated conditions means to have continuity in efforts, developments and innovating, constant vision of the better and better results. Success and results will not be achieved if there is no vision of the management, team vision, and long-term leadership in the organization.

Some of the employees have really experienced team spirit that moves toward the action and boost energy in them, while some people work every day in the teams that are more demotivating them than motivating. This raises a question if some of the teams are set wrong or some of the people are not meant to be employers, or it might only be wrong chosen leader? Leader play an important role due to the fact that team is only efficient if they manage to work together as one, leading individuals energy toward one well defined goal, creating the synergy, otherwise team can be destructive.

First association of the word team to the most of the people is sport team, since even in individual sports like Formula 1 or tennis, focusing on the energy of one person; it is obvious that there is the whole team behind producing the success of this one main actor. The case with team is that it has to be group of chosen people led in a right way having big task in front, clear vision and goals, and plans as well that are going to bring them to the achievement of the set targets. Team has to have leader, trainer or captain; they work according to certain rules, have their own organization and constantly is creating new actions and moves.

One of the definitions explaining teams is that team represent group of people working together with a specific goal, in the determined operational sphere, having a leader and built attitude toward the environment , making decision together but also taking the responsibility. This definition seem more like a description of the team characteristic but team cannot be explained differently since it is complex form created from more than one element. Working in teams is complex since it contain work of more than one person having their own personal interests and but led by the unique corporate goals and vision of the leader

If we say that management represents effective, efficient and profitable business operations, it is logical to say also that role of management of the team on all the levels in the company is very valuable for every organization.

Japanese management philosophy *kaizen (constant improvement)* is based on the treating the company as team with full participation of every single employee in the process of development and improvement of the working process. This philosophy consider leaders as one of the others people working in team, being equal, but motivating others, taking the responsibility, but sharing the glory of the success. While definition of the management is more like realistic managing, leadership could be explained as visionary leading.

Individual careers that represent functional specialization slowly are giving more space to careers depending on integrated team processes and evolution of the working groups inside organizational structure. Although cultural differences are slowing down team process, its attractiveness as a model of work is constantly growing. Question that bothers management of the big number of companies is how to create and keep the teams working. Even those companies having good quality employees do have problems in terms of creating teams and moving to new way of operating and thinking. Leader's role in such cases is very important, as of those formally set leaders and non-formal ones.

Probably there is no team transparent like some sport team. In this kind of team in the public people can clearly see how they work, when they function as one, and when they are not operating that good, and usually nothing else can replace team spirit if it is missing at the field (no management activity, no marketing activity, and no individual's exceptional performance). In the organizations teams are not that well known and visible and their mistakes can be hidden by some other management and marketing strategies, and changes of the members in the team are not seen from the outside unless we talk about some top management positioned team of the famous companies.

Every dilemma if teams are rely goo and needed in some company or it is just simple trend in the business politics, is solved by stating some samples of the success achieved with Japanese company teams. Corporate culture in USA is also based on teams, but their interpretation of the team is quite different comparing to Japanese one. Although completely different, American and Japanese managers agree on one thing, teams represent future of the organizational success.

Team management is showing high efficiency in well-organized companies. Many companies would like to take over this new system of operating, but there are obstacles coming from the structure of the company or closer or wider environment (internal and external). Obstacles coming from the inside of the company are people working in it and hardly accepting new values and procedures. Teams for many people represent huge life change in which they cannot see benefits. Managers with above stated opinion would rather constant refuse them and search for some team weaknesses than try to achieve better results with teams. Thinking in your own interest and as individuals, keeping knowledge and information for yourself, waiting for the opportunity for exclusively personal development and promotion, are actually keeping companies on the same level or pushing it down comparing to the development and improvement that teams can bring.

For many years in the world of business and management there is a debate on the topic, is the leadership same as management, are leaders and managers similar or not and to what extent, or they are totally different. Many of the people agree that although there are differences, managers and leaders in contemporary business full of many changes have to work together. It is very unlikely that they can actually be separated. While manager are creating stability of the operations , leaders are searching for changes, but only those organizations merging energy of both sides can move forward to success.

Most of the people think that leadership and management are totally different things. Some of them are even stating usually personal opinion that is not based on facts and figures. Leadership is not something mysterious, connected exclusively with charisma or some other unusual personal characteristic. Hardly can we claim that leadership is somehow better than management that one can replace the other, or that leaders are gift of the god. They are different one from the other, but both of them are equally important of the business.

USA companies practice show that most of them are led with too much of the managers and not enough leaders. This is why new trend is focused on development of new leaders by trainings. Leaders are not easily found and companies have realized this. They do not wait for the situation that they need leaders, or some of the leaders to come to them, but they are actively search for potential ones. If there Isa potential leader, showing some specific characteristics, usual this person is trained and exposed to development process created to further develop leadership potential inside them. Most of the leaders found and trained on this way in time get more and more important roles in organizations. Most important thing is to realize that even the very strong leadership but with a weak management cannot bring results. Real success is the balance and proper combination of the powerful leadership and good management.

No matter of what we are speaking, management or leadership, both of them are based on action that consists of making decisions of hat should be done, creating people network and relations that will enable achieving of set targets and plan, and at the end ensure that people are doing what they are supposed to do. But the point is that managers and leaders are achieving this in a different way.

Companies are fighting complexity of their businesses with planning, budgeting, by setting targets (usually monthly targets, yearly plans, 5 years strategies), and further setting tactics and steps how to achieve it. Leading of the organizations toward constructive changes, on the contrary, starts with directions set, vision of the future (even a long term future), together with the strategy for change implementation, necessary for the vision to be achieved.

There are very few of them that can play equally good role of the leader and at the same time role of the manager, but it is not impossible. Some people are very good as managers but as leaders they do not achieve even the average results. There are also opposite samples. Companies must evaluate both of them and do their best to fit them in one team. .When time comes to do something important nobody cares of personal talents and aspirations. Targets are set, and results are expected, and for that skills of leaders and managers are needed. Every company expect from their top people to be managers/leaders. Management is defined as process of creating and keeping conditions in which people working together in groups, efficiently is achieving set targets.[1] Leaders are achieving goals, but the very model of the work and how they organize it, differs and sometimes is hardly acceptable for classic management theories.

When we speak of differences between managers and leaders we cans start from the fact that management meets complexity of the business, while leadership is more oriented toward changes implementation. Role of the managers in past years was somehow influenced by big number of merging between companies and businesses. Without management complex organizations are becoming chaotic and sometimes they lose the game. Management has to enable growth and maintenance of the company through some of the factors such as quality and profitability.

What are the changes challenging leaders? One part of the reasons why changes are considered as important in every day work is very strong competition in every field of the business on local and global levels. Companies get less understanding and loyalty form the market. Very fast technical and technological changes, huge international competitive game, markets liberalizations, overcrowded developed industries, constant changes in stocks exchange, irregular supply chains, unstable source of raw materials demographic changes, fluctuation of working force, and many other factors are responsible for the status and conditions in the business sphere today. As a result of this trend we have the result that if you are working as good as you have done your work yesterday or even 5% better, it does not guarantee the good result. Big changes are needed in order to sustain a make some growth in new environment. And more changes mean more leadership.

Role of leaders and mangers in the teams are having the same goal but model of work they are using to achieve it through motivational process or lading people can differ a lot. Management creates capacity for achieving plans by organizing and selection of people, by making organizational structure, scope of work, creating positions and putting right people in right place, communicate with employees and explain who should do what, but also delegate's responsibility. At the same time leadership activities are creating links with people. That means good communication and presenting of new initiatives and directions, plans of actions to those groups of people that can understand vision, that can accept it and further become dedicated in its implementation.

Finally, management enables achievement of goals by controlling and solving problems. In order to be kept updated the work it is necessary to monitor it on a regular basis comparing it with planned activities, to have formal and informal controlling trough reports, meetings, recognizing issues, and further find solutions and way forward. On the contrary, leaders consider much more important achieving of vision, and for that needed inspiration and motivation. People have to be kept moving toward right direction over the obstacles that might come or changes that have to be accepted in the meantime, being focused on basic market needs, values and emotions of customers. Leaders are managing energy of people, direct it and keep it at high productive level.

In the contemporary world where business and life are mixed we have a lot reasons why energy of people should be explored, as well as management that influence it, and people working together or individually are achieving specific goals. Some of those reasons place in focus past, other present and some third future, but in any case effect that people are achieving trough organized team work can be very visible. Organizations are creating links with past trough people since history of most of the companies can actually be told trough people that have worked for them in past, reached targets, fought for sustaining, victory and expansion.

[1] Zečević Milija, Rilke Bojana, Menadžment, Evropski Univerzitet, Beograd, 2003., str.1

We cannot avoid the fact that organizations are contributing to the level of the quality of life and life standards as well as working standards all over the world. And we have admitted that organizations all over the world are building future and help to individuals to do the same. New practices are developed and new products are created as a result of creative force that is made of efforts of people working together.[2]

In order to be able to explain functioning and the role of teams we have to explain terms related to team management. Also, there should explained parallel between management of teams and team management and leadership. Although some people do not see the difference, the difference exists.

Management process consists of planning, organizing, staff selection, leading and controlling and can be implemented by one or more managers and experts working together at the assignment. In case of team planning, organizing, leadership, process is defined as team management. There we have team of people managing management process. When we have more people as a team, as part of the team management are creating and maintaining conditions where specific goals should be achieved. Board of directors creates working environment for the organization as a team. Some of the management functions that is implemented as team activity can be more in focus than others depending on the hierarchy position of the team and the very task as well. That means that team can spend more time in process of planning and formulating strategy and less time could be dedicated to control and staff choice. In case there are plans set and they should be further implemented, team could be focused on searching for a person that can be in charge.

Management process that is needed for operational performance of one team in order rot he team to have plans and achieve targets in organized formats could be defined as management of teams. Management of teams could be work of the leader or team supervisor or in case self-leading teams more people can be involved. This is how management of teams could be defined as process of planning and coordinating team work, connected with efficiency while team management is more related to effectiveness.

One chief of the production line stated – Do not mention teams to me. Teams are bringing troubles. Troubles and more costs. Troubles, costs and more time. Troubles and costs I already have, and time I do not have.[3]

This is one of the statement that author Laurence Holp is connecting with people that have no feeling for the team work and spirit.

A lot of people, usually owners and managers of different companies think they can manage their work on their own personally and that as more people are involved there is more chance something will go wrong. On the contrary, managers of some most successful companies are stating that some of the smartest decisions they have made when they have delegated assignment to right people. It is not important how big potential one manager have since that person can never have that much of the power, effort, working capacity, time, will, knowledge and information as more people, especially if they are motivated.

According to authors Katzenberg and Smith, there are six basic characteristic of the real team:

- *Limited number of members* – teams cannot be big since if they are big they cannot actually see weaknesses and strengths of the members and this is crucial when having team.

[2] Stoner Džejms, Friman Edvard, Gilbert Danijel, *Menadžment,* Želnid, 2000. Beograd, SCG, str 7

[3] Holpp Lawrence Holpp, Managing teams,Mc Graw-Hill,USA,1999.,str.1

- *Sharing responsibilities and results* – teams need no big boss giving tasks and directions, but instead teams are making decisions together and the result coming is result of the team, and by the rules it is always better decision than any other individual decision made.
- *Specific skills* – teams have to have specific knowledge and skills needed for being able to operate in high standards. Different teams are having different skills. Beside expert's knowledge of the specific field, they should also have analytical and problems loving skills, making decisions, good communication, Learning and personal development is base of the good quality team.
- *Team purpose* – management have to define borders and scope of the teams' authority, but also has to correct its work if it is needed. Best teams have invested a lot of time in understanding, correcting and accepting its purpose and way of functioning in order to get real meaning and start giving big results.
- *Clearly defined goals* – targets are connected with the purpose of the team's existence. Clear goals are helping teams to keep strengths focused. Clear targets are enabling to members to see improvement and recognize results of their work.
- *Basics principles* – team members have to align on basic questions, who is doing what, how the team is coordinated, how plans are set, what kind of training is needed, what methodology is used, etc.[4]

Real teams are achieving goals when they have very challenging targets. The bigger the problem is, challenge is also bigger and therefore members have to be more involved in sharing their knowledge's and experiences. This is very noticeable in teams that have already convinced integrity and good coordination in work. New problems that will boost brain storming is simply new challenge .With set rules of behavior and knowledge of personal strengths and skills there are no missions impossible.

Having in mind previously mentioned statements it is very hard to say why all the reorganizations do not become team based and also there is a question whether team can be bad at all? Bad experiences with team work do exist in different companies and for more reasons. Some of the reasons why teams are not working well are:

- When it is not understood that teams are not production lines but groups of people with their own talents, ambitious, behavior, fears;
- When they are not well balanced;
- When they are not lead correctly and are not motivated;
- When organized with the only purpose of money savings

Basic rule of operational team is trust. As much as it takes time to build the trust, on the contrary it can be lost very easy. In order to build the trust in team very single team member should have clear and consistent goals. Second most important condition of the trust is being opened minded, assertive behavior and readiness to listen others. Member of the team has to be decisive, supportive equality for all other members, taking responsibility for the action made and sharing results coming, to feel and understand need of other members, respects attitudes of others, but also tolerates mistakes made by them. One thing should be remembered and it is the fact that success of the group/team depends on the merged energy of the different parts /members and in group context.

[4] Katzenbach John, Smith Douglas, *The Wisdom of teams*, HarperBusiness Publisher, 1994., USA, izvod iz dela

Companies that have realized in time the meaning and importance of the teams for the competitiveness they have also experienced the good results teams are bringing. Team has proven their effectiveness in many industries, in achieving quality and targets of production. Today, good companies are those that are having teams working on different projects and that are not any more relied on individual but results of groups/teams that were well lead and know what to do. Those companies are much more stable and independent of individual results and familiars.

Beside different theories claiming success of the teams, in the really good results we can be also convinced by many business cases developed by research of big consultancy houses or individual consultants and experts. All of them agree on one thing - teams are necessary for the maintenance of the organization at the market. McKinsey & Co, consulting group in their research of teams has conducted hundreds of interviews with people in over 50 teams from 30 companies. They have come to specific conclusions in differences between teams, when and where they give their maximum:

- There is chance for team work in every part of the organization
- Dedication to teams' goals is more important than dedication to forming the team
- Teams are not influenced by hierarchy in the company
- Good leaders does not necessary fit in the ideal profiles and is not always the oldest member
- Top management teams are usually smaller and harder sustainable
- Stop of the operations of the team is equally important as start and forming teams[5]

Another important fact that interest managers and owners of the companies is time needed for the teams to be formed and start operating efficiently. Answer on this question is not simple and depends on several factors. One of the factors that influences time of forming teams is average age of the employees in the company, how many set principles they have and if people are using them, how old is the tradition of the company or is it a newly founded company, who is the owner, what is his style. Before some work on changes starts it is very important to have clear vision what we would like to achieve and how do we see company and its employees in the future.

Speaking of teams should always be in the direction of 5 P (purpose, place, power, plan, and people).[6] 5P of teams reminds on 5 management functions: planning, organizing, staff selection, leading and controlling. Answers on the questions of purpose and plans, places, people and power can be taken as expanded definition of team management.

Traditional structure of the company is more like a multilevel pyramided with very sharp top, few levels and wide base connected with the market. Leaders view on organizations and teams is opposite of the traditional approach. According to Jan Carlson, author of the book „Moments of truth“, airplane company SAS is one sample of the company that is not group of material goods, but represent quality of contacts made between individual customers and employees of SAS serving them directly – first/front line of the company. Each of the 10 million of passengers in one year gets in contact with 5 employees of the company. Those 50 million

[5] Katzenbach John, Smith Douglas, *The Wisdom of teams*, HarperBusiness Publisher, 1994., USA, izvod iz dela

[6] Holpp Lawrence Holpp, Managing teams,Mc Graw-Hill,USA,1999.,str.3

contacts are real moments of truth when you are really showing to customers that he has made a real choice.[7].Those moments/contacts that are made are defining if they will be a successful company or not. Change of the attitude of the company management is not only the case for airplane companies; changes are also visible in car industry, school system, all kind of services.

Team work requests long term engagement in order rot develop new model of behavior, but also to find proper leaders and team trainers. But on the first place is vision of the teams. Vision of the team identify common enemy, unique problem that relies on general interests and also is focusing their energy. Forming of general teams goals requests cooperation that minimize individual and less important interests or personal prejudges. And what is more important, team as a group has benefit from the result of this process, by further increase of level of potential group behavior.[8] Business leaders have to be able to monitor business and environment as they are standing at the balcony above the certain level. It is not good if they are carried with too much action. They have to be able to see where changes are needed or they should create the opportunity by themselves, since they should never become followers of the system.[9] This approach to changes in the environment has a symbolic name "View from the balcony".

Leaders in every business sphere, life or sports, education, have important role in the field of creating and leading teams locally and on international level. Visions that create and forward leadership are important for the development and booster of the changes and its implementations. Both in big and small organizations, leadership can be recognized trough level of motivation of people but also very exact result reports.

[7] Karlzon Jan, Moments of truth, Clio, Beograd, 1997., str. 8
[8] Prof. dr Zečević Milija, International management, FIM, Beograd,.str. 278,282
[9] Harward Business Review,No11, Special issue- Breakthroughg Leadership, December 2001,str 132

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DOCENT DR. GORAN DZAFIC

Goran Džafić was born in Belgrade, in 1971. He finished Bachelor studies at IFAM-Paris, Faculty for International Managemnent, Paris, department of finance and marketing. It was followed by numerous professional trainings:

• CPU Microsoft certified tehnical Education centar (Certificate Microsoft Office Standard

• University of Belgrade, Faculty of Economics (postgraduate studies for working in foreign trade)

• IRI Consultans (campaign organasation)

• NDI National Democratic Institute (public relations)

• McCann erickson (Stand in front of the microphone – public speaking and proceedings)

• European University for Business and Marketing, Belgrade, Graduate manager for European Business and Marketing – MASTER

• „Soko group“ Belgrade, special training for management personnel in the security sector

• University of Belgrade, Faculty of Security Studies, graduate academic MASTER of Security Studies

• Ministry of Public Administration and Local Self-Government Certificate of having passed the state exam by the programme for higher education

• European University of Belgrade, PhD academic studies, PhD in international management

He worked in various companies, as a director, manager or company founder, starting from publishing trade in „BIPIF“ publishing house of Belgrade, to textile and fashion industry in a Turkish company „Fevfki-Ikre“ from Istanbul, „Yogieland commerce“ company d.o.o. Belgrade, as well as in Ateks company a.d. Belgrade.

His knowledge and experience proved his liability to perform numerous functions and compentences:

• President of the Board of Directors of „Srpska banka“ a.d. Belgrade

• Vice- President of the municipality City Municipality of Novi Beograd

• Director of the Republic Agency for Development of Small and Medium Enterprises (MERR, Government of the Republic of Serbia)

• Deputy Director of the National Agency for Regional Development (MERR Government of the Republic of Serbia)

• Deputy Director of the Agency for Foreign Investments and promotion of SIEPA export (MERR, Government of the Republic of Serbia)

THE INFLUENCE OF THE EUROPEAN UNION ON ECONOMY OF SERBIA THROUGH PRISM OF CRISIS MANAGEMENT

Docent Dr. Goran Dzafic

Abstract

Taking into account the economy condition in Serbia, foreign capital is fundamental means of its recovery. Serbia didn't use the chance to attract more SDI after eight countries of transition had entered the EU. Investors have abandoned new member states of EU mainly for two reasons. Firstly, new members had to accept expensive EU regulations, that raise costs and reduce business advantages. Secondly, states which joined EU had to eliminate so called vertical subsidies, that caused net loss to the investors. Serbia still has a chance to attract a large number of investors, before joining EU, which is its main goal and basic task. Besides attracting SDI, we, certainly, shouldn't forget, MSPP sector which is the basis of any economic system, and should be of ours, too.

Key Words*:* Human Resources Management, Tourism Companies, Development Strategy, Professional Service, Professional Cooperation

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EU IMPACT ON THE ECONOMY OF SERBIA THROUGHOUT THE PRISM OF CRISIS MANAGEMENT

Nowadays is almost impossible to imagine a successful organization without clearly defined management strategy, theory and practices. In other words, management has become an integral component of every business venture – his basis, development and further on, permanent business policy. Today, in the world of science and business, but especially in academic community, there are different schools that deal in management from different aspects – military doctrine, over economy, human sciences and other social disciplines.

Crisis management as an idea is linked with public and also private organizations. "It is not about the crisis, it is about your attitude towards it!" In the beginning, the term of crisis management was attributed to political terminology. There are claims that American president J. F. Kennedy used this phrase during Cuban crisis. In this way, he wanted to describe the efforts of American administration in managing serious, emergency situation. By the time, as the crisis alternated with each other, the crisis management was getting his place in the organizations, too. Although, the unique standard for this term has still not adopted.

New scientific and technological revolution and computer technology are developing more and more international division of labor, connecting national economies into a single unity across the world market. Today world is characteristic by the domination of transnational companies, strong influence of the state in the economy and globalization of the world economy. The process of the globalization starts with the North American Free Trade Agreement (NAFTA) – USA, Canada, Mexico, European Union (EU), East-Asian Union (Japan and so-called Asian tigers). Between them there is a struggle for domination in world economy on the world trade market. This causes the internationalization of the production and capital in order to achieve profit. This process became more intense after 70-ies of the 20^{th} century. In such a way, financial capital of the world's leaders connects every point on earth (every national economy, company) into one "global village".

Globalization is improved by better and efficient transport, communications and computer technology, all of which makes higher production volume, while reducing production costs, speed and the distance, that goods are transferred from one place to another, reducing the costs of such exchange.

As the society evolves and the technology advances, mankind is facing with more different and more complicated crisis. In fact, it is facing this crisis with the improvement of society and technology that is becoming more accessible and more complicated. Unfortunately, the policy creators usually do not draw lessons and do not prepare nor themselves neither public in the right way.

The main reason for the global economic crisis is unlimited printing of the US dollars. The fact is that in last ten years, because of abundance of dollars, there was a growth of financial instruments and complex network of debtor – creditor relations.

The financial insecurity wave forces the authorities in European countries to introduce additional state guaranties on deposits in now desperate attempt to save confidence in banking system. In the beginning of October 2008, US stock index Dow Jones dropped to its lowest level ever since 2004. Dow Jones had a lot of fluctuation every day that week.

In a program for protection of financial system, the Government and the Central Bank of Serbia took some measures against the consequences of global financial economic crisis (GFEC). These measures are raising level of saving deposits, capital gains tax and tax on transfer of absolute rights, eliminating the mandatory reserve of banks on new loans from abroad in order to increase the liquidity of banks, followed by elimination of costs of early repayment.

In addition, for financial and economic stability, in the concept of fiscal policy, it is anticipated reduction in current public spending while maintaining public investments on the same level.

Considering its political and economic past that had been marked with radical changes and sudden transitions from one system to another, Serbia still didn't implement in practice what has been prefigured in its political course. Recession does not lose its continuity despite the taken measures which were previously discussed. It seems that the reason for this condition is largely globalization – exactly as the world led by the developed countries do not emerge from the current crisis, it is unlikely that Serbia, burdened with its own crisis, success in it before them. The second reason is economic identity that in Serbia was not constituted sufficiently and that reduces visibility or potential of Serbia on the international scene.

1. The impact of the global economic crisis on the financial sector of the economy of Serbia

The current global economic crisis (GFEC) had a powerful impact on developed countries and developing countries through loans and reduction of capital inflows through cuts in domestic and export demand, with negative effects on production, exports, inflation and exchange rates. Effects of GFEC were manifested in countries in different way and had different intensity on the financial and real sector and differently affected the main economic indicators.

In Serbia GFEC more hit the real economy than the financial sector. As the financial sector has been exposed to a greater risk of insolvency of the Central Bank of Serbia has kept the benchmark rate at a high level because of the growing depreciation pressures. Banks and other financial institutions in Serbia are dominantly owned by banks and other financial institutions from developed countries, which could have led to problems of financing due to the lack of liquidity of the parent banks. Banks in Serbia have shown resilience to external shocks due to high capital adequacy and liquidity that allowed the financing of higher labor obligations of banks from stable domestic sources. Despite that, GFEC had negative impact on terms and currency structure of bank liabilities. Banks did not invest more funds into financial instruments directly affected by the crisis, so that the fall in prices of these instruments has not generated losses of banks. Negative impact on the banks had an increase of prices of financial assets and restraint investors due to high risk. Price hikes lending and lower inflows of foreign direct investment were reflected in the real sector of developing countries that suffered the effects of the recession in developed economies as their main trading partners. The liquidity of the banking sector threatened the distrust of banks and the withdrawal of foreign currency deposits. It proved as necessary to develop resources for lending to the economy (reduction of required reserves with the central bank, new savings, new borrowing abroad), which would have a positive effect on the exchange rate. For credit loans was a key finding of credible debtors able to repay their loans. In a recession economy showed that the liquidity and bank lending major challenge for monetary policy rather than inflation. The key is to increase the bank's capital and grant loans during the recession, which imposes that banks, faced with declining value of the portfolio, dealing with refinancing or restructuring of troubled debt, the granting of new loans, reducing the cost and collecting liquid assets as a precaution.

2. The political voluntarism and its impact on the investment rating Serbian economy

When talking about foreign direct investment often the question arises: whether the current political events and the credibility of the political system of the host country affect the scope and dynamics of their attraction? The answer to this question is definitely positive, especially if one bears in mind that the political stability of the basis for the economic stability of any country and the most important element of its investment environment.

Foreign investors, guided by profit motivation, show a high degree of caution during each particular investment. In that sense, they carefully choose the investment location for the placement of their capital, because they are not only interested in profit but also in the reputation and stability of a potential host country for their FDI. The political credibility of the country is comprised of its business environment, stable laws, a system that protects investors from all forms of discrimination, crime and corruption. The impact of political events on the investment commitment of foreign investors is particularly high in countries that are in transition. Fear of sudden political changes, which can be directed toward a radical change of relevant regulations and may cause a slowdown of overall reforms, largely determines the attitude of foreign investors toward the potential host country for the investment. For this reason, foreign investors highly value political stability of the host country for FDI, which is reflected in the security of guaranteed rights, stability and predictability of regulations and government policies, the reliability of the judiciary, the success of the anticrime and corruption actions, and the like.

Although the reintegration of our country into the international political, economic, and financial institutions significantly contributed to the strengthening of its political rating in the framework of the contemporary international political and economic relations, the condition of political stability as elementary condition for a stable investment climate has not yet been fully met. The unstable political environment within Serbia is mainly due to significant tensions in relations with Montenegro, the unresolved status of Kosovo and Metohija, turmoil among political parties and permanent conflicts, as well as acts of organized crime.

All of the above-mentioned political problems have led to the fact that Serbia is treated as an area of high political risk, which presents one of the most significant barriers to attracting foreign investment capital. The lack of political stability sends a bad signal to foreign investors and they qualify it as a political or non-commercial risk, which damages and slows down the process of transition and recovery of the domestic economy. In order to attract foreign capital in the Serbian economy, the country should, therefore, make permanent efforts aimed at strengthening political and legal certainty to minimize the investment risk down to an acceptable level. For this purpose, the country should seek to establish stable political relationships that would serve to improve the overall investment climate in the country and strengthen its investment rating.

CONCLUSION

Taking into account all of the above, it appears that indeed there is a need for a more thorough research on the topic of correlation of economic stability and crisis management, especially in the light of international management, in order to find the best ways to achieve economic security as an important element of the national security system, which would be ready to respond to threats, to act preventively and proactively, and to also be constantly improved through research.

The global financial crisis has caught a number of countries, their governments, representatives of local authorities and companies entirely unprepared for the collapse of neoliberal capitalism. Many still refuse to believe the uncertainty of the depth of the crisis and its duration. The situation in the global financial market changes from day to day. Measures taken by the US administration and the EU are disputable and they could even lead to further deterioration of economic conditions.

Their governments and politicians, fearful of losing popularity, are deliberately hiding the truth from the public. Crises are to be dealt with even in the times when they do not actually exist. The only real solution to a crisis is to study and analyze the past ones and work to prevent the future ones. Unfortunately, crisis cannot be eradicated but its effect may be mitigated with timely reactions.

Given its political as well as economic history, marked by radical changes and abrupt transitions from one system to another, Serbia has not yet implemented in practice what it had determined in its political discourse. Recession continues, despite the measures taken which were previously discussed. It seems that the reason for this condition is globalization, by large. Until the world led by the developed countries does not emerge from the current crisis, it is unlikely that Serbia, burdened with its own crisis, would manage to do so before them. The second reason is Serbia's under constituted economic identity which reduces the country's visibility and potential on the international scene. In order to improve Serbia's business climate, the most important suggestion arising from the entrepreneurs' point of view regarding this group of factors in the business environment is to ensure implementation of law, to remove obstacles to competition and market entry in order to reduce the negative impact of discrimination which has been identified as a factor which adversely affects the business climate. On the other hand, when it comes to macroeconomic factors and their influence on the business environment, it can be concluded that they are linked to the previous group of factors, since disregard of law and excessive bureaucracy, coupled with corruption, have had a negative impact on the business environment. Furthermore, companies monitor the work of the government and generally have a positive attitude about the impact of economic policies on the business climate. However, they still believe that the government should focus their attention toward procedures, law enforcement and suspension of illegal methods. It is the role of government to help the economy, not to burden it by bureaucratic procedures.

In the light of the conclusion, which was highlighted several times throughout the paper, that FDI is the most important means of economic recovery and further development of the Serbian economy, the Government of the Republic of Serbia adopted the Strategy of development incentives and foreign investments (Official Gazette of RS, no. 55 / 05 and 71/05) which is the backbone of Serbia's economic and development policies. Serbia's comparative advantages include foreign language skills, low wages, central location in the region, comparative tax incentives and tax credits. Tax reform and modernization are key elements of the overall package of incentives offered to new investors. Generally speaking, the overall low taxation rate, efficiently and transparently managed, is accepted as the best approach, because it does not offer a distorted picture of the national economy and provides an incentive for serious investors.

Infrastructural investments are particularly important for the Serbian economy, as it could create conditions for investment in other sectors as well. Additionally, this could take care of the underdeveloped physical infrastructure, as it currently is an important limitation for foreign investment projects. In this context, special attention should be given to attract foreign capital through concession arrangements. The Concessions Law, which was adopted in March 2003, significantly simplifies the procedure for granting concessions in order to collect the necessary financial resources and equipment for restoration and reconstruction of the economy. Serbian economy may offer concessions in the following areas: highways, railroads, mines, spa and mountain tourism facilities. Regardless of legal options and even of the new law on public and private partnerships, rare are the cases in which these options are implemented.

The automotive industry has already attracted significant foreign investment (FIAT Kragujevac) and thus contributed to the revival of export activities. Telecommunications, where the local market in a decisive extent determined by the interests of the business decisions of foreign investors, has already attracted a certain investment, but remains as a significant investment opportunity Serbian economy.

Given the state of the Serbian economy, foreign capital is undoubtedly an essential tool for her recovery. Serbia is not a good use of the opportunity to attract more FDI after the entry of eight transition countries in the EU. Investors have abandoned the new EU member states, primarily for two reasons. First, the new members had to accept the costly EU regulations, which impose costs and reduce benefits to the business. Second, countries that joined the EU had to remove so-called vertical subsidies, as investors again made a net loss. Serbia's accession to the EU still has a chance to attract a large number of investors representing its main objective and main task. Of course that in addition to attracting FDI should not be forgotten SMEs. They are still the basis of any economic system and should also be ours.

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DOCENT DR. LIDIJA ZEC

Lidija Zec was born in Podgorica, Montenegro, on Nov. 30, 1976. She graduated from the Belgrade based European University Faculty of International Management in 2001. She completed her postgraduate Master of Science studies at the Podgorica Mediteran University Faculty of Tourism in Bar, and gained the title of Master in Management and Tourism. Ms Zec defended her doctoral thesis at the European University in Belgrade on May 14, 2012, and won a science degree of a Doctor of Science in International Management. Dr Lidija Zec started her professional career in the Crna Gora Tours tourist agency, where she completed her IATA professional agent training. Between 2001 and 20015, she worked as a sales manager with the UTIP Crna Gora, with the Crna Gora, Ljubovic and Podgorica hotels, and between 2005 and 2007, she served as a head of the Crna Gora. Tours tourist agency. In 2008, she transferred to ALGONQUIN Faculty of International Hotel and Tourism Management in Budva, where she has been serving as an assistant to Professor Dr. Rade Ratkovic for the courses: Basics of Tourism and Special Dimensions of Tourism. Ms Zec completed the ReSPA Participative Training Techniques course in Dec. 2009 and the SIGMA Training of Trainers program in Oct. 2010. She speaks English, Italian and French.

HUMAN RESOURCES MANAGEMENT IN TOURISM WITH A SPECIAL REFERENCE TO MONTENEGRO

Docent Dr. Lidija Zec

Abstract

The times, when we could be highly impressed by a grandiose, modern architecture, a spectacular interior design, special effects pleasant and surprising for an eye, are long behind us. Nowadays, this space belongs to fantastic witnesses of life and culture – the Acropolis of Athens, the Roman Pantheon, the Belgrade fortress of Kalemegdan, the Old Town of Ulcinj, while in the newly built hotels of a splendid appearance, with the amazing amenities, a modern consumer can be fully satisfied exclusively by a highest professional level of service.

The management of people, human resources management, has a decisive role in providing such services. Trained and skilled staff, with a high level of knowledge and skills, selected personal traits and preferences, is the key for a success of a tourism company in modern conditions.

Key words: Human resources management, tourism companies, development strategy, professional services, professional cooperation

* * *

Despite modern technologies which in many industries tend to “replace” people in business operations, people are undoubtedly, as it is often said, our greatest asset.

“No man is an island”, a thought we can find in John Donne’s prose, symbolizes the universal truth, especially needed to be emphasized in times when we are doing everything to reduce this absolutely necessary, human, energetic, driving, inspirational, empathic exchange.

In this regard, the tourism industry represents the segment in which practically the overall product or service, their quality, attractiveness, effectiveness, potential for gaining profit as - the ultimate goal and the service improvement as the sense of progress, is based exactly on the human factor.

The times, when we could be highly impressed by a grandiose, modern architecture, a spectacular interior design, special effects pleasant and surprising for an eye, are long behind us.

Nowadays, this space belongs to fantastic witnesses of life and culture – the Acropolis of Athens, the Roman Pantheon, the Belgrade fortress of Kalemegdan, the Old Town of Ulcinj, while in the newly built hotels of a splendid appearance, with the amazing amenities, a modern consumer can be fully satisfied exclusively by a highest professional level of service.

The management of people, human resources management, has a decisive role in providing such services. Trained and skilled staff, with a high level of knowledge and skills, selected personal traits and preferences, is the key for a success of a tourism company in modern conditions.

The scarce literature covering the management of human resources in tourism and hotel industry, presents the cycle of human resources management as a complex process of attracting, retaining and training an effective workforce.

Today, in the labour market there is a large number of people highly educated in the area of tourism, which could be a good starting point, but not a guarantee that this staff will be able to satisfy and make the customer return to a certain resort, hotel, restaurant, club, casino, etc.

This is particularly true due to a high level of workforce fluctuation in this sector, caused by high seasonality in tourism, especially when it comes to the countries of South Eastern Europe.

An efficient human resources management is the basis for overcoming the problem of high employee turnover, which further causes the lack of teamwork, unfavourable working hours, gender, racial, religious discrimination, lack of career structure and so on.

By investing into people, based on "hard" management, whose strategy consists of establishing a competitive advantage, maximizing control, achieving the lowest possible cost of work or based on "soft" management, which is more based on respecting employees, treating them as proactive and trust deserving - we invest in a product.

The choice among the aforementioned approaches to management, which the employers will use as strategies, also depends on external impacts reflecting a variety of political, social, economic and technological aspects.

The Government of Montenegro, in cooperation with the German Association for Technical Cooperation, adopted the Human Resources Development Strategy in the Tourism Sector in Montenegro.

With the aim of creating the strategy which will comply with the mentioned aspects, the main objective of this Strategy is to introduce higher level of professionalism, provide funding and improve the coordination of work in all relevant institutions engaged in the field of human resources development, which is necessary if the goal is to keep the path of progress in the tourism development in the period to come.

According to estimates of the World Travel and Tourism Council (WTTC) and the Oxford Economic Forecasts Institute (Oxford Economics), it can be expected that the travel and tourism in the Montenegrin economy will create conditions for opening of about a thousand new jobs each year in the next ten-year period.

Unfortunately, the current offer of the professional staff in the sector of tourism in Montenegro is not satisfactory. The system of education and trainings for the work in the tourism industry still does not completely correspond to the requirements and needs of the tourism companies and the international standards. This applies not only to the formal, but also to the informal education.

In the international tourism, the education systems are increasingly concentrated on achieving the harmonized competency which enables flexible engagement of professional staff, in both several areas and departments of a company, but also in different companies. This is necessary taking into account the heterogeneous structure of the tourism offer, that is, a number of segments that make up the overall product, on the one hand, and the multiple demands, on the other hand.

Especially in a tourist destination such as Montenegro, where changes in the tourism industry should lead to the sustainable season extension, there is a great need for different qualification services and various competency profiles. The professional staff must be able to adapt to different expectations and requirements of certain segments (of demand) in tourism (domestic/international demand, the classic tourism "the sun/beach", wellness, congress tourism, etc.).

When it comes to capacities of the Montenegrin system of qualifications, these capacities are insufficient to comply with the forecasted increase of demand for the qualified professional and managerial staff. Therefore, it is necessary to upgrade the existing schools and centres as well as to establish new qualification organizations. They can be incorporated in the existing ones or established as new institutions. In order to improve the quality of tourism, the guarantee of high qualification service standards is required. The relevant schools and institutions which are able to ensure such high standards (pull effect), in the medium and long term, should serve to that goal.

The recommendations are:

- Increasing the capacities by optimizing the pressure and extending the scope of already existing institutions,
- Establishing the Research or the Centre of Excellence – (CoE) in the area of vocational schools as reference schools with the high quality standards,
- Increasing the capacities by establishing new institutions for a high quality education in the area of Higher Vocational Education and the Studies at the colleges with a substantial share of practice in the tourism sector (dual approach),
- The Feasibility Study on establishing a vocational school for priority occupations in the hotel and catering sector in accordance with the reference profile,
- The Feasibility Study on establishing a Vocational Academy for the education of management and the managerial staff for the priority needs in various tourism sub-sectors according to the reference profile,
- Increasing the autonomy of the qualification institutions when organizing the location-specific trainings and offer,
- Establishing permanent cooperation at the local level and harmonization between the economy and the provision of the qualification services in order to adapt the educational measures and the curricula to the local needs,
- Improving joint activities between the companies and the qualification service providers.

Without well-educated teachers a good education is almost impossible, thus accordingly here are the following recommendations:

- Education and training of teachers in the area of tourism,
- Education and training for the school management/qualification service providers (school directors, managers of education institutions, persons in charge of education issues in companies) in the area of tourism,
- Education and training for the middle level and top management in the tourism industry in the framework of universities;

Our people, our most valuable resource, are the factor which, in the literature on human resources management in tourism used at the University of Oxford, the authors emphasize as a prerequisite for “making or breaking the tourist experience” and they remain the most valuable ground for investing, since such investing will pay off well in many ways.

We will provide better service, gain higher profit, consolidate the positions of a destination, company, sub-sector and become successful in the most important thing - making both the service providers and recipients feel good and satisfied.

SESSION 2:

ENGINEERING MANAGEMENT, INFORMATION TECHNOLOGIES, ENVIRONMENT PROTECTION AND PHARMACY

UNIV. PROF. DR. MIODRAG ZECEVIC

Dr. Miodrag (Milos) Zecevic was born on August 18, 1959, in Pec, Serbia.

Miodrag Zecevic graduated from Belgrade University Faculty of Electrical Engineering, (Energy Department).

He completed his postgraduate studies at the European University Faculty of International Management in Belgrade with honor. Zecevic defended his master thesis International Management and Business of MNCs – Crisis Management at the European University Faculty of International Management, and thereby acquired the title Master of Sciences in International Management.

Professor Zecevic defended his doctoral thesis Strategic Principles and Models of Logistics Management at the European University Faculty of International Management, and gained the title Doctor of Sciences in International Management.

Dr. Miodrag Zecevic spent most of his professional career with the Energoprojekt Holding Company. He served as Assistant General Manager of the holding company between 2003 and 2006, and after that as Marketing Manager. Zecevic was promoted to the post of Chairman of the Energoprojekt Holding Steering Board, in June 2009.

Professor Zecevic published a number of scientific papers in the area of Management. He teaches the following subjects at the Faculty of International Engineering Management: Production Management, Industrial Marketing, and Logistics Management.

CRITICAL FACTORS OF STRATEGIC MANAGEMENT IN INTERNATIONAL COMPANIES FROM CENTRAL AND SOUTH-EAST EUROPE IN GLOBAL MARKET

Prof. Dr. Miodrag Zecevic

Abstract

International companies joined the debate on global markets and competition back in 1983. The occasion was an influential article *Globalization of Markets* by Theodor Levitt, published the same year in Harvard Business Review. In his article, Levitt highlights the fact that technological change, social and political and economic development got the world focused in the direction of the *global village* or *converging communion* - a homogenized, unified global market in terms of consumer tastes and production preferences. In his view the main beneficiaries of this convergence (the term convergence indicates, in a nutshell, the rapprochement), will be global organizations that produce globally standardized products to achieve the global Economy of scope. That is why they will be in a position to lower the prices of multination-oriented competitors. The above stated scientific considerations of Theodor Levitt created space for these issues to be even more comprehensively interpreted by market experts and scientists, which was motivated by great momentum in the development of internationalization of business. It seems that in that way a global market is defined in the right way, and already nearly three decades it has been in the focus of world economic science and practice. The global market is the extent to which the market is characterized by similar broad needs of consumers, global consumers and global market segments. Only global basic competence of international organizations provides access to global markets. International organizations are participants in the global market only if their own strategic management is able to create such configurations of strategic activities that add value eliminating national differences and similarities.

Key words: Strategic management; International companies; Global market

* * *

Introduction

Global events and the increased importance of international business relations in the modern market environment are affecting the interdependence of individual companies, both big and small, because most of them are selling their products to some foreign countries from which they also supply themselves with necessary raw materials. The companies are doing that just because they need the optimum scale of operations required to use *economies of scale / scope* which effects *of experience* are unavailable in a single national market. International marketing environment, according to the process of globalization, is rapidly changing. In most industries nowadays, the competition is getting more severe as increasing number of companies enters the international market and as the access to these markets is becoming easier. If a company does not sell abroad, it faces competition from foreign companies in the domestic market. Local companies will be more competitive in the domestic market if they spread their business activities to an international (global) market by using the unique *tool* - Strategic Management.

The global market is a place where efforts of international companies are quite obvious, even with companies from Central and Eastern Europe, and these efforts imply improving their competitive position (which in itself may mean a sort of jeopardizing the position of other companies). Why is it necessary to analyze the competitive environment? The answer is complex and consists of several segments. Only a competitive environment can provide: a) what critical success factors in one branch are, those that a company needs to create, use and maintain in order to develop its competitiveness; b) type of changes made by the competition in the industry /that can be explained by the fact that the driving force in every branch are moving the existing structure to a new structure, i.e. a new competitive situation/; and, c) market opportunities in the existing and potential branch size /estimated according to the market share of a highly competitive company/, on the basis of which it is possible to consider opportunities (expediency, affordability) of entering the branch.[1]

1. **Goals of Strategic Management**

Goals are desired objectives, i.e. the unique achievements made by the management of global companies in a previously defined direction of pursuing business. When that direction is a long-term one, the goals are a function of strategic management aimed at achieving a sustainable competitive advantage. Being different from the competition, therefore, does not involve only resources, capabilities and core competencies, but also the fact that a global company has to stand out for its distinctive groups of targets, as well as the individual approaches to achieving these goals, and also by its concept of strategic management, which assumes achieving the advantage in the business processes or positioning in the global market. Therefore, both the objectives and strategic management put an emphasis on the requirement to give extended and scientifically valid explanations regarding achieving business competitiveness.

Objectives define priorities and standards of global companies. They shape the global strategy since they contain broad and specific intentions of global companies. The objectives define: a) the purpose and reason for being a global company; b) long-term and short-term business purposes; c) a framework for taking highly valuable or meaningful business decisions; and, d) the anticipated results, plans and actions. The objectives of each global company are defined by: a) the nature of its business /predominant/ activities; b) the company's resources; c) the organizational culture; d) the requirements of the internal environment of the company; and, e) the requirements of the external environment in which the company operates.

The main purpose of the analysis of the objectives is to ensure their relevance to the changing conditions in the global environment. The objectives should lead, not lag behind organizational change. The need to develop a global vision as a strategic intent to manage a global strategy is, in this sense, a striking example. Why? Because the vision is actually the highest and broadest instance of the business objectives of the global company's top management. It is a statement related to the broadest aspirations.[2] It refers to where the company wants and hopes to be in the future (McDonald Company created its vision statement, in accordance with what has previously stated, as follows: "Our vision is to be the world's best restaurant supplier of fast food to everyone and in each and every place.") Global vision is a main prerequisite of any global strategy. This means that the whole world is treated as a potential market, competition is considered globally, the activities have such a configuration to exploit the global advantages and they are coordinated globally, and, perhaps most importantly, the

[1] *Dr.* **Momcilo Milisavljevic**, *Company Strategy and Competitiveness*, Collection of Papers: Strengthening Company and Economy Competitiveness, Megatrend, Belgrade, 2005, p: 36; adapted.

[2] Unlike the vision, the **mission** is ”more specific and directed to the issues related to the essence of the company's existence and the basis on which it bases its desirable competitive advantage in the market.” Source: **Des Gregory**, **Lampkin Tom** and **Ajsner Alen**, *Strategic Management*, Data Status, Beograd, 2007, p: 33.

company has a global philosophy, ethos /corporate culture/ and perspective. However, it should be stressed that "the purpose of using strategic objectives for the statements related to the mission, which contain the basis for the competitiveness of companies, is to become operational”.[3]

Strategic management of an international company has to understand the trajectory (*in brief*: the direction of development under the influence of the existing strengths), i.e. the change in industry in which the company performs its core activity. The evolutionary process can take place along four different trajectories: the trajectory whose outcome is *a radical* change; the trajectory whose outcome is *a progressive* change; the trajectory whose outcome is a *creative* change; and, the trajectory whose outcome is *a connecting* change (caused by the relations of the company with its customers and suppliers as a result of new information available to them and, consequently, the ability to undertake new options). In this sense certain support can be provided by a matrix in two dimensions: *the first* dimension refers to *the substance of activities* - i.e. those things that provide support to the effectiveness of the relations and relationships with customers and suppliers (which can be *effective* and *insufficiently effective*), and *the second* dimension which refers to *the substance of the assets* – i.e. those things that support the efficacy in the performance of activities (which can be *effective* and *insufficiently effective*).[4] (Figure 1) "Understanding the trajectory helps the companies in the same industry to anticipate the nature of changes that will take place in order to use the opportunity to strengthen their competitiveness. Companies that miss the opportunity to anticipate the way the evolution of its branches will take place will not be ready to take advantage of opportunities in their own scope of business.“[5]

Figure **21** – *Evolutionary dimensions of trajectory branch*

ESSENCE OF ACTIVITY *expressed by effectiveness in relations and relationships with customers and suppliers*	*EFFECTIVE*	MAKING MANAGERIAL DECISIONS WHOSE OUTCOME IS **CREATIVE CHANGES** (3)	MAKING MANAGERIAL DECISIONS WHOSE OUTCOME IS **PROGRESSIVE CHANGES** (1)
	INSUFFICIENTLY EFFECTIVE	MAKING MANAGERIAL DECISIONS WHOSE OUTCOME IS **RADICAL CHANGES** (4)	MAKING MANAGERIAL DECISIONS WHOSE OUTCOME IS **CONNECTING CHANGES** (2)
		INSUFFICIENTLY EFFICIENT	*EFFICIENT*
		ESSENCE OF ASSETS *expressed by efficiency in performing the essential activities*	

[3] **Chatterjee S.**, Core objectives: *Clarity in designing strategy*, California Management Review, 47(2), 2005, pp. 33–49.
[4] **McGahan M. A.** *How Industries Change*, Harvard Business Review, October 2004, p. 90.
[5] *Dr.* **Momcilo Milisavljevic**, Opus citatum, p: 37.

2. **Global Market Strategy**

Establishing a global marketing strategy has to be an expression of a new business concept as a response to challenges in the business environment. It must be aimed at achieving competitiveness, that is, it has to contribute to securing the delivery of superior products, larger market share, cost control, decreasing or eliminating risks and uncertainty.

According to M. E. Porter, "the consistency strategy is tested by using several criteria: 1) *internal consistency* (it leads to the achievement of objectives in the best possible way); 2) *compliance with the environment* (using opportunities in the environment which allows competitive response, and the like); 3) *the alignment of resources* (the goals and ways of achieving them are harmonized with the necessary resources and that it is possible occasionally to make changes); and, 4) the *communication* and *application* (everyone working on the implementation of the objectives should understand that there is support and the ability of management to implement).“[6]

It is essential for the global market strategy to initiate and implement competitiveness, turn it into reality as a token of competitive strength of a global company and the sector which it belongs to. In this context it is important to note that the M. E. Porter provided a very creditable explanation on how managers and companies can create and sustain competitive advantage that will secure them an above average profitability, suggesting them to focus on the five competitive forces that dictate the rules of competition: new entrants, substitutes, customers, suppliers, rivalry. Based on the estimates of these five forces and by determining the existing advantages or disadvantages, managers can set up a generic strategy that is competitive by its origin, and that can be supported by one of following strategic options: *leadership in prices* (the strategic option that favors the concept of the lowest price in the given industry branch and where the competitive range refers to a *broad* target; *differentiation* (strategic option that favors the concept of unique products as they are evaluated both in the internal and the external environment and where competition span refers to a *wide* target, *focus on costs* (strategic option that favors the concept of offering the specific products that are manufactured by using well-defined technology and processes at low cost and where the competitive range refers to a *narrower* target; and *focus on differentiation* (strategic option that favors the concept of offering the highly appreciated products and when compared to the products of other companies they are more appropriate for specific and unique needs of the given market niches, and where the competitive range applies to a *narrower* target. "From a strategic standpoint, the position of the company in relation to the effect of each competitive force is its key strength or weakness. All effective strategies pursue an offensive or defensive action to create a sustainable position in relation to these five competitive forces"[7]

By definition, the global market strategy should be a basic support to top management of global companies in their effort to discover new ways of fulfilling the performance required by consumers and on this basis to acquire the competitive advantage and maintain it in time perspective.

The basic premise of a successful global strategy should be a proper perception of the customer position in the global market and their needs, i.e. the basic knowledge of the specifics of the world economy and society development. The ultimate goal is to create a strategy that will cover these aspects, i.e. the strategy should become **a vision** "*a map that traces the multitude of*

[6] **Porter E. M.** Competitive Strategy: *Techniques for Analyzing Industries and Competitors*, The Free Press, New York, 1980, p. 19.

[7] **Milisavljević** *dr* **Momčilo**, Opus citatum, p: 33.

routes to the goal." The procedure for reaching the projected goal is the pre-establishment of rational relationship between the *two* relevant points: *the first*, is related to the question of ***what*** a global company wants to become (which is achieved by *strategic planning*) and *the second*, which is related to the question of ***how*** a global company should achieve that (which is achieved by *long-term planning* and *making it operational*). (Figure **2**)

Figure **2** – *Global business operations and global market strategy relation*

The only thing that stands between a man and what he wants from life is often merely the will to try it and the faith to believe that it is possible. (**Richard M. DeVos**) *Whatever your mind can conceive and believe it can achieve.* (**Napoleon Hill**)		**GLOBAL MARKET STRATEGY** (the resultant of two different processes in a dialectical unity : *strategic thinking* and *strategic planning*)	
		Clear	*Unclear*
SS OPOERATIONS	*Efficient*	**SUCCESS** (1)	**FAILURE** (the future) **RELATIVE SUCCESS** (the past) (2)

In *the first* quadrant (**SUCCESS**), management of a trade companies focuses on a *clear* business strategy and *efficient* business operations; the stated business determination conditioned the successful achievement of business objectives in the past, and there is a high probability that the same effects will be achieved in the future. In *the second* quadrant (**FAILURE/RELETIVE SUCCESS**), management of commercial companies focuses on an *unclear* business strategy and *efficient* business operations; the given business determination opted for relatively successful achievement of business objectives in the past, and it is quite probable that the same effects will be achieved in the future. *The third* quadrant (**RELATIVE SUCCESS/FAILURE**) refers to management of commercial companies with a *clear* business strategy and *inefficient* business operations; their business determination has been a relatively successful achievement of business objectives in the past, with a high probability that the same effects will be achieved in the future. In *the fourth* quadrant (**FAILURE**), management of trade companies focused on *unclear* business strategy and *inefficient* business operations; their business determination conditioned the unsuccessful achievement of business targets in the past, and it is quite probable that same effects will be achieved in the future.[8]

[8] *Dr.* **Miodrag Nikolic**, *Trade Management*, European University, Belgrade, 2006, pp: 174–177; adapted.

Business events related to the prevailing business activities of any company are subject to the strong influence of the global environment and therefore, as a rule, they do not take place in accordance with clearly articulated business operations of global companies. Hence the *success* of their business is the product of *the target line* and *a broad program of action* designed with the aim to reach a ***competitive*** position. The below given competitive position matrix depicts *nine* possible positions that global companies can have relative to their competitors. These positions are established based on two dimensions: *relative sources – value of the product line* for specific market segments (low, equal, superior) and *relative cost of the resource* (low, equal and high) all in relation to the competitive *global company*. A global company achieves its competitive advantage by low costs and *equal* value of the product line (quadrant **2**); at *low* cost and *superior* value of the product line (quadrant **3**) - the *best* position of the global company; and, *equal* costs and *superior* value of the product line (quadrant **6**). Competitive weakness of the global company occurs when costs remain the same and value of the product line is low (quadrant **4**); high costs and low value of the product line (quadrant **7**) - the *worst* position of the global company; high costs and low value of the product line (quadrant **8**). *Position* ? expressed in the quadrant **1**, indicates that a global company achieves the advantage at relatively *low* costs, but with a very *low* value of the product line in the target market segment. *Position?* shown in quadrant **9**, indicates that a global company delivers *superior* value of the product line, but with the high costs of achieving it. *An equal position*, shown in quadrant **5**, depicts the position of *perfect* competition: no global company offers product lines of superior value and none of them has a relative cost advantage.[9] (Figure **3**)

Figure **3** – *International company competitive position matrix*

A company should choose what it does well as a base of its competitive advantage and not what that it would like to be. Business success is based on utilizing available capabilities. (*Dr.* Momcilo Milisavljevic)		***Relative sources – Value of the product line***		
		Low	*Equal*	*Superior*
Relative costs of the source	*Low*	1 ?	2 Competitive Advantage	3 Competitive Advantage
	Equal	4 Competitive Weakness	5 Equal Position	6 Competitive Advantage
	High	7 Competitive Weakness	8 Competitive Weakness	9 ?

Global strategy implies a carefully created unique strategy for the entire network of branch offices and partner companies, which includes several countries at the same time as well as encouraging their simultaneous operations worldwide. The term *simultaneously* is used herein to indicate that major part of the activities of the various branch offices is under the control of the parent office to increase the efficiency of operations at the global level, which allows

[9] *Dr.* **Miodrag Nikolic**, Opus citatum, pp: 178–179; adapted.

business companies to reach a level of Economies of Scale and Scope, which are critical for competitiveness at the global level. The shift from domestic or intra-national strategy to a global strategy is not an easy process and it brings various strategic challenges. The challenge in this context means to develop a unified strategy that can be applied around the world, while at the same time maintaining the flexibility to adapt these strategies the local business environment when the need arises.

There are three key differences between *a Global Strategy* and *an International Strategy*. *The first* relates to the degree of involvement and management coming from the main office. The coordination of strategic activities is the extent to which the strategic activities of a company in different locations are planned and implemented on a global level to take advantage of simultaneous operations existing in many countries. *The second* difference is related to the degree of the product standardization and responding to the local business environment. The product standardization is the degree to which a product, service or process is standardized in numerous countries. *International Strategy* implies that a particular branch office should respond to the needs of the local business environment, unless there is good reason not to do so. In contrast, a *global* strategy implies that the central branch office should standardize their activities and products in all countries where it operates, unless there is a compelling reason not to do so. *The third* difference concerns the integration of strategies and taking competitive actions. *Integration* and *competitive actions* are related to the degree to which competitive actions of certain companies in major markets are independent. For example, certain commercial companies subsidize operations or missions in the countries where the market is developing with the help of funds received from other branch offices where the market is narrowing, or it is responding to competitive moves of its rivals in a market by taking actions on other markets. *International Strategy* provides its representative offices with freedom to independently plan and implement competitive actions, i.e. the competitive actions are exclusively based on the analysis of local rivals. In contrast, the *Global Strategy* includes planning and participation in competitive battles that take place on a global level. Companies which adopted a global strategy are competing as a community of globally integrated individual companies. *The International Strategy* treats the competition in each country as independent entities, while *the Global Strategy* regards it as an *integrated approach* in many countries.[10]

3. **Global Strategic Principles**

Strategic principles of an international company top management are the foundation of building an efficient and effective, i.e. optimal global market strategy. The application of strategic principles predetermines a profitable business, the value *feedback*, *value* for *money*; and contributes to sustainable development of meaningful pro-action top management on the market. In other words, management principles should become a segment of the *business culture* of global companies, the foundation of its *business efficiency*, and the *eighth* color of the rainbow. Each business segment should be devoted to the application of management principles, and not for the reasons you want *to win* a destination, but for an endless search for perfection. Business goal is always *mobile*, never *immobile*; modern business is meaningful if it provides benefits to both parties (company and its customers), if phases of superior customer satisfaction are processed and a continual emphasis is put on why something is better than something else, why, simply put, one should choose to purchase, use the products of one company and not of the other.

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[10] For more detail see: **Hout T**. and **M**. **E**. **Porter** and **E**. **Rudden**, *How global companies win out*, Harvard Business Review, 60(5), 1982, pp. 118–130; **Prahalad C**. **K**. and **Doz V**., *The Multinational Mission: Balancing Local Demands and Global Vision*, Free Press, New York, 1987, pp. 82–83.

4. **Competitive Role of Strategic Management**

Strategic management is the process of making long-term decisions by systematic implementation of related activities in order to achieve or maintain competitive advantage. Basic steps that support the full accomplishment of strategic management are: strategic analysis, strategic development and implementation of the strategy. The product of the global strategic management of the company is, therefore, a unique global strategy that has highly valuable features and which is not simultaneously or immediately after application, emulated by the existing or potential competitors. *Global strategy* involves a carefully planned strategy for the whole network of branch offices and partner companies, including many countries at the same time and by encouraging their simultaneous impact worldwide. This concept is opposed to the concept of *international strategy*, which involves the application of a broad spectrum of business strategies in many countries, as well as a high level of adapting to the local business environment. Strategic management of global companies can take a decision to offer a set of products that are globally standardized, to coordinate their activities at the global level, and to integrate their competitive actions in many countries simultaneously according to different groups of variables[11] that influence their business environment. On the basis of the foregoing considerations regarding the specific features of strategic management, a more precise definition of strategic management can be given in the context of its impact on strengthening the competitiveness of global companies. Strategic management is, therefore, the process of creating a coherent, coordinated, integrated and consistent strategy that sets the degree to which commercial companies globalize their strategic behavior in different countries through the standardization of supply, configuration and coordination of activities in various countries, as well as through the integration of competitive actions.

Top management of global companies has to use their global strategic concept to consistently and continually develop both their business activities and their operating capacities. *Business activities* of the strategic management should be aimed at creating, maintaining and expanding competitive advantages that a global company wants to achieve by adequate operations and product placement.

Activities that affect the application of business skills are*: regular* activities - available on the market, and do not require business skills; *basic* activities - available at the company for the sustainability of business processes, business skills that require medium level of quality; *emerging* activities - available in the micro environment of the company, require business skills of higher level of quality; and *key* activities - available in macro environment of the company, and require business skills of high quality. *Business skills* of strategic management should be positioned as a segment of the global company organizational culture, as a resource *par excellence*. In the given context, business skills become a framework of the team work, creativity and innovative behavior of all global company employees. Capable executives of business operations – which are linked both to the achievement of business activities within relevant functional sectors and within the top management – are in position to express the ability of anticipating, creating and maintaining the flexibility in doing business, to think strategically and work with others with an aim to initiate changes that will enable higher competitiveness and consequently a higher level of company development.[12] (Figure **4**)

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[11] **A variable** refers to any feature of a phenomenon whose changes can be measured. There are the dependent and the independent variables. **The dependent** *variable* is a characteristic of a phenomenon that changes due to a change in a single *independent variable*. **The independent** *variable* is a characteristic of a phenomenon that by changing itself it affects the change of other *dependent variable.*

[12] **Insinga C.R.**, *Werle Linking Outsourcing to Business Strategy*, Academy of Management Executives, Vol. 14, 2000, p. 59; aadapted.

Figure **4** – *Strategic concept of business activities and business skills of an international company top management*

POTENTIAL OF BUSINESS ACTIVITIES *aimed at achieving a higher level of competitiveness of a global company in the market*	*Absolute*	**KEY ACTIVITIES** COMPETITIVE DIFFERENTIATION
	Probable	**EMERGING ACTIVITIES** POSSESS THE ABILITY TO ENEBLE COMPETITIVE DIFFERENTIATION
	Possible	**BASIC ACTIVITIES** AVAILABLE IN A GLOBAL COMPANY
	Unlikely	**REGULAR ACTIVITIES** AVAILABLE ON THE MARKET
		POTENTIAL BUSINESS SKILLS *aimed at achieving a higher level of competitiveness of a global company in the market*

Conclusion

Strategic management of international companies in the region of Central and Eastern Europe has to aim at reaching global competition. Global competition takes place via two mechanisms: international trade and foreign direct investments. To the extent to which the world markets are becoming more similar (*convergence effect*), the global orientation becomes more acceptable to the company. The broader context of this knowledge opens the strategic level, i.e. long-term decision-making with the character of success, linked to global operations, three of which are relevant. *The first* decision is the choice of the country (or countries) where the company will realize their production or trade activities. *The second* decision concerns the mode of entering the given market and the level of the company engagement in it. *The third* one concerns the combination of business tools that the company will use in their production or trade activities. The success of business imperatively requires from the strategic management of international companies constantly to focus, review and develop critical components of a successful deal, and above all, the goals and global management and marketing strategies for the company's presence in the global market.

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Professor Maja Djurović Petrović graduated from Belgrade University Faculty of Technology in 1987, with the average grade 9.07. During her graduate studies, she earned recognition of the best student of the year in two consecutive years, and the best student at the University; and also was one of 30 students who won scholarship from the Serbian Academy of Sciences and Arts. During that period, she received a diploma from the Serbian Chemical Society No. 021/86; the awards "The Best University Student" in 1986, 1987; and recognitions "The Best Student of the Year" in 1984, 1985, and 1986; as well as the scholarship awarded by the Serbian Academy of Sciences and Arts. She defended her Master of Sciences thesis at the Belgrade University Faculty of Technology in 1992, and achieved her doctoral degree at the Faculty of Mechanical Engineering in 1998. Dr. Djurović Petrović chairs the Renewable Energy Sources Board, which is a part of the Serbia Society of Energy Experts. She is a general secretary of The Thermal Engineer of Serbia Society; also, she is a member of the working group for Energy Safety, which is a part of the OSCE; and a member of the Energy Society Board of the Serbian Chamber of Commerce. Moreover, she tutored the development of the doctoral thesis titled A Comparative Performance Analysis of Belgrade Housing Stock: Determinants of the Carbon Reduction Strategy at UCL – the Faculty of the Built Environment in London.

BASIC CONCEPT OF ENERGY MANAGEMENT SYSTEM IN REPUBLIC OF SERBIA

Prof. Dr. Maja Djurovic Petrovic

Abstract

This paper deals with presentation of basic concept of energy management system in Republic of Serbia. Based on design and concept of energy management system, as well as target sectors, the energy management system in Republic of Serbia has been established. Specifically, the rule of Ministry of Energy and Mining is emphasized regarding the needed legislative, as well as its role in the entire Energy Management System in Republic of Serbia. Also, possible issues with energy management system implementation and measures to overcome implementation problems of energy management system are highlighted.

Key words: Basic Concept**,** Energy Management System, Republic of Serbia

* * *

Introduction

Currently, Republic of Serbia has low performances in the energy sector, with the basic indicators [1]:

- Total primary energy production: 11,163 Mtoe
- Total primary consumption: 16,192 Mtoe
- Large dependency on the imported energy: 30%
- Energy intensity: 2-3 times higher than in neighbouring EU countries and 4-5 times higher than “old” EU member states
- Large GHG emissions in the energy sector: 76%

Energy efficiency is an important element of the energy policy of the Republic of Serbia, introducing necessary measures in near future:

- Adoption of legislation on efficient use of energy.
- Establishment of Energy Management System (EMS).
- Funds / institutions for financing EE
- Subsidies, tax relief for projects in EE
- Introduction of energy efficiency criteria in public procurement.
- Raising public awareness of the importance of rational use of energy and EE

This paper deals with presentation of basic concept of energy management system in Republic of Serbia.

The Energy Management System (EMS) is a comprehensive overall system established in factories or buildings to efficiently use energy in business activities. The EMS aims at contributing to the establishment of the sustainable development by realizing the harmonization of the important factors which are:

- Economic factors.
- Environmental impacts.
- Energy security.

The excellent EMS will realize energy efficiency and conservation optimizing these factors flexibly matching with a company's business environment so that the company can realize better business with energy conservation. Through establishing better EMS in companies, a country or the world will be able to realize the "sustainable development".

EMS is the system which properly manages, optimizes and controls energy consumed in factories or buildings based on the important principle of Total Quality Management, Total Productivity Management and Six Sigma. The EMS consists of the following factors:

- Company policy strongly committed by top management to respect environmental protection including energy conservation in business as an important component of Corporate Social Responsibility.

- Efficient organization with a good mechanism of "participation of all employees" to realize the company policy. The basic methodology of the "Small Group Activities" could be useful to realize "participation of all employees".

- Better human resources to operate a company through developing their capabilities by well working educational and training systems

- Standards and guidelines including manuals for management and operation to improve energy efficiency and to sustain improvements, especially "Key Step Approach" so as to practice energy management under the EMS.

- System including database to share / monitor / analyze data and information on energy use in a factory or building.

1. Basic Design of Energy Management System

Basic design items of SEM in Republic of Serbia are summarized in Table 1 [2].

Table 1. Design Items

Category	Design Items
1. Designation of Energy and Consumers	Target Sector Target Energy Threshold of Designated Organizations Boundaries to be Designated
2. Implementation Formation	Roles of MoEM Necessity of Outsourcing on Monitoring and Checking Tasks Judgment Flow of Poor Management Annual Schedule and Task Allocation
3. Status of Energy Manager and Accredited Energy Auditor	Qualification Methods for Energy Manager, Energy Officer, Accredited Energy Auditor Energy Manager's Duty and Status Status and Duties of Energy Officer, Accredited Energy Auditor, and Inspector Assignment of Energy Manager and Energy Officer
4. EE&C Activities within the Unit	Evaluation Criteria (Guideline) and Management Standards
5. Periodical Report	Contents of Periodical Report Collection Method of Periodical Report
6. Monitoring and Check	Introduction of Numerical Targets its Status Evaluation Method for Periodical Report Evaluation Method for External Energy Audit Utilization of Obtained Data (Benchmark)
7. Inspection and Penalty	Inspection Method and Evaluation Penalties and Methods
8. Dissemination	Dissemination Programs and Expected Contents Implementation Method for Dissemination Programs

The design items were prioritized into four groups as follows, considering:

a) upstream design items,

b) items requiring long lead-time, and

c) impact on the scheme design

Items regarding the implementation formation of the Energy Management System were selected as the most important items to be decided, that is the "Priority S"; because it was judged that a tentative implementation formation was a fundamental factor and that the discussion of the next design items would be made based on the implementation formation.

Priority S: Fundamental items to decide implementation formation

Priority A: Important items that need long lead-time

Priority B: Important but secondary items or items that do not require a long lead-time

Priority C: Other items

According to specified priorities, the design items are listed in Table 2 [2].

Table 2. Priority of Design Items

Priority S	**Priority A**	**Priority B**	**Priority C**
• Roles of MoEM • Necessity of Outsourcing on Monitoring and Checking Tasks • Judgment Flow of Poor Management	• Target Sector • Target Energy • Threshold of Designated Organizations • Boundaries to be Designated • Annual Schedule and Task Allocation • Qualification Methods for Energy Manager, Energy Officer, Accredited Energy Auditor • Tasks of Accredited Energy Auditor • Evaluation Criteria (Guideline) and Management Standards • Contents of Periodical Report • Introduction of Numerical Targets and its Status • Utilization of Obtained Data (Benchmark) • Assignment of Energy Manager and Energy Officer	• Status and Duties of Energy Manager • Status and Duties of Energy Officer • Status and Duties of Accredited Energy Auditor • Status and Duties of Inspector • Collection Method of Periodical Report • Evaluation Method for Periodical Report • Evaluation Method for External Energy Audit • Inspection Method and Evaluation • Penalties and Methods	• Dissemination Programs and Expected Contents • Implementation Method for Dissemination Programs

2. Basic concept of EMS

Basic concept of the EMS is (i) to effectively promote EE&C (effectiveness), (ii) to promote voluntary participation in EE&C activities (voluntariness), and (iii) if necessary enforce participation in EE&C activities (enforcement). In order to achieve these concepts, the following basic approach is adopted:

- Effectiveness - To effectively promote EE&C particularly focusing on large energy consumers
- Voluntariness - To urge the participation in voluntary EE&C activities by assigning a responsible person (Energy Manager) from EE&C to organize activities
- Enforcement - To have the power to monitor energy consumption of Designated Organizations and give instructions if necessary

Based on the basic concept, the following Flow Chart of Energy Management System has been accepted, and presented in Figure 1 [1].

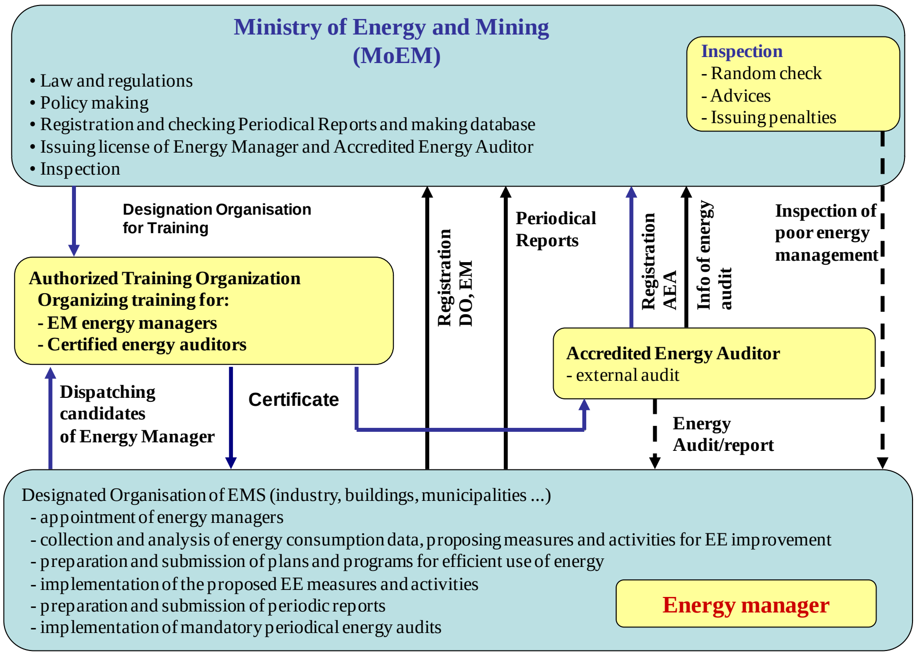

Figure 1. Flow Chart of Energy Management System

3. Target Sector

Organizations to be targeted in the Energy Management System are categorized by their characteristics. Each category in the classification has its own energy management methodology [2].

Table 3. Target Sectors

Category	Target Sectors	Expected Facility or Business in the Category
A-1	Manufacturing and Mining Sector	Factory, mining site, etc.
	Transformation Sector	Plant of power, heat supply and oil refinery
A-2	Commercial Sector	Office, commercial buildings, hospital, department store, etc. (other then Government or Municipality)
B-1	Municipality Buildings	Municipality offices
	Municipality Control Facilities	Municipality Control Facilities such as school, public facilities, district heat supply facilities public lighting, etc.
B-2	Central Government Buildings	Central Government Buildings
	Central Government Control Facilities	Central Government Control Facilities such as hospital, school, etc.

Manufacturing, Mining and Transformation Sectors are basically considered to be one category. However, the Transformation Sector is a bit unique in comparison with the Manufacturing and Mining Sectors; for example, the targeted methodology for energy consumption, boundaries to be monitored, and so on. In this context, for the Transformation Sector, another definition or calculation format in the Periodical Report should be prepared other than that of the Manufacturing and Mining Sectors.

In the Municipality Sector, there are two types of facilities, namely Municipality Buildings and Municipality Control Facilities (school, public facilities, district heat supply facility, public lighting, etc.). The scheme of the nation-wide EMS should be harmonized with the existing Municipality EMS (MEMS). For the reporting method in the nation-wide EMS, collecting data in the MEMS is summarized and submitted to MoEM (all the data in MEMS does not have to be submitted to MoEM).

All district heat supply facilities in Serbia are owned by municipalities. However, in the event that such a facility has a certain amount of energy consumption, it will have the same methodology as the Transformation Sector in energy management. In addition, the data of such district heat supply facilities are counted in the existing data collection system of MEMS as well.

MEMS targets all of the facilities under the umbrella of the municipality and municipality control facilities. To be fair with the MEMS, the nation-wide EMS also targets all the facilities of the Central Government. The Central Government Sector also has two types of facilities, namely the Central Government Buildings and the Central Government Control Facilities. Because they have a different energy management flow in the organizations, special care for the design scheme is necessary for the Central Government Buildings and Central Government Control Facilities.

4. Roles of Ministry of Energy and Mining

❖ Law and regulations (currently is proceeding)
- Registration of Designated Organizations and Energy Manager
- Check and monitoring of Designated Organization

- Inspection
- Training and qualification authority
- Arranging training program and examination

4.1. Low of Efficient Energy Use

The basic principles of Low of Efficient Energy Use can be summarized as following:

- ❖ Energy security (implementation of EE measures in production, transmission, distribution and energy consumption)
- ❖ Competitiveness of products and services (reducing the cost of production / service)
- ❖ sustainable use of energy (reducing of energy consumption, higher efficiency, eco-design requirements, use of EE technologies, sustainability in terms of environmental impact)
- ❖ Energy management system (integrated approach to reduce primary energy consumption and environmental impact)
- ❖ Cost-effectiveness of energy efficiency measures
- ❖ Minimum energy efficiency requirements (for new and reconstructed plants in generation, transmission and distribution of energy)

Introduced mechanisms into the Low of Efficient Energy Use can be summarized as following:

- ❖ Energy Management System
  - Companies with the main activities in production sector, industrial plants – if they consume more energy than set as threshold
  - Companies with the main activities in trade and services sector - objects - if they consume more energy than set as threshold bodies
  - Cities/ Municipalities – number of inhabitants higher then 20.000
  - Public buildings and other objects – State Governance
- ❖ Energy audits
- ❖ EE level designation and establishment of minimum requirements for products that significantly affect energy consumption and buildings
  - eco-design requirements
- ❖ Minimum EE requirements in generation, transmission and distribution of electricity and thermal energy and natural gas
  - measurement and consumption based billing
  - control of boilers, heating and air-conditioning systems
- ❖ Energy efficiency as a criteria in public procurement
- ❖ Development of the Energy Efficiency Services Market (ESCO)
- ❖ Development of Programmes of public transport system enhancement for cities with more than 20,000 inhabitants
- ❖ Incentives for rational and efficient use of energy
- ❖ Budgetary Fund for Energy Efficiency

Presented principles and mechanisms of Low of Efficient Energy Use are depicted on the following chart on Figure 2 [3].

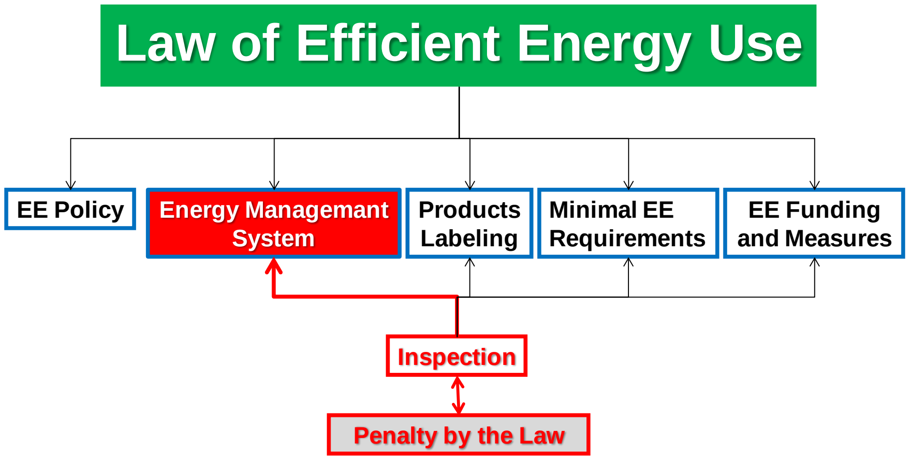

Figure 2. Depict of Low of Efficient Energy Use

4.2. Secondary Legislative for Energy Management System:

❖ Government of Republic of Serbia:

1. Regulation on the planned annual energy savings targets, consumption limits which determines companies to be designated organization of EMS, and the application form on realized consumption. Article 17.1

❖ Ministry of Energy and Mining:

1. Rulebook on the conditions for the assignment of energy managers due to the type of designated organization. Article 18.6
2. Rulebook on the form of the report on the implementation of the objectives of saving energy. Article 18.7
3. Rulebook on the types of data, time, manner and form in which the data are submitted on the completed energy audits and revision. Article 20.5
4. Rulebook on the contents of the report on the conducted energy audit and revision. Article 24.6
5. Rulebook on the methodology for conducting energy audits. Article 25.2
6. Rulebook on the implementation and content of training programs for theoretical and practical training for energy managers and energy auditors, and the payment of costs for attending training. Article 31.7
7. Rulebook on the conditions, the program and taking exams, Article 32.4

The rulebooks will be aligned to the Serbian current and near-future situation in energy sectors, national regulations and EU regulations and standards. Some additional suggestions have been introduced by JICA proposal given in the Study of Introduction of Energy Management System in Energy Consumption Sectors in the Republic of Serbia, Final Report, June 2011, Japan International Cooperation Agency (JICA), and Tokyo Electric Power Company (TEPCO)

[2]. Also, in the preparation phase, the rulebooks will be aligned with EU legislative and standards that is summarized in Table 4.

Table 4. Rulebooks alignment with EU standards

No	Rulebooks	EU Standards
1	Rulebook on the conditions for the assignment of energy managers due to the type of Designated Organization	prEN 16247-5
2	Rulebook on the form of the report on the implementation of the objectives of saving energy management	EN ISO 50001 :2011 EN 16247-1 :2012
3	Rulebook on the types of data, time, manner and form in which the data are submitted on the completed energy audits and revision	EN 16212:2012 EN 16247-1,2,3, 4:2012
4	Rulebook on the contents of the report on the conducted energy audit and revision	EN 16212:2012 EN 16247-1,2,3, 4:2012
5	Rulebook on the methodology for conducting energy audits	EN 16247-1,2,3, 4:2012
6	Rulebook on the implementation and content of training programs for theoretical and practical training for energy managers and energy auditors, and the payment of costs for attending training	Varies
7	Rulebook on the conditions, the program and taking exams	n/a

❖ Additional Issues for Energy Management System

- Official training program for the trainers
- Monitoring system of the operation of energy managers
- Improving capacity of energy managers in the field of measuring, trough theoretical and practical training
- Recommendation for effective administration of Energy Management System
- Guidelines for the inspection by inspectors
- Energy management dissemination program to Stakeholders
- Data Base

5. Conclusion

The basic conclusions can be agglomerated into following groups:

1. Possible issues with EMS implementation:

❖ Great inertia in the implementation of new procedures EMS

- Inconsistent application of the Law, or
- Circumvention of the Law

- ❖ Undeveloped practice and insufficient understanding of the importance of energy efficiency
- ❖ Inadequate staff in up to conduct the Energy Managers
- ❖ Resistance to creating new jobs:
  - Companies - full-time employees
  - Local Authorities - permanent staff or contracted staff
- ❖ The lack of quality data to characterize the current state of the final energy consumption
- ❖ Harmonization of technologies for energy audits with existing standards and regulations
- ❖ EMS which will cost an additional financial burden designated organizations

2. Measures to overcome implementation problems EMS:

- ❖ Continuous monitoring of implementation the Law in designated organizations
- ❖ Strictly imposition of penalties under the Law
- ❖ Wide promotion of the importance of energy efficiency
- ❖ Incentives:
  - The use of the fund for EE
  - Tax Policy
  - The introduction of incentive measures

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On December 17, 2001, he defended his doctoral dissertation on "Management in Serbia Tourism and Hotel Industry As A Factor of Joining the European Union" at European University – Faculty of International Management in Belgrade and was conferred the academic degree of Ph.D. in international management.

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All these courses are taught at the Faculty of European Business and Marketing, at the European University in Belgrade.

He is also mentoring the students and participates in student's defense of graduate thesis, master thesis, magistrate thesis and Ph.D. thesis.

INFLUENCE OF EUROPEAN BANKING SYSTEM ON THE REPUBLIC OF SERBIA ECONOMY

Prof. Dr. Miodrag V. Nikolic and
MSc. Milomir Djurovic

Abstract

The European banking system, i.e. the banking system of those highly developed European countries (France, Germany, Switzerland, Belgium, Netherlands, and Luxembourg) is an efficient and effective banking system. The stated attributes of the European banking system provided it with tools to shape and direct the general development of Europe during the entire 20th century and the first decade of the 21st century.

The success of European banking system performance impact on economic flows in quite certain European countries is highly correlated with the established and timely maintained control of their own business. The operations of European banks, as a rule, are characterized by their in-depth approach to business and development related activities, in terms of operational ingenuity, not the knowledge on questioning *how much something costs*, but the knowledge on questioning *how much something is worth*. Just because of this way of thinking that knowledge never loses its significance.

Management teams in European banks are driven, in this context, by the premise that “the outline of definitiveness can be perceived at the very beginning". Certainly, one should always bear in mind a thought by the richest man in the world at his time - Paul Getty, who said:”If you owe the bank $100 that's your problem. If you owe the bank $100 million, that's the bank's problem“. This paper devotes a particular attention to the stated analysis through a broader explanation of its segments: control over the company's business costs, measuring the effectiveness of its business operations, marketability of company’s products (physical goods and services), establishing an adequate level of income, indicators of liquidity and profitability, the factor of the financial level of its indebtedness (as a barometer of the company business capital structure), and so on.

In the constellation of the fact that the European banking markets are becoming more international, due to financial liberalization and the overall economic and financial integration, this paper, and as it has already been stated above, deals with the impact of the European banking on the economy and total banking flows of the Republic of Serbia, that is, it analyzes the motives of the European banks to enter it, the organizational forms that are being applied in this occasion, and the effects of entry into the commercial banking sector. In particular, it points to the benefits that design the impact of European banks such as the introduction of new banking technology and financial innovation, economies of scale, the development of a competitive environment and financial markets, the development of the financial system infrastructure, attracting foreign direct investment, etc.

The paper particularly emphasizes the attitude that the impact of European Banking can also be achieved through the support to overcoming systemic constraints involved, such as the privatization concept and its realization, the concept of macroeconomic stabilization, the concept of institutional reforms and the concept of restructuring the economy.

Possessing money is considered to be of great value. Therefore, major European banks have such a great influence, since they own *a lot of money*. But they are also highly *reasonable*

in using it, while investing. It is certain that companies from the Republic of Serbia have to have *a lot of great reasons and justification* for the use of loans and credits with European banks. But they also have a kind of *commitment* to reflect on daily basis to the statement of Benjamin Franklin: "If you would know the value of money, go and try to borrow some."

Key words: EUROPEAN BANKING SYSTEM, DEVELOPMENT, ECONOMY OF THE REPUBLIC OF SERBIA

*** * ***

Introduction

The European banking system is the area of providing services recognized by a wide spectrum of functions of its holders – the banks. Among them are the following: the function of saving, investment function, the function of cash management, trade policy function, risk management, credit policy functions, the function of payments, etc. The European banking is a dynamic banking system. This attribute implies continuous process of changes in the ways of doing banking business under the influence of several tendencies, such as: "(1) extending the range of services /i.e. greater diversification of production lines/; (2) the globalization of financial markets and the expansion of services in all European regions /geographical diversification/; (3) reducing or abolishing government regulations that threaten the banks /i.e. deregulation/; (4) the increasing rivalry among the banks themselves and with their most similar financial competitors /i.e. strong competition/; (5) a tendency to equalize their banking services by offering similar banking products /i.e. duplication, within which the phrase *convergence* lies - indicating the expansion outside the core business, in order to enlarge the base of banking products/; (6) the reduction of their number and the increase in the volume of bank operations; and, (7) the increasing automation of financial products and shipping them /that is the technological change/, aimed at facilitating the execution of business deals of their clients, reaching the distant markets and cost savings".[1]

European banks, for the sake of their sustainable development, increasingly internationalize their business operations. For the purpose of achieving these strategic decisions, they assume the use of different organizational forms such as offices, agencies, affiliates and joint ventures and affiliations. The main products of European banks that have international connotation are: "providing their clients with foreign currency for transactions; hedging against the risk of foreign currency /foreign currency forward arrangements and options, futures, and swaps/; guaranteeing the securities issue for corporate clients /bonds, promissory notes and the issue of shares/; hedging in relation to the interest rate risk /interest rate *swaps*, *caps*, financial futures and options/; granting short-term and long-term loans and issuing loan guarantees, direct loans, the issuance of notes, Eurobonds, etc./; payments and cash management /acceptances, letters of credit, and others withdrew/; saving instruments /certificates of deposits, savings accounts, and pension programs/; and marketing at the international market /analysis of foreign markets and financing trade/.[2]

Financial liberalization and deregulation of financial markets were the main causes of the global economic crisis (the beginning of which is linked to the year 2007, and distortions in the real estate market in the US; when the value of mortgages, due to permanent interest rates growth and multiplication of loans, has reached such a level of annuity that users are no longer

[1] Rose S. Peter and Hudgins C. Sylvia, *Banking Management and Financial Services*, Sixth Edition, Data Status, Belgrade, pp: 27.
[2] Ibidem, pp: 713.

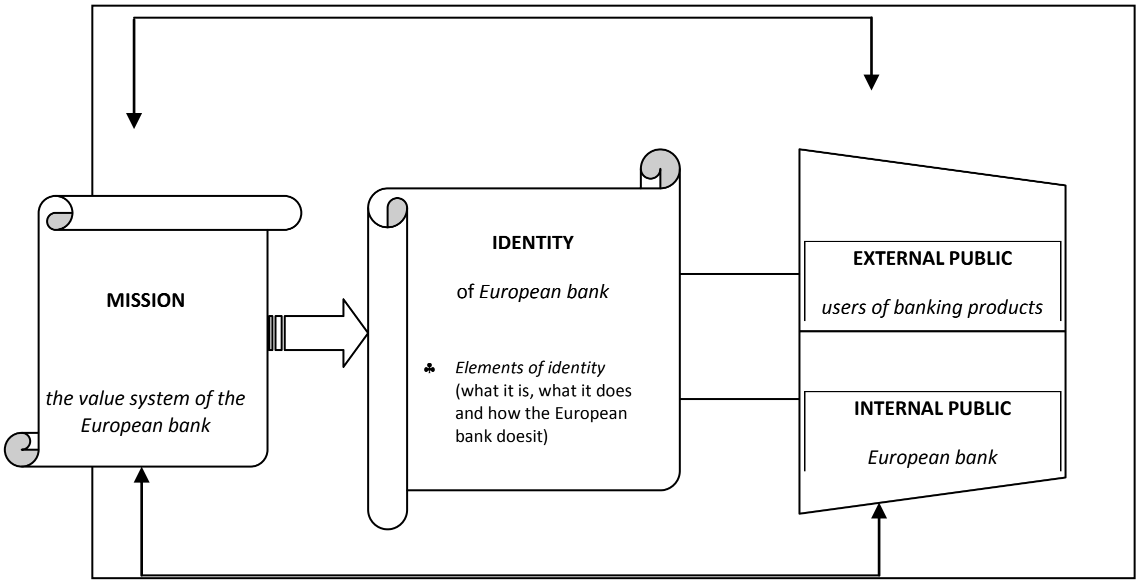
able to realize/ repay /).[3] The consequences of the crisis also affected the economic and banking flows in the Republic of Serbia "through the reduced inflow of foreign investments, the increase of unemployment rate, slowing down the process of privatization, lowering the sources, economic activity and economic growth".[4] Providing money to maintain macroeconomic stability has been aided by European banks operating in the Republic of Serbia, precisely because they enabled the stability of credit offers for economic recovery and the increase of its competitiveness.

European banks favor business success: they adequately meet the objectives of its shareholders (owners), employees, depositories and other lenders, and recognize market needs. Hence, their support to increasing the capacity of the Republic of Serbia banking system is relevant; European banks can improve financial stability and respond to the need for a greater scope in the provision of banking products and operations, which in turn leads to the emergence of the *economies of scale* and the *economy of space* (which *produce* cost reductions) and to strengthen competition in the financial market.

1. **Basic Features of European Banking Development**

The European banking focuses on the attainment of profitability in its operations on one hand, and on maximum protection against risk (risk exposure) on the other. This orientation of European banks ensures their survival, and simultaneously it is an assumption of their continual development. Each individually taken European bank, with certain reputation in the European banking market, has its own value system announced in its mission statement. Mission *generates* the identity of the European bank. Identity, in turn *generates* the necessity that all elements of the banking operations are consistent with each other to achieve highly valuable and established market position. (Figure **1**)

Figure **1** – *The value system of European bank mission*



[3] Dr. Hasiba Hrustic, *Comparative Analysis of Chosen Models of Response to Global Economic Crisis*, Project: "Serbia and Modern World: Prospects and Ways of Establishing Firmer Foreign Policy, Security and Foreign Economic Position of Serbia in Modern Processes in International Community" by the Ministry of Science and Technological Development of the Republic of Serbia for the period 2006-2010, Belgrade, pp: 245.

[4] Dr. Hasiba Hrustic, Opus citatum, pp: 265.

The mission of European banks involves and supports their primary business objectives and guidelines that accompany them. *The main business objectives* of European banks assume their development relying on the involvement in certain business flows (both national and international), and they stand out as: economic goals (achieving anticipated quantum of profits, full employment of banking capacities, fulfillment of development plans); goals related to the satisfaction of the banking products users and other stakeholders; and objectives related to the protection and preservation of cultural, historical and contemporary urban heritage (*e.g.* the protection of energy sources, environmental protection, etc.). *The guidelines* of European banks are disaggregated, operational objectives which, as such, have the ability to control business activities considering that they possess the strength of quantitative presentation.

To be able to remain competitive and meet the needs of the economy and the population, European banks have undertaken a number of important roles in the economy, among which are:

(1) *The intermediary role* (Converting savings, primarily those of individuals, into credits /loans/ approved to businesses and other companies for investing in new facilities, equipment and other merchandise);

(2) *The role of payment execution* (Providing services of payment for goods and services on behalf of clients /issuance and clearing of checks, transfer of funds, providing ways for performing electronic payments and cash payments as well/);

(3) *The role of guarantor* (Providing guarantee for your customers when they need to pay their debts but they are unable to fulfill their obligations /as in the case of issuing letters of credit);

(4) *The role of risk management* (Assisting clients to financially prepare for the risk of loss with respect to property or person);

(5) *Advisory role in terms of savings / investments* (Assisting clients in achieving their long-term goals in terms of a better life, initiating, managing and protecting their savings);

(6) *The role of storing valuable items and issuing certificates for them* (Keeping valuables on behalf of clients and the assessment and certification of their actual market value);

(7) *Representation role* (Representing clients in terms of managing and protecting their assets or issuance and redemption of their securities /usually it is the service provided by the investment office within the bank/); and,

(8) *Political role* (Implementation of the policy of the state in its attempts to regulate the growth of the economy and monitor social trends).[5]

It is relevant to point out that the achievement of stated roles of European banks consequently led to continually taking action of constant *comparison* of the performance (results) of all operating activities in banks, along with the attainment of the objectives related to their business activities. There are two business categories emerging as criteria of these relationships indicating the business success or business failure: *efficiency* and *effectiveness*.[6] (Figure 2) Evaluation of performance reveals the *intrinsic* and *extrinsic* approaches to the performance of European banks. Therefore, it represents a kind of support to top management teams of banks, whose members need to work intensely on a specific, common goal using their positive synergy, individual and collective responsibility, and additional skills.

[5] Rose S. Peter and Hudgins C. Sylvia, Opus citatum, pp: 13.

[6] Schermerhirn J.R., *Managing for Profitability*, Second Edition, John Wiley and Sons, New York, 1986, pp: 76.

Figure **2** – *Efficiency and effectiveness as an outcome of the relationship between achieving objectives of business activities and performance of business activities of European banks*

		PERFORMANCE OF BUSINESS ACTIVITIES IN EUROPEAN BANKS	
		Low	*High*
ACHIEVING GOALS IN BUSINESS ACTIVITIES OF EUROPEAN BANKS	*Good*	**EFFECTIVE but INEFFICIENT** *Goals* of business activities have been achieved; *performance* of business activities *did not* include qualitative features.	**EFFECTIVE and EFFICIENT** *Goals* of business activities have been achieved; *performance* of business activities included qualitative features. *Operating system of the bank is located in the high productivity zone.*
	Poor	Neither **EFFECTIVE** nor **EFFICIENT** *Goals* of business activities have *not* been achieved; *performance* of business activities *did not* include qualitative features. *Operating system of the bank is located in the loss zone*.	**EFFICIENT** but **INEFFECTIVE** *Goals* of business activities have *not* been achieved; *performance* of business activities included qualitative features.

Development strategy related to business activities of any successful European bank, described as a planned decision of the top management team of the bank to create and evaluate its business activities and their performance in the market, covering the needs of the stakeholders (users of banking products, employees, and others) is the strategy that, as a rule, predetermines business success. The future belongs to those managers of the business sectors in European banks "who learn what they need to learn, in order to do what you have to do."

The primary *role* of the development strategy of the European banking system is to provide a unique and valuable competitive advantage, which can be maintained for a long-term (because there is no room for coping or replacing it). It is possible to maintain the competitive advantage by performing banking business procedures that differ from your competitors, or performing a similar procedure, but in a much better way. Therefore, the development strategies of almost every single European bank include three components: *operational effectiveness, relationship management* and *business innovation*.

Operational effectiveness means establishing a business process within the bank business system that starts up the flow of the bank business activities on the one hand, and secures completing these activities better than the competition, on the other hand. *The strategic content*, as the outcome of the operational effectiveness, involves: the introduction of *total quality system*, *redesigning business procedures*, and defining *a reference point*.[7]

Management of relationships with business partners means a good understanding and creating mutually beneficial long-term relationships (which can complement the *strengths* and neutralize the *weaknesses* in the bank's operational system), with the purpose of achieving *profitability* based on the satisfaction of their needs and establishing business continuity with them. The contemporary theory and practice of European banking system consider management of relationships with business partners to be one of the key skills of top management teams in European banks. *Strategic content*, which outcome is the *management of relations*, includes *segmentation* of business partners (since business partners, as a rule, differ among themselves according to many dimensions, and often can be grouped according to one or more characteristics).

Innovativeness in business means the introduction of a novelty or improving functional peculiarities of the bank's operations. Business innovativeness can be encouraged, not only by proactive attitudes of top management team of the bank, engaged, inter alia, in the creation of banking products related to *the supply line*, ranging from the central bank, through its subsidiaries, to the consumer banking products, but also *the demand line* that starts from users of banking products over branches of the bank, up to the central bank. *Strategic content*, as a consequence of the business innovation, includes a review of status quo and the facilitation of creativity, especially when it comes to developing new forms of bank functions, the sustainable development of the banking operations system, to *risk* taking.[8]

The basic precondition for the development of European banking business is maximizing the value of bank assets, i.e. increasing the profitability and controlling business risk (which, in effect, protect bank capital and set the basis for its sustainable development). Turbulent European business environment, which is characterized by strong competition, urges European banks to constantly carry out an assessment of its credit policy and business deposits, to perform re-alignment of their development plans and expansion, to re-evaluate their income and exposure to risks, and to find new, optimal ways that will contribute to the sustainability of the market value of their shares (share capital). The European banks top management teams main power is in the pursuit of achieving greater profitability support: "(1) careful use of *financial leverage* (or the proportion of assets financed by borrowing in contradiction with share capital); (2) careful use of *business leverage* for fixed assets (or the proportion of fixed costs on invested funds used for the stimulation of business profits when the output increases); (3) *careful control of operating costs*, so that a larger amount of money becomes net income; (4) careful management of *an assets portfolio* in order to achieve the necessary liquidity, in parallel with the search for the highest yield of any acquired assets; and, (5) careful *control of exposure to risk* so that losses do not exceed income and equity".[9]

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[7] The essential meaning of **a reference point** is learning from others. Weather it is about learning from others, within each individually taken European bank, or from some of those outside the European banking system. (In principle, “you can learn something from any of them”). Two key expressions that cover this context are *benchmarking* and *benchmark*. ***Benchmarking*** is described as a search for the best practices (with the status of implementation of the existing banking system) that lead to the realization of high-value performance. ***Benchmark*** is explained as a quality standard applied in measuring and comparing business performances (effects and results) of each, individually taken European bank.

[8] "If you do not make mistakes, then you do not even assume the risk, and that means that you go nowhere." (**John Holt**, co-author of the book Celebrate Your Mistakes) "The key thing is that mistakes are made faster than the competition so you have a better chance to learn and win. "(**George Fisher**; Source: NN)

[9] Rose S. Peter and Hudgins C. Sylvia, Opus citatum, pp: 160.

2. International aspects of European banking business

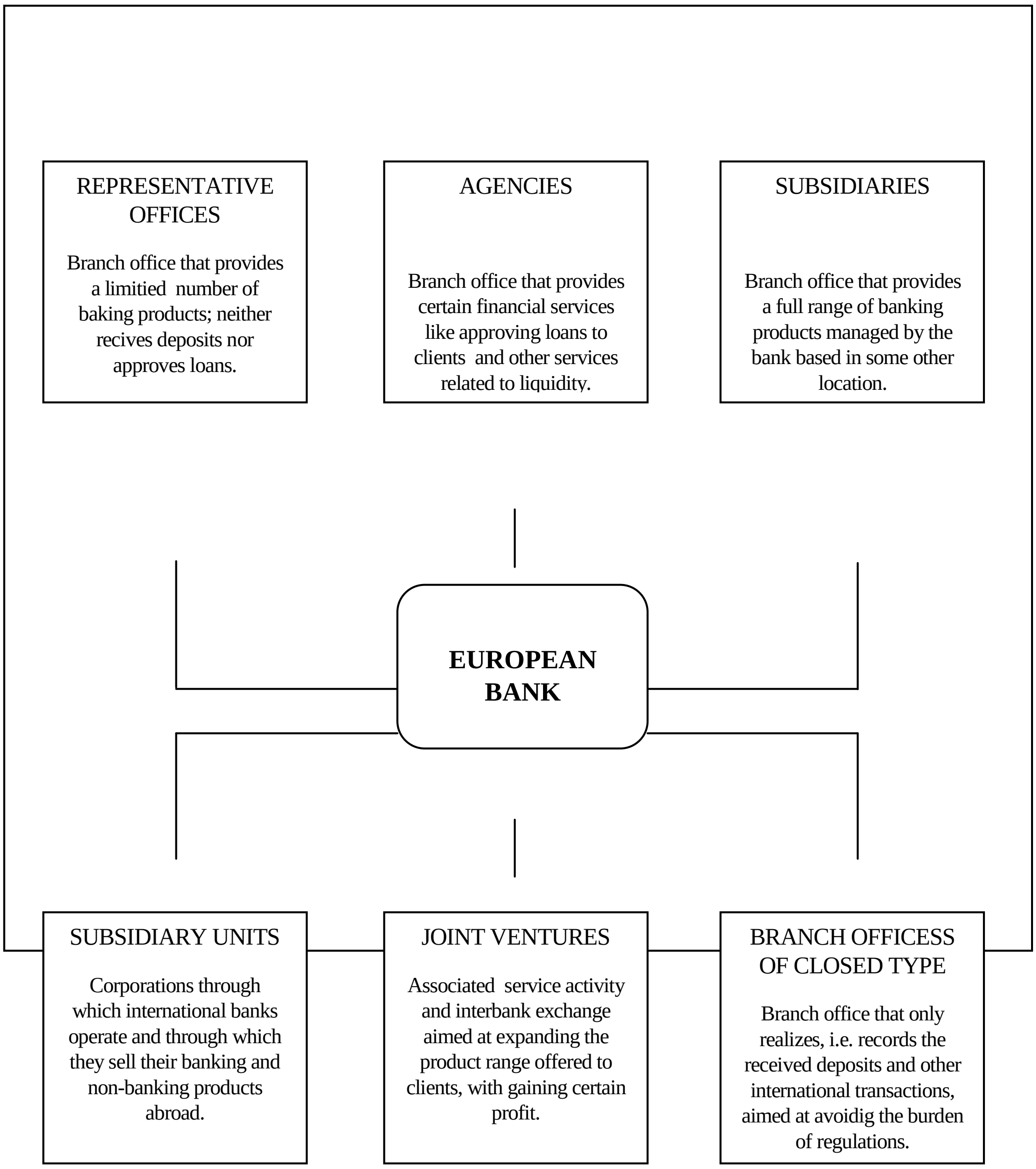
Internationalization of business is one of the four forces which (in addition to standardization, segmentation and computerization) lead to globalization.[10] Globalization has become one of the key tendencies that influenced strong global banks to become mutual business competitors on every continent, especially when it comes to business and government loans. Global events and the increased importance of international business relations in the modern market environment are affecting the interdependence of individual companies, big and small, because many of them sell their products in abroad, where they also acquire the necessary raw materials. The companies are doing that just because the optimum scale of operations, required to use *economies of scale* and the *effects of experience* are unavailable in a single national market. The international marketing environment, according to the process of globalization, is also rapidly changing. In most industries today, the competition is becoming greater as more companies enter the international market and when the access to these markets has become easier. If the company does not sell abroad, it faces with competition from foreign companies in the domestic market. Domestic companies would be more competitive in the domestic market if they develop their business in the international market. All the above mentioned views would not have been feasible without quite adequate banking capacities as *a sine qua non* support.

To the extent that markets in the world are becoming more similar (the *convergence effect*) the international orientation is becoming more acceptable for European banks. The broader context of this knowledge initiates the scope of strategic decisions related to international operations of European banks, the three of which are relevant here. *The first* decision is the choice of country (or countries) in which, taken individually, a European bank is to implement its banking activities. *The second* decision is related to the mode of appearing in the given market and the level of engagement of the bank on it. *The third* decision concerns the combination of commercial instruments which the bank will use within their banking activities. The success of the bank operations imperatively requires its top management team to create a number of assumptions, above all, the international marketing strategy for the bank's presence in the international market. The access to the conquest and development of international markets is conditioned by the proper application of marketing concepts by the top management team of the bank. Concerns related to the proper implementation of the marketing concept focus on the decision whether to develop identical marketing strategies related to the positioning of banking products of the given European bank in all countries, or the superior strategies should be adapted to market conditions in each country. For the placement of similar international banking products, created due to the standardized banking technology, it is useful to use the *standard* international marketing strategy.

The internationalization of European banks’ operations was caused by the pursuit of greater operating revenues, decreased costs, and reduced exposure to risk due to the geographical spread. To support the performance of their international banking activities, as we have already underlined, European banks use appropriate forms of organizational structure, starting from the simplest form of organization: the representative office (which, as a rule is established for the purpose of providing ancillary services to the parent bank and its customers), and over agencies, branch offices, subsidiary units, joint ventures to branches of closed type.[11] (Figure **3**)

[10] Dr. Milija Zecevic, *Global and Transnational Business and Management*, European University, Belgrade, 2008, pp: 132.
[11] Rose S. Peter and Hudgins C. Sylvia, Opus citatum, pp: 707–708.

Figure **3** – *International Organizational Chart of European banks*



International operations of European banks are subject to very specific rules, both in the home country of the bank, as well as in other countries in which the bank is developing its banking activities. It is essential for legislations to be a limiting factor related to the bank's exposure to risk, and to be strong support for stable growth of cash income and credit activities. In this context it is important to know that the volume and structure of capital that the European bank developing its international activities holds on its account depend on regulations and its ranking on the financial capital market. The procedure of legal regulation was formally started in 1988, with so-called Basel Accords (Basel I), which stipulates that "all banks have to achieve a minimum ratio of total capital in relation to total risk in compliance with assets in the amount of 8%." It was followed, in the given constellation, by the implementation of the new agreement, known as Basel II (2004), which instructed banks “to conduct a continuous internal assessment of risk exposure, including the control of sensitivity, and to calculate their own level of required capital"[12], that is, it was practically based on three fundamental pillars: *the first*, which expressed the requirement for minimum funds in their possession; *the second*, related to the process of monitoring the conscientiousness of doing the business; and *the third*, which is expressed and enhanced by market discipline and higher level of informing the public about the true financial condition of the bank.[13] Finally, the agreement known as Basel III, marked the continuation of applying internationally consistent reforms in the financial systems of European countries, particularly those related to the application of the new *global capital standards*.[14]

In the gamut of their international business activities, the European banks set aside the array of banking products related to credit arrangements (for companies and government institutions), cash transactions (related to short-term and long-term financing purchase of industrial products, payment of salaries, constructing business facilities), and short-term and long-term savings of their clients (in this case as a rule, *the certificates of deposits* /funds deposited in the bank which earn interest/ appear as savings instruments), and marketing consulting, etc. In accordance with the need to pay imported products (physical goods), by purchasing of foreign securities and the completion of the integration process and acquisitions, the European banks are providing their services in terms of foreign currency and deposits in foreign denominations (known as FOREX). It is relevant to point out that "clients who receive or give large amounts of foreign currency, demand from European banks to provide protection from currency risk - the possibility of loss due to fluctuation of currency margin prices (exchange rates)," the request for which the very European banks must be prepared. In this context, they use "various currency hedging *techniques* to reinforce the protection of their own currency and the currency of their clients from exposure to risk", including: forward contracts, currency options, currency guarantees, and currency "swaps" (which are contracts between two parties, often two borrowers indebted in different currencies, to complete the replacement of one currency for another and thus supported the reduction in the risk of loss due to changes in currency rates).[15]

By developing their operations in the international market, European banks encounter changes originating from the given environment, and as a rule, they respond to them in a different manner. The reason for this is because each of them has different resources and highly respects the value of its business and especially their cultural environment, and on the other hand, in the international banking market all of them are strategically positioned at a variety of ways. The specific way in which the European banks with international business segment react to changes will depend on their position, which imposes the need for adopting different styles of managing changes. Depending on the level of understanding the factors of the situation, European banks will choose a particular style of management of changes.[16] According to some researchers, management issues in this context (see *footnote* 16), there are four of such styles: participatory development, imposed (forced) development, charismatic transformation and dictatorial transformation. (Figure **4**)

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[12] Rose S. Peter and Hudgins C. Sylvia, Opus citatum, pp: 712–713; "The purpose of the Basel agreement is twofold: (1) strengthening international banks, which reinforces the public's trust towards them; and (2) the elimination of disparities in legislation between the various nations which leads to unequal competition among banks in the given state. With the achievement of the Basel Accords, many leading banks have announced their plans in terms of raising new capital and selling assets to improve their capital ratios relative to assets." Ibidem, pp: 712.

[13] Dr. Miodrag Zecevic, *Banking*, European University, Belgrade, 2009, pp: 536.

[14] Banking,number 6, Association of Serbian Banks, Belgrade, 2013, pp: 24.

[15] Rose S. Peter and Hudgins C. Sylvia, Opus citatum, pp: 712–713.

[16] Robbins P. Stephen and Coulter Mary, *Management*, the eighth edition, Data Status, Belgrade, 2005, pp: 322. Quoted text and the graph are *adapted* to the context of the given segment of thematic content.

Figure **4** – *Changes in management styles in European banks which favor international banking system*

		TYPE OF CHANGE *with external environment of European banks as its source*	
		Growing	*Transformational*
STYLES OF MANAGEMENT OF CHANGES *with internal environment of European banks as its source*	*Collaborative* (*Consultative*)	QUANDRANT **1** **PARTICIPATORY DEVELOPMENT**	QUANDRANT **3** **CHARISMATIC TANSFORMATION**
	Directive (*Forced*)	QUANDRANT **2** **IMPOSED DEVELOPMENT**	QUANDRANT **4** **DICTATORIAL TRANSFORMATION**

Quadrant 1: *Participatory Development* is the style that best suits to the growing business change when the European bank's operations largely coincide with the banking system of the given environment, and only minor adjustments are necessary. It is also the appropriate response when there is a relatively weak strategic alignment between the bank and its business environment, but when there is a reasonable time for the employees – the bank managers, to participate, and when key individuals (executives) and groups favor the change. Collaborative or consultative management styles are then suitable. The *Collaborative Style* is characterized by the total input of all members of the group for change, which is necessary. Some lower level of participation occurs in the *Consultative Style*, where the employees – bank managers, who have been included in and affected by the proposed changes, are asked to give their opinion.

Quadrant 2: *Imposed Development* best suits the growing change in similar conditions of the European banks conformity with the banking system in the given environment and the time available, as well as participatory development. However, this approach is appropriate when the vital interests oppose change. Appropriate management style is directive or forced. When it is about the *directive* style, the employees - bank managers are told what they should do and they are reasonably happy with the change, while with the *forced* style they are not happy about these changes and resist them.

Quadrant 3: *Charismatic Transformation* is the most appropriate management style when the European bank does not fit into the banking system of the given environment, and when there is little time available for a major participation, but if there is support for a radical change within the bank itself. Appropriate management style is *Collaborative* and *Consultative*.

Quadrant 4: *Dictatorial Transformation* is most appropriate in a situation where the European bank does not fit into the banking system of the given environment, and when there is no time for a major participation, and there is very little support for radical change, but when radical change is essential for the well-being of the bank. An autocrat needs a clear vision of the goals of the bank, but he should let the people in the bank, those who are involved in its operations, to decide through which funds they will be achieved. The situation is like a ship which was caught in stormy weather: the captain knows in which port the ship should go, but uses the expertise of his first officers in determining the most appropriate course. The appropriate management style here is *Directive* or *Forced*.

The European banks are well aware that doing business in the international banking market is a very delicate operation due to the possibility of introducing new government restrictions, new credit, currency and interest rate risks, new standards of doing banking business, and the like. Moreover, it is very competitive and, as a rule, conditional on the *competitive positioning* of European banks. To form a successful international competitive strategy, top management teams of European banks must carry out an analysis of internal and external factors. *Internal* factors are sources of competitive advantages for banks, their strategic focus and priorities, competitive status, role and behavior in the international banking market. *External* factors are the demands of clients, i.e. the users of banking products, technology development, power and strategy of the competition as well as the moment for initiating competitive actions.[17]

3. Global Financial Crisis and its Influence on the Republic of Serbia Economy

The global financial crisis that started late in the first decade of the 21st century (in the US) is still in progress. According to some opinions it has the shape of the letter "W", which means a *double dip* (after the first fall – the slow-down of economic growth, another decline followed, i.e. a new economic slowdown). The crisis was caused by the mismatched growth of the financial sector relative to the actual economic sector (characterized by a decline in employment, debt crisis and difficulties in servicing social expenditures).[18] After affecting the

[17] *Positioning* is a perception of the banking products/bank as a highly attractive value both in the intensity and duration. It is the basis for generating competitive advantage, the *victory* over the competitive forces that pose a threat to the concrete business activities of each, individually taken, well-known European bank. Threats increase costs, reduce revenues, or otherwise reduce the performance of banking sector operations. They are the forces that lead to an increase in the general level of competitiveness approaching the level of average values created in the international banking market. The strategy is a way to turn threats into chances. Source: Djuricin D., S. Janosevic and Kalicanin Dj., *Management and Strategy*, the revised and updated edition, Publishing Center of Belgrade University School of Economics, Belgrade, 2010, pp 283; The quotation is adjusted according to the context of the given segment of the thematic content. *Competitive Positioning* refers to a set of banking activities by which a European bank continuously checks its own advantages over its rivals to identify the level of its differentiation, maintenance requirements or opportunities to increase. Source: Dr. Vesna Milanovic-Golubovic, *Competitive (Re) positioning of Company as Response to Challenges of Global Environment*, Collection of Papers: Enhancing the Competitiveness of Enterprises and Economy, Megatrend University of Applied Sciences, Belgrade, 2005, pp: 147-151; Adjusted to the context.

[18] "The global economic crisis that started in 2008, among other things, was a result of structural weaknesses and imbalances in the world economy. The cause of the crisis is the excessive reliance on neoliberal market fundamentalism and deregulation in the financial sector. The lack of the necessary regulations and control, as well as speculative operations with sophisticated innovations in financial assets initially had secured growth and profit in the US but also around the world. Such growth was actually an overblown financial *bubble*, the bursting of which has led to severe, devastating and probably prolonged crisis. Having started in financial sector, it spilled over into the real world causing a decline in manufacturing industries, international trade, direct foreign investments, and the enormous growth of unemployment rate.... The liberalization and deregulation of the financial and banking system, expansionary monetary policies, reduced taxes and higher savings than investment, can be marked as the most important reasons for the start of the global economic crisis." Source: Dr. Ljubodrag Savic and Dr. Vladimir Micic, Serbian Industry – Second Wave of Global Economic Crisis, Collection of Papers: Institutional Changes as a Determinate of Serbian Economic Development, Kragujevac University School of Economics, Kragujevac, 2012, pp: 106 and 110.

US, the financial crisis spread to other developed countries as well, and according to the principle of *a domino effect*, it spilled over to underdeveloped countries. The government intervention was inevitable to avoid a complete collapse of the financial and actual economic sector, especially in the US. "The state intervention took place in three directions: one of them was rescuing the troubled financial sector and the bailout of the rescued financial institutions, based on state aid; the second was the direct financial assistance to some strategically important industries like the automotive industry; the third referred to tax relief for citizens, raising minimum pensions and wages, granting social assistance and encouraging the purchasing power through the discounts granted for the purchase of certain products."[19]

Experts in crisis management believe that it can tentatively be overcome by a development model based on the underlying dynamic growth of the real economy and exports, for what it is necessary to adopt the appropriate economic policies. In doing so, both monetary and fiscal policies should be in focus. *Monetary* policy, as the primary obligation of the central bank, should ensure that the banking and financial systems function fluidly and that the money and loan offers form a system that allows achieving the economic goals of the state (economic growth, price stability, strengthening the financial sector). On the other hand, the restrictive *fiscal policy* should reconsider the pace of fiscal consolidation and undertake fiscal adjustment to allow the reduction of the budget deficit and public debt, i.e. to stabilize the national income.

The economy of the Republic of Serbia has also been affected by the global economic crisis. Similar to other crisis struck countries, it caused the decrease in Serbian manufacturing industry (instigated by limited availability and high price rates for working capital loans and actual fluctuation of other economic parameters), the decrease in construction works, lower influx of foreign investments, higher unemployment rate, decreased exports (and also the reduced price of export goods to the relevant export markets), external and internal indebtedness, inflation, etc.

The banking and financial sectors are forced to reduce availability of lending and shortening the debt maturity. The price of loans has increased considerably, and there has been a significant weakening of the exchange rate. The decrease in purchasing power caused a reduction in demand which resulted in a further reduction of production, the increase in inventories and the like.

Recovery measures for overcoming the crisis are implemented continuously. They relate to the elimination of the *liquidity* crisis (i.e. the access to sufficient quantities of assets immediately available at a very reasonable price, just when the funds are needed), financing permanent working capital, strengthening foreign exchange reserves, providing loans for farms, supporting structural reforms, and so on.

[19] Dr. Bozo Draskovic, *Two Approaches to Phenomenon of Economic* Crisis, Crisis of Capitalism or Temporary Mistake of Financial Capital, Ibidem, pp: 19.

4. **European Banking Support to Serbian Economic Development**

European banks have heavily internationalized their operations. The arrival of European banks to the territory of the Republic of Serbia intensified the competition,[20] integrative relationships between banks and encouraged greater efficiency of domestic banks (i.e. the entire banking sector). Besides international financial institutions (the European Bank for Reconstruction and Development, European Investment Bank, International Bank for Reconstruction and Development, and the International Monetary Fund), European banks represent a relevant factor in the implementation of the program of stabilization and economic recovery of the Republic of Serbia. In other words, they are a kind of financial backing where the following "key economic policies and reforms contributing to strengthening macroeconomic stability should be implemented:

- acceleration of European integrations;
- strengthening fiscal consolidation by reducing public spending;
- tendency of monetary policy regarding the financial sector stability and stable inflation rate;
- continuing with privatization of public companies, labor market reforms and promoting employment, pension and healthcare insurance systems reforms;
- promotion of human resources by improving the mechanism of social security, quality and efficiency of the healthcare services and of the education system;
- capital budgets in the following period should be focused on expenditures for socially valuable infrastructure projects (the project of key priority is the construction of Corridor X road network, already funded by the European Bank for Reconstruction and Development, European Investment Bank, World Bank and Greece."[21]

European banks entering the economic area of the Republic of Serbia are very professional institutions, with access to preventive action and traditional business of funding the economy and citizens (related to consumption and investments), the activities that are subject to a careful internal and external control. The quality of the loan portfolio (conditional: the scope of the loan) and the merits of the credit policy of European banks are the areas that are being monitored, or ranked according to a unique system for ranking financial institutions.[22] It is

[20] "One of the most commonly used indicators of competitiveness is the Herfindahl–Hirschman Index (*abbr.*: HHI), which is defined as the sum of the squares of the individual bank participation in the total bank assets… When it is lower than 1000, the value of this indicator indicates to a perfectly competitive market (when economically defined – it is the market where both buyers and sellers believe that their actions have no effect on the market place); when the value ranges between 1000 and 1800, it is the case of oligopoly market; when the value is greater than 1800, it is a monopoly market... The value of HHI indictors of the Serbian banks assets has not significantly changed since 2002 and it ranged between 627.3 (as it was that year) and 650.7 as it was in 2005." Source: Dr. Dusan Mesic, *Foreign Banks Entry in Countries in Transition*, Our Choice, National Bank of Serbia, Belgrade, 2006, pp: 5

[21] Dr. Hasiba Hrustic, *Impact of Serbia Borrowing from International Financial Institutions on the Situation with its Economy*, Project: "Serbia and the modern world: perspectives and ways of strengthening the foreign policy, security and foreign economy position of Serbia in contemporary processes in the international community", Ministry of Science and Technological Development of the Republic of Serbia for the period 2006–2010, Belgrade, pp: 172.

[22] The quality of the European bank assets portfolio, including its loans, is numerically ranked according to five dimensions of doing business which is commonly titled CAMELS ranking. This abbreviation originates from the following terms: **C**apital adequacy, **A**sset quality, **M**anagement quality, **E**arnings records, **L**iquidity position, and **S**ensitivity to market risk. Grades given by c controller are: 1 = excellent performance; 2 = good performance; 3 = satisfactory performance; 4 = bad performance; and 5 = unsatisfactory performance. Source: Rose S. Peter and Hudgins C. Sylvia, Opus citatum, pp: 528–529.

important, in this context, to emphasize that "the experience and expertise of the European banks management in granting loans of different types, influence the shaping of the loan portfolio structure." In this context, and with certain exceptions, it also affects the determination of the strategic profile of international business (banking) operations and international business (banking) strategy.[23] (Figure **5**)

Figure **5** – *Relationship between international business operations and the international business strategy of a well-known European bank*

		INTERNATIONAL BUSINESS STRATEGY OF A WELL-KNOWN EUROPEAN BANK (the resultant of two different processes in dialectic unity: *strategic thinking and strategic planning*)	
		Clear	*Unclear*
ATIONAL BUSINESS OPERATIONS stimating activity to the change of adding value to banking products)	*Efficient*	**SUCCESS** (1)	**FAILURE** (*the future*) **RELATIVE SUCCESS** (*the past*) (2)
		RELATIVE SUCCESS	

The first quadrant (**SUCCESS**) involves management of a European bank with *clear* focus on international business strategy and *efficient* international business operations; its evident business determination influenced the successful achievement of business objectives in the past, and there is a high probability that the same effects can be achieved in the future as well.

The second quadrant (**FAILURE** and **RELATIVE SUCCESS**) refers to management of a European bank with *unclear* focus on international business strategy and *efficient* international business operations; the evident business determination influenced relatively successful achievement of business objectives in the past, and there is a high probability that same effects can be achieved in the future as well.

Management of a European bank in *the third* quadrant (**RELATIVE SUCCESS** and **FAILURE**) focuses on a *clear* business strategy and *inefficient* international business operations; the evident business determination influenced relatively successful achievement of business objectives in the past, and there is a high probability that same effects will also be achieved in the future.

The fourth quadrant (**FAILURE**) refers to management of a European bank with *unclear* international business strategy in its focus and *inefficient* international business operations; the evident business determination influenced unsuccessful achievement of business objective in the past, and there is a high probability that the same effects will also be achieved in the future.

[23] Tregore B. B. and Zimmerman W. J., *Strategic Thinking Key to Corporate Survival*, Management Review, 1979; Adapted to the context.

The entrance of European banks into the area of the Republic of Serbia economy assumes creating new business opportunities as a part of the strategy set by their top management teams. Logically, and according to this, the capitalization of business opportunities ensures the *development* of those who transform the opportunities into reality – the companies that use loans provided by European banks, users of other banking products, i.e. the entire economy and the population of the Republic of Serbia. In this respect, we can distinguish the following benefits that can be gained by the entry of European banks: "the introduction of new banking technologies and financial innovations; opportunities created by economies of scale and types of jobs; improving the competitive environment; development of financial markets; improving the infrastructure of financial system; attracting direct foreign investments",[24] etc.

Conclusion

Measured by the level of success achieved in the placement of banking and financial products and their functioning, the European banking system is a specific reflection of success attained in European business flows. The core of European banking business is granting credits to customers through loans, the essence which predetermines the stability of economic trends and supports development of companies, influencing both meeting the demands of their customers and consumption requirements of the population.

European banks are great exporters of capital to some regions of Europe, including the region that covers the territory of the Republic of Serbia (South-East Europe). Therefore, they have great influence on the generation of industrialization and, in general, the economic trends in total. By making their capital available, European banks provide funds for the establishment of new companies, creating in that manner the sources of funds for future growth and expansion. The most important sources of capital include shares, surpluses, undivided profits and reserves of common shares. Management teams of European banks consider that possessing the capital is the ultimate line of defense against failures and bankruptcies, which gives them the necessary time to react to different types of risks they face. Although the banking risk can never be completely eliminated, by using highly sophisticated analysis in requiring the approval of loans and business loans European banks provide multiple layers of protection of their investment. They are doing this in order to secure payment of the principal of the loan and the expected interest income until the end of the term of the loan.

[24] Mesic dr. Dusan, Opus citatum, pp: 50.

DOC. DR. SASA DJORDJEVIC

Dr. Sasa Djordjevic was born in Grdelica, the municipality of Leskovac in South Serbia, on 30 Jan. 1970. Both of his parents are teachers: Father Miodrag is a university professor, and his mother Gordana is a teacher of Serbian language and literature.

After completing his studies at the elementary school in Leskovac, he enrolled and finished the secondary school in Belgrade with honors. Upon that he graduated from the Belgrade College of Tourism and won the title of Higher Hotelier. Đorđević graduated from Novi Sad University Faculty of Sciences and Mathematics with an average grade of 8.46 and won the title Geographer-Tourist Expert. He enrolled to postgraduate studies with Belgrade based “Braća Karić” University Faculty of Management. After passing the exams he graduated with the average grade of 9.50 and won the title of Master of Sciences in Management.

Dr Sasa Djordjevic completed the doctoral studies at the Novi Sad “EDUCONS” University Faculty of Sports and Tourism and won the title of Doctor of Sciences in Tourism.

Currently he is employed by the European University Faculty of Engineering International Management and has 17 years of work experience. He speaks English. Djordjevic is married to Svetlana, economist by profession, and is the father of a male child.

Dr. Sasa Djordjevic has published 17 expert and scientific papers, among them two books. He is actively and intensively involved in expert and scientific projects related to fields of Tourism and Management.

PROBLEMS OF RESTRUCTURING SERBIAN RAILWAYS AND POSSIBILITIES TO OVERCOME THEM

Docent Dr. Sasa Djordjevic

Abstract

The issue of restructuring public enterprises is extremely topical today due to their enormous size while actual material possibilities for their overcoming are relatively small. The restructuring process is currently underway but it does not take place at an appropriate pace and speed since it is accompanied by significant problems, and the state (i.e. the government) is expected to take an action, and so far it has been inert and ineffective. This slow pace of restructuring is especially true in the case of the Serbian Railways Public Company, which represents a very significant traffic infrastructure system, not only from the standpoint of Serbian, but also from the standpoint of European and global needs and interests.

In this article we try to point out the major difficulties and problems of restructuring Serbian Railways, and especially those predominantly connected to material and human resources, but also the inadequate conception of macro and micro organizations with simultaneous indications to the approaches and possibilities for overcoming them, particularly those indicated by the theory and practice of modern management.

Key words: Restructuring; Restructuring problems, Possibilities for overcoming problems; Role of the state.

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INTRODUCTION

The term *restructuring* refers to a number of changes in all aspects of the business, with a view to ensuring the vitality of enterprises and adapting them to the competitive challenges of both the narrow and wide environment. In the professional scientific literature, in business and economic practices, seeking to highlight the importance and emphasize the aspect of comprehensive, rapid and radical changes dictated by the dynamism of the environment, the term transformation, which aspires to universality, is often used. However, besides this term, there are also some others such as: restructuring; reorganizing; revitalizing; overhauling; rehabilitating; shifting; healing; etc. Although we could discuss specific particularities of each term separately, in fact they are all synonymous, and the "triumph of terminology," which is in fact the case here, instead of giving simple explanations often leads to creating unnecessary complexity and fogging the character of changes that should be made. In this paper, for the most part, dominates the term and concept of "restructuring" (this term is primarily associated with the mechanism of market economy functioning which punishes companies that fail to harmonize their relationship with the demands of the external environment), whereby, in the context of restructuring, other terms are also used, when it comes to a particular aspect of change.

Restructuring processes involve a wide range of changes and their synchronized execution. In fact, they refer to the following processes: 1) the ownership restructuring, so that by creating corporation and recognizing the owner, as well as through the policy of issuing and purchasing shares, a more propulsive business and economic activities are ensured; 2) market restructuring, which enables companies to do business in the new market environment, both domestic and international; 3) financial restructuring, i.e. optimizing the financial structure on the bases of new criteria and sources of funding; 4) organizational and managerial restructuring, carried out through differentiation, positioning and integration of organizational parts by which the accountability for the results and affirmed entrepreneurship would be stimulated; 5) technological restructuring, which refers to rational inclusion of companies in the creation and use of new technological concepts.[1]

These restructuring processes, started by the Serbian Railways company in 2001, involve a wide range of interventions, ranging from replacing management and introducing strict financial control, over changes in organizational structure, market adjustment and repositioning of the marketing, to the cost reduction, redefining the business and investment policy, debt rescheduling and so on. However, these processes have not taken place at an appropriate pace and speed, since they are being accompanied by great difficulties and problems (technical and technological obsolescence and physical deterioration of transport capacities; redundant employees; inadequate macro and micro concept of organizing the company with diverse and unrelated activities within the railway system; big over-indebtedness, loss, insolvency, etc.). Since the company was unable to solve these problems on its own, the state (i.e. the government) is constantly being expected to take an action, and so far it has been inert and inefficient.

This paper aims at highlighting problems that arise in these processes of restructuring the railways, especially those related to material resources, human resources and organizational structure... There is also a need to point out the possible ways and approaches for overcoming the existing difficulties, particularly those indicated by the theory and practice of modern management. For the purpose of identifying and analyzing problems and opportunities for their elimination, the method of content analysis, and application of logical actions, such as analysis, synthesis, induction, deduction, comparison, abstraction, generalization are being used in this paper.

Aspects and phases of restructuring

Market conditions, globalization, new technologies, new needs of customers, competition – all of them require adjustment, i.e. restructuring of large public companies, especially those in the field of transportation. This especially applies to the restructuring of the railway traffic system in Serbia, and that in all aspects of its organization and operations. First of all, we need market changes that involve retaining the existing and winning new markets, along with improving the existing and introducing new services. In this regard, the Serbian Railways, among other things, must have a clear program of services, such as the program of improving the existing and introducing new services, with a clear assessment of difficulties related to their placement on domestic and international markets; program of temporary and permanent abandonment of certain services beyond basic activities; as well as the program of services whose implementation has already started (e.g. the investments which are currently in progress), with a clear demonstration of the state of their implementation.

[1] Stevo Janošević, *Strategy of Restructuring* (co-authors: Jovan Todorović, Dragan Đuričin, Stevo Janošević, Belgrade, 1977), pp. 591.

The introduction of modern management is an important aspect of change in the context of creating a different organizational structure, without which a successful restructuring cannot be imagined, let alone a successful business performance in the future. The introduction of modern management involves the introduction of those solutions that have been successfully used by developed countries, namely: the organization of modern management companies - holding; separation of management from the ownership; developing professional management functions; introducing performance standards for professional managers, primarily in the form of planned profit; introduction of a modern system of incentives and rewards for managers; etc.

Restructuring has to be considered by managers as a great challenge and opportunity for successful operation and development of Serbian Railways. In this sense, they have to prepare the employees for the process of restructuring, and also get involved in creating a favorable atmosphere for the implementation of the planned program of restructuring, all that by explaining that this is an opportunity not only for the successful operation and further development of Serbian Railways, but also a chance for progress of each individual, meaning that its future career and social status depend on the success of the restructuring project.

As confirmed by the recent practice, there are some unavoidable phases that should be followed and fully observed for the efficient implementation of restructuring program, and they involve: 1) establishing a powerful coalition of business and management entities, which has to include the entire management headed by the General Manager, but also some other economic, political and scientific entities; 2) organizing training for the personnel on the implementation of the restructuring program, especially if the program has been developed by some scientific research institutions, as it happened the case of the Serbian Railways, whose employees were not given an opportunity to be promptly and properly informed about it; 3) informing the employees about the restructuring program so they could clearly observe which of the effects of restructuring can be expected realistically; 4) raising awareness of employees about the necessity of restructuring to create confidence that the implementation of the program is possible, and in that manner they could accept all initiatives launched by the management of the company; 5) increasing the general and business culture of employees, which includes, among other things, a change of thinking and behavior patterns and harmonizing them with modern civilization values as a part of the process of achieving adequate quality of railway-traffic services; and 6) achieving short-term success quickly and efficiently in order to reinforce the belief among employees that the restructuring program has no alternative.[2]

Two main objectives should be taken in consideration throughout the entire restructuring process and these are: improving the efficiency of the existing lines and raising the quality of railway-traffic services. In addition, the concept of a new railway system must be based on an independent business of railway companies, and also on the division of management systems into railway infrastructure, passenger transport, and freight traffic, as well as the free formation of prices. Better conditions for financing the improvement of railways infrastructure have to be created, along with the possibility that it could be available not only to domestic but to foreign customers because the Serbian Railways Act, which entered into force already on 1 March 2005, envisaged that.

[2] Mr Saša Đorđević, *Strategy of Restructuring Serbian Railways*, Želnid, Belgrade, 205, pp. 59.

Problems of restructuring related to material resources

Problems of restructuring Serbian Railways are numerous and diverse and they manifest in all sectors of the business. Therefore, the need for change, starting from organizational (ownership transformation, management training, etc.), through economic and financial (liquidity, balancing infrastructure and transport, etc.), to the business and technology (establishing operational quality systems, automation and computerization of all business segments, etc.) has become obvious. In order to achieve such ventures, in principal, a radical change is required in the way of approaching the work and doing business, above all the change in the way of thinking. In fact, changing the way of thinking and creating awareness of the necessity for change among all employees is the first prerequisite for a successful turnaround. If this plan fails to achieve visible results, the restructuring of the railways will face, as it has faced so far, with high limitations and resistance. From this perspective, it is necessary to set the commercial interest as the benchmark for the success of the company. In this case, the company management will not be primarily oriented to the state, but to the market and customers, and their needs and interests.[3] But for all that, as the past practice shows, the necessary assumptions have not yet been created. The main problems of Serbian Railways are, in their most part, related to the available financial and human resources, as well as the organizational structure.

When it comes to material resources, it should be said that the average age of the rails, switches and rail accessories in the Serbian Railways, with a network of 3,808 km of the railway lines in total, is about 40 years. The level of written-off rail surface structure is very high (99.6%) and there are only 46.4% of the lines capable to endure loads greater than 20 tons per axle. While in developed European countries the speed of over 300 km/h (which is considered as the upper limit of the economic viability of the rail transport) can be achieved, the Serbian rail speed is 100-120 km/h, and only 6.7% of the lines are efficient in this regard, and out of a total of length of lines, there is only 31.5% electrified, and those include mainly main directions.[4]

The Serbian Railways network, and its most important part, is actually a part of the European network of international lines, and the backbone of the network is located on the European high-speed railway network, or the Corridor X, as the most important international main line. Having this in mind, the modernization of Corridor X is a unique opportunity, not only for the development of the railroads, but also for the development of the country as a whole. The goal of modernization is to raise the quality of the entire network to a higher level, according to standards established by international agreements on the rail infrastructure quality level.

In addition to the railway network, its fleet has also been largely mitigated. Some 48% of the total number of towed vehicles is older than 40 years, so the write-off of the railway transport capacity reaches 94%. The poor condition of the fleet is therefore constantly emerging as a major limiting factor in achieving better transport conditions, but financial results as well. Besides that, loss is constant in doing business, followed by permanent insolvency. Such economic situation in the railway network is constantly being deepen by irrational capacity maintenance costs, reducing the volume and quality of transportation, high social costs, primarily due to redundancies, as well as high indebtedness, mainly for the loans for infrastructure modernization.

[3] Mr Saša Đorđević, ibid, pp. 94.

[4] Dr Vojkan Lučanin, Aleksandar Radosavljević MSc, Goran Simić, Dušan Milutinović, *Current Trends in Development of Railway Vehicles in the World*, "Tehnika", No.4, 1999, SIT SCG, Belgrade, pp. 157.

Problems related to restructuring human resources

Restructuring of the Serbian Railways on the market basis (i.e. market restructuring) requires, among other things, reducing the number of employees, but also the change in the structure and quality of the actual workforce. In recent years, the number of employees in the Serbian Railways has been significantly reduced with a trend of further decrease but the issue that still lingers is the lack of knowledge on the market aspect of the offer, which will undoubtedly remain that way in the long run. In addition, the tendency of the stimulating voluntary departure from the company, as agreed with the Government or the competent ministry, is still relevant. However, even though the voluntary departure of employees has been initially financially supported it is no longer the case, and the remaining employees have not been paid for months so they are forced to seek new employment, according to their qualifications (the same has happened to the writer of these lines, who worked with the "Želturist" tourist railways company).

The issue of reducing the number and dismissing employees in the restructuring process is difficult and socially painful because it directly affects the very existence of people and their families. Therefore, it needs to be addressed systematically and responsibly, both from the standpoint of the company and the state, because the state is obliged, unlike companies, to establish social programs for resolving redundancies (creating new jobs, organizing training and additional retraining, sponsoring individual business-initiatives etc.).

For the restructuring process to be successful in this regard, it is necessary to create awareness of the necessity for implementing such changes and encourage individual initiative in finding solutions. In companies, especially in such large systems such as the railways, with irrationally accumulated labor beyond economic criteria, remembering the "good old days" still dominates, and therefore the existence of strong resistance to the restructuring process is quite understandable. The awareness of the necessity of change can be altered by finding solutions for each individual, and not due to negligence of the state, including the "top management" in the company. In this manner not only the social stability and security can be ensured but also the support to reform undertakings in the spirit of market orientation.[5]

Another problem that appears here, as mentioned above, is the familiarity of employees with the commercial aspect of supply. There is no doubt that the majority of employees, among them even most responsible managers and senior officers of the company, including those who are employed for being members of the ruling political party, have not been educated on the aspect of the market supply. They all lack the "basic tool" for making a business contact in the modern market economy, and that tool is proper knowledge (or information). Consequently, it leads to making business deals which are not based on regulations and standards or criteria, but on improvisation without reaching any adequate economic results. This contradiction between the modern role of the railways in the transport market and the necessary knowledge and skills of employees in the market economy is a very serious limitation for the restructuring of the railway and its further development.

Modern railway systems demand its workforce to be “aggressive” in creating and offering services that meet needs and desires of customers in terms of quality, range, accuracy, speed, etc. In addition, the range of market requirements is very broad. Among other things, it contains cultural behavior, starting from the initiative, over the business skillfulness, to the attentiveness. For the railways restructuring to be successful it is necessary to adopt new knowledge and information both on users-customers and competitors, because failing to do so

[5] Mr Saša Đorđević, ibid, pp. 104.

makes tracking changes impossible, let alone creating them. Gaining higher level of education and expertise is now an imperative, and it should be a permanent process. This particularly must be valid for transport engineers who are employed by the railways, since the highest expectations are related to them. Currently, it is insufficient to rest on the level of classical transport engineering and technology education, but the knowledge on economy, information technology, law, environment, foreign languages, logistics, management, selected parts of operational research, telecommunications, etc. [6] have also become a prerequisite.

Today, traffic and transport, as professions, change and develop very quickly and creatively, passing in the last few decades through four transitional phases: transition from traffic engineering to traffic planner; from traffic planning to transportation planning; from transport planning to integral planning; and finally the transition from integral planning to environmental planning. In other words, in its essence it is a transition from engineering to planning; from traffic to transport; from a uniform view to an integrated approach; from local to global responsibility.[7]

There is no doubt that human resources are essential asset of any organization, primarily for gaining a competitive advantage on the market. It can be particularly applied to the Serbian Railways as a large traffic-transport system facing the final form of restructuring. High quality personnel cannot be completely secured in the market, regardless of the existence of specialized educational and scientific institutions. They are primarily built in the continuous process of permanent education and training, especially when the quality as a universal measure, has no upper limit.

Human resources are at the very center of the Modern Management interests and study. Extensive research on achieving synergy effects have been carried out because it is evident that the competitive advantage can be achieved only by having high quality personnel. In that respect, some changes in the organizational structures have been underway and separate organizational units are created to deal with developing human resources.

Restructuring problems within organizational structure

A special group of problems related to the Serbian Railways organizational structure originates from the nature of railway activities themselves, as well as from its technical and technological development, way of doing business, property ownership and management methods. The current organization of the national railway company is a very inflexible structure, based largely on the organization from the past. Such a structure, based on the production and functional units (organization of traffic and transport, hauling and maintenance of rolling vehicles, tracks and installation), is now considered to be outdated because the market economy conditions require new organizational forms.

The current organizational structure of the Serbian Railways still maintains a global production concept. This must be overcome by a new concept - the transition from manufacturing to market organization which involves fundamental changes which refer to the introduction of new tasks and new rules (legislative changes); the entrepreneurial form and content of business activities and accountability for business results (changes in the way of doing

[6] Prof. Dr Vladeta Čolić, *Vision of Training Transport Engineers in the Future*, “Tehnika”, SIT SCG, No.5/99, Belgrade, pp. 1-3.

[7] Miloš S.Ivić, Branislav Z. Bošković & Milana V.Kosijer, *Place and role of Transport Engineers in Designing and Maintaining Railways Tracks, Stations and Knots*, “Tehnika”, No.5/99, SIT SCG, Belgrade, pp.31.

business); responsibility for the economy of resources; realistic evaluation of the factors related to production and services; market liberalization of transport services; ownership transformation of related activities and companies; separation of transport and infrastructure accounts; responsibility of the state as a whole for providing finances for the reproduction of infrastructure; managing according to market principles (Market Management); organizing the business on the principle of "profit centers"; market segmentation; establishing management control "by objectives"; and so on. Therefore, it is necessary to carry out a number of substantial changes to establish the market driven organizational structure of the railway company which would have a positive impact on all factors of providing railway services. The Law on the Serbian Railways, passed 9 years ago, created some important prerequisites for establishing the market driven organizational structure. However, not much has been done so far, therefore and due to accumulated difficulties it is the "last minute" to speed up the process of restructuring in all sectors of work and way of doing business.

The concept of restructuring in terms of rapid change (socio-economic, political, technological, demographic, IT, etc.) is calling for major and not partial changes, especially now when a new model or “a paradigm of interrupted balance” [8] has been activated. Therefore, the restructuring of public enterprises, and especially the railways, is a challenge for management and primary task for business leaders and government entities.

The position and role of the state and enterprises in the restructuring process

Among other things, the internal activities of the very railway system are crucial for the restructuring process of the Serbian Railways, and of course together with establishing coordination of all activities with the state, i.e. with its relevant ministry. This means that the Serbian Railways must obtain quality restructuring programs by segments, related to technology, business, and economic, organizational and other changes.[9]

What could be expected from the state to do in these conditions, may be summoned to the following: 1) the institutionalization of the entire concept of the railway market economy (consistent application of the existing laws and regulations on rail or innovation of existing laws or the enactment of new legislation); 2) the state as a whole should take the responsibility for creating financial infrastructure; 3) the state, together with the company, should innovate the existing or to adopt a new restructuring program; 4) the state, together with the company, should establish the principles for normalization of accounts (fees for non-profitable lines, subsidies for non-commercial transport, compensation for various "social services", and similar); etc.

The Serbian Railways, in these conditions, should do the following: 1) to mobilize all its resources in the implementation of the restructuring on market principles; 2) to continue with the training of personnel, taking into account primarily the needs of a professional staff and quality management at all levels, from the lower and middle managers to top management; 3) to intensify the activity of the introduction of modern management and control methods; 4) clearly to differentiate organizational units and individuals on the principle of actual performance; 5) to innovate the existing or create a new development concept for the medium term and a development program on market principles.[10]

[8] Prof. Dr Milija Zečević (2014). Modern Management – Monography. European University, Belgrade.
[9] Slobodan Vojvodić, *Directions of Serbian Railways Restructuring Process*, Tehnika, SIT, Belgrade, pp. 329-333.
[10] Saša Đorđević, ibid, pp. 95.

Although the internal activities of the railway system are almost decisive and crucial, however, the role of the state as the owner of the restructuring process is very important. It should be oriented to permanent reviewing and defining of the public interest in railway transport. In the case when there is a state interest in controlling public transport services, we need to find appropriate solutions in terms of price, in accordance with market conditions, and the economic interests of the company. The main conditions which have to be taken in consideration in the process of regulating relations between the state and enterprises, can be reduced to the following: 1) the existence of mutual interest for the regulation and identification of common interest; 2) mutual will to realize the contractual relationship; 3) the existence of competent personnel capable to adequately determine the problem and the subject of contractual relations, and to ensure their implementation; 4) the existence of minimum specific regulations in this area, appropriate to the particular circumstances; and 5) planning the development of railway traffic system, aimed at meeting the needs for a longer period of time.

CONCLUSION

The restructuring process of Serbian Railways is very complex and long-term undertaking, and therefore it must be designed and managed professionally, so that all responsibilities and obligations of the state which creates the environment and conditions, as well as the company itself, were properly coordinated and implemented. The current restructuring process, which has lasted for more than 12 years, has not yielded the desired results. Time is lost, but the problems have become more acrimonious and more complicated.

The current crisis, characterized by low quality of transport services, high operating costs, huge losses, inadequate organization and difficult financial and social status of employees - cannot be overcome without introducing some radical measures to overcome the problems identified, both by the enterprise itself and especially by the state (the government and its competent ministries), whose responsibility, particularly towards the railway infrastructure and character of public services must be precisely defined.

In this context, the responsibility of the state and enterprises originates from the most recent EU documents, which start from the free transport market and explicit insistence on separating the function of using the infrastructure from the function of transport in order to enable competition and increased efficiency and effectiveness in the provision of rail services, and in that manner creating conditions for rapid integration of Serbian railways into Europe and world railway system, especially because the membership in the EU with prospects by 2020 – is for now a strategic orientation of Serbia.

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PROF. DR. VESELIN DICKOV

Veselin Dickov was born in Novi Sad on May 8, 1963. He is married with a child. Dr. Dickov graduated from the Medical School of the Novi Sad University and passed professional exam as a doctor of medicine before the committee appointed by the Serbian Ministry of Health in Belgrade. He also completed his studies at the IBC-Collage in Management and Marketing in Health Care System. Dickov also completed a specialist training in European Economic Integration, under the auspices of the Foundation Conrad Adenauer, organized by the Embassy of France, and Universities Nancy 2, as well as the another training on the Serbia Accession to the EU. Professor Dickov completed his specialization in Investment Management and Stock Market, and won his MBA degree in management studies at FTN - IIEM / EURO-MBA, University of Novi Sad. Prof. Dickov defended his doctoral dissertation The Healthcare System of European Countries – Management Approach at the European University Faculty of International Management in Belgrade, and gained a doctoral degree for narrower scientific field - Management, the International Management – the Health Care Management. Since 2008, Dr. Dickov has served as an Assistant Professor with the European University Faculty of International Engineering Management in Belgrade, lecturing subjects related to Health Care Management and since 2012. Has served as an Associate Professor. Professor Dickov is a member of international scientific organizations and associations dealing with public health, international management, and health care economy. Veselin Dickov is the author of a number of articles published in national, international and professional SCI journals, and the author of the specialized course book “Economy Modern” a ,,Uslužni menadžment,, and ,, Health Economics with pharmacyeconomy “.

IMPROVEMENT OF HEALTH MANAGEMENT IN SERBIA

Prof. Dr. Veselin Dickov

Abstract

In the center of the health care system is a man, throughout his life, from conception to death, with his natural ability to take care of them - and is healthy, and when they fall ill and when he needs an organized and specialized help. Because the disease affects almost all men, it is one of the required priorities to think ahead. He paid under certain circumstances, when health is sound, and uses its organized system when he was ill. Health care for citizens of Serbia, as well as coordinated and organized health systems, with primary, secondary and tertiary health care should be accessible to everyone under equal conditions, the principles of scientific medicine on the one hand and business performance of health institutions on the other. Human right to the use of organized and efficient health care system takes freedom from disease, and thus a free society

Key words: Management, Health management, Transition, Privatization of the Health system, Local Health policy.

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BACKGROUND

In this paper, we examine empirically how different methods of privatization might have influenced economic growth in the first decade and more of transition by comparing growth performance pre- and post-privatization in groups of countries categorized according to broad privatization method. In practice, each country used a variety of privatization methods, with the choice of method depending on factors such as the political slant of the government, international debt, the levels of economic and institutional development, and enterprise specific factors.

INTRODUCTION

Starting from the general trends of globalization and the level of the transition process initiated in our country, once again found itself the focus of the state. Institutional Strengthening of the same which means the establishment of new functions of the state of the market economy would lead to the development of market health care institutions, labor markets, liberalization and deregulation, and privatization and inflow of capital from international capital markets [1].This would be applied as a result of the construction and functioning of economic systems with the aim of recognition of market economy, market institutions and mechanisms that are functional to the liberalization of markets and encourage competition [2]. Attracting and retaining foreign direct investment is a major goal of many countries, since it is quite clear that they have an important role in the creation of new permanent jobs, increasing exports, transfer technology and knowledge of business, increasing competitiveness, improving the total production and, finally, reducing poverty through general economic growth and development. Creating favorable conditions for domestic and foreign investment, represents a major challenge for all countries, given that increasing globalization and the pressure to be competitive in the business framework and create the need for constant improvement of the general business environment and performance of companies (hereinafter referred to as enterprises). At the macro level, in ensuring stability and improving the general business environment the main role of state government, and market pressures to be competitive requires constant improvement of efficiency and greater flexibility and effectiveness of those who run businesses. Strategy and business development, investment management, ownership restructuring, equity valuation, stock exchange business, credit capacity, implementation of accounting and market standards in the health business to the criteria of the European Union [3]. Policy of economic reforms at the global and local level contains the following topics of analytical reviews. General: What are the investments in the health system? The differences between foreign and domestic direct investment. Building healthy investment environment [3]. Necessary improvements in all segments of the market operations (which emphasize the necessity of amendments to legislation). Macroeconomic and business environment is constantly over the last five years of development, the Government adopted a number of new laws, to stabilize the annual budget, achieved through formal agreements with the international community on issues of debt and budget support and make significant progress privatization program [4]. The basic types of direct foreign investment, with the exception of traditional forms of selling (merger, acquisitioning privatization), are classified as follows:

• Greenfield - a company with foreign investment starts a business to a whole new area ("the wasteland") or building.

• Brownfield - a company with foreign investment began operations in the building or the area that was formerly used for production or other activities where there is already a certain infrastructure assets from the bankruptcy proceedings that may be purchased for new investments.

• Joint ventures - a foreign company takes a significant stake in the newly established local company.

Cooperation between public and private sector (Public Private Partnership) is a modification of the above definition of joint ventures, with state authorities, local self-government or public enterprises enter into a cooperation agreement with the company from the private sector to be formally planned, conducted and managed by a particular activity or good [2] [4].The development of financial markets in health and health care organizations as well as comparative analysis of Serbia in relation to joining the association in the EU. Prospects of development of health management and the introduction of stock markets in health care and pharmacy. Performance Evaluation of the conduct of health policy at the local level. Synthesis of formal and material properties of the state of liquidity, which includes general economic and political stability, solvency, good reputation in the business world, a high position in the market, the ability of accommodation and rapid adjustments to modern trends in health care [5]. The broader concept of health system reform, including evaluation and review levels of organization management functions of health workers, as well as the level of integration of health policy [6]. Around the concept of the health reforms of the state assessments, could be positioned in the Serbian branch of activity, both for its internal needs for growth in the level of health care and the health service delivery in our country and the immediate environment. Transparent communication among all stakeholders in the health management within the European Union. Implementation of international economic standards and full implementation of international auditing reforms in health care, we will bring a relatively more open position, through financial statements, from which it can be use information on the condition, quality and operations of our health. Preparation of methodological guidelines and expert content about business assessment of health policy reforms at the local level would be brought together experienced financial experts and analysts in the field of management health [6] [7].

OPERATING REVIEW

Operational audit is a comprehensive category, which is designed to analyze the organizational structure, systems, internal controls, the flow of work processes, broader assessment of financial standing and performance management [8]. Operational audit is an instrument of business, management tools, and its correction. It measures the achievement of a health organization compared to its purpose and set goals. Operational deals with the overall achievement of objectives, effectiveness of operating procedures and internal controls, the results of individual managers and other non-financial aspects of the business. Incorporating an orientation to the operational review, what follows is an effective management approach, which has a mission to accomplish goals [8][9].The aim of this paper is to develop a system that would enable the achievement of the broader concept of evaluation analysis of the investment environment in the health sector both at the global and local level [10].The way for this assessment the policy of economic reform at the local level include audited financial statements required the health institutions on the one hand and using operational audit of economic policy in the health institutions at the national Provincial and local levels [11].Operational audit reviewed the organizational structure of health policy and comparative analysis of the state of health of Member States Economic Union with the countries that aspire to become. The course of the work process through monitoring of local economic policy, internal control objectives and effectiveness of business practices of health care organizations, makes the basic structure of health care [12].The research would use as a starting point for business transactions and how to obtain work experience in gaining knowledge about how to implement organizational activities and capacity management in health care organizations to become members as soon as the EU [13]. Score economic and organizational reforms in our health, is set as the goal of the research and includes the local and the national synthesis of state to the health system [14]. Corporate governance and internal audit of the health care system is filled with the management approach in solving the tasks of risk reduction in 3E -economy, efficiency and effectiveness of the system [11]. Economy is a principle that involves minimal costs for standard quality. Efficiency follows the relationship of income and expenses. Effectiveness is a principle that compares planned with actual activities. There are modern instruments for controlling the strategic management of the organization. Specificity of approaches to these instruments in our country reduced to the setting diagnosis of a specific methodology of the operational audit based on a wider assessment of creditworthiness, and controlling instruments specially adapted for organizations in the process of reengineering the activities [15]. Approach Balanced Scored Card in, confirms his extraordinary applicability in our environment to implement the strategic goals of the organization to every employee in the health sector, as well as achieving the required elements necessary incentives on a personal level. Insisting on the implementation of internal controls, operational auditing and controlling as an instrument of modern health management is the starting point for creating a global assessment of the solvency of a health institution as well as analysis of the level of organization of business functions, since the activity of health institutions, reflected in the areas of business functions. It is necessary to adapt the system to our specific business conditions in the health sector so that this "revision evaluation of economic policy" allows faster implementation of modern management concepts in the model of the EU in our health institutions, for routing the concept of permanent monitoring of the future operations of the same. Audit assessment of local investment in health care policy would be the basis for the introduction of operational and strategic approach of the new concept of the Partnership for European Integration. The definition and assessment of quality was the task before technology professionals and economists. Today, the health systems of EU countries, the definition and evaluation are increasingly the domain of patients, well-informed public and users of services and competitive market that compares performance with other countries [15]. The development of technology and information, the requirements to ensure transparency and accountability, and limited financial and human resources of each member country bound by the WHO to describe and reform its health system in accordance with international, recognized structures, processes, execution and results [9][10].The first part of this work is aimed at health policy makers in member countries of the World Health Organization (WHO)provide basic information on common definitions and issues that monitor the quality of health systems and health care [16].

HEALTH MANAGEMENT - EXHIBITION

Theoretical and practical solutions

The second part of this paper provides basic information on national programs to improve quality, based on research evidence and experience from other countries Europe. The main motto of this paper is "better systems, better protection" [17].By using the existing concept of operations and evaluation of economic policy, with adjustments to our specificity and level of development of health care possible to build so-called "audit assessment of the health situation in our country." It will in addition to considering the current position to be the basis for timely planning of future health management [10]. Research based on the settings in the opening remarks and the previous analysis, it is possible to achieve by applying relevant research methods, and proven, the following main hypotheses:

H1 - Health Management, as the main form of manifestation of entrepreneurship in the health system, are a necessary part of the dynamic adjustment of economic structure. The establishment, operation, joining the country's economy, development and expansion, modern health facilities include: the existence of a clear, market-valorized entrepreneurial ideas, provided financial and other support in the community, adequate organizational infrastructure for encouraging entrepreneurial ideas, technical knowledge, and law and available institutional infrastructure, and stimulating economic policies of the government [2][15][16].

H2 - Managing the development of health facilities include: knowledge of modern concepts of diagnosis and prognosis, the readiness to cope with the changes and risks, and continuously measure the borders to achieve economies of scale and breadth, and in accordance with this, the commitment of relevant strategic options development behavior. Health management is not only a mirror of claims, business philosophy and skills, it is also the main instrument to manage the development of health policy [2] [16].

H3 - It is possible to develop an adequate strategy for overcoming the current problems of transition and inherited structural inconsistency in the current economic circumstances, on the basis of practices and experiences of developed countries and the EU and the available resources and current developments in science and society [13] [16] .

H4 - It is possible to establish a model of endogenous economic development, with clustering methods - based on the similarity of cases, the objective foundation for software re-engineering and restructuring of large health systems, structures and building health facilities suitable for the promotion of entrepreneurship and entrepreneurial behavior enable stakeholders in the process of privatization of the same future[16]. Management generally involves a form of hierarchical organization in business administration and management in which specialized experts and holders of the driving forces of the process: research, planning, organizing the work process and finally marketing and distribution of results of this work - the goods and services. Management approach that involves teamwork in t he execution of projects managed by the operational group of educated, professional and cooperative moving . Management approach to team work is carried out through: knowledge, expertise, skill, creativity, cooperation, harmony, agility, respect for hierarchy and all. And includes the area of ideas, research, drafting, planning, implementation, management and analysis. A team is defined as a group of individuals with similar goals work together and individually. Managerial activity includes a modern and creative approach to redistribution of duties and obligations in all forms of organization and management .U basis of the team, compatible, cooperative, harmonious and operational approach, ready for rapid change and adapting quickly to new situations and solve problems may be caused During the implementation of the project. In theory and practice of the concept of management is defined and treated differently. Meaning management which is usually translated as: governance, management, and skill, craftsmanship - is a comprehensive and too general [8]. Within this general it is necessary to point out everything you need, and articulate all that is important in that complex idea. For keeping a job or solve a specific task, the organization is important both in preparation and in performance, this has come in work activities. Analyzing and making its findings actions [16]. Access in seeking the most favorable conditions and an optimal solution, to not be conformist and model, but rational and creative management is the process of governance or management of a venture, which makes it an integral part of overall development strategies, long-term planning, regulation, coordination and control such activities. Key to successful management is appropriate flow of information between and within the strategic, functional and operational levels in order to facilitate timely and proper decision making.. Management exists in all types of organizations. It is a practical discipline, but has its theory. There are several definitions of management, but is the most common is: Management is a set of features aimed at efficient, effective use of resources to achieve objectives of the organization . The use of resources means the use of human resources, materials, equipment, technology, information and more, with minimum cost and designed method. Effectiveness means a good decision and successfully executes the decision. Since managers receive targets employers because the owners manage the company, not managers - managers realize the goals. Employees of the company to carry out all activities in order to realize goals. Buyers of services are important because they need to sell the goods services. Suppliers are also one of the important environmental and constraints for the company [17]. The public is that in which the organization creates its image. These are the main limiting factors for the core components of managerial jobs

MANAGEMENT IN HEALTH CARE

Health management means successfully managing the health care organization in the most general sense, including selection of control measures (decision) under whose influence achieved better results than those achieved when the organization of these measures would not be [2].These measures were successful as much as you are well adapted to the goals that they want to achieve in the given conditions. If goals are not well formulated (or deviate from them) or are not taken into all restrictions and obstacles that come from working conditions, then the most expensive measures may miss its purpose, and the results may be contrary to the expected. Health as a specific form of service activities in their organization that includes more specific and narrower form of professional, and thereby mutually conditioned and compatible activities (medical, technical, administrative, educational..), expresses personality in the organization, administration and management [17]. As a complex mechanism in which mutually penetrates various activities, health care must have a clearly defined organizational structure. Under the structure of the inner structure involves a whole set of factors, associated with certain relationships, in which each element has its role [16]. Change any one of the given factors or any of their important characteristics, changes and structures. In relation to the organization, the term structure is used to indicate a uniform, standardized part and the properties of the elements that make up the composition of the WHO. Even a superficial analysis, and without much effort can be ascertained that the position of management, leadership and organization in our health care in a chaotic state. It is not just a superficial observation, it is a solid fact. For many years no essential prerequisite, and that is the law system and legal norm, is not provided and the existing old regulations are not respected. The adoption and implementation of legal regulations confirmed that trusted in European countries and give positive results, would enable the health policy approach and principles of modern business that has been established for decades and sovereign work in Europe. With us, however, some new laws of business conditions deteriorated health system (Labor Law, Tax Law, etc.) [8]. The situation in health care organizations are based on obsolete administrative regulations - relations, which is largely obsolete.

This organization was rigid, inflexible, and therefore irrational. Health sector has a form of organization, which is divided by sectors. In each sector are solid defined organizational units within each job description with clearly defined responsibilities and tasks. This organizing principle was outdated and belongs to the so-called. the type - the administrative forms of organization. This form of organization is hardly mobile, inflexible and difficult to accept the papers and change. Management control current forms of health organization is reduced to rigid hierarchy, where manager responsible for strict discipline and implement only what he was ordered job description and superior account manager, which is reduced to bureaucratic and executives institutions become officials - implementers, no opportunities for creative action. This principle is received in all organizational pores, and we especially during the period of self-government, so that the health system in our country has become a dormant body. Inevitably, this form of organization because of inflexibility and slow adaptation to modern forms of business, become inert and, and thus theoretically obsolete in modern trends. The current administration of our health institutions is based on the board of directors. The Steering Committee is made up mostly of politicians and he practically has a function more so. Political Council Board of Directors, following the example of the administrative committees of the European institutions must have the function of creating the basic preconditions for the functioning of health care organizations - financial and educational. He should have a primary business function [9].

The Steering Committee has two primary responsibilities:

• The obligations to the institution: to provide sufficient financial resources to institutions to perform its core business without the financial burdens, can not be conditioned treatment financial difficulties and

• according to the society to control health care organization that respects the basic concept set to be received funds used rationally [10].

Modern health care system needs a concept that includes:

• The flexible organization that is without consequence willing to rapid changes,

• Management team work which aims to produce entrepreneurial projects

• Open access to new ideas in the field of health management and

• Interactive and interdisciplinary approach relationship with clients - the patients.

The goal of the health management to the principles of management and operational management of water and creative managers, experts in specific areas and specialties. Health care management includes a modern and creative approach to redistribution of duties and obligations under the professional teams, and all forms of organization and management of health institutions [16]. Leadership in this form of organization dealing with agile and professional management, in which the holders of specialized experts and the driving force of the process: planning, organization, implementation and analysis. In conclusion, the managerial form of organization can stand conclusion that the pillar of the organization manager, who must be found in all structures of the medical-educational, scientific and reasonable, technical, marketing, to financial, administrative and course management. Last year in our country is becoming clear that health care is fully monitored economic and market conditions: offers - health care workers and their knowledge (services) and demand - the need "customer service" - the patients. Therefore, the definition of management can be understood as a process of performing tasks through other people, or with them in order to achieve organizational goals in a dynamic environment, using limited resources. Each process must start from the needs of "customer service" and finish their complete satisfaction [4]. The said principle is applicable in the narrow sense - a health professional relationship - the patient or in a broad sense - health care - health care administrator. Of health managers is expected that with the basic knowledge of medicine and education have for the conduct and management, ability to apply new knowledge in medicine and accept the benefits of new technological achievements. Before analysis, we should recall the three basic characteristics of the reform of health systems in all countries in transition, from the Baltic to the Balkans [17]. The first feature is public health through the privatization of large parts of the system. This resulted in the fact that 80% - 95% of the capacity of primary health care (Health) in the transition countries based on the private sector with a tendency of further ownership transformation. The second is the decentralization and diversification of funding sources by forming public-private mix of health care funds and private insurance companies. The introduction of pluralism at the level of service providers and financing are essential features of the third foundation of reform and this is a free choice of doctors by the citizens. With free choice of doctors, the state or the private sector and the insurance money to accompany him, the citizen finally gets the opportunity to exercise their health rights by the standards of modern countries. Do any of these general trends foreseen in the draft laws of the health system? Unfortunately, not only that proposal do not contain any of the required, but the apparent step back compared to the solutions in the countries around us. The law is observed more systemic contradictions and ambiguities are present and a number of solutions with high corruption potential.

Basic principles of modern health " patient free to choose a doctor" and "money follows the patient" in the law are not provided. A monopoly provider of public sector is stronger against all intentions and successful reforms in transition countries. Also, the law is based on a monopoly of the state compulsory health fund; although a number of post-communist countries spend less proportion of gross domestic product for the health of the Serbian health system is financed from several public and private health insurance. The patient still can not freely choose a doctor in private or public sector, which is contrary to EU standards [17]. This significantly reduces the productivity, efficiency and quality of health care but provides a powerful incentive to corruption. In economics it is known that legislation that protects the monopoly generator system corruption. Unclear is the definition of "basic package of services" which the Government and the Ministry of Health always have the right to change the scope and content so that a citizen can never know what you get for the contribution to the compulsory health insurance.This is contrary to the elementary rights arising from contract relations between the insured and insurance. In addition to undermining the economic system reduces the uncertainty and fiscal performing duties of citizens towards contribution for health insurance [15]. But of these legal and economic paradoxes show that the proposed concept of insurance far below the standards of modern health care system and to experiment with a pure propaganda purposes. [11][18][19].

CONCLUSION

FREEDOM FROM DISEASE - It is necessary to come out of the socialist clichés "free health care and health care system to achieve real cost, in order to achieve" clean bills of health, where, except for material costs of treatment and the work of doctors and other health professionals and has a realistic market price, which is the most effective eliminate corruption in health care [16][17].Health insurance, primary, and possibly additional, paid individual citizen on the basis of freely concluded contracts with the health fund of Serbia, or other financial organization that is authorized to health insurance, which are clearly guaranteed his rights and possible health services to the level of health insurance coverage. Financial and legal responsibility for the continued implementation of health care bear a one-citizen, local government, the Autonomous Province of Vojvodina and the Serbian state, based on the responsibility to protect the lives and health of man as follows: one through the payment of health insurance, the local government through service facilities and technology in that health care done on the basis of their own plans and needs, as well as possible health and business concepts, AP Vojvodina through the decisions of major institutions (tertiary health care) and financing of health programs and plans for the special needs of the citizens of Vojvodina in order to solve the most of health problems in Vojvodina, a Serbian state through a unique system of health care, supervision and legislation. The state of Serbia and its Ministry of Health, as well as the AP of Vojvodina can not have any commercial impact in the field of health care, except for protection of legality, although it may be the owner of certain Local Health policy in health institutions [17]. Health Insurance Fund is organized as a public and independent financial entity insured free of health associated with its assembly and other bodies whose main activity is the cost primary, secondary and tertiary health care. Fund for Health on behalf of their insured free contract, or pay the cost of the health care facilities to provide the best market conditions for certain types of health care, where they are fully equal health care facilities in private hands, owned by local governments and state-owned. Business efficiency and quality of health care institutions services are the leading criteria for the Health Insurance Fund pays for treatment. Health care facilities that has quality service, or operate inefficiently, extinguished in accordance with the termination of funding of the Fund, or in accordance with the law, as well as all other companies. At the leading place in health institutions come up with a plan and program operations, and goes after the agreed term, due to deviations or business plan, failure to comply with the criteria of modern science and medicine, and crime. "Not political" health institution is the foundation for the introduction of markets in health care operations and rationalization of resources used in healthcare. [17].

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Dr. Momcilo Stojanovic was born on on 26.08.1954. in Batocina. After graduating from Academy of Hotel Industry, during which he had been sent to attend the seminar in Switzerland, he was referred to three-months long specialisation in France. Upon return, he was hired by the Academy of Hotel Industry where he is still employed. He graduated from Faculty of Hotel Industry in Opatija, department for Hospitality and Tourism. He finished specialisation and passed specialist exam at Faculty of Mathematical Science in Novi Sad, and then, at the before mentioned Faculty, defended master's thesis on the topic „ Planning, organising and conducting the training in hotel enterprise“ and gained academic title Master of Science. He defended PhD thesis „ International Hospitality Management with special reference to Cathering Services“ and gained academic title PhD of International Management Science on 05.05.2014. at European University. Most of his work life, 35 years, he was teaching, first as an associate-demonstrator and then as a Professor of subjects related to Restaurant Business and Cathering Business, which he has been teaching till present. Upon a proposal by the Tourist Association of Belgrade he was named a member of a work-group for creating the rule book about chategorisation of hospitality facilities. Upon the initiative of Syndicate of the city of Belgrade and The Association of Caterers of Serbia, he was engaged as a member of the jury during Hospitality Assembly: Zlatibor, Vrnjačka Banja, Herceg Novi,Novi Sad, Kopaonik, Kladovo, Kragujevac. He participated in Barflam fest in 2001. on Jahorina, manifestation held under patronage of Chamber of Commerce of Srpska Republic, with the topic „Finishing the meal in front of the guest“, where he also presented his handbook which was published immediately prior to this fest. He published his scientific works repeatedly in professional journal of theory and practise of hospitality industry – Hotel link. He is engaged in student mentoring in preparing for international competitions of the AEXT organisation, where they participated in 2010. in Bled, in 2011. in Hague and 2012. in Ohrid, Skopje.

MENAGEMENT AND ORGANIZATION IN FIVE STAR HOTELS

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Abstract

The hotel industry is one of the crucial components of service industry. It significantly affects the extent and characteristics of turnover in a particular business and tourist destination. Business and tourist destinations acquire identifiable market values by their existence and the highest category hotels' development level, above all among them the *five-star hotels*. Five-star hotels focus on business travelers, conference groups, tourist groups and residents (resident population) by offering those hotel products that are matching their needs and interests. By creating, presenting and placing hotel products in demand, five-star hotels create, metaphorically speaking, a three-lane system. *The first* one drives - to understanding the value of services intended to be delivered to hotel customers; *the second* – to ensuring customer satisfaction; and *the third* – to maintaining their loyalty. For this formula to be successfully applied by the hotel management it has to create a vision of the success of the exchange process (to close the circle of relations: hotel customer - hotel), based on the construction and implementation of the hotel's high performance standards, and upgrading its core competencies: by providing information continuously, by permanent learning and innovating. Only in this way, the hotel *management*, supported by appropriate *organization of work*, may contribute to the utilization of opportunities to achieve competitive advantage in the hotel market, for gaining *a bigger piece and a bigger slice of the market cake*.

Management of a five-star hotel should have four key attributes. *The first* attribute consists of guiding the hotel towards achieving the overall vision of the ultimate business - vision, mission and goals; *the second* attribute includes the need for the decision-making process to take into account a number of interest groups; *the third* attribute includes focusing on both the short and the long-term perspective (hotel managers need to reflect on the future of the business, and to act effectively); *the fourth* one consists of the ability to identify a compromise between efficiency and effectiveness (through the existing awareness of the necessity for the hotel constantly striving to operate effectively and efficiently). It is necessary for the hotel management to have the ability to make distinction between business situations, and apply methods to suit the dominant factors of a specific market situation. In other words, hotel management must continually adapt to the changing attitude of their *service program* and the hotel market. Management should, in *the short-term*, endeavor to demand for hotel products adapted to their abilities, and in *the long run*, their demand capabilities for hotel products.

The organization of work is a key component of five-star hotel capacity to adapt to and influence the environment where they perform their service activities. Organization of hotels in this category has to be viewed as a continual process of adapting to the dynamics of new requirements and changing environment. It is relevant to point out that the hotel organizational ability to adapt depends more on how the parts (its departments, offices and work sectors) mutually influence each other, but also how they operate independently of one another. Five-star hotel is a large and complex organizational system. Therefore, while establishing the organization of work, hotel management should take business goals and strategic direction of development as a starting point. Formulated strategy is the basis for the division of labor, which in turn is the basis for the creation of an appropriate organizational structure. Successful business hotel, as a rule, always reflects correctly established organization of work. On the other hand, changes in the objectives and strategies of hotel management, requires a review of the operation and its possible adjustment.

Five-star hotels in general are oriented to the hotel market. Just like any other major hospitality format they also, under the influence of hotel demand and competition, have to create the work organization based on the concept of strategic management. *The focus* of hotel management, in this context, should be on: the achievement of leading position in providing hotel products; achieving leadership in technological excellence; and achievement of leadership in relation to hotel customers. Respectable business management arrangement, when it comes to the hotel product, exists if there are hotel products resulting from useful innovation. Respectable business management arrangement, when it comes to technological excellence, exists if there is a technological perfection as an outcome of "creating new knowledge and to adding new set of techniques, already available techniques". Respectable business management arrangement, exists when it comes to hotel customers, if there are available hotel products resulting from finding solutions to satisfy individualized needs of hotel customers. The hotel **work organization** should be **focused** on ensuring that each employee accepts a business concept that insists on satisfying the requirements of the hotel market as well as fulfilling the needs of hotel customers that has always been a basis of every activity and relationship.

Key words: FIVE-STAR HOTELS; MANAGEMENT; ORGANIZING OPERATIONS

* * *

INTRODUCTION

Five-star hotels are those formats at the highest level of operational excellence. The sustainability of creating and delivering high value hotel products, in this category of hotels, determines the existence of supreme **management** and **the organization of work**.

The most important engagement of the five-star hotel *management*, and *the organization of work* and doing business supported by it, is to build the technological process of creating hotel customers (1), and the process of generating hotel products (2).

(1) The basic content of *the process of creating hotel customers* includes: a) exploring cultural, social and personal factors that influence the decision of hotel customers to decide to use very specific hotel products; b) establishing an optimal set of hotel operations, which can satisfy the realized (stated and latent) needs of hotel customers; c) setting up and improving the efficiency of hotel operations (by adopting new technology solutions and organizing training of the hotel staff); and d) achieving hotel customers satisfaction and loyalty.

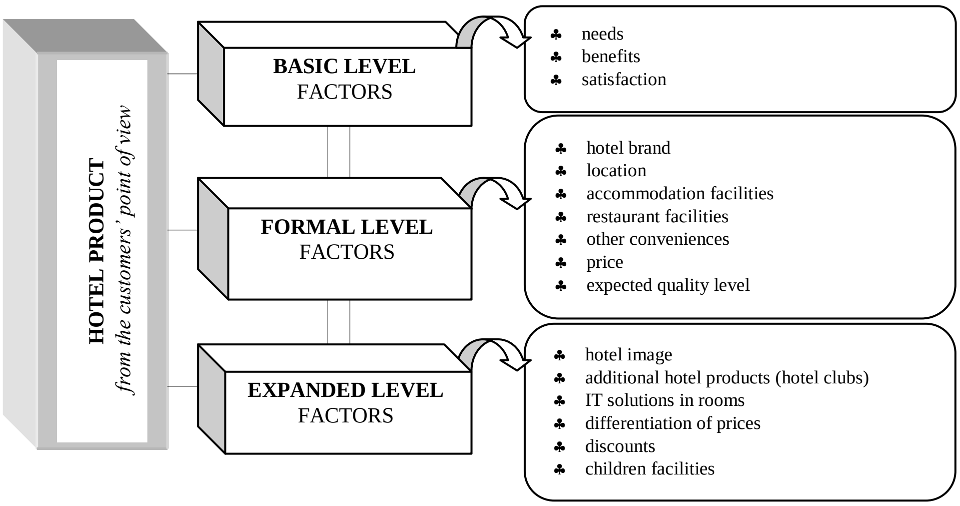
2) The main content of *the process of generating hotel products* includes the development of a complex multidimensional concept of hotel products, which comprise the totality of the usefulness and value offered to customers through designing the following level of the hotel products: a) basic; b) formal; and c) expanded. Basic level of hotel product indicates that its integrative use in a five star hotel is resulting in total experience / benefits, which become the property of hotel customers and that from the moment when they start consuming them and for a specific period of time.

1. *Five-star Hotel* **Management**

The old saying related to the hotel industry that "everything starts from the top" is a complete truth. The hotel industry's main focus is people, employees and business partners, and above all its guests.[1] The main course of the five-star hotel management is to achieve the excellent flow of hotel products, which are, as a rule, integrated products. In other words, hotel products of five star hotels are composed of smaller or larger number of *partial* products (partial products in the area of housing, those in the field of food and beverages, partial products in the field of health and recreational facilities, as well as those in the area of transfer / for example, transportation of hotel customers from the airport to the hotel upon arrival and from the hotel to the airport on the departure / etc.). Consistent answer to the question of what the foundation and superstructure of hotel products look like from the point of view of the management of this category, and how the basis and superstructure of hotel products as observed by hotel consumers, determines a distinction in the level of observation. The remarks that *the human point of reference in space and time is variable* should always be mentioned in this context.[2] (Figures **1** and **2**)

It is in the interest of the five-star hotel management to fully examine the specific requirements of the hotel's customers, aimed at serving as the basis of creating strong relationships with them. There are three forms, three components of a unified approach to achieving these business intentions: (1) additional financial benefits; (2) additional social benefits; and, (3) additional structural connections.[3] An old communication rule in the hospitality practice is: *customers should be won, and not flown upon.*

Figure **1** – *Hotel products from the hotel customers' point of view*



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Management process, as a functional business flow of a five-star hotel, involves the use of what a hotel of this category (i.e. its *top management*) has at hand available to do what needs to be done. *Business resources*, and *Business acumen* are main possessions of the hotel (i.e. its *top management*); and what it wants to do is to achieve *organizational goals* of the hotel as a whole (i.e. the corresponding segment of work in the hotel).

Business resources of five-star hotels are the basic elements of business operations in the area of providing accommodation, food and beverage. There are *eight* basic categories of resources: physical, reputation, organization, financial, intellectual, technological, and marketing resources. Business resources are limited. Top management of the hotel does not have, as a rule, all the resources that are needed, or at least they are insufficient. Therefore, top management has to take *business decisions*, and *actions* based on them – by *optimizing* them, according to the quantity and quality of available resources, to achieve (business and marketing) goals anticipated in the business plan.

Business capacity of a five-star hotel is a special kind of *critical factor* of business success. Possessing a business capacity means having the strength for hotel operations to generate a *successful business*. Abilities, as a *power*, are linked to the implementation of key hotel activities. *The activities* are aimed at creating, maintaining and expanding the competitive advantage that a five star hotel prefers to exercise by an adequate placement of their hotel products.

Activities that influence the application of business skills are*: common activities* - available in the market, and do not require any business skills; *basic activities* - available at the very hotel for maintaining business processes, and they require certain business skills at the *average* level of quality; *emerging* activities - available in the micro environment of the hotel and require business skills of the *higher* level of quality; and *key* activities - available in micro and macro environment of the hotel, and they require business skills of *high* quality. Management of five-star hotels is driven by the power of successful individuals and teams. Hence, the *business ability* positioned as a business segment of the organizational culture in hotels, the resource *par excellence*. Business acumen, in this context, becomes the backbone of teamwork, creativity and innovative behavior of employees, *executive* hotel employees and *hotel managers*. When applied in the work process, it supports quality *"execution"* of business operations, and it is essential for successful transformation program of hotel facilities for managing change. Business executives capable of carrying out business operations - that are being related, equally for the implementation of respective business operations in the functional hotel work sectors (accommodation, food and drink), and within the top hotel management as well - are in a position to demonstrate the ability of anticipating, creating and maintaining flexibility in doing business, thinking strategically and working with others for the purpose of initiating changes that will provide profitable future to the hotel. The basic tools that managers of five-star hotels utilize in this constellation are their conceptual, human and technical skills.

Organizational objectives *("what the top management of the hotel wants to do")* show what it wants to achieve by the sale of hotel products and demonstrate why the hotel of this category exists. Organizational goals can be identified as: **basic** business goals - meeting the needs of current and potential hotel customers to *increase profits* (for "externally oriented" business operations) or by *cost reduction* (for "internally oriented" business operations), i.e. the fulfillment of obligations towards other stakeholders; and *sub* business objectives: focusing of target market segments (1), defining and maintaining standards of quality processes in all the segments of the hotel (2), the hotel product positioning (3), maintaining or creating the *image* of the product on the hotel market, on the interaction between what hotel management offers and the level of consumers' satisfaction (4), and continuous market and technology forecasting (5).

The general approach to the five-star hotels management, as the process of creating and maintaining conditions in which the hotel staff, working in the programmed (*structured in a business manner*) business divisions, or departments and sectors, effectively achieve business goals envisaged by the plan, can be functionally viewed as a *composite* whole (*ideas, resources and items of work, people*), which provides the basis for consideration of the following *three* levels of *management*: *top* management, *strategic* management and *operational* management.

Top management is the *highest* level of management in five-star hotels whose purpose is to establish conditions or levels of hotel activities that lead to the satisfaction of the stakeholders goals. The focus of top management in this context should be on: achieving leadership position of the hotel products; achieving leadership in technological excellence; and winning leadership position in relation to hotel customers.

Respectable business arrangement of the top management, when it comes to the *hotel* products, exists if there are hotel products resulted from *useful* innovations. Respectable business arrangement by the top management, when it comes to *technological excellence*, exists if the hotel products are the result of *useful* innovations. Respectable business arrangement by the top management, when it comes to a *technological perfection*, exists if the technological perfection is a result of "generating new knowledge and adding new set of techniques to already available techniques".[4] Respectable business arrangement by the top management, when it comes to *hotel customers*, exists if the available hotel products resulted from individualized needs of hotel customers.

Strategic management is the *middle* level of five-star hotel management whose purpose is to create a business composition (a mix of business activities) that will *generate* the value-based performances. Strategic management assumes its purpose to "broader spatial and longer time horizon" starting from the analysis of the current position of these formats, expressed through *diagnosis* of performances achieved in the past and *forecast* the realization of performance in the future. The focus of strategic management, in this context, should be based on: *interdisciplinarity* (in the sense of *producing* qualitative changes in the content of work in diverse / not specific / functional areas); *external business environment* (in terms of *creating* interaction between the hotel and its external environment); *internal business environment* (in terms of *producing* interaction between offices and service sectors of the hotel with strategic courses of action); and *creating the future* / in both the short and long term / (in the sense of *creating* a sustainable competitive advantage, flexible planning system, adequate organizational structure, business culture values, optimal use of business resources).

Operations management is the *lowest* level of five-star hotels management whose purpose is the achievement of *operational missions* of these formats, i.e. the implementation of *business operations* in the area of accommodation, food and beverage, health, recreational and other facilities, on the one hand, and *distinctive competencies*, as indicated by a unique set of capabilities that enable creation from the hotel *sui generis* hotel products, on the other hand. The focus of operational management, in this context, should be on *three* courses of action: the *first* direction is related to the selection of competent and responsible staff and their deployment and training; the *second* direction refers to the action in the domain of the set tasks, and implementing meaningful planned - organizational activities (*decision making, delegation of tasks, coordination*); the *third* line refers to the control and performance appraisal and reward system of the hotel staff.

[4] Green K. and Morphet C., *Research and Technology as Economic Activities*, Butterworth, London, 2007, p. 2.

The continuity of the decision-making process in a five-star hotel covers three approaches: the *first* approach, called the *traditional* approach, describes a general manager as a unilateral decision-maker; the *second* approach, called the *rational* approach, describes a general manager as decision maker after receiving the input from others; the *third* approach, called a *modern* approach, describes a general manager as a leader who enables a competent team of employees to make a decision.[5]

A general manager of a five-star hotel must have, in the stated contextual approach, appropriate and new competencies. He must be a great communicator, a team-oriented person, familiar with technology, a person able to solve problems and make changes, the leader of the hotel industry of the 21st century.[6]

Managers of production and service sectors of five-star hotels are distinguished by a set of critical success factors which are responsible / for example, for an accommodation manager a critical factor of success is – the quality of accommodation units; a manager in charge of food and drinks – founds that this is the selection of food and drink, etc.. /. They do not work in a vacuum. They are responsible to various individuals inside and outside the hotel. As personalities with *formal* authority they consider themselves liable for its use. Accepting the *managerial functions* means simultaneously accepting the responsibility that goes with that position. The performance of a manager is evaluated according to how successfully he or she performs the tasks entrusted to them. They can perform certain tasks by themselves, and the others with the help of their employees. What is important to note in this constellation, *is* that the responsibility is always *individual*. If the *executive operations* department (service sector) fails to complete the given task, it is considered as a failure of both a manager and the given operating unit. For each manager, being responsible or liable for the effects of implemented actions of the executive staff – is one of more difficult *"meetings with business reality"*; therefore, *"instead of trying to overcome resistance to what people are* ***not*** *willing to do, the manager has to find out what they* ***are*** *willing to do* ...".[7]

Finally, each of the managers employed at hotels of this category is also responsible to himself. As an established, mature personality, a manager not only helps its executive segment of work, but also to himself. Many managers in the immediate work process feel satisfied when they are the *owners* of the compression that the job has been well done. Their satisfaction is a reflection of formed expression of feelings in terms of respecting the consequences that occurred by using the powers that they have had (since these powers are *temporary*). If a manager performs his duties in accordance with his work ability

[5] Hayes K. David and Ninemeier D. Jack, Opus citatum, p. 70.
[6] Zecevic Milija PhD, *Modern Management*, European University, Belgrade 2013 pp: 77–78.
[7] Peters J.Thomas и Waterman H. Robert, *In Pursuit for Supreme*, Global Book, Belgrade 2002, pp:160.

(with demonstrated adequate qualification / general education, vocational education, empirical education / and attitude towards work / expressed through work and technological discipline / he will have a better chance of promotion. To be fair to themselves, managers of these segments of the hotel activities should have a *career plan*, think over short-term and long-term goals and develop strategies to achieve these objectives.

There are two key responsibilities of five-star hotels management in the context of the hotel products quality: *the first* one is related to the strategic approach of *creating* hotel products, i.e. aspiring to set aside, differentiate its offer from their competitors, by *producing* hotel products which, due to the perfect functional and emotional characteristics, is very hard to resist; *the second* responsibility is the strategic approach to the *promotion* of hotel products, i.e. the urge to profile the target audience (selected consumer segment) in terms of knowledge and the shaping of attitudes about the value of hotel products, transform the message into communication, in the ultimate outcome – the *purchase*.

The hotel management (together with its business operatives), in their business operations related to the creation, maintaining and marketing its services, should develop and apply the following steps: (1) the hotel consumer must be the starting and end point of each business operation in the hotel; (2) when relation to hotel customers is in question, there should not be any anticipation that the hotel is their *second home* while staying in it.

A hotel consumer expects pleasant and relaxed atmosphere and even more than that, besides meeting his basic physiological needs, safety, and shelter. *Samuel Johnson*, the famous English lexicographer, gave a widely quoted comment: *There is no better invention that a man has made up and that makes him so happy, as it is a good hotel*; (3) a hotel product is highly interpersonal, i.e. it is based both on relations with hotel customers, as well as on the relationship within the collective. The success in this context supports the *congruent approach* by the hotel management (*Engl.* Congruence = accordance, correspondence), i.e. the urge to provide satisfaction to both hotel customers and its staff. The hotel consumer confidence, just as the one of the hotel staff, is an expression of objective and honest conduct of hotel management in all that is regarded as professionalism; (4) management of the above mentioned hotel categories, who want to maintain and improve the existing market position has to assume the interest of employees to the interests of hotel consumers; they have to get all working groups *open* for the acceptance of new ideas to improve the work process, and to position a new image in the minds of existing and potential hotel customers as well. The openness of the working groups for new, effective information content, for open business relationships with the other working groups, and all in order to achieve a common goal, can be achieved by the hotel management with people who operate as a link or bridge.

2. **The Organization of Work** at *five-star hotels*

The organization of work, as a component of management system of five star hotels, is the *creation* of organizational regulation of behavior, aimed at harmonizing business processes that enable the achievement of business goals. The organization of the hotel operations is aimed at providing continuity of hotel activities. It is conditioned by the understanding of the relationship and the relationship of the total supply of hotel products with hotel market. The portfolio of the products/market requires the establishment of an appropriate organizational structure for the purpose of properly positioning the hotel in the hotel market. Positioning assumes determining the quantity and quality of utility of the service program for various market segments supported by appropriate technological procedures.

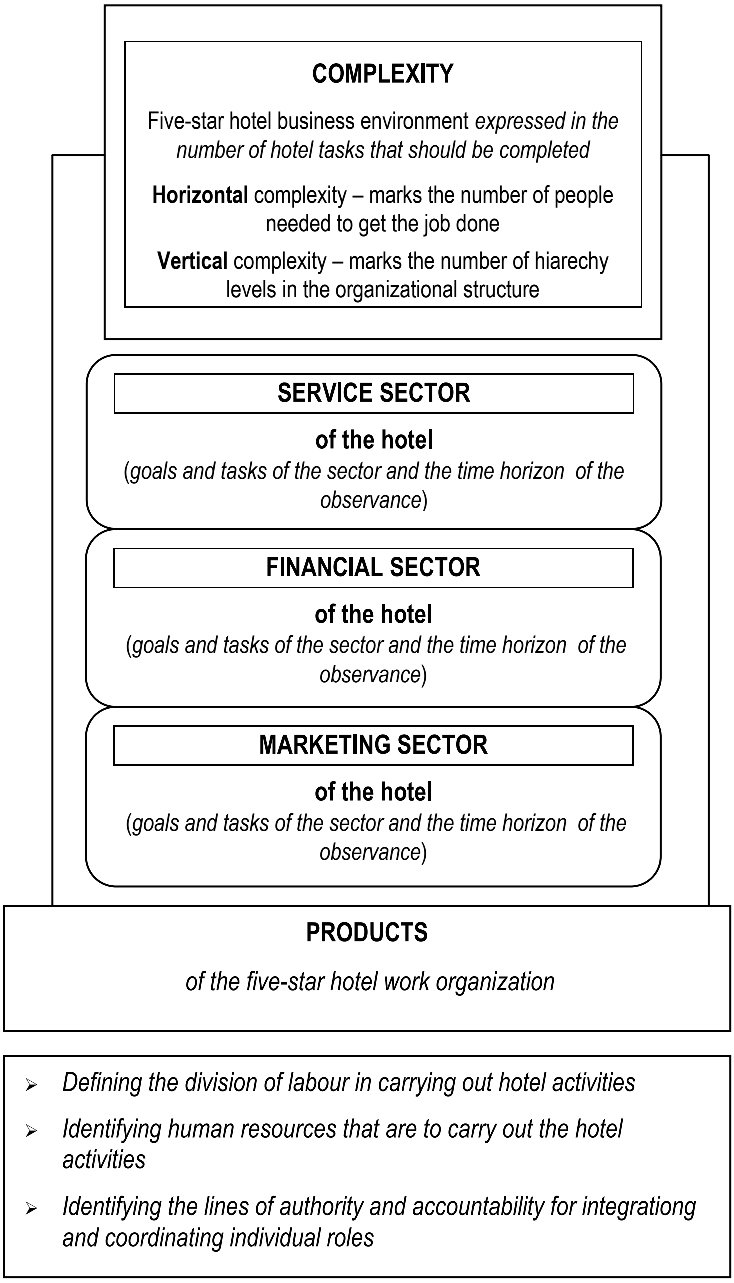
The organization of work is always in the function of selected business and marketing strategies of five-star hotels. As a rule, the growth of the hotel (and also its *development* through changes in the service program and the realization of the program of work across specific sectors, for example, *a hotel catering*) is the cause of a change in the organizational structure. Changing the organizational structure supports the replacement of *old business methods* (as an expression of the *internal* hotel environment functioning) with *new business methods* (as an expression of the *external* hotel environment functioning).

The organization of hotel work has its own *products*: defining the formal division of labor in the execution of hotel activities (1); identifying human resources to carry out the activities of the hotel (2); and, identifying lines of authority and responsibility for integration and coordination of particular roles. (Figure 3)

The organization of work is the output, as already noted, of the implications of the hotel market environment development process in which the five-star hotel operates. It should not exist "ahead of time", i.e. be proactive in relation to the process of change. The five-star hotel, in this context, should strive for the establishment of a progressive steady state.[8]

[8] Andrej Jasko and Dejan Petrovic, *Managing Organizational Cahnges,* School of Economy, Belgrade, pp*:* 243

Figure **3** – *Products of a five-star hotel organization of work*



A five-star hotel has to be adaptable, flexible and organized in a meaningful way to support marketing efforts of top management team to meet the requirements of the hotel market, more specifically, to achieve "a balance between internal and external effectiveness."

Conclusion

Management and adequately established work organization in a five-star hotel create a symbiosis (briefly: living together), which pursues the path of business excellence. In the context of values, the organized work processes and making high quality management decisions at the hotel are a response to *opportunities* and *threats*. An adequate organizational structure and the fluid of managerial efforts create *an invisible property of all departments, agencies and sectors*, and the hotel in general; property that protects the hotel of the stated category against the competition and maintain the performance of the hotel business in time. Management has to release the potential of the operating officers and other hotel staff, and enable them to engage in useful and creative work. The more the executives are viewed as successful implementers of duties and tasks, the harder they will try to retain that position. *The more work, the more has been done. The man never loses if he tries. He is losing only if he is abstaining*.

Management is a complex activity as well as the established organization of work. It is about people. People are different, everyone is different. Honest performance is the only correct policy of executive managers in a five-star hotel. Hotel management should always have in mind that *"the man is the recapitulation of his choices." Operating executive* in a hotel as a *business entity* is *a man*. A hotel consumer of its products is also *a man*. Executive manager of a division (or a service sector) is the person who supports the business process in the hotel, the person who *designs* and *produces* results that achieve *the goal* of the mentioned structural business segments. The change is the only constant and business life is not what has happened, but what people in the hotel feel every day and how they feel it, along with the overwhelming novelties. The success in this area creates *the executive manager* – by criterion of their own knowledge and experience. He is a partner of business operators, whose *memory mode* (*all that is in the spirit and simultaneously active*) can potentially be used for the successful development of the work process, bringing about positive job effects.

The executive managers should stimulate and urge the intellectual staff of their scope of activities, give them freedom in work and time to *investigate* various ideas, and then to make them *visible*. They do not have to demand visible results *immediately*; they have to understand the importance of creative contribution, and must not acquire the recognition by someone else's merit. It seems that it is essential to emphasize at the end that attitudes and motivation should be assigned a special place in the five-star hotel management business optics. The important thing is to create a positive work environment, because it stimulates the natural motivation within each employee in services and other sectors of the hotel. Only the established understanding in business relations can harmonize intentions and achievements. Where freedom is awarded, it certainly does not exist. *The great goals and the management and the organization of work should not be given up* is the thought of a smart business person, *but they have to be aligned with the goals of the individual.*

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