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МЕЂУНАРОДНИ ЧАСОПИС
ЗА ЕКОНОМСКУ ТЕОРИЈУ И ПРАКСУ И ДРУШТВЕНА ПИТАЊА

ЕКОНОМИКА

Часопис излази четири пута годишње Година LXIII, VII-IX 2017, број 3

ИЗДАВАЧ: Друштво економиста "Економика" Ниш
СУИЗДАВАЧИ: Економски факултет у Приштини, Институт за економику пољопривреде - Београд, Факултет за пословне студије и право - Београд, Факултет за менаџмент - Сремски Карловци, Друштво економиста Ниша, Факултет за примењени менаџмент економију и финансије МЕФ - Београд

1. Часопис “Економика” покренут је јула 1954. године и под називом “ Нишки привредни гласник” излазио је до јуна 1957. године, а као “Привредни гласник” до краја 1969. године. Назив “Наука и пракса” носио је закључно са бројем 1/1973. год. када добија назив “Економика” који и данас има.

2. Часопис су покренули Друштво економиста Ниша и Друштво инжињера и техничара Ниша (остало као издавач до краја 1964. године). Удружење књиговођа постаје издавач почев од броја 6-7/1958. године. Економски факултет у Нишу на основу своје одлуке броја 04-2021 од 26.12.1991. године постао је суиздавач “Економике”. Такође и Економски факултет у ПриШтини постао је суиздавач од 1992. године. Почев од 1992. године суиздавач “Економике” је и Друштво за маркетинг региона Ниш. Као суиздавач “Економике” фигурирали су у току 1990-1996. године и Фонд за научни рад општине Ниш, Завод за просторно и урбанистичко планирање Ниш и Корпорација Винер Брокер Ниш.

3. Републички секретариат за информације СР Србије својим Решењем бр. 651-126/73-02 од 27. новембра 1974. године усвојио је захтев “Економике” за упис у Регистар новина. Скупштина Друштва економиста Ниша на седници од 24. априла 1990. године статутарном одлуком потврдила је да “Економика” има статус правног лица. На седници Скупштине Друштва економиста Ниш од 11. новембра 1999. године донета је одлука да “Економика” отвори посебан жиро-рачун.

4. Према Мишљењу Републичког секретариата за културу СР Србије бр. 413-516/73-02 од 10. јула 1973. године и Министарства за науку и технологију Републике Србије бр. 541-03-363/94-02 од 30. јуна 1994. године “Економика” има статус научног и ранг националног часописа “Економика” је поћев од 1995. добила статус међународног економског часописа.

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1. The journal EKONOMIKA was initiated in July 1954. It was published as “Nis Economic Messenger” till June, 1957 and as “The Economic Messenger” till the end of 1969. The title “Science and Practice” it had till the issue 1/1973 when it changed its name into EKONOMIKA as it entitled today.

2. The Journal was initiated by the Society of Economists of Nis and the Society of Engineers and Technicians of Nis (the latter remaind as the publisher till the end of 1964). The Society of Accountants became its publisher starting from the issue no. 6-7/1958. The Faculty of Economics, Nis, on the basis of its Resolution No. 04-2021 from December 26, 1991, became the co-publisher of EKONOMIKA. Likewise, the Faculty of Economics of Pristina became the co-publisher since in 1992. Starting from 1992, the co-publisher of EKONOMIKA has been the Society for Marketing of the Region of Nis. Other co-publishers of EKONOMIKA included, in the period 1990-1996, the Foundation for Scientific Work of the Municipality of Nis, the Institute for Spatial and Urban Planning of Nis and the Corporation Winner Broker, Nis.

3. The Republic Secretariat for Information of the Socialist Republic of Serbia, by its Resolution No. 651-126/73-02 from November, 27, 1974, approved of EKONOMIKA’s requirement to be introduced into the Press Register. The Assembly of the Society of Economists of Nis, at its session on April 24, 1990, by its statutory resolution, confrmed the legal status of EKONOMIKA. At the session of the Assembly of the Society of Economists, Nis, on November 11, 1999, the resolution was adopted the EKONOMIKA was to open its own bank account.

4. According to the Opinion of the Republic Secretariat for Culture of the Socialist Republic of Serbia No. 413-516/73-02 from July 10, 1973 and the Ministry for Science and Technology of the Republic of Serbia No. 541-03-363/94-02 from June 30, 1994, EKONOMIKA has the status of a scientific and national journal. Starting from 1995, EKONOMIKA has been having the status of international economic journal.

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МЕЂДУНАРОДНИИ ЖУРНАЛ
ПО ЭКОНОМИЧЕСКОЙ ТЕОРИИ И ПРАКТИКЕИ ОБЩЕСТВЕННЫМ ВОПРОСАМ

ЕКОНОМИКА

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ИЗДАТЕЛ: Общество экономистов „Экономика" Ниша.

СУИЗДАТЕЛИ: Экономический факультете в Приштине, Институт экономики сельского хозяйства в Белград, Факултет за пословне студије и право - Београд, Факультет управления - Сремски Карловци, Ассоциация экономистов Ниша, Факультет прикладной экономики и управления финансами MEF - Белград.

1. Журнал „Экономика" начал издаваться с июля 1954 года и под названием „Нишский хозяйственный вестник" выходил до июня 1957 года, а как „Хозяйственный вестник" - до конца 1969 года. Название „Наука и практика" носил заключительно с № 1/1973 г., когда и получил название „Экономика", которое имеет и сейчас.

2. Журнал основали Общество экономистов Ниша и Общество инженеров и техников Ниша (оставались издавателями до конца 1964 года). Объединение бухгалтеров становится издателем начиная с № 6 - 7 / 1958 года. Экономический факультет в Нише на основании своего Решения № 04 - 2021 от 26.12.1991 года стал соиздателем „Экономики". Также и Экономический факультет в Приштине стал соиздателем с 1992 года. Начиная с 1992 года соиздателем „Экономики" становится Общество маркетинга региона г. Ниша. Как соиздатели „Экономики" в течении 1990 - 1996 года фигурировали Фонд по научным работам, опщины Ниш, Институт урбанистического планирования Ниша и Корпорация Winner Broker Ниш.

3. Республиканский секретариат по информации СР Сербии своим Решением №651¬126/73-02 от 27 ноября 1974 года принял заявление „Экономики" о входе в состав Регистра газет. Собрание Общества экономистов г. Ниша на заседании от 24 апреля 1990 г. Уставным решением подтвердил, что „Экономика" имеет статус правового лица. На заседании Собра-ниея Общества экономистов г.Ниша от 11 ноября 1999 г. принято решение об открытии „Экономикой„ отдельного расчетного счета.

4. Согласно мнению Республиканского секретариата по культуре СР Сербии №413¬516/73-02 от июля 1973 г. и Министерства науки и технологии Республики Сербии №541¬03-363/94-02 от 30 июня 1994 г. „Экономика" имеет статус научного и ранг национального журнала. С начала 1995 года „Экономика" получила статус международного экономического журнала.

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USING INPUT-OUTPUT TABLES TO MEASURE THE CONTRIBUTION OF INDUSTRIES TO THE TRADE BALANCE

Abstract

The Belarusian economy is in a state of balance since 2016: trade deficit and gross foreign debt were reduced, the local currency strengthened. The problem is in resumption of economic growth, while avoiding trade deficit. The role of structural policy is to control the rate of growth of specific industries. Those industries that provide trade surplus should grow faster.

Government was stimulated both investment and consumer demand in the period from 2006 to 2014. As a result, GDP growth reached 5-12%, but subsequently the gross foreign debt exceeded 75% of GDP.

We have found that economic growth stimulation through quantitative easing in a small open economy usually leads to imbalances. Furthermore, imbalances reach critical levels if exports declining. In 2016 the situation with exports was extremely unfavorable for Belarus. Therefore, if government could not abandon stimulation entirely, it should still apply it selectively, in order to avoid imbalances. For this purpose, we propose to differentiate the industries in their contribution to the trade balance.

We offer a tool for assessing the contribution of each sector of economy (industry, or a product) to the trade balance. Baseline data are presented in the Input-Output tables, and the methodology is based on the Trade in Value Added (TiVA) indicators. Particularly, we line up the aggregate value chains for each final product, distinguishing foreign and domestic value added in gross exports and final demand for each industry.

The estimates of the Belarusian economy made it possible to divide the industries into three groups, according to their contribution to the trade balance:

Group 1: Products that contribute trade surplus. Domestic value added embodied in these products exceeds domestic final demand, taking into account the intermediate and final imports. This group includes: petroleum products, chemicals, transport services, business services (including software development).

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Group 2: Products creating trade deficit. Final demand for these products exceeds domestic value added – they are construction services, as well as manufacturing products: machinery and equipment, electronics and vehicles.

Group 3: Relatively neutral to the trade balance products, which include garment, wood, retailing, and some others.

For instance, it was found that the construction industry creates $3,5-4,5 billion of net imports, while total gross imports equals $44-48 billion in 2012 – 2014. In this period, petroleum products contributed approximately the same amount (if take into consideration export margins) to the domestic value added embodied in gross exports. In 2016 exports of petroleum products declined on a half. The volume of construction works was also halved, that allowed avoiding trade imbalance.

Key words: *Belarus, Input-Output tables, trade balance, value added.*

JEL classification: *F14, O12*

КОРИШЋЕЊЕ ИНПУТ-АУТПУТ ТАБЕЛА ЗА МЕРЕЊЕ ДОПРИНОСА ИНДУСТРИЈА ТРГОВИНСКОМ БИЛАНСУ

Апстракт

Белоруска економија је у стању равнотеже од 2016. године: трговински дефицит и велики спољни дуг су смањени, а домаћа валута је ојачана. Проблем је повећање привредног раста, уз избегавање трговинског дефицита. Улога структуралне политике је да контролише стопу раста специфичних индустрија. Индустрије које обезбеђују трговински суфицит треба да расту брже.

Влада је стимулисала и инвестициону и личну потрошњу у периоду од 2006. до 2014. године. Као резултат тога, раст БДП-а је достигао 5-12%, али је, последично, укупни спољни дуг премашио 75% БДП-а.

Открили смо да стимулисање економског раста помоћу квантитативних олакшица у малој отвореној економији обично доводи до неравнотеже. Штавише, неравнотежа достиже критични ниво, ако се извоз смањи. У 2016. ситуација са извозом је била екстремно неповољна за Белорусију.

Стога, ако влада не може да у потпуности укине подстицање (стимулисање) економије, требало би да подстицање економије примењује селективно како би се избегле неравнотеже. За ову сврху, предлажемо диференцирање индустрија по њиховом доприносуу трговинском билансу.

Предлажемо алат за процену доприноса сваког сектора економије (индустрије, или производње) трговинском билансу. Основни подаци су презентовани у инпут-аутпут табелама, а методологија се заснива на индикаторима the Trade in Value Added (TiVA). Посебно истичемо укупни (агрегатни) ланац вредности за сваки финални производ, разликујући, при том, домаћу и страну додатну вреност у укупном извозу од финалне тражње за сваку индустрију.

Процене белоруске економије омогућиле су да се индустрије поделе у три групе, према њиховом доприносу трговинском билансу:

Група 1: Производи (индустрије) који доприносе трговинском суфициту. Домаћа додатна вредност садржана у овим производима превазилази домаћу финалну тражњу, узимајући у обзир интермедијални (међупроизводни) и финални (крајњи) увоз. Ова група укључује: нафтне деривате, хемикалије, услуге транспорта, пословне услуге (укључујући развој софтвера).

Група 2: Производи који доводе до трговинског дефицита. Финала (укупна) тражња за овим производима превазилази домаћу додату вредност. Реч је о грађевинским услугама и индустријским производма као што су: машине и опрема, електроника и возила).

Група 3: Производи који не утичу на трговински биланс укључују одећу, дрво, малопродају и слично.

На пример, открили смо да грађевинска индустрија ствара 3.5-4.5 трилиона долара нето увоза, док укупни (бруто) увоз износи 44-48 билиона долара у периоду од 2012. до 2014. У овом периоду, нафтни деривати допринели су приближно у истом износу (ако узети у обзир извоз марже) домаћој додатној вредности укљученој у бруто извозу. У 2016. извоз нафтних деривата је смањен за 50 одсто. Обим грађевинских радова је, такође, преполовљен, чиме је избегнут трговински дефицит.

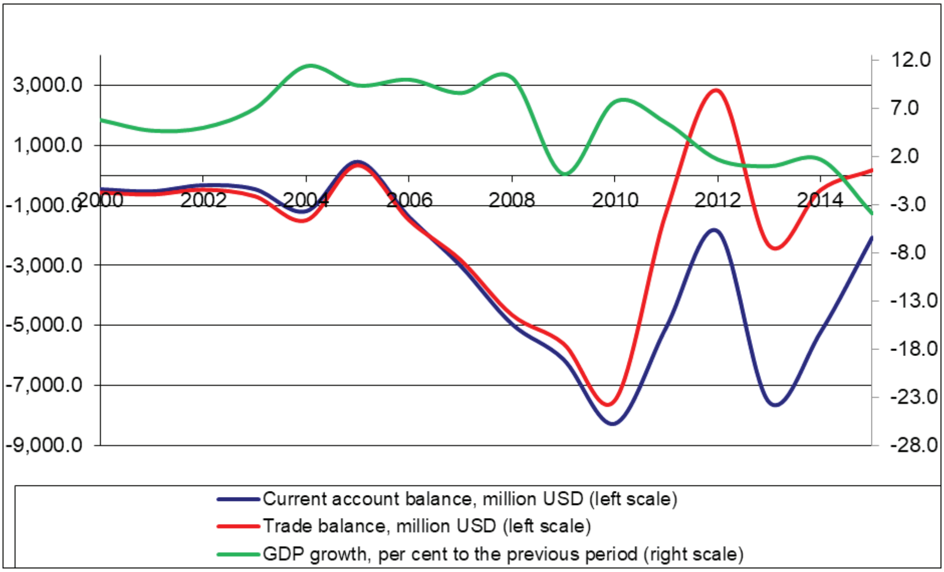
***Кључне речи**: Белорусија, инпут-аутпут табеле, трговински биланс, додатна вредност.*

Introduction

The Belarusian economy has been being in the recession since 2015 but during previous 15 years its growth rates had exceeded the world average and reached 12% per year. High growth rates of the Belarusian economy were provided either by favorable conditions for exports when the demand for Belarusian products in foreign markets had been increased (2000-2008) or by monetary stimulation of consumer and investment demand in the domestic market (2006-2014).

The economic growth stimulation by the government resulted in trade imbalance, which reached 15% of GDP in 2010, as well as an increase of the external debt. Payments for servicing external debt worsened the current account even with the trade surplus (Figure 1). Since 2015 when the economies of the main trade partners of Belarus - Russia and Ukraine – have been being in a state of recession and the volume of Belarusian exports to these countries has decreased, the need to move Belarusian economy to balanced growth became obvious. Balanced economic growth means the one that does not lead to trade imbalance and the growth of debts of the economy sectors.

Figure 1: Payment balance and GDP growth rates in the Republic of Belarus.



Program of economic and social development of the Republic of Belarus for 2016-2020 (Chapter 5) has prioritized balanced development, the key terms of which include deficit-free balance of payments and budget with a reduction in gross external debt and inflation (About the statement of Program of economic and social development of the Republic of Belarus for 2016-2020, 2016). And if we assume that the accelerated development of certain industries leads to an increase in trade imbalances and accordingly external debt while the development of other industries on the contrary reduces trade imbalance, then one of the main tasks of structural policy is to regulate the economy growth rates aimed to achieve a positive foreign trade balance.

Theoretical concept known as the Thirlwall's balance of payments constraint (Thirlwall, 2003) is used to estimate and predict the balanced growth of emerging economies.

Thirlwall's balance of payments constrained growth model postulates that the balance of payments position of a country is the main constraint on economic growth, because it imposes a limit on demand to which supply can adapt (Ghani, 2006). Later evidence for Thirlwall's law was found for Argentina, Brazil, South Korea, Malaysia, and the Philippines (Gouvea, 2010).

Governments of emerging economies often meet decrease in exports and increase domestic output to reach high economic growth. An increase in domestic output, by increasing imports, can lead to a deficit in the balance of payments, which may require either a fall in demand or a real exchange rate depreciation in order to ensure the sustainability of the external deficit. Hence, an unsustainable external deficit sooner or later requires a correction, which puts a brake on further output growth (Bajo-Rubio, 2014).

Based on (Elliott, Rhodd, 1999) results, economic growth is not only constrained by export and capital flows, but additionally is adversely affected by debt service payments which rob the economy of much needed resources to promote economic growth.

All these negative effects appeared in Belarus after domestic output stimulation. As any open less developed economy, Belarusian economy could not grow faster than its equilibrium balance of payment grows (Kolesnikova, Luchenok, 2015).

Methodology of the study

Thirlwall's model developed in 1970th and well known from his earlier publications (Thirlwall, Hussain, 1982) based on the previously developed models of Harrod (1940th) and Kaldor (1960th) (Celi G., Sportelli M., 2007). It assumes estimates of the income elasticity of demand for imports and dynamic simulations of economic growth based on initial data of exports and imports, investments and savings, etc. (McGregor P.G., Swales J.K., 1986).

In this study we used the Input-Output tables and the Trade in Value Added (TiVA) methodology as a data source and the basis for assessing the balance of economic growth. Using this methodology and based on the information provided we calculated the contribution to GDP and trade balance procured by each industry.

The Input-Output tables is a powerful toolkit for economic analysis that allows estimating cross-sectorial correlation in the context of the basic macroeconomic indicators. In previous years, it was used in Belarus principally for forecasting of domestic output and final demand (Soshnikova et al, 2001). Gradually the nation standard of Input-Output tables and the national industrial classifier were transformed closer to the international standards described for example in (Yamano, Ahmad, 2006).

Since the fall of 1990s Input-Output tables began to used worldwide for international trade analyzing by value added when the volumes of exports and imports began to be estimated not in the prices of goods and services but by the value added that each country buys and sells, produces and consumes in the process of international cooperation.

The basics of the methodology of statistical accounting of international value-added trade were published in scientific studies in the second half of the 1990s and since 2011 international organizations such as UNCTAD, Eurostat, OECD, WTO launched online services with access to databases where the value added created and consumed in the world has been distributed across countries and industries. The developed methodology is based on interconnected Input-Output tables for each country and involves the use of a set of indicators reflecting the degree of a country integration into global value chains based on the ratio of own and imported value added in gross exports and final demand (Bykau A., Kolb O., 2017).

One of the key indicators in value-added trade assessment is the indicator "domestic value added embodied in gross exports" calculated on the basis of direct costs (the Leontief matrix) using a special recursive procedure (Cappariello R., 2012). The indicator allows estimating of the share of value added in the gross output of the final output not only in this industry but also in other related industries integrated into the production chain within the national economy.

The contribution of exports to GDP and economic growth of the Belarusian economy is quite a topical problem because of a high openness of the economy and the need to overcome the trade deficit. First estimations have been made by Gotovskiy and Gutsol (2007), and then Belousov (2016), Grichik (2016), Bykau and Kolb (2017) have improved methodology using TiVA indicators like 'vertical specialization' or 'domestic value added embodied in gross exports'.

Then we have come to the conclusion that using this methodology allows us to divide the produced gross added value into two parts both in the whole national economy as and in the context of separate industries:

- gross value added in the export of products;
- gross value added created due to domestic sales in the consist of final products used for final consumption and gross capital formation.

Estimating the contribution of the second of the mentioned above components to GDP allows to specify a quantitative relationship between domestic demand and trade balance, broken down by industry. Total demand in the domestic market can be estimated in the cost of consumed goods and services. This cost includes the full value of domestic end-use products for the domestic market as well as the cost of consumer imports. The value of domestic final consumption products in turn can be divided into value added of national origin and intermediate imports in the composition of products. Thus the total demand in the domestic market conditionally includes the following components:

- import of final products;
- import of intermediate products in the whole production chain within that part of the final production produced in the national economy which is sold on the domestic market;
- domestic value added in the composition of domestic final products sold on the domestic market.

We suppose homogeneity of products of one sector consumed in the domestic market as a part of the total demand and also exported. Homogeneity means the same import capacity and correspondingly equal shares of the domestic value added in the gross output in products of one industry supplying on domestic market and on exports;

In Belarus the main method of GDP estimating is production method while the income method contains statistical discrepancies. Therefore it is possible to establish the link between the foreign trade balance and the elements of GDP using the income method to estimate the total demand for the national economy and in the context of its industries. The estimated foreign trade balance will differ to real balance on the amount of statistical discrepancies.

In accordance with this method, the gross value added produced in the economy is equal to the sum of final consumption, gross capital formation and net exports. It means the value of net exports as the difference between exports and imports, is determined by the equality (1)

$$X - M = GDP - (FC+CF) - \varepsilon \quad (1)$$

Where

X is exports;

M is imports,

GDP is gross domestic product;
FC is final consumption;
CF is gross capital formation;
ε is statistical discrepancies.

Then we assume that the gross value added is formed from the value added in exports and value added created due to the sale of final products in the domestic market. In turn the total demand in the domestic market, equal to the final consumption and gross capital formation, consists of demand for domestic and foreign final products. Domestic final products include both value added and intermediate imports. Considering that we represent equality (1) in the form of formula (2) which relates the foreign trade balance to the elements of value added and imports:

$$X - M = (VAD + VAE) - (VAD + IFD + IFF) \pm MG - \varepsilon \quad (2)$$

Where
VAD is domestic value added created due to the sale in the domestic market;
VAE is domestic value added embodied in exports;
IFD is import component of domestic final products sold in the domestic market;
IFF is imports of the final products;
MG is transport, trade and tax margins.

All indicators of formulas (1) and (2) are initially calculated in basic prices. For the transition to market prices, it is necessary to distribute margins on the domestic market and export margins to value added and final demand. Then it is possible estimate the contribution of the supply of goods and services (the first summand) and the demand on goods and services (the second summand) to the trade balance:

$$X - M = (VAD + MGd + VAE + MGe) - (VAD + MGd + IFD + IFF) - \varepsilon \quad (3)$$

Where
MGd is transport, trade and tax margins on the domestic market;
MGe is transport, trade and tax margins in exports;

There are several important preliminary conclusions that follow from formula (2) and characterize the relationship of the foreign trade balance with the elements of GDP and final demand:

1. Total demand in the domestic market is in fact the main factor in the imports growth and the build-up of external debt in the national economy. On the one hand, ready-made final products are imported to meet the needs of the domestic market. But even if it is replaced by domestic products imports can not practically be reduced to zero since any kind of domestic products contains a certain share of intermediate imports.
2. Thus the foreign trade balance does not depend on the absolute quantity of the value added in the composition of the final products sold on the domestic market (VAD): in the formula (3) this indicator is reduced. It also does not depend on margins on the domestic markert which redistribute but do not create incomes. Therefore for balanced economic growth it is more preferable to increase the consumption of domestic products with a minimum import component. Such products as a rule are services.

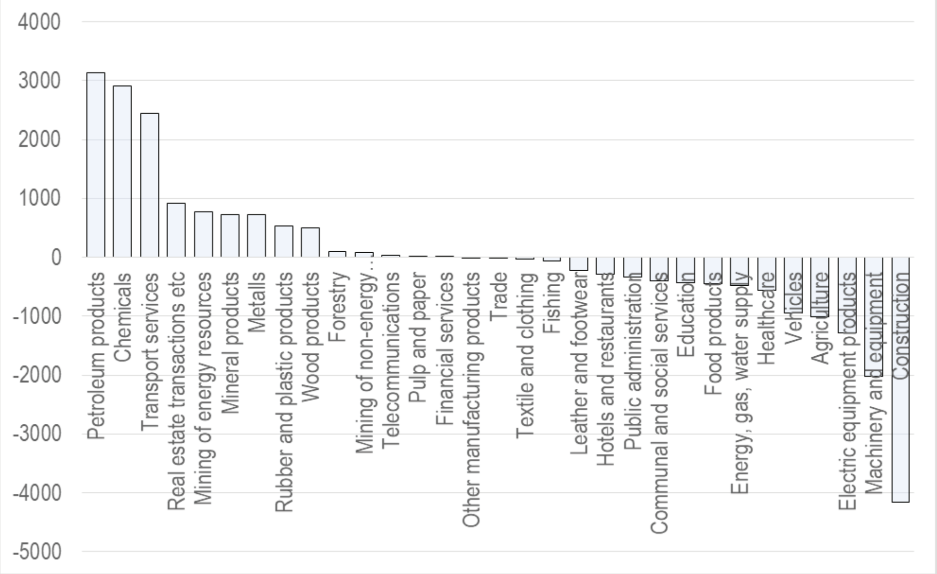
3. The foreign trade balance does not depend on the import intensity of the products exported: in formula (2) this indicator is absent. Indeed, the exported domestic products consist of the domestic value added and intermediate imports. At the same time the outflow of money from the economy to purchase intermediate imports as part of the exported product is compensated by the influx of cash receipts from the export of this product. Therefore even in case of an extremely high import intensity the exported product allows the creation of value added.

Mentioned above preliminary conclusions in general correspond with the conclusions of other researchers of aggregated value chains in the Belarusian economy, made using the Input-Output tables (Grichik M., 2016).

Results and conclusions

The target result of the developed methodology is the dividing of the contribution to the result of foreign trade by industries of the economy. The use of the balance of payments data does not allow this because there is no information on domestic value added in exported products i.e. there is no relations between industries in it.

The Figure 2 shows the results of calculating the equivalent of the foreign trade balance for each industry using the formula (2). As it was mentioned above, trade balance does not depend on margins on the domestic market but depends on export margins especially for product with high margins, e.g. petroleum products.



There are three groups of products in the Belarusian economy could be allocated:

Group 1: export-oriented products for which output significantly exceeds the final demand in the national economy taking into account intermediate and final imports.

In 2014 such group includes petroleum products, chemicals, transport services, other mineral products, metals and real estate transactions[3].

Group 2: products domestic demand for which is the main source of imports in the national economy. It is construction as well as all groups of technical manufacturing products (machinery and equipment, electronics and vehicles);

Group 3: Other products (industries) that are relatively neutral to the result of foreign trade.

The criterion or the main condition for the balanced economic growth is the foreign trade surplus. Actually, it was near zero in 2014 but due to statistical errors, the estimated trade balance is surplus. Naturally this does not mean that any industry should be in trade surplus but it is important the trade deficit for the products of Group 2 to be compensated by the trade surplus for the products of Group 1.

The national economy is characterized by a certain specialization in the international trade and this specialization can be fairly clear defined by the products of group 1. In our case as it turned out this is not machinery including automobile and tractor-building as it was many years before and still generally accepted. Belarusian economy has deepened specialization on the primary raw materials processing (petroleum products, fertilizers, plastic and rubber, metals, wood products, building materials).

The share of technical manufacturing products in the total production volume and value added is quiet high but the domestic demand for it slightly exceeds production capacity. The share of equipment, vehicles and electronics in the total production volume has been declining for a long time, and Belarus is gradually losing its competitive advantage in this product, which is extremely important for industrial and innovative development of the economy.

It is believed that investment in construction can revive the economy in a state of recession due to the flow of income to related industries as well as the growth of total final demand and gross capital formation. Perhaps in large and relatively closed economies this rule works but in a small open economy in Belarus about 25% of the gross output in construction is intermediate imports including metals, fuel and energy. Increased investment in construction leads to GDP growth but also causes an increase in intermediate imports and debts of the economy sectors. It is no coincidence that in the conditions of the recession of 2016 the amount of financing for construction and installation works has been reduced (Bykau A., Khvalko T., 2017). This not-quite-popular solution slowed the recovery of economic growth but allowed to avoid trade imbalances.

Obviously the growth of a small open economy only due to the stimulation of domestic demand can not be balanced. To compensate the decline in exports that occurred in 2015 - 2016, we should look for new export opportunities in industries traditionally oriented on domestic market, for example health care and education. It is obvious that the promotion of products of these industries for export requires a lot of effort.

The proposed methodology thus provides and summarizes information for extensive analysis of the sectoral structure of the economy linking economic growth with the results of foreign trade in the context of industries. Mentioned above conclusions

[3] The industry of "Real estate transactions, rental and services to consumers" includes software development services, which make a significant contribution to the export of services in Belarus.

characterize it as a useful tool for macroeconomic analysis with wide possibilities for subsequent application.

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MARKETING ACTIVITY PERFORMANCE: VALUATION PROBLEM AND ITS RESOLUTION

Abstract

At present time there is no facility that normally exists without a marketing division. Relevance of the marketing even rises day by day. Marketing budgets tend to the substantial growth over the last 15 years. Issues related to the grounding of the cost escalation remain open. This situation creates tensions in relations between financial and marketing departments. To improve the marketing activity and to increase the marketability facilities need regularly measure the performance of the marketing.

Key words: *marketing perfomance; efficiency; evaluation methods; risks*

JEL classification: *M31*

ПЕРФОРМАНСЕ МАРКЕТИНШКИХ АКТИВНОСТИ: ПРОБЛЕМ ПРОЦЕНЕ И ЊЕГОВО РАЗРЕШЕЊЕ

Апстракт

У садашњости нема установе која нормално постоји без одељења маркетинга. Значај маркетинга чак расте из дана у дан. Буџети маркетинга бележе значајан раст у последњих 15 година. Теме које се односе на смањење пораста трошкова остају отворене. Ова ситуација ствара тензије у односу између одељења финансија и марткетинга. Да би се побољшале маркетинике активности и да би се повећала успешност продаје, установе требају да редовно мере перформансе маркетинга.

Кључне речи: *перформансе маркетинга; ефикасност; методе процене; ризици*

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Introduction

Necessity in the complex analysis of the marketing activity is caused by the management’s necessity in making of right managerial solutions, its state and condition at the facility and improvement opportunities.

There is no generalized point of view in the sphere of the performance measure of the marketing activity. The majority of methods come to the cost analysis or the examination of separate functions. If we run the analysis of such indices as the sales volume or the profitability and associate them with the marketing cost, we will be able to see the overall performance of the company. It is very complicated and almost impossible to detach the marketing share. This analysis does not guarantee the reliability of data received because the company success can be connected with not only marketing measures run but also with some external favorable conditions. Moiseeva and Konysheva (2002) suggest determining the performance taking into consideration several functions: market research, assortment and sales policy, communications. These scientists closer approached to the development of the marketing performance calculation method. But they did not achieve the practical application because scales for the qualitative measure of the marketing and the calculation model of the aggregate performance indicator were not developed.

Besfamilnaya and Rozhkov (2002) suggests using an express measure of the marketing taking into consideration the series of indices (market scale, sales, marketing expenses, orders and competition). In this method there is subjectivity in the determination of the importance of indices and in the determination of measures. It is also should be noted that the measure scale is narrow (only 3 values are possible: -1; 0; +1). Moreover, the number of indices measured is not enough (there are only 5). Many authors (Assel, 1999; Ambler et al., 2001; Kaplan & Norton, 2001; Ward, 2004; Starov & Alkanova, 2010) adhered to the application of economic and mathematical methods. However, the performance measure of the marketing activity (Ambler & Kokkinaki, 1997; Appiah-Adu, 1998; Doyle & Wong, 1998; Ambler, 2000; Appiah-Adu et al., 2001; Woodburn, 2004; Eusebio et al. 2006) is carried out taking into consideration only separate categories (advertising, expenses and etc.). Till present there is no method of the complex analysis of the marketing service which could include economic, mathematical, statistical and other quantitative and qualitative methods. That’s why in this article we suggest our vision of the marketing performance measure at the modern facility.

Method

Concerning the concept of the marketing activity performance it could be said that this concept can be divided into 2 items: internal and external performance.

Internal performance we understand as a set of control functions which adequate implementation can improve the performance of the marketing department. In recent times concerning the performance measure of the company activity we measure subdivisions head activity i.e. the management which ensures the smooth functioning of the facility control system. Management (control) system function is to foresee consequences, plan objectives, organize the process, manage resources, coordinate actions and control the task performance.

External marketing performance is a complex of functional obligations of employees of the marketing department which implementation influences the sales boost of the company product and the increase of its market value. It is the marketing functions fulfillment such as advertising development, marketing researches, product promotion and etc.

Combination of internal and external performance forms a general performance. But how it could be measured? Firstly, it is necessary to determine indices which should be measured. Indices analyzed please refer to Fig.1.

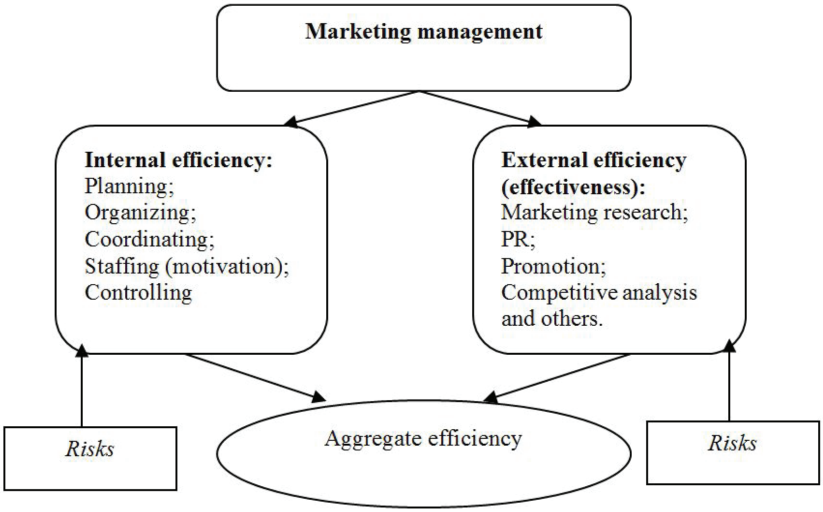

Fig.1 Effectiveness of marketing activities
Source: Own source

Our method consists of four parts:
1. Internal efficiency determination;
2. External efficiency determination;
3. Risk identification; degree of importance in decision-making;
4. Analysis of results and recommendations.

To transform qualitative measures to quantitative ones we suggest using the following scale:
1. complete correspondence with the measure method criterion – «5»;
2. incomplete correspondence – «4»;
3. partial correspondence – «3»;
4. complete lack of correspondence – «2».
5. Activity is not carried out – «1».

Indicators of internal efficiency are presented in Table 1.

Table 1 An evaluation of internal marketing efficiency

№	Evaluation Parameters	Description	Evaluation method	Scale
	Planning			
1	Goal setting	Goals should be SMART - specific; - measurable; - agreed upon; - realistic; - time - based.	The analysis of documentation	**1 point**: Bad goal setting; **2 points**: More than 5 discrepancies ; **3 points**: 3-4 discrepancies; **4 points**: 1-2 discrepancies; **5 points**: All documents meet the criteria
	Organizing			
2	Degree of formalization	Formalized structures are those in which there are many written rules and regulations. These structures control employee behavior using written rules, so that employees have little autonomy to decide on a case-by-case basis. An advantage of formalization is that it makes employee behavior more predictable.	The analysis of company documentation (job description; regulations for marketing department)	**1p**: Completely untrue; **2p**: More than 5 discrepancies; **3p**: 3-4 discrepancies; **4p**: Less than 2 discrepancies; **5p**: Totally coincides
3	Number of subordinates	A manager's span of control is the number of employees that he or she can effectively be in control of at any one time. In direct submission should be no more than 7 +/- 2 people.	Interview with the head of the marketing department	**1p**: It is absolutely impossible to manage; **2p**: Low; **3p**: Normal; **4p**: Above average; **5p**: High rate of controllability
4	The availability of specialized software and devices	One of the main tasks of the organization is to provide jobs with technical devices. In the context of computer technology, a device is a unit of hardware , outside or inside the case or housing for the essential computer. When the term is used generally (as in computer devices), it can include keyboards, mouses, display monitors, hard disk drives, printers, audio speakers and microphones, and other hardware units, software (1C;CorelDraw, Photoshop and etc.)	Workplace observation	**1p**: Department is not fully provided with technical devices and programs; **2p**: More than 3 discrepancies; **3p**: 3-4 discrepancies **4p**: 1 discrepancy; **5p**: Fully provided
5	Personnel development	Highly trained and motivated staff is essential for achieving good results. While offering employees support and encouragement is a manager's primary task, employees themselves must take responsibility for their personal qualifications and self-development.	The analysis of documentation	**1p**: Low qualification for the entire marketing department (0-10%); **2p**: (10-20%); **3p**: 30-50%; **4p**: 50 – 70%; **5p**: All employees are highly qualified (100%)
	Motivation			

6	Good motivation system	Knowing how and why to motivate employees is an important managerial skill. Motivation is the set of forces that causes people to choose certain behaviors from among the many alternatives.	Questionnaire on employee motivation	**1p**: Less than 40%; **2p**:40-60% **3p**: 60-80%; **4p**: 80-90%; **5p**:100%
7	Turnover	In human resources context, turnover is the act of replacing an employee with a new employee	Good turnover rate -1% -3%.	**1p:** More than 3%; **2p**:3%; **3p**: 2%; **4p**: 1%; **5p**: Less than 1 %
8	Organiza-tional climate	Organizational climate (sometimes known as Corporate Climate) is the process of quantifying the "culture" of an organization, and it precedes the notion of organizational culture. It is a set of properties of the work environment, perceived directly or indirectly by the employees, that is assumed to be a major force in influencing employee behavior	Questioning: «Socio-psychological self-assessment of the group as a collective» (SPSAGC) by Gurevich (2010)	**1p**: Less than 40%; **2p**:40-60% **3p**: 60-80%; **4p**: 80-90%; **5p**:100%
	Coordination			
9	Commu-nication	Communication helps managers to perform their jobs and responsibilities. Communication serves as a foundation for planning. All the essential information must be communicated to the managers. Organizing also requires effective communication with others about their job task (Yuldasheva, 2012). Precisely, the leaders as managers must communicate effectively with their subordinates.	Questioning	**1p**: Not effective (less than 40%); **2p**:40-60% **3p**: 60-80%; **4p**: 80-90%; **5p**:100%
10	Decision-making	Making decisions in a company or organization happens at all levels. Before making any decision, the organization has to identify exactly what the problem is. Not identifying the problem could lead to an erroneous decision (Petrikov et al., 2015).	Interview	**1p**: Not effective (less than 40%); **2p**:40-60% **3p**: 60-80%; **4p**: 80-90%; **5p**:100%
	Controlling			
11	Marketing control	Marketing control is used by owners to monitor and evaluate their current marketing strategies to identify needed adjustments and set guidelines for the future to achieve marketing and business goals (Gribov, 2015).	Expert methods	**1p**: Control is not carried out; **2p**: 10-20%; **3p**: 30-60%; **4p**: 60-90%; **5p**: 90 -100%

Source: Own source

As illustrated in the table 1, the internal marketing performance is analyzed using functions. As a marketing planning we understand a logical order of types of activity and procedures related to the goal setting, strategy selection, elaboration of measures to achieve them within a certain period of time based on assumptions about future prevailing conditions of the plan performance. Organization function task is to form the facility structure, provide it with all the things needed for the normal work. Management performance or lack of performance is substantially determined by the organizational structure. Moreover one of the most important tasks of the organization is to provide workplaces with technical aids. Technical aids of the management are a complex of technical aids used for collection, processing, representation and utilization of information by the management personnel.

Personnel analysis plays an important role. Personnel skill level, its attitude to work, creative potential, aiming for personal advancement and training, efficient communication and teamwork skills determine the future of every organization. Motivation here plays an important role. Motivation system is an efficient tool of the manager. To control the current situation the immediate manager should flexibly and promptly change motivation mechanisms adjusting to current conditions and tasks.

Coordination is a type of the management activity which is directed to the achievement of the concurrence in the work of all management links. Main coordination functions are communications and decision-making. Many employees receive information using only one communication channel. This can lead to insufficient understanding of information coming from the management. According to Balabanova (2001), availability of the feedback here plays an important role. This substantially improves the performance of the management information exchange. It is very important that any employee at any time has an opportunity to approach the manager to resolve production issues and to formulate tasks. This will give an opportunity to promptly execute works.

Moreover in the modern crisis conditions like never before requirements to the quality of management decisions are advanced because even the smallest mistake in choosing of the alternative can lead to negative consequences for the company. Control should be exercised at the facility over the satisfaction of objectives set. One of its main tasks is an early recognition of deviations from the program preset, budget control, quick actions related to the liquidation or prevention of deviations.

Careful analysis of these functions will give an opportunity to determine issues existing inside the department.

After the analysis of the internal performance we proceed to the second part of the method: the analysis of the external performance. We carry out the analysis of the external performance through developing of KPI (key performance index). They are developed specifically for the own company taking into consideration its activity specifics and various functional obligations of marketing specialists. Implementation of KPI gives an opportunity to measure and improve the work performance of the whole company and every specialist.

In our opinion the external performance of the marketing can be composed of the following main parameters which can be used by the facility adding its own indices (Table 2).

Table 2 External marketing efficiency

№	Evaluation Parameters	Description	Evaluation	Scale
1	Reporting	Reporting structure refers to the authority relationships in a company - who reports to whom. With all the work and roles defined, the owner can set up the organization's vertical and horizontal aspects by establishing reporting relationships.	Surveillance. Reports submitted with a delay.	**1p**: Reports are not provided; **2p**:Hardly ever; **3p**: Rare; **4p**: Often; **5p**: Always on time.
2	Competitive monitoring	The most prominent of these avenues are the business competitors and their various activities such as events, product developments, product launches, and product prices. Knowing what the competition will do next puts the business in the position of being able to plan how to counter it or how to do better than the competition.	New products; sales; technology; innovations.	**1p**: The analysis is not carried out; **2p**:Hardly ever; **3p**: Rare; **4p**: Often; **5p**: Always.
3	Packaging (design)	Planning and controlling of the designer's work.	Packaging corresponds to the given theme and the general concept. Variations in size, pattern, etc. can be evaluated by interviewing the opinions of consumers.	**1p**: Less than20%; **2p:** 30-40% **3p**: 40-60% **4p**: 60-90% **5p**: 90-100%.
4	Marketing research	Marketing research is "the process or set of processes that links the producers, customers, and end users to the marketer through information — information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.	Number and completeness; their applicability and relevance. Marketing manager interview	**1p**: Marketing research is not carried out. **2p**: Hardly ever; **3p**: Rare; **4p**: Often; **5p**: Always.
5	Official site	How to monitor the site; Whether it functions; How often important information is added.	Frequency of updates (more than once at the end of the month). Full update volume (new products, news are displayed). Problems in the work of the site, errors.	**1p**: Work is not conducted; **2p:** 30-40% **3p**: 40-60% **4p**: 60-90% **5p**: 90-100%.
6	Social network	Developing a company's page in social networks.	Number of subscribers (there should be growth, compared to the previous month). Full volume of updates (new products, news, interesting articles are displayed).	**1p**: Work is not conducted; **2p:** 30-40% **3p**: 40-60% **4p**: 60-90% **5p**: 90-100%.

7	Advertising	Advertising is an audio or visual form of marketing communication that employs an openly sponsored, nonpersonal message to promote or sell a product, service or idea.	Correlation analysis	**1p**: Less than 0,2% **2p**: 0,2-0,3%; **3p**: 0,3-0,6%; **4p**: 0,6-0,8 %; **5p**: 0,8-1 %
8	Costs	A marketing budget typically covers costs for advertising, promotion and public relations. Each amount varies based on the size of the business, its annual sales and how much the competition is advertising (Shadrina, 2016). Depending on the industry, marketing budgets can range from as low as 1% of sales to over 30%. New companies may spend as much as 50% of sales for introductory marketing programs in the first year.	Marketing costs within the established budget	**1p**: The costs significantly exceed the established budget; **2p**: Large deviations; **3p**: Small deviations from the budget; **4p**: Within budget; **5p**: There are reserves for the next period.
9	Event marketing	Event marketing is a promotional strategy that involves face-to-face contact between companies and their customers at special events like concerts, fairs, and sporting events. Brands use event marketing entertainment (like shows, contests, or parties) to reach consumers through direct hand-to-hand sampling or interactive displays. The practice works because it engages consumers while they're in a willing, participatory position.	The number of events carried out and their significance. Correlation analysis	**1p**: 0,2% **2p**: 0,2-0,3%; **3p**: 0,3-0,6%; **4p**: 0,6-0,8 %; **5p:** 0,8-1 %
10	Product Management	Product management is an organizational lifecycle function within a company dealing with the planning, forecasting, and production, or marketing of a product or products at all stages of the product lifecycle.	Analysis of the demand: Identification of unsatisfactory product parameters; communication with consumers; Sales forecasting	**1p**: Product management is not carried out; **2p**: Hardly ever; **3p**: Rare; **4p**: Often; **5p**: Always.

Source: Own source

As can be seen from the above, the measure of marketing work results using KPI system will give to specialists an opportunity to have a clear vision about objectives of their work and those benefits which they can get. Indices should be periodically revised because of the possible loss of performance and the impact on the employee motivation. It is necessary to keep KPI meeting objectives of the company at every stage of its development. Result of the examination of the cumulative marketing performance is to reduce the informational uncertainty in the sphere of forming and using marketing resources and results to the level giving an opportunity to make managerial decisions reasonable in all directions of the marketing activity. In unstable conditions and constant changing of the external environment we consider that it is necessary to assess risks. In marketing there is a fair principle: who does not risk that one does not win. However the marketing risk is a possibility to be commercially defeated in the market or not to meet strategic goals set, to incur economic and financial losses, lose part of resource and etc. To recognize risks in the unstable marketing conditions environment where there is no information about the possible occurrence of risk events, companies should quickly react to any changes and create a new strategy which will give an opportunity to the facility to successfully operate. If the facility successfully implements the policy chosen making decisions taking into consideration risk factors, it will be possible to speak about the marketing activity performance and about the improving of the competitiveness of the facility. That's why with help of the expert method we suggest detaching the risk level which will be measured when making marketing decisions. Expert measure methods are a part of the broad sphere of making decisions. Expert measuring is a procedure of measuring the issue based on the opinion of specialists (experts) to further make decisions by themselves. At first it is necessary to detach risks which can be found in the company analyzed based on both internal and external indices. Approximate list is given in the Table 3.

Table 3 Marketing risks

№	Efficiency parameter	Risks
	Internal efficiency	
1	Planning	Incorrect formulation of the task; Goal unattainability
2	Organizing	Inefficient workflows; Duplication of functions
3	Coordinating	Wrong decision-making
4	Motivating	Employees leave an organization; Labour productivity fall
5	Controlling	Inconsistency between the plan and the fact
6	Reporting	Wrong interpretation of the results; Wrong decision
7	Competitive analysis	New competitors; Entering the food market of a multidisciplinary (diversified) firm from other industries; Expansion to the local market by foreign exporters
8	Marketing research	Risk of incorrect organization and results
9	Advertising	Advertising inefficiency; Entering into contractual relations with incompetent or insolvent partners
10	Costs	Risk of budget overspending; Inefficient use of funds
11	Event marketing	Event inefficiency
12	Product management	Pricing errors; Risk of unsuccessful organization of the sales network and the system of promotion
13	Catalog development	Risk of incorrectly displayed information
14	Work with corporate shops	Wrong chosen strategy
15	Trade mark registry work	Lawsuits
16	Trial Marketing	The expenditure of large funds on goods that may not fall into mass production

Source: Own source

Risks detached should be put in order of the most important to the least important ones. Ranging gives an opportunity to choose the most essential factor from ones of the combination examined.

Further we make the table where experts' opinions are reflected (Table 4):

Table 4 Ranking criteria

Criteria	Experts													E	Deviations	Δ^2
	1	2	3	4	5	6	7	8	9	10	11	12	13			
Grades																
K 1																
K 2																
….																
N																
Summary																S

Source: Own source

Next, we determine the sum of the ranks of each factor-the sum by lines and the deviation of the sum of ranks using the formula:

$$\Delta^a = \frac{\sum_{k=1}^{K} \Delta k}{k}$$

Then, we determine the deviation of the sum of the ranks of each factor from the average sum of ranks:

$$\Delta_k^{\prime} = \Delta_k - \Delta^a$$

We used Kendall's coefficient of concordance (aka Kendall's *W*) to measure agreement between raters. It indicates the degree of association of ordinal assessments made by multiple appraisers when assessing the same samples. This coefficient is commonly used in attribute analysis. The formula is:

$$W = \frac{12 * S}{m^2(k^3 - k)}$$

where

k - number of factors;
m - number of experts.

The concordance coefficient can vary from 0 to 1. If it is significantly different from zero (W ≥ 0,5), then we can assume that there is some agreement between the opinions.

At the final stage, we propose to analyze the results and make recommendations.

Conculsion

The result of this research - usage the proposed method - have informative character (to clarify the situation, to confirm or disprove assumptions, or to collect information) and a recommendatory character as well since it can be used as a formalized base for the adoption of managerial and marketing decisions.

The direction of further research is seen in the approbation of the developed methodology in the modern enterprise.

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IMPLICATION OF BETTER ECONOMIC CONDITIONS

Abstract

There is no economic growth and development where there is no clear economic policy and development strategy, that is where there are no defined priorities, nor mechanisms for a strong and systematic support to the domestic economy. The author of this study advises economic policy makers to forget the mantras of neoliberal policies that previous governments used as an excuse not to take anything and to resolutely turn their own economic development and building a strong industrial sector. That would be a shortcut to rapid economic development and bridging the decades of stalemate and stagnation. Serbia does not lack resourcefulness, but quality state apparatus, as well as guidance and assistance in the way that countries that have successfully developed did.

The greatest sin of our economic policy in the last quarter of a century is a tragic neglect of industry, especially manufacturing, or as a result of all this, and the emergence of a deep ravine between production and consumption, and totally neglecting technological development. Therefore, we are firm in the belief that, in the case of seriously disturbed the economic structure of production at the expense of our future development must rely on priorities, among which would be the development of the manufacturing sector of the economy, and within it of agriculture and food industry, where our chances are objective and greatest.

Key words: *Profit making, development, partocracy, market...*

JEL classification: 010, 012, 040, E13

НАГОВЕШТАЈ БОЉИХ УСЛОВА ПРИВРЕЂИВАЊА

Апстракт

Нема привредног раста и развоја тамо где нема јасне економске политике и развојне стратегије, односно где не постоје ни дефинисани приоритети нити механизми за снажну и систематску подршку домаћој привреди. Аутор овог рада саветује креаторима економске политике да забораве мантре неолибералне политике, које су претходним владама служиле као алиби да

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ништа не предузимају и да се одлучно окрену сопственом економском развоју и изградњи јаког индустријског сектора. То би била и пречица за убрзани економски развој и премошћавање вишедеценијског застоја и стагнације. Србији не недостаје предузимљивост, већ квалитетан државни апарат, али и усмеравање и помоћ на начин како су то радиле земље које су се успешно развиле.

Највећи грех наше економске политике у протеклих четврт века је трагично запостављање индустрије, посебно прерађивачке али, као последицу свега тога, и појаву дубоке провалије између производње и потрошње, те потпуно запостављање технолошког развоја. Зато смо чврсти у уверењу да се, у случају озбиљно поремећене привредне структуре на штету производње, наш даљи развој мора ослањати на приоритете, међу којима би био развој производног дела привреде, а у оквиру њега пољопривреде и прехрамбене индустрије, где су нам шансе објективно и највеће.

Кључне речи: Привређивање, развој, партократија, тржиште…

Introduction

The time in which we live is characterized by extraordinary dynamics of total change and very rapid transformation of all aspects of human existence. In this context, the economic changes deserve special attention, since changes in this sphere, undoubtedly, have the dominant influence and affect all other changes. Of course, in this paper we will discuss only some issues of socio-economic life and the tendencies of movement and development without pretension to have a complete and full analysis.

On the world scale, the process of transition and privatization is being put in practice, as a world trend, and as a response to globalization, which promotes market economy on a planetary scale. Today's system of international economic relations is under sovereign rule of most developed countries, which have imposed their own criteria of economic behavior, believing that they are objectively the most acceptable from the standpoint of economic efficiency.

Economic systems and their economic actors today are difficult to adapt to the speed at which the world is changing, and often do not have with whom to share the anxiety that puts pressure on them. It is known that in the US it is most frequently debated on consolidation rather than on measures of growth and development, which is why it is rational to ask a question on the presence of Serbian strategy and whether the experiences of other research in this area (so called "Economic miracle", the Asian "tigers and dragons" and the like.).[1] And we cannot understand that the problem is a dramatic speed at which the world is changing, and that the forms of economic relations that were in force twenty years ago are almost completely overcome. We believe that the greatest sin of our economic policy in the last quarter of a century is a tragic neglecting of industry.[2] Also the manner of their manifestation has changed. That is why a number of problems occur along with disorders that were previously unknown. Depression and instability, as well as any other disruption in economic activity, have a very complex assembly. It can be associated with severe early stage in development, sometimes in conjunction with changes in the environment, including the sensitivity of the global economic system. Therefore, the discovery of the cause is always difficult, but fortunately, the aid can (and should) be looked for at several sides.

Dogmatic attitude towards current economic conditions and the organization disable an efficient economy slow down development.

Serbia is faced with the processes of decisive battle for new and acceptable conditions for our model of the economy, but also against corruption, which seriously affected part of the bureaucracy. This is a kind of indication that we are getting closer to confrontation with the exigencies of time of which we are contemporaries.[3] On the other hand, our social moment is becoming more dramatic, and one of the key reasons is still insufficient readiness and determination to significantly alter economic conditions and organization of the economy. In this we are standing still. All the changes in economic conditions and the organization of the economy given in the proposals from various scientific meetings (Kopaonik forum, etc.) and in other professional documents, make these very important questions. Changes which are appealed at in scientific meetings, in terms of strengthening the subjectivity of small and medium-sized enterprises, are still more declarative in nature (in terms of subsidies, reduction of various taxes, etc.), and we know that this is the most significant change that should be supported in order for these companies to become true subject of market economy operations. This plan of economic conditions and changes in the organization of the economy, and to underline, is still lacking serious reform efforts. Without an open confrontation with the fact that with such a sufficiently reformed economy, weak accumulation - where investment decisions are left at the level of government - press local interests and power, which has an absolute monopoly on the job, we cannot emerge from this still dramatic situation. If this situation remains unchanged - as is seen by the representatives of the government - still unreformed economy - structurally unadjusted and without prioritization, where both power and powerlessness draw from a multitude of territorial political centers, it will greatly diminish the importance and value of the solutions to which there are proposals to strengthen small and medium-sized enterprises in the line of further strengthening of the market.

Economy grows for some time

The fact is that the economy, according to some basic indicators, has lately been growing, but this growth is not yet at the required level. However, we should be satisfied with the results achieved in 2016, as they provide the basis for achieving objectives in 2017.

Table 1: The fiscal strategy for 2016. with projections for 2017 and 2018.

No.	Elements	Realization in %			
		2015.	2016.	2017.	2018.
1.	Inflation	1,5	2,8	3,9	3,9
2.	Investment	8,2	6,6	6,2	5,5
3.	Export	7,8	7,7	7,0	6,7
4.	Import	6,0	5,8	4,4	4,3

Source: Budgets inquiry of the author

It should be noted that the European Commission remained in Serbia's economic growth projection for 2017 and 2018 at 3 and 3.3 percent, foreseeing an increased drop in unemployment (from 16.1 to 14.3 in this, and to 12.6 in 2018). According to this projection private consumption will also rise by 2.1 this year, and 3 percent in 2018, the acceleration compared to 1.2 percent in 2016. Domestic consumption will grow by 2.5 percent this year and 2.4 in 2018, compared to growth of 2.7 percent in 2016. N Export of goods / services this year will grow by 7, and in 2018 6.7 percent, compared to growth in exports of 10.9 percent from last year, while imports will rise by six, or 6.3 percent, compared to growth of 7.7 percent in 2016.

Serbia's public debt last year was reduced for the first time after many years of constant growth. However, one should expect that the pace of fiscal consolidation will somewhat slow down this year, but it will be sufficient to continue the further decrease of the public debt.

In discussions about the causes of the situation in our economy, there is expressed dislike of criticism that have led to a serious relationship with the current government solutions in the field of economy. Such repulsion has also been expressed by those of the opposition, because it still is not anything serious going on in terms of the economy and the organization of the economy. According to the presented data like this, we cannot expect any serious changes even when it comes to further efforts of entrepreneurs. We believe that without getting into serious structural changes in the economic conditions and organization, the economy cannot be released from the shackles of internal pressures, exaggerated party arbitration, which all together represent one of the major causes of our economic reality, or rather of our still unfavorable economic conditions. It is not about some illusory hopes that with more radical regime change business and organization, easily out of the current situation, but it is a fact that will create a serious structural intervention, a necessary precondition for a faster exit from this business environment. Bad proposals in the way of further and more serious reform underestimate the importance of reforms themselves to get out of the situation that, unfortunately, it can be worse.[4]

There multilayered causes of such state of our economy. Now before these proposals this problem is tried to be alleviated by improving the economic conditions for small businesses, investment and foreign capital, creating opportunities for higher yield agriculture and introducing new incentive system. These are, quite clearly, significant changes. However, the primary cause of the issue of unresolved problem of large systems is from the public sector. It has become a first-class socio-economic issue, because also a lot of public entities by local governments, whose common goals and interests are marginalized, the ebbing affects and weakens the effectiveness of the reproductive capacity of the overall economy. And where there are marginalized common interests and objectives, it must be reflected in the formal question of the budget of the whole country. In addition, the law constituted a multitude of subjects to introduce a variety of duties, which in the past caused a disproportionate development of the non-economy.

A big illusion

Similarly, the "ideological sin" today is to say (when we are still pressing hard and high unemployment rate) that it is necessary to invest funds into the economy of the country, to encourage the development and acceleration of solving unemployment. If so doing, it should not be considered as a deviation from the principle of belief, because we fear that we are excessive state intervention in economic investment can go back leads nowhere. It would be much more negative disproportionate investment in non-economic activities (regardless to the real needs of the area), which in relation to the bad economic situation meant the right to extravagance. Now that unemployment is falling, there is less need for state intervention in economic investments

Increasingly, it is said that more should be done to strengthen the capital market, or type of securities. However, there is an illusion that the introduction of securities, especially some of them, will show vitality and a result if it is not relied on and there is a space in the dynamics of the rest of the economy.

Today, some point out that with the economic growth, that is the current state of our economy, it can only go with the actual level of market goods, but that it should be further developed and strengthened labor and capital markets. We agree and ask: Do countries, with highly industrialized market economies, their vitality and ability in politics of earning more, draw power from the cohesion and concentration of resources in companies and systems in the market of goods.

It is unsustainable contradiction that, on the one hand, underestimates the importance of cohesive strength and power companies and systems, primarily to increased production, while also attaches so much importance of the capital market (though not disputing the need and this important instrument). Because there can be no vitality of capital markets in an economy that is structurally disorganized. With a change to this state the only gain would bi in a corporate sense globally.

Likewise, the fact is that official institutions are in the real war against the gray economy, which also shows an increasing tendency to strengthen. You may, as long as you want, attack this action, but it is a major economic sin to say that we do not need Tax Administration, as it is (this does not mean that it cannot be reorganized), where there is a huge professional potential hired (with a strong illusion that it is able to eradicate this dangerous obstacle of enterpreneurial motivation, initiative and resourcefulness legal part of the economy), still with the old organization of work, with great illusion that only with its inherent motives it would be led automatically to a successful prevention in their activities, which is to a large erosion of personality of the individual and the like. And that subjectivity has risen in the Directorate and became in many ways present with its arbitration role, because it was broken fasteners.

We have to learn that under the large organizations and large systems we think of public sector integrated human resources, rather than a mechanical conglomerate created. In the public debate on the Law on public companies, professional forces of our society gave their valuable contribution (if the current shift state will disappear personality of the individual) will be organized professional power holders of a successful fight against the gray economy.

Political particularism imposed a lot of conflicting methods of mixing in the economy, by something opportunistic, and on other bureaucratic. So that when a scandal erupts, it often meets the challengers, regardless of whether it touches livelihood. If this practice took broad conditions it is clear that we are pushing to ruin. Undeveloped and disturbed political relations explanation for many measures, while declaring the disturbed political relations (which, by the way, also touches legal institutions) introduces the principle culprits of all, this is a killer for power drawn to progress.

The key problem of Serbia is that public companies are slowly becoming independent

On the issue of overriding importance of so-called partocratic monopoly, appearts the interpretation that there is a class interest politocracy to ensure its absolute monopoly in the economy, politics (the state-party complex) and ideology (monopoly on ideological rationalization and ideological monism). The prospect of getting out of this situation is to further strengthen the democratic forces. The fact is that today we are still very pronounced state party power in the enterprise, and that we need to correct this situation. It is not understandable, it is too simplifying things, to interpret the state of heritage and interests that it held. Excessive partocracy at the top of the country requires a broad arbitration entire economic complex. The essential question is the dogmatic attitude towards current economic conditions and the organization of the economy, which is not fast enough changing the relationship of the economy and politics, that is, the faster the economy cannot become independent in relation to politics. Especially this applies to state-owned enterprises.

It happens so that the Law on Public Enterprises, which was adopted in March last year, according to which a director cannot be a member of any political party, is not observed. Some of the current directors of enterprises, especially large, largely confirm that.[5] There are still no terminated connections between ownership and management, and it is supposed to be of key importance for alternatively management of public enterprises. The government should continue to remain the majority owner of public enterprises, but not to manage them. Since, even in the case of freezing the status of the party managers of public enterprises, this principle will not be met, given that the time relationship between the party and the director does not break. For, in that it has set a party, instead of working on the company, must work in its interest. It is known that the reform of public enterprises is not easy and simple, but it's the last ballast of public finances. Because when the party in control of public companies, then they sort of testing ground for partisan employment, through them there is social policy, funding from various projects and the like. It is no coincidence that the IMF will in the last third of the program with Serbia, which was deposited by the end of February 2018, the emphasis placed on these enterprises.

Under the new conditions, in the reformed public enterprises director should have full freedom in managing the company, and that only measure of success are the business results. A state, as the owner of a public company, should, in this connection, set targets against directors and to control how they are achieved.

If you stick to these economic conditions, in such an organized economy, it is difficult to talk about breaking the constraints of the market economy development and the weakening of the political power in the economy. Full momentum of development of the market economy is the one essential step forward to preserve the acquired values of democratic change, and the development of the economy strengthen market function.

Dogmatic attitude towards current economic conditions and the organization of an efficient economy and hampers effective in slowing down the development of society. Behind the resistance changes quicker lies the fear that this would lead to dominance of others, fear of partocratic leakage and breeding of big illusion that the existing relations to compensate entrepreneurial motivation, resourcefulness and initiative. This situation in our business dealings and stubbornness partocracy in efforts for the survival of the existing one, creating a rich supply of tendencies that affect some elements of the past. And they are increasingly open to hear claims that without political pluralism there is no market or economic democracy. It is clear, therefore, that the question of market economy, in the sense of imposing an economic objective and as a means to force the parties to withdraw from the economy and its arbitration situation finally has to set properly. A tapping only in showing that the power in the middle of irresponsibility and the only control factor that can bring some kind of responsibility and their political pluralism.

Affirmation of expertism in economy is a necessity

The reform implemented in Serbia is a necessary prerequisite for certain serious structural interventions in economic conditions and organization that we have. But there are still blockages in concrete solutions and market principles themselves, but for our situation the only alternative may be persistence in market principles, i.e. the deviation from partocratic structure. That is why we think it has emerged a moment to the question of the extent to which previous changes we managed to leave the decision that blocks the realization of the very market principles and affirmation of free and European-oriented economy?

Important issues and government decisions must be considered by the world's search for the best solutions to the current problem arose, of course, with the involvement of the best. Serbia now has a lot of strong community of intellectuals, but it is quite unevenly developed and insufficiently used by those in need. This is especially evident in the field of social sciences, which require better communication and more desirable intellectuals of all profiles with the economy. This would bring economy into a position that makes better use of intellectual potential, and this would be easier to come out of its frame. Of course I am of the opinion that the intellectual community should be more directed towards finding concrete solutions to economic problems, because it is in their mutual interest. Some segments of our intellectual community are good, and to those whose previous (socialist) system was unable to inflict great damage: Mathematicians are mathematicians in one and in the other system, and they could not have much to suffer. They do their job the same way. But economists are in a different situation, we are in a great controversy among us, we can find two blocks, two camps: one insists on state interventionism and the other is against it and points out that where the state interferes there is corruption, there are abuses there are errors independent of corruption and abuse, because when the state interferes big moves are pulled and such are the risks of these huge mistakes

Serbia today lacks organization and reduction of administration, bureaucracy and unnecessary amount of regulations, paperwork, and taxes (especially on wages). Today, this view has become quite normal, given that the new EU-conditions the government will be constrained by national borders, it will present important new challenge. And how, in practice, observed clearly in the trade, which is nothing new. It is generally known that countries and companies doing business with each other for centuries, and trade is of great importance for human health, prosperity and well-being of society. Today countries are in a position to benefit from the exchange of economic development and productivity, as specialize in the production of goods / services for which they are best for imports of the same, which is the most efficient products elsewhere.

All this should be more precise and decisive when put in measures built into the economic policy of the current government,[6] so that the affirmation of different forms of ownership in the US gain and experience the true meaning. Our impression is that the starting point of capitalism in Serbia set too narrow and one-sided, so you get too attaches importance to private property. Of course, this should not be perceived as if the time calls into question the capitalist understanding of the importance of private property, but there are various other types of property, such as: cooperative, joint stock, corporate ... If at the beginning of the generalization of private property came as the result of the avoidance of politicians to create consensus on the transformation of the existing property at the time of the fall of the former regime and the beginning of capitalism, we are already far from this time and it is necessary, according to the problem, refer to alternatively.

Concluding remarks

Contemporary Serbia is faced with the processes of more decisive battle for new and acceptable conditions for our model of the economy. It lacks organization and reduction of administration, bureaucracy and unnecessary amount of regulations, paperwork, and taxes.

Without going into more serious structural change, the economic conditions and organization, its economy cannot be released from the shackles of internal pressures and exaggerated party arbitration. This is one of the major causes of our economic reality, or rather of our still unfavorable economic conditions. It is not about some illusory hope that we will, with the radical changes in the regime of economy and organization, easily out of the current situation, but it is a fact that it will create a serious structural intervention, a necessary precondition for a faster exit from this business environment.

The primary cause of the unresolved problems issue is of large systems in the public sector. It has become a first-class socio-economic issue, because of also a lot of public entities by local governments, which are the common goals and interests of the marginalized, the ebbing affects and weakens the effectiveness of the reproductive capacity of the overall economy.

Serbia needs full swing in the development of market economy, as a necessary step forward in order to preserve the value of acquired democratic changes and development of the economy strengthen market function.

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Endnotes

1. The economy of the 13 countries in the world has been increasing at an average rate of 7 percent or more in a succession of 25 years. Among them was one from Europe, the Middle East, Africa and Latin America. Some of these countries are rich in raw materials, others are without sufficient resources, some are the giants, while the others are dwarves, and some often have different political systems and historical experiences.

2. Serbian economy in the eighties with its own knowledge designed and manufactured industrial robots and numerically controlled machine tools and massively exported them around the world, including the US and Germany, which indicates a total disrepair and unused technological possibility.
3. What we need is a rational and cheap country, efficient administration, low taxes, safety for capital and alike. Because of that, further and more energetic improvement of business environment by our side is necessary in all the fields: fighting the grey economy and unfair competition (that do not make 20% but much more than that and is present even in big companies), because that can for sure push us forward. If the surrounding countries have now a simpler procedure, which is key to attracting investment, why we do not do the same thing?
4. A reduction in the payroll tax was announced, which would have been the right thing and step in assisting entrepreneurs. And how much it is important to our businesses and their competitiveness in the region, the fact that the neighborhood (Romania) income tax 30 percent and 20 percent (Albania and Bulgaria), whereas with us the percentage 67 points. In addition to income taxes in these countries is 10 percent, when all analyze on, it is clear which side is competitive advantage.
5. Examples of directors are obvious proof that this law remained a dead letter. They many years of state water companies operating at a loss, and the state are covered by the taxpayers (the budget): D. Bajatovic, dir. “Srbijagas” M. Grcic A duty completer dir. EPS, Z. Drobnjak, A duty completer dir. “Roads of Serbia and D. Djurovic, dir. “Corridors”.
6. At this moment Serbia needs 5 to 7 billion of investment annually to achieve the medium-term level of standards seriously approaching the developed world. This requires that the government and the relevant ministry development policy spun clear whether greater support for exports of raw materials (wheat, corn, sugar, fruits, vegetables ...) or finished products.

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PROGRESSIVE MANAGEMENT SYSTEM - DRIVING DEVELOPMENT AND MANAGING AN ORGANIZATION TOWARDS SUCCESS

Abstract

This paper is exploring the dynamic success of an organization using the analytico - descriptive method in order to accomplish business process improvement by using new ways of work and/or improving work performance. That implies that an organization that tends to be successful encourages the need for changes, it motivates employees to initiate changes and be active members of the process development and organizational culture. The problem is observed through strategic surprises and possible discontinuities when considering strategic complexity as a reason for a management system to exist and function.

To establish a successful management system that drives organization development towards success, the management needs to understand current business trends and set a motivating climate and culture in order to motivate all level personnel to contribute towards success. A quality system of progressive management covers more than the usual processes, initiatives for improvement and projects or documented procedures.

Keywords: *organization, management system, process, sustainable success.*

JEL Classification: M54, M21

ПРОГРЕСИВНИ СИСТЕМ МЕНАЏМЕНТА - ПОКРЕТАЧ РАЗВОЈА И ВОЂЕЊА ОРГАНИЗАЦИЈЕ КА УСПЕХУ

Апстракт

У раду се аналитичко-дескриптивном методом истражује динамизам успеха организације који носи са собом опцију унапређења пословних процеса, употребом нових начина рада и/или побољшања њених перформанси. То подразумева да се у организацији, која тежи успеху, подстиче потреба за променама, да се запослени мотивишу да иницирају промене, да буду активни учесници у развоју процеса и културе организације у којој је успостављен

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процес управљања променама, као и да се континуирано прати реализација програма унапређења. Проблем се посматра и кроз стратешка изненађења и могуће дисконтинуитете, с обзиром да се стратешка комплексност јавља и као разлог за постојање и функционисање система менаџмента.

Ради успостављања успешног система менаџмента који покреће развој организације ка остваривању успеха, потребно је да њено руководство разуме актуелне трендове пословања, као и успостави климу и културу која мотивише људе на свим нивоима да допринесу остварењу успеха. Квалитетан прогресиван систем менаџмента обухвата више од уобичајеног успостављања процеса, иницијатива за унапређење и пројеката, или документованих процедура.

Кључне речи: организација, систем менаџмента, процес, одрживи успех.

Introduction

Management has always been a source of impulse and one of key factors that determine the direction of developing orientation for organizations. For organizations to prevail and develop successfully on a complex and demanding market, progressive management systems must be used as well as continuously improved upon. Progressive management systems are a tool for performance and capacity maintainability improvement. At the same time, it is confirmed that there is a need for further understanding for management progressive system synchronization with the current context rather than facts because it’s an unavoidable assumption for the strategic orientation of many organizations.

The question of subsistence and sustainable success of an organization is connected to the quality and value of management. Organizations cannot grow and develop just by lowering costs and reengineering. The main segment for aggressive growth is an innovative program that serves as a business function for dynamic product and technology changeability. The main factor is the progressive management system that is guided by a synergy of working technologies, innovation and changes. The point is in future orientation that carries enough problems that could be solved only by ambient results of an innovative climate and by using a progressive management system that is based on quality managing principles.

Future organization managers must accept and positively react to complex challenges facing changing environments. It is clear that there is no sophisticated level of understanding how to conduct many activities and how to manage them. A global environment promotes a need for strategic solutions of forecasted phenomena, for planning and flexibility to limit an uncertain business future. New trajectories can result in discontinued organization events like using new ideas created by research that generate completely new products or processes. The trajectories must be managed efficiently.

Organization and its sustainable success

Any organization's sustainable success is located at the epicenter of their management's thinking. [Cho, & V. Pucik, 2005] The more frequent question is how to measure and assess sustainable success. The fact is that there is no unique recipe or instruction on how to build a quality organization. Organization quality expresses the degree to which the combinination of its unique characteristics enables it to reach market goals.

Unique organization attributes are defined by the organization's business success. Thosse attributes are an organization's and its employees' authentic characteristics. It is necessary for organizations that seek maintainable success to continuously determine their success factors. Value criteria for measuring their successfulness have been changing accordingly with the changes in the business context. [Božilović, Miletić, 2014 p. 36] Today's organization success factors are not only related to the quality of products and services they deliver to their customers. Special value is placed on business continuity, the problem of environmental protection, the health and safety of employees, a socially responsible way of doing business, energy efficiency and so on.

To keep maintainable business continuity [Miletić, Trajković, 2015, p. 453] the organization expects to make new success factors and raise the criteria for success value. Today's world market demands not only to have international business guidance but also to create competitive strategies [Smith, Fingar, 2007] in order to achieve sustainable success.

When creating sustainable success factors it is expected that the organization's top management understands current business trends and can act accordingly to create an encouraging climate and culture that will contribute towards achieving expected performance. Organizational management can raise performance quality by strengthening their identity through vision, mission, culture, value and by using different management systems.

Progressive management system

To succeed and enlarge the capacity of sustainability on the changing market, organizations must use proper management systems as tools for improving overall performance. The fact is that management technology is the oldest solution for all, including business organization success. [Todosijević, 2015, p. 129]. There is a need for innovative management technology of managing complex dynamic systems to intensify changes. The success of one organization can be made only if there is systematic business process improvement by using new work methods or by improving the organization's performance.

In an increasingly complex business environment, which is less and less predictable, progressive organizations are necessarily developing management systems that ensure their increased willingness to make such changes. This is because long-term planning as a management system based on the extrapolation of the past into the future has no more usable value in the practice of new organizations. Sustainable success of the organization requires strategic planning [Jones, Hill, 2012] and harmonization of the level of its quality with a set of specific characteristics. This means that the organization of employees must stimulate the need for change, to actively develop the process of managing and implementing the promotion programs.

The organization must manage change by applying knowledge, methods and techniques of a progressive management system. [Miletić, et. al., 2016, p. 363] A valid management system implies more than the usual establishment of a process or proven practices. Progressive management system is based on the principles of quality management. It supports the use of advanced business strategies, uses the criteria of appropriate work in accordance with business integrity, ensures realization of strategic goals of the organization, initiates innovation and competitiveness, applies various tools for improving business processes, provides the availability of resources for the realization of all goals, and establishes dynamic communication with all interested stakeholders.

It is obvious that the incentive to improving the progressive concept of the management system [Milekić, 2013], was in the saturation and decline in the growth of a number of organizations. It was about accelerating change, that is, organizations entered the “era of discontinuity” in which earlier experience was no longer a reliable enough guide for the future. A successfully established management system starts the development of an organization towards achieving results, in order to achieve the highest level of quality of products and services, ensure the efficiency and effectiveness of business processes and maximize profit. In order to achieve these goals, successful organizations use an extended process model that respects the synergy of various activities and criteria for achieving the quality of the organization as a whole (picture 1).

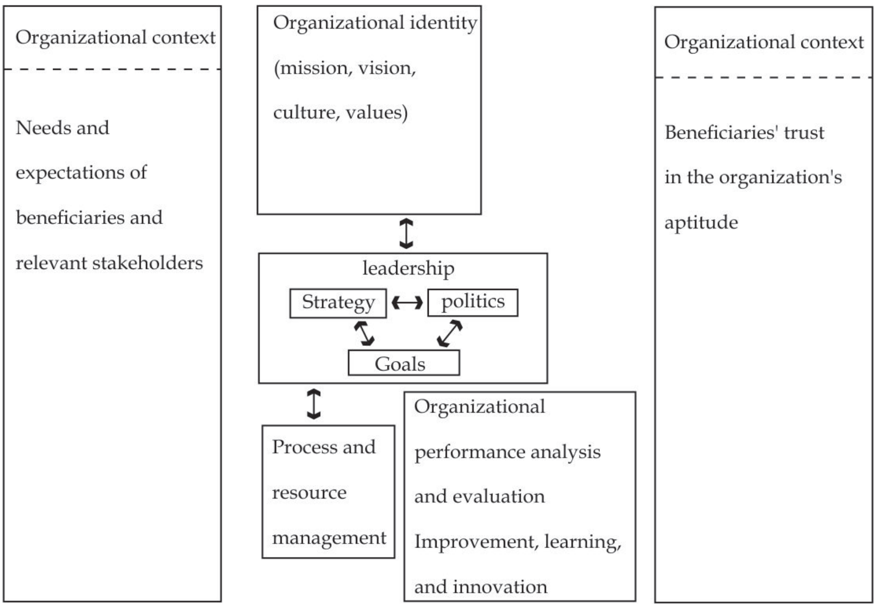

Figure 1. Extended Model Organization Model [18]

It is clear that progressive management systems based on a flexible / fast response appear as a reaction to an increase in the frequency of changes in the organization’s environment and the conditions in which changes develop so rapidly that strategic time prediction could be applied.

Organization's top management

It is unnecessary to prove that top management has a decisive role in the process of making a quality and enduringly sustainable organization. It establishes criteria and projects the factors of success, allows achievement of set goals, identifies programs for their realization, delegates responsibility and authorization, provides the necessary resources, valorizes achieved results, continuously encourages improvement, etc. In other words, quality top management is the basis of the profitable functioning of every modern business system.

An initial step in the process of creating a successful organization is that top management assesses the current state of its quality. In order to achieve this goal it is possible to use benchmarking [9], or compare with organizations that produce similar / same products or provide similar / same services. [Rao, A. et. al, 1996, p. 153-4] Different management systems use different criteria, standards and guidelines for self-evaluation (quality, safety, etc.) across different areas of business. The results can be used to collect information about the degree of maturity of an organization.

The motivation of the top management to create a quality organization requires their particular involvement in this process. Exceptional support is essential for the efficient implementation of the management system in the function of attaining the desired quality of the organization. It is the top management who projects expectations, motivates employees to get involved in activities that are triggered in the management system and who approves changes. It should create an atmosphere that encourages employees to actively work on the implementation of the requirements of different management systems, persisting in an effort to realize the projected strategic goals and seek for better solutions than those currently being implemented. This should ensure the confidence of external stakeholders in the sense that the organization uses a successful progressive management system.

Hence, the management team sees the fulfillment of all applicable requirements of the management system as a factor of the organization's success.

Managing organization processes

Sustainable success is achieved by organizing all necessary activities through an appropriate process. Managing the organization is a process in itself. The purpose of the process is to establish a strategic direction of the organization and to ensure that it realizes its goals. The goal of the process is to achieve sustainability of the organization in a complex environment, with the active participation of all employees. Thus, the success of the process in the organization implies proactive management, using different management mechanisms - regulations, documentation, requirements of MSS standards (ISO / EC that are applicable in practice) [Milovanov, 2014, p. 68], and the engagement of different types of resources [Đuričin, et. al. p. 607-10] (human resources, knowledge, infrastructure, environment, etc.).

For each identified organization process, the input and output principles (outcomes), including selected constants, performance indicators, performance evaluation methods and process improvement, are determined. The input elements in the process require market analysis, customer satisfaction information, prognoses on the direction of development of applied technology, and so on.

Each of the ongoing processes can be a segment of different management systems. The requirements of the relevant management systems are realized through the business processes of the organization. [Milovanov, 2016, p. 47] One group of the ISO standards [14], determines the quality of products, services in the processes, issues regarding the lack of information in the processes, while for environmental and health issues, other specific requirements of the standards apply.

Through the relevant process in the progressive management system [Lee, et. al., 1999], the requirements of individual management systems are used. Different organizations use different processes. In this regard, the model of a single process (Figure 2) should contain all the enforceable requirements of the standards for management systems.

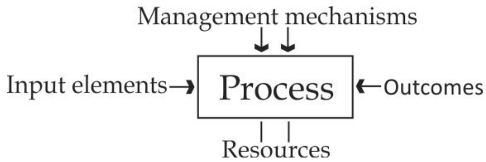

Figure 2.Model of a single process

In order for an organization to manage processes efficiently and effectively, it is necessary to select appropriate criteria [Jeston, Nelis, 2008], in the sense that each unique process is explained in detail. It is about establishing and maintaining a strategy and a policy, a common culture and vision, taking action if results are not achieved, establishing measurable goals, reviewing performance, and more.

In addition to necessary information, in accordance with the standards of the management system that are used and related to the process [Arsovski, 2006], the organization may require other criteria defined based on knowledge of the best practice in a particular business field (for example, dealing with environmental and social impacts, risk taking, periodic performance reports, etc.).

As a result of successful implementation of the organization's management process, it is expected that appropriate criteria of good work and the best business practices have been established and applied.

Conclusion

In order to ensure that the organization meets and exceeds its set goals, its top management must continuously strive to achieve greater performance and use the best practice relevant to the business / group in which it operates.

Good practice for achieving sustainable business success indicates the need to use adequate standards and guidelines for a progressive management system. Standards for management systems provide a valid basis for organizations to set benchmarks for successful business and to achieve high performance.

In the process approach, top management sets the goal for the organization to understand the context in terms of the needs and expectations of all interested stakeholders as a factor of success. It creates confidence in its own ability to meet the expectations of all users, rationally use available resources, and meet all applicable requirements of management mechanisms to the process.

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KNOWLEDGE OF FRENCH LANGUAGE AND CULTURE – A PRECONDITION FOR IMPROVING ECONOMIC RELATIONS BETWEEN SERBIA AND FRANCE

Abstract

France is one of the largest economies of the world and one of the most influential countries of the EU, and its centuries-old friendship with Serbia and a strategic position in the Western Balkans and the complementarity of economies represent a good basis for the development of bilateral economic relations. However, despite the great potential for cooperation, mutual cooperation results to date are not at a high level. One of the reasons may well be just the language barrier and the lack of knowledge of French market culture. The aim of this paper is to present forms of economic cooperation between Serbia and France, to emphasize the importance of the knowledge of French language and intercultural competence as a prerequisite for cooperation, at least in the initial marketing terms. In this paper, we will give a brief historical overview of the French economic relations, and by employing a complementary analysis we will present the mutual trade between the two countries, and we will as well point out the importance of knowing the French language and French culture to the employees who have plans for successful cooperation with French partners.

Key words: *Serbia, France, intercultural relations, economic relations, business communication*

JEL classification: *F55, F40, F63, Z130*

ПОЗНАВАЊЕ ФРАНЦУСКОГ ЈЕЗИКА И КУЛТУРЕ – ПРЕДУСЛОВ ЗА ПОБОЉШАЊЕ ЕКОНОМСКИХ ОДНОСА СРБИЈЕ И ФРАНЦУСКЕ

Апстракт

Француска је једна од највећих економија света и једна од најутицајнијих земаља ЕУ, а вековно пријатељство са Србијом, њена стратешка позиција на Западном Балкану и комплементарност економија представљају добру основу за развијање билатералних економских односа. Ипак, поред великог потенцијала за сарадњу, резултати досадашње међусобне сарадње нису баш на завидном нивоу.

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Један од разлога, између осталог, може да буде језичка баријера и непознавање културе француског тржишта. Циљ овог рада је да прикаже облике економске сарадње између Србије и Француске и да укаже на значај познавања француског језика и интеркултурне компетенције, као један од предуслова за успостављање сарадње, макар у том почетном маркетиншком погледу. У овом раду ћемо најпре дати кратак историјски приказ француско-економских односа, компаративном анализом представићемо међусобну трговину између две земље и указаћемо на значај познавања француског језика и француске културе запослених који имају у плану успешну сарадњу са француским партнерима.

Кључне речи: *Србија, Француска, интеркултурни односи, економски односи, пословна комуникација*

Introduction

Today, France is one of the most influential countries of the European Union and one of the largest economies of the world, with a very large market of nearly 67 million people which provides huge business opportunities. The country has maintained traditionally good and friendly relations with Serbia for two centuries. If we take into account that Serbia is the main partner of France in the Western Balkans, it can certainly serve as the basis for improving economic relations between the two countries. However, businessmen in Serbia are often unaware of how the knowledge of French language is important for their development on the francophone market. While English language is sufficient for conducting business in most European countries, the situation is different in France. France is a country that clings to its cultural values, and is particularly strict in preserving its language, which is why the knowledge of French language and French culture is very important prerequisite for improving economic relations. For this reason, the aim of this work is to explain its purpose into a couple of steps. Firstly, the aim is to investigate and present forms of economic cooperation between Serbia and France. Secondly, it is to point out the ways for overcoming language barriers and to show not only cultural similarities, but also differences between the two countries, especially in economics, as well as in many other areas.

The paper will first present a brief historical overview of the Franco-Serbian relations that present the basis for further development of their bilateral relations in the contemporary European and global environment. Although during the nineties these bilateral relations had their ups and downs. The revitalization and improvement thereof have been noted over the last few years. This was contributed by the pro-European orientation of Serbia and its powerful aspirations towards joining the European Union. Since the beginning of the 21st century up to date, France has become one of the most important foreign trade partners of Serbia, whereas its volume of investments in the Serbian economy has positioned itself among the top European investors. After analyzing mutual trade and presentation of the most important companies that have entered the Serbian capital market, we will present the sectors in which Serbia has the highest export potential when it comes to theFrench market. Preservation and promotion of future economic cooperation between Serbia and France necessarily imply the knowledge of the French language and French culture basics. Thus, a part of this paper will provide a brief overview of intercultural relations.

History of the French-Serbian economic relations

France became aware of its economic and geostrategic interests in Serbia during the 19th century. The first consulate of France in Serbia was founded in 1839. French consuls have realized the importance of The Principality of Serbia in regional trade so that, at the beginning of 1840, they established their first French-Serbian trade relations, whereby Belgrade became the crossroads of three roads towards Mediterranean ports. In that period, Serbian students began to study in Paris, and later on they formed the intellectual elite of Serbia. Formal diplomatic relations between Serbia and France were established on 1 January 1879. After the Berlin Congress, France's interests in economic affairs intensified even more. On the one hand, France, together with Germany and Austria-Hungary, participated in loaning funds, while its railway company participated in the construction of the railway network in Serbia on the other hand.

After the conclusion of the Franco-Russian alliance in 1893, French politicians and diplomats introduced the Balkans into their strategic considerations, and Serbia became a subject of growing interest in economic and cultural terms. Significant changes in foreign trade occurred in 1906, as well as after Serbia became open for new markets. Serbia soon became a point of interest for many French intellectuals and publicists. In 1910 the Franco-Serbian Bank was established, which contributed to the improving of the economic relations between the two countries to an even greater extent. After Peter 1st Karadjordjevic and Foreign Minister Milovan Milovanovic visited France, the bilateral relations continued to strengthen, so that in 1914 France achieved a dominant economic and cultural influence in Serbia. In historiography, much information was documented about the Franco-Serbian friendship during the First World War. Bilateral relations between the two countries reached its peak between the end of the war in 1918 and the assassination of King Alexander in Marseilles in 1934. However, in the period after the Second World War, influenced by new and changing international situation, the relations between France and Yugoslavia began to weaken. During the Algerian war and Yugoslavia's supporting of the Algerian independence, as well as during the bombing of Serbia in 1999 and France's recognition of Kosovo's independence, the bilateral relations between the two countries were at the lowest level (Sretenović, 2009; see Kovačević, 2012, pp. 45, 57, 324).

In recent years, the situation has significantly improved and the traditionally good relations were re-established, which has been manifested by the development of economic relations. Primarily, the Franco-Serbian-Montenegrin Business Club was established on 19 May 2005, while on 8 October 2009 it was transformed into the French-Serbian Chamber of Commerce. The goal of the chamber is to expand cooperation between the two countries, organization of public and business meetings. On Serbia's road towards the EU, several of the bilateral agreements[1] have been signed, which have greatly facilitated business operations between the two countries. Thierry Repentin, delegated Minister of France for European Affairs, said in an interview for *Politika* that the Franco-Serbian bilateral relations had reached the former strength that they had after the signing of the Agreement on strategic partnership and cooperation (ASPC) between France and Serbia, as well as after the First World War (*Politika*, 2 September 2013). This agreement, which the two governments signed in April 2011, regulated the cooperation in the field of economy, energy, education, science, language, and culture. It is particularly important in the economy, because the French companies adhere to the recommendations of their governments in relation to markets and the countries recommended for investments.

The mutual trade

Two centuries of good Franco-Serbian relations constitute a solid basis for the development of bilateral cooperation in various fields, especially in economy. Serbia is the center of the Western Balkans, enabling it to have a strategic position. This fact is certainly of interest to the French investors who consider Serbia to be a strategic partner and who invested about 500 million euros of direct investments in the period from 2000 to 2013 alone. If we take into consideration the individual investment of French companies, investments reach 850 million euros[2]. French investors are present in different sectors:

- Banking and Insurance: *Societe Generale*, *Crédit Agricole*, *Findomestic Bank* as a member of the *BNP Paribas* and *AXA Insurance*;
- Automotive industry: *Michelin* (world leader in the production of tires and the third largest exporter of Serbia), *Lohr* (transport trailers), *Streit jucit* (auto supplier that has invested about 6 million euros in Serbia);
- Agrocultural industry: *Bongrain* (bought most of the production lines of *Imlek*), *Lactalis*, *MEH* (bought *Sladara Maltineks*);
- Information technology: *Schneider electiric* and *Atos*
- Foundry: *Le Bélier* (European leader in the production of aluminum components for the automotive industry).

Today in Serbia, around one hundred French companies employ about 11000 workers. Many companies, such as *Lafarge*, *Michelin* and *Tarkett*, reinvest in new business development and industrial production. These companies have invested 55% of their investments in the production. One of the most important investments was the takeover of the cement factory *Lafrage*. With the help of joint ventures and the *Michelin Tigar*, in 1998, operations in the free zone *Pirot* started and has since achieved excellent results (Konstadinović & Petrović-Randjelović, 2015, p. 102). France is still mostly interested in the sectors of energy and environmental protection, primarily for the construction of landfills, water treatment and triage centers (Marcon, 2016, p. 10). In addition, French government continues the discussion with Serbian authorities on joint infrastructure projects, notably the construction of the Belgrade metro, an investment worth around one billion euros, which the French *Alstom* is quite interested in.

Table 1: Macroeconomic indicators of economic growth of Serbia and France in 2016

	Serbia	France
Area	88.361 km² (117th)	640. 679 km² (43 th)
Population	7. 143. 921 (103 th)	66. 836. 154 (22 th)
GDP (PPP)	101.5 billion $ (83 th)	2.737 trillion $ (11 th)
GDP (OER) for 2015	37.76 billion $	2.488 trillion $
GDP per capita (PPP)	14. 200 $ (116 th)	42.400 $ (38 th)
GDP – real growth rate	2.5% (114 th)	1.3% (167 th)
Gross national saving	14% of GDP (125 th)	21.9% (67 th)
Unemployment rate	18.9% (168 th)	9.7% (113 th)
Taxes and other revenues	42.9% of GDP (28 th)	51.8% of GDP (12 th)
Budget surplus or deficit	-2.3% of GDP (74 th)	-3.2% of GDP (112 th)
Public debit	78.5% of GDP (31 th)	96.5% of GDP (17 th)
Inflation rate	1.1% (28 th)	0.3% (44 th)
Exports	12.85 billion $ (75 th)	505.4 billion $ (7 th)
Imports	17.37 billion $ (79 th)	525.4 billion (7 th)
Debt – external	31.64 billion $ (77 th)	5.36 trillion $ (4 th)

Source for Serbia: The World Factbook, Central Intelligence Agency https://www.cia.gov/library/publications/the-world-factbook/geos/ri.html
Source for France: The World Factbook, Central Intelligence Agency https://www.cia.gov/library/publications/the-world-factbook/geos/fr.html

Mutual trade relations between the two countries are assessed as traditional, with a tendency of continuous improvement. France is among the ten most important foreign trade partners of Serbia. Of course, by comparing the macroeconomic indicators, we are confronted by a big difference in terms of area, population and development levels of the two countries. According to the data from *Table 1*, the value of French GDP ($ 2.737 trillion) is significantly higher than that of Serbia ($ 101.5 billion), whereas the GDP per capita is three times bigger. Other macroeconomic indicators point to the fact that France is one of the strongest economies of the world, while Serbia is below the European average. Regarding exports, France is at the 7th place in the world with $ 505.4 billion, while Serbia is at the 75th place with $ 12.85 billion. Public debt, inflation and unemployment rates are much higher in Serbia than in France.

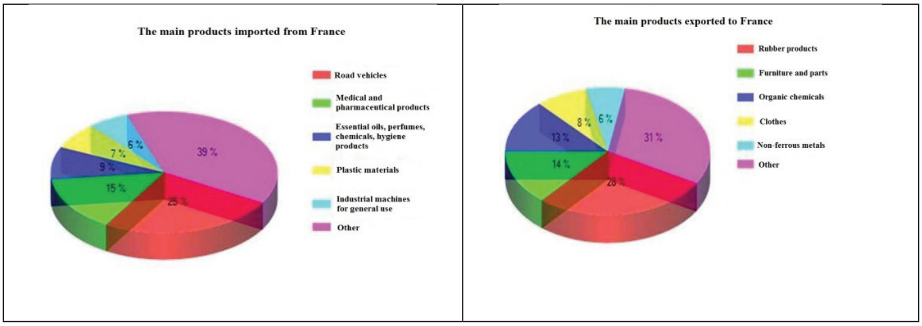
Table 2: Mutual trade relations between Serbia and France

Years	Export	Index	Share of total export	Import	Index	Share of total import	Total	Index	Saldo	Coverage rate of imports by the exports
2011	221.8	106.3	2.6%	385.0	107.1	2.7%	606.8	106.8%	-163.2	57.6%
2012	220.0	99.2	2.5%	400.4	104.0	2.7%	620.4	102.2%	-180.4	54.9%
2013	264.3	120.1	2.4%	453.6	113.3	2.9%	717.9	115.7%	-189.3	58.3%
2014	313.6	118.7	2.8%	431.6	95.1	2.8%	745.2	103.8%	-118	72.6%
2015	368.5	117.5	3.1%	480.5	111.3	2.9%	849	113.9%	-112	76.7%
2016/6*	182.4	98.7	2.8%	278.7	111.8	3.3%	461.1		-96.3	65.4%

* Data for 2016 refer only to the first six months
Source: *Serbian Chamber of Commerce* (PKS) http://www.pks.rs/Predstavnistva.aspx?id =4&t=4&jid=1

The dominant form of economic cooperation is the exchange of goods. According to the data from *Table 2,* the trade volume has increased significantly to almost 850 million euros in 2015, which is 14% more than in 2014 and 80% more than in 2010. Until 2013, France ranged at the thirteenth position on Serbia's export partner list, and since 2014, it moved to tenth position. Current imports of Serbia amount to 480.5 million euros, which is 11.3% more than in 2014.

Figure 1: The main products imports/exports products from/to France



Source: *Serbian Chamber of Commerce* (PKS) http://www.pks.rs/Predstavnistva.aspx?id =4&t=4&jid=1

Some of the main products imported from France include road vehicles, medical and pharmaceutical products, essential oils, perfumes, chemicals, hygiene products, plastic materials, industrial machines for general use, electronic devices, etc. (see Figure 1). Serbia's export towards the French market has tripled and amounted to 370 million euros, which is 17.5% more than in 2014. The coverage rate of imports by the exports increased from 50% to 76.7%. Thanks to the increasing Serbian exports, the deficit which has been burdening Serbia for years (see Table 2) is now reduced to 112 million euros. The total export of Serbian products to France can be divided into five major groups (see Figure 1):

- Exports of vegetables and fruit (mainly red fruits);
- Exports of clothing;
- Semi-finished iron and steel exports;
- Export of non-ferrous metals;
- Exports of rubber products.

Though, economic relations are not yet at the level where they could be, compared to foreign trade with other countries (Vukovic & Djokovic, 2015, p. 163). For example, in Romania,[3] there are around 4000 companies operating in all fields of industry. In Romania, France is at the third place as a buyer and at the fourth place as a supplier, and bilateral exchange was increased by 9.3% compared to 2015, reaching 7.4 billion euros. In order to improve the results, Serbia should engage in promoting its economy towards the French investors. The greatest opportunity for Serbian companies lies in interconnecting and engaging of our food suppliers, metal processing, chemical and pharmaceutical industry. The potential exists primarily in marketing of organic agricultural products and foodstuff. This market is developing intensely in France and is growing at a rate of 19% per year, thus presenting a great opportunity for certified producers. An agreement was signed in the field of agriculture in March 2012, which aims at expanding the cooperation in the agro-industrial sector. Seventy of our companies are already exporting frozen fruit to France, and raspberry exports were increased by a third compared to 2014, amounting to 50.6 million Euros, which is 14% of total exports, thus making Serbia the primary exporter of raspberries to France (Čadež, 2016, p. 17).

The language barrier can be identified as a key problem in the foreign trade management. Kovacevic (2012) states that the challenges and the temptation to the local companies' managers to communicate with the foreign market are increasing (p. 416). Sales managers are at a disadvantage if they do not speak the language of the local client or do not know its culture (Lekovic, 2006, p. 200). Language is a key tool in business communication as "there will be no business activities if there is a lack of communication" (Rakita, 2006, p. 602). Good business communication can increase profits, just as a bad one can reduce them (Miletic & Djurovic, 2015, p. 51). Trust is the basis of every business relationship and communication with the customer in the native language thereof is an important factor in the building of that trust. "Knowledge of foreign languages can be seen as a means of creating and improving interpersonal relationships, as well as a means of understanding the dynamics of the associated culture" (Rakita, 2006, p. 608). For this reason, three roundtables were organized last year titled *Jezičke strategije*[4], which aimed at encouraging the dialogue about how important the learning of French language is to the companies in Serbia, especially to those which plan to operate in the francophone market. Just as to the survey conducted at such companies that do business or plan to do business with the French-speaking market, 93% of participants agreed that Serbia lacks professional staff that speaks French. When asked *what is the main obstacle for Serbian companies when presenting themselves to the French market?*, the most common responses included language barriers, lack of French language knowledge and ignorance of the culture of the French market.

Knowledge of the French language can greatly facilitate business in the French market. Although it may seem extremely difficult to master the French language at first glance, there are modern methods[5] of language learning adapted for the company's particular needs, whereby the learners can in record time master the essential language skills needed for the purpose of business communication (Zivkovic, 2013, p. 213, 222). France is the country with a rich tradition and is a former colonial power which holds high regards towards its language. To succeed in business with French businessmen, one must be familiar with French culture, their habits, and especially their language. Although most business people in France speak English language, everyone who puts the effort into learning at least some basic French phrases will earn the respect of the French partners (Jones, 2011). Within the European Union, the French language has the status of an official and business language. Being the official language of 25 countries, likewise the languages of many international organizations, French is one of the most influential languages in the world after English.

Intercultural differences

Understanding the differences is essential for the establishing of business communication with foreign partners. "It always starts with getting to know the basic dimensions and characteristics of the culture of your interlocutors" (Rakita, 2006, p. 602). Hence, conducting business with France is closely linked to the knowledge of French culture and language. On the other hand, the lack of social and cultural differences may cause serious difficulties in building business relationships (Zivkovic, 2016, p. 145). Between France and Serbia, there are many prominent social, cultural and economic differences. Serbia is a country with many political, economic and social problems, and is in the process of transition that has lasted for more than a quarter of a century, while France is an EU member and the eighth country in the world in regards to economy – a fact which is certainly reflected in the business.

In agreement with Hall's analysis, it is possible to conclude that the Serbs, just like the French, are polychrome in culture i.e they can do more things at the same time. Deadlines are flexible, the timetable is not respected strictly, with a preference more towards establishing good relations with people, they often change their plans, they pay great attention to tradition and so on (Loth, 2006, p. 40; Rakita, 2006, p. 596-598; Hall, 1984). The fact that there are many similarities between French and Serbs has been noticed by many businessmen – they are creative and know how to enjoy, but they also have similar flaws as they are grumpy and big loudmouths. There are stereotypes that the French tend to turn business negotiations into "a play" and to not focus enough on the essence. For both French and Serbs, it is preferable to start the negotiations at the table with good food and good wine (Coste, 2010, p. 153). Before commencing any negotiations on the subject of work, it is also advisable with the French to begin with a talk about peripheral matters, such as the actual sport events or tradition. While this may seem like a waste of time, it is a way to better acquaint with business partners and is the very basis for good relations in the future. In a word, they should become capable of reaching an agreement easily. Also, between 12AM and 2PM, one should not attempt to make an appointment because at that time the majority of French are likely to have a lunch break.

Pursuant to Hofstede, the national culture is defined by four dimensions, (on a scale of 0 to 100): power distance, masculine versus feminine, individualism against collectivisms and uncertainty avoidance (Stoner et al., 2000, p. 128). In Serbia, just as in France,the large imbalances in power, status and wealth are held in high regard (see Table 3). Organizations usually have a pyramidal hierarchy with multiple levels, whereby the director is usually very difficult to reach. When establishing initial contact with a French business partner, respecting formalities and the hierarchy is of great importance. It is necessary to be aware that many business arrangements are being conducted at several levels. French companies have a vertical chain of command, so it is recommended that any task of strategic importance is presented directly to the Director General (PDG) first, and later continued with the managers at lower hierarchic positions. It is advisable to schedule meetings several weeks in advance (Rakita, 2006, pp. 600-601).

Table 3: Defining the cultural differences between France and Serbia after Hofstede

	France	Serbia
Power distance	Average, but highest among Western countries (n=68)	Big (n=86)
Individualistic / Collectivistic	Individualistic (n=71)	Collectivistic (n=25)
Masculine/feminine	More feminine (n= 43)	More feminine (n= 43)
Uncertainty Avoidance	Great tendency to avoid the uncertainty (n=86)	Extremely high tendency to avoid the uncertainty (n=92)

Source: Bollinger & Hofstede (1987) ; Kohun & Burčik (2012)

Being a far cry from Serbia, which is mainly collectivist country with a greater need for social life, France is an individualistic country that upholds freedom of thought, which often manifests itself in the business culture, with a strong emphasis on respect for rules and regulations. Both countries have a fairly feminist culture that is characterized by orientation of care towards others, solidarity and quality of life. Doing service is considered to be more appropriate than achieving personal ambitions. France and Serbia are also cultures with strong uncertainty avoidance. It is in the very nature of French companies not to engage in risky business ventures, especially when it comes to SME. However, they do attempt to overcome the uncertainty by creating various legal, technological and religious institutions.

Conclusion

France and Serbia have had traditionally friendly relations for almost two centuries, with a lot of similarities in culture. Even though, they generally have different positions in the world and in international economic relations, their mutual co-operation seems to be on the right track. Nevertheless, while economic exchanges are moving upwards, when it comes to the existing potential for cooperation, the scope and structure of foreign trade is not at a desired level. It is referentially sufficient to compare the foreign trade exchange between Serbia and Germany or Italy or, on the contrary, the volume of French investments in Romania.

The reasons for this should predominantly be looked for in the negative image of the business milieu in Serbia. Unfortunately, on the international scene, Serbia has so far mainly been known for its political issues, while its economic potential is very little known. This is one reason why French businessmen have scarce knowledge about the economic potential of Serbia. In Paris in September 2016, a meeting was organized in order to provide information and contacts to Serbia. During this event, French companies were presented with advantages of the Serbian economy. It is necessary to put additional efforts into the continuous promotion of Serbia as a desirable destination for investors.

The new global market conditions and business environment of our country require employees to acquire the new skills and knowledge conductive to adapt to the global business conditions (Bejatović & Bejatović, 2014, p. 136). By establishing the strategies for French language learning and familiarizing with the French culture within the company, it would be possible to overcome the language barrier in the process of establishing good bilateral economic relations. Our belief is that such actions would partially solve the problems of economic relations between Serbia and France. More than that, learning business French should be supported at all levels of the educational system. Additionally, teaching French language should be adapted to the current economic situation in Serbia.

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Endnotes

1. Interim Trade Agreement (ITA) was signed in 2010 and the Stabilization and Association Process (SAP) was signed in 2013, which defines the partnership between Serbia and the EU. For more information see the following link: http://www.ccfs.rs/sr/upoznajte-srbiju/republika-srbija/medunarodni-sporazumi/ (14th April, 2017).
2. For more information see the following link: https://issuu.com/cordmagazines/docs/francuska_srpska_ekonomska_saradnja (8th April, 2017).
3. The results of foreign trade between France and Romania and the French investments in this country, taken from the website of the French Government, see the following link: http://www.tresor.economie.gouv.fr/Pays/roumanie/echanges-et-investissements (5th April, 2017).
4. During the month of Francophonie in Niš, Belgrade and Novi Sad, three roundtables on the topic "Economic Francophonie" were held. During these debates, participants were able to share their experiences in dealing with French-speaking market, as well as to draw attention to some of the problems they face, and were related to the lack of knowledge of French language and culture. For more information see the following link: http://www.ccfs.rs/sr/single-news/n/okrugli-sto-o-privrednoj-frankofoniji/ (10th April, 2017).
5. French for specific purposes is the method that is being developed in cooperation with the Chamber of Commerce of Paris and is mainly aimed at business people who plan to do business on the francophone market. The main characteristic of this is to analyze the communication needs of different businesses, on the basis of which a method is created which can educate students only for the purposes for which they are learning the language in the first place. It is mainly aimed at business people who are planning business ventures on the francophone market. For more information see the following link: http://www.centredelanguefrancaise.paris/numerifos/ (23th March, 2017).

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IDENTIFICATION OF THE BANKING BUSINESS MODELS IN THE FINANCIAL DEVELOPMENT CONTEXT (THE CASE OF THE MACEDONIAN BANKING SECTOR)

Abstract

This study deals with the corporate strategy of the commercial banks in Macedonia and their business models, particularly emphasizing on the bank's structure and performance. For this purpose cluster analysis of 14 banks is conducted in order to identify the existing matrix of bank business models and to consider the existence and determination of strategic groups in the Macedonian banking system clusters. The results are leading to clear distinction between two bank clusters: high performance group and low performance group of commercial banks. In addition to the analysis the possible strategic adjustments are discussed in the context of the financial development of banking in Macedonia and the financial globalization. The paper may be useful for the corporate management of the banks and other financial institutions, particularly in the field of marketing and risk management.

Key words: *banking business models, cluster analysis, performance groups, financial development*

JEL classification: *G21*

ИДЕНТИФИКАЦИЈА БАНКАРСКИХ БИЗНИС МОДЕЛА У КОНТЕКСТУ ФИНАНСИЈСКОГ РАЗВОЈА (СЛУЧАЈ МАКЕДОНСКОГ БАНКАРСКОГ СЕКТОРА)

Абстракт

Ова студија се бави корпоративном стратегијом комерцијалних банака у Македонији и њиховим пословним моделима, посебно наглашавајући структуру и учинак банке. У ту сврху се врши кластерска анализа 14 банака како би се идентификовала постојећа матрица банкарских модела пословања и размотрило постојање и одређивање стратешких група у македонском банкарском систему - кластерима. Резултати доводе до јасне разлике између два кластера банке: групе пословних банка са високих перформанси и групе са ниским перформансама.Као додатак анализе, дискутирано је могуће стратешко прилагођавање у контексту финансијског развоја банкарства у Македонији и финансијске глобализације. Рад може бити користан за корпоративно управљање банкама и другим финансијским институцијама, посебно у области маркетинга и управљања ризицима.

Introduction

According to the Strategic Groups Theory, strategic group is a group of corporations that make similar decisions in key areas (Koller, 2001), reflected in the similar values of strategic variables, distinguishing the groups with high and low performance - high / low performance groups. That means banks that are located in the same strategic group have similar patterns of response to changes in external factors (for eg. regulatory changes). The strategic groups can be differentiated according to their key resources and market characteristics, distinguishing clusters based on bank resources and clusters based on market characteristics. In terms of lower levels of market development (shallow financial markets) banks can be classified into clusters according to the structure of resources.

Profound changes in the banking sector are no longer optional, especially in the case of the low performance group of banks. The strengthening of the capacity for delivering strategic changes is basic precondition for sustainable development in the banking industry. Furthermore, as a result of the Great Financial Crisis of 2008 the world leading banking experts promoted the access point- analysis of banking risks through analysis of banking business models as a risks source in the context of financial globalization. This is the major theoretical standpoint of this research. The study elaborates the question in the case of Macedonia in order to set the foundations of a modern structural analysis of the banking system on the path to higher levels of financial integration and development.

The Macedonian banking system includes fifteen commercial banks in it. Eleven banks are predominantly foreign-owned, of which seven are part of banking groups. For the consideration of the business models, it is important to mention that the Macedonian banks are operated as universal banks, according to the types of registered activities. The list of activities varies from bank to bank. The statistical requirements of the Central Bank divide the banking activities in the following segments: population, non-financial sector, financial institutions and state.

The world practice divides banks in three business models by their major activities: retail banking, wholesale banking and investment banking. Otherwise, according to the current legislation in Macedonia there is no commonly accepted basic criterion for distinguishing (segmentation) of banking activities between retail banking and wholesale banking. Some banks according to the internal and the banking group’s policies make such distinctions, and such data is available in the Annual Reports of banks under IFRS in the section “Reporting by Operative Segments” in terms of the financial result as well as the separation of assets and liabilities section.

Some banks in the area of retail banking activities include banking operations with individuals, while others except for the individuals here include operations with SMEs. The wholesale banking terminology is not widely used by the Macedonian banks and is subject to miss-use. Some banks have equated it with the commercial banking, corporate banking, while some of the banks include only activities with large clients (institutional clients, large corporations and state) within the wholesale banking segment. The conclusions delivered from the banking statements analysis is that the sectorial division of banking activities in Macedonia is not harmonized with the international standards, especially in the case of the local banks. The investment banking activities have minor participation within Macedonian banking system, usually offered on the margines of the commercial bank’s offer of banking products.

Generally speaking, the business model of the Macedonian banks is labeled as traditional - featuring a simple structure of traditional deposit and credit activities and minor representation of activities in the field of investment banking, primarily as a result of the demand for traditional banking products. The level of accuracy of the terminology is not sufficiently supportive to the financial development context of the Macedonian banks.

A comparative approach to the analysis of the structure of the Macedonian banking system against the European banking system indicates relatively shallow banking market in terms of its rich array of banking institutions operating in the EU, which implies differentiation of business models, legal forms and ownership structures. The key variables taken to identify the main business models in the EU are: the size of the banks, sources of funds, as well as exposure to foreign entities.

For the purposes of this study various phenomena, processes, conditions and structures have been analysed that are present in the world practice and literature, thereafter similarities and differences are identified, being present in the case of Macedonia in the context of the processes of the financial globalization. Given the fact that the survey is the first of its kind in the case of the Macedonian banking system, first the case was tentatively analyzed in order to create a preliminary model that is meeting the needs of the study. Subsequently the econometric models used in referring researches on regional and global level were analyzed (Ayadi, R et all, 2011). The world research practis in this field varies according to the number of analyzed banks and the number of variables observed in samples, but the coverage of variables on financial performance is constant within the majority of studies (Altunbas at al.,2011). According to recent relevant researches it is confirmed that the business model significantly affects the financial performance and risk exposure of banks. Analogously, by comparing financial performance we can successfully determine the banks linkage with similar banking business models and risk profiles. The following financial variables are chosen as conceptually significant variables that are further analyzed in the case study: the financial indicators of funds structure (Diamond, 1984), structure of liabilities (Gatev et al, 2009), liquidity, profitability (Beck T. et al., 2013), efficiency and capital adequacy (Le Leslé and Avramova, 2012). Indicators on the ownership structure are not taken into account due to the dominance of private capital into the banking system in Macedonia. Also indicators of the revenue structure are not included because of the dominance of interest income in all banks. The selected eight key indicators for individual banking institutions are analyzed for a period of four years. Relevant data is used from the statistics of the Central Bank, commercial banks, as well as statistical data from other relevant international financial institutions (BIS, ECB, WB, IMF etc) and the corresponding literature by famous experts and banking scholars.

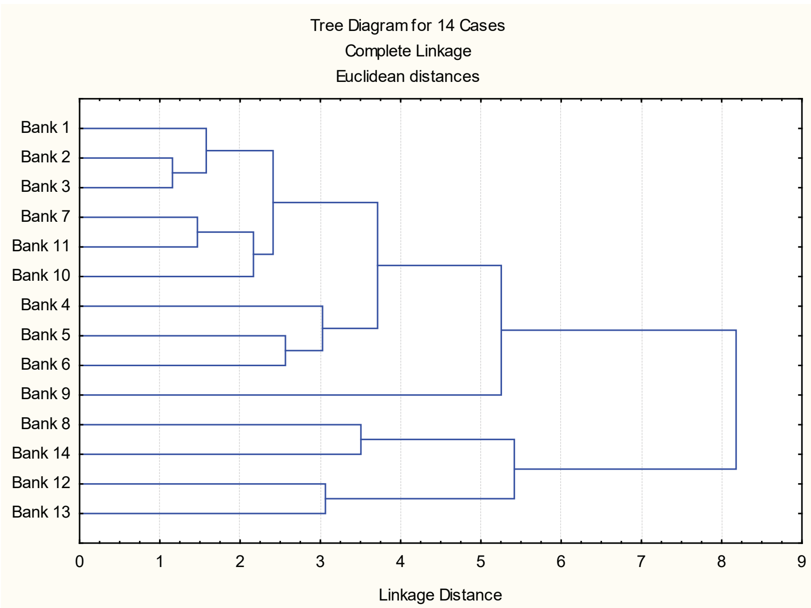
Identification of banking business models in the Macedonian banking sector

Explanation of the results of the cluster analysis

Based on the analysis of selected quantitative indicators the division of a cluster of large, medium and small banks is reviewed and chosen as the most adequate. For its financial performance, the cluster of large banks determines the average values in the entire sample, concluded from the values of the variance. The cluster of small banks has lower performance in terms of profitability and particularly affects the determination of the marginal value of the intervals. With the improvement of their performance comes to reducing the coefficient of variation of individual variables. Small and medium-sized banks show similar trends and performance, especially regarding the operating expenses relative to total assets, amount of deposits in relation to total liabilities etc. It must also be noted the tendency for reduction of deposits in the case of small banks due to the need of cutting expenditures in conditions of limited opportunities for placing additional assets (risks in the real sector, restrictive credit policies, etc). The large banks cluster does not perform this tendency (if the variables are considered as relative indicators). Large banks due to large amounts of deposits might face with dual problems: expensive uncompetitive credit products or lower financial results. We must emphasize that this situation could be theoretically differentiated depending whether the bank is a local bank or a part of an international banking group (local banks availability of alternative sources is smaller and their dependence on the amount of mobilized deposits is relatively stronger). In such circumstances, banks that are part of the banking group have a competitive advantage if they receive an inflow of capital by the parent bank. Some medium-sized banks still stand out in terms of the variable which represents the ratio between loans and deposits, which reflects the expansive credit policy of the certain banks.

The previous interpretation of the similarities in the financial performance of the commercial banks is confirmed by the results of the statistical analysis carried out in the program Statistica. Due to the relatively small number of observations, as the most appropriate was selected the agglomerative hierarchical cluster analysis method, i.e all banks at the beginning of the statistical analysis are considered belonging to a single cluster. In the subsequent steps by a complete linkage method the distance values of the variables in the observed banks is examined, by analysis of the maximum distance between two entities analyzed within a cluster. The distance between the analyzed entities is measured and expressed in standard Euclidean distance (Kruskal, J.B. and Wish, M., 1978, Mergaerts, F. and Vander Vennet, R., 2016).

Dendrogram



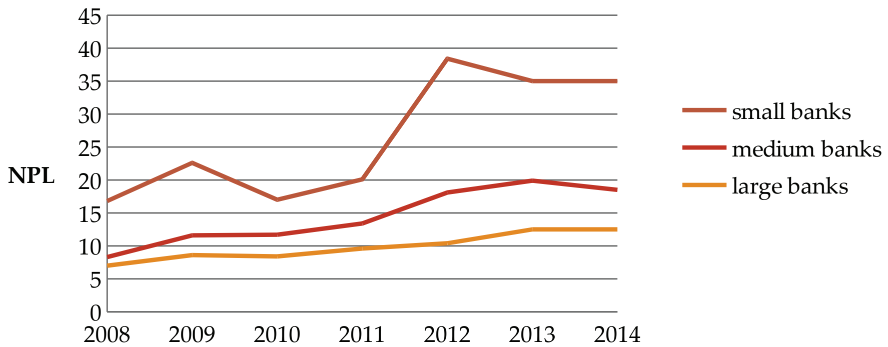
The econometric procedure is consisted of five steps of grouping of the observed banks in clusters. In the first step nine banks clusters are differentiated, with particular distinction of the similarity of the strategies of two major banks (Bank 2 and 3). In the second step six clusters are formed, including all the three major banks (Bank 1, 2, 3) into same cluster. Finally, all banks form two clusters[1].

The optimal number of clusters is determined at the point of clustering where the biggest jump is registered in the mutual distance between two subsequent steps of the clustering procedure. The Dendrogram display confirms the existence of three bank clusters of large, medium and small banks. The clusters of large and medium banks recorded significant distinction relative to the cluster of small banks, identified as **low performance cluster** for future consideration.

The indicators of credit risk as the dominant bank risk (due to the traditional nature of banking) additionaly confirm the existence of the previously identified cluster structure from the aspect of the risk exposure in the same manner additionally relating the risk issues for the individual bank clusters. The cluster of small banks risk profile is identified as more exposed to the NPL portfolio relative to the clusters of large end medium banks.

Figure 1

The participation of NPL by bank clusters



Weaknesses of the cluster analysis and specific adjustments for mitigation

First, subjectivity is a limiting factor in the cluster analysis, especially regarding the choice of analyzed banks and determining the optimal number of clusters. This issue is partly mitigated by including all commercial banks in the survey except the Macedonian Bank for Development Promotion.

Second, the cluster analysis in this paper is intended to be basic analysis of the structure of the banking system in Macedonia, so some aspects were subject to

[1] Cluster 1(Bank 1,2,3,7,11,10,45,6,9) and Cluster 2(Bank 8,14,12,13)

abstraction. This study can serve as a basis for future research in the context of the evolution of bank business models in Macedonia to higher levels of market development through innovation and segmentation with focus on the correlation with appropriate risk profiles, targeting the acceleration of the financial development within acceptable levels of risk in banking operations.

Third, for additional clarification and explanation of the results a set of qualitative variables are added to the analysis. The quantitative indicators are sufficient input and adequate bases for a short term forecast analysis. In order to appropriately address the long-term development aspects and perspectives of banks in a strategic analysis, it is considered more beneficial to single out **large banks** that are part of an international banking group like banks with the **lowest risk potential and major development opportunities**, and the **small local banks as banks with high risk potential and limited development opportunities**. The addition of the **internationalization aspects** derives the conclusion that in small banking markets (as in the case with Macedonia) the internationalization of banks by major international banking groups can be a strong factor for relatively stable growth by increasing the potentials for competitiveness, efficiency, also capacity for reorganization, availability of resources and skills and greater transparency. In the past fifteen-year period of transformation and modernization of the banking system, we have noted examples of tangible results in improving the performance of local banks through the model of entry of foreign investor (foreign bank). It is particularly remarkable case of Komercijalna Banka AD Skopje, and there are other examples of this kind (eg. the takeover of the Ohridska Banka AD Skopje by Societe Generale Bank Paris, acquisition of Export and Credit Bank by Turkiye Halk Bank, as other.

Table 1. The participation of assets by operating segments in the three largest banks in Macedonia

year	business segment	Bank 1		Bank 2		Bank 3	
		assets	index	assets	Index	assets	index
2016	retail banking	14.210.097	15%	35.460.047	53%	37.769.463	49%
	comercial banking	82.518.822	85%	31.433.314	47%	40.046.093	51%
2015	retail banking	13.401.192	14%	32.738.665	50%	34.661.719	49%
	comercial banking	79.819.273	86%	32.096.409	50%	35.919.480	51%
2014	retail banking	11.023.426	12%	28.138.459	46%	32.198.814	45%
	comercial banking	77.742.985	88%	32.368.238	54%	39.444.115	55%
2013	retail banking	9.235.899	14%	24.510.921	38%	49.113.587	68%
	comercial banking	57.902.843	86%	40.516.034	62%	23.300.212	32%
2012	retail banking	7.972.076	10%	22.939.925	38%	45.929.136	71%
	comercial banking	71.640.925	90%	37.861.035	62%	18.496.351	29%
2011	retail banking	7.639.166	13%	15.234.368	33%	41.175.645	73%
	comercial banking	51.085.230	87%	31.079.339	67%	15.294.268	27%
2010	retail banking	7.799.962	15%	13.144.027	30%	38.597.091	70%
	comercial banking	45.088.675	85%	30.237.353	70%	16.362.426	30%

Regarding the analysis of the banking activities of the **high performance group** of banks by business segments we must notify it considers data of the three largest banks as a representative sample of the high performance segment and the banking system as a whole. The general conclusion is that banks in Macedonia are using the comfort of the **universal bank business model** with reference to the marketing aspects. Some of the banks that are part of a larger international banking group, have implicit constraints in terms of directions (targets) in operations, as determined by the parent bank and significantly pre-determined individual customer segments in their banking activities directly influenced by the business strategies policies and models of the banking group. Local banks in this respect have the discretion to direct their activities in accordance with their internal policies. With small exceptions, we can note about the dominance of the corporate clients segment in the case of Bank 1(large local bank).

In the case of the Bank 2 and Bank 3 similar strategies toward segmentation of the banking activities are prevailing, particularly in the period after the year 2014. It must be borne in mind that they represent part of major **international banking groups in the EU**. The business model of Bank 3 is determined by the continuous domination of the retail banking in total banking activities, which clearly highlights the strategic objectives of the bank in corelation with the strategic goal of streamlining its operations to this retail customer segment. If we observe the basic principles that underpin the strategy of the banking group represented in Macedonia by Bank 2 (at the higher and corporate level), we may confirm the strategic decision about the dominance of retail banking, as well as the retail defined focus on certain segments of the bank daughter located in Macedonia in the period after the year 2014. If we make a brief overview of the business model of the Banking Group represented in Macedonia by Bank 3, it may be noted that it is a universal bank present in the region in the observed period, with clearly defined and targeted customer segments i.e. operational and management policies tailored towards particular market segmentation on exact profitable basis.

Table 2. The financial result in the three largest banks in Macedonia by segments

Year	business segment	Bank 1	Bank 2	Bank 3
2016	retail banking	-105.716	1.703.316	1.591.878
	comercial banking	953.072	903.400	854.157
2015	retail banking	-744.682	960.689	1.267.020
	comercial banking	1.237.787	341.879	830.979
2014	retail banking	-1.147.041	123.713	176.424
	comercial banking	1.579.526	981.381	810.794
2013	retail banking	-589.406	1.004.052	1.194.639
	comercial banking	734.669	212.277	-338.815
2012	retail banking	-1.078.389	814.201	398.284
	comercial banking	1.382.248	1.201.091	36.546
2011	retail banking	-1.013.188	60.009	350.621
	comercial banking	2.483.087	1.675.890	287.921
2010	retail banking	-1.372.884	n/a	268.599
	comercial banking	3.124.787	n/a	347.164

Regarding the banking segments linkage with the financial result the conclusions are as follows: in the case of Bank 1 (the largest local bank), the corporate clients segment realizes greater profitability relative to the retail banking segment. At the contrary the client segment retail banking realizes continuous loss. One of the reasons for this result is the high amount of deposits in this segment, as a generator of large amounts of interest expenses. The remaining two large banks (part of international banking group) are performing with substantial retail focus, but both segments work continuously on a profitable basis, with the retail banking segment autperforming the commercial banking segment. Consequently we conclude towards the dominance of retail banking strategy as a leading bank business model with higher level of profitability especially a case when it comes to international banks.

Furthermore the analysis could be extended by inclusion of additional qualitative indicators (country risk, type of listing, bank size - systemic importance) in the context of higher level of distinction and determination of optimal clusters.

Conclusion

The final result is in favor of identification of two major bank clusters: big banks that are part of an international banking group as a high performance bank cluster and lower risk profile banks; on the opposite side of the risk matrix pattern is the small local bank business model. The further identification of the low performance and vulnerable business bank models is particularly important starting point for addressing the specific issues and timely taken relevant actions and measures such as: development and implementation of financial programs for increasing the cost efficiency measures and improving the efficiency in the allocation of capital, reducing risk exposures and adequate policy adjustment of prices in terms of risk exposure, as well as market related activities in order to improve the market position through mergers, acquisitions, financial innovations especially in the case of low performance banking institutions in the financial development perspective.

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HISTORY NEWER SEVASTOPOL - LEGAL RETROSPECTIVE IN THE CONTEXT OF MODERN ECONOMIC DEVELOPMENT CRIMEA REGION

Abstract

On the example of a retrospective analysis of changes of the status of Sevastopol authors attempts a legal analysis to be replicated in a „western" media thesis about annexation by the Russian Federation of the Ukrainian sovereign territories; and clarifying the question of who actually committed the act of annexation. The study was carried out on the background of the review of the modern economic development of the Crimean region.

Key words: *Crimean Republic, Crimean region, Russian Federation, RSFSR, the Ukrainian SSR, Ukrainian Republic, Sevastopol, Crimea, referendum, annexation, sovereignty, the right of Nations to self-determination and territorial integrity, political economy, economic development, resources.*

Jel Classification: O10, O13, O14

НОВА ИСТОРИЈА ГРАДА СЕВАСТОПОЉА – ПРАВНА РЕТРОПСЕКТИВА У КОНТЕКСУ САВРЕМЕНОГ ЕКОНОМСКОГ РАЗВИТКА КРИМСКОГ РЕГИОНА

Апстракт

На примеру ретроспетивне анализе динамике мењања статуса града Севастопоља аутори врше правну анализу исконструисане, „западним" средствима масовне информације, тезе о анаксији суверених украјинских територија од стране Руске Федерације; и разјашњење питања о томе, ко је заиста извршио акт анаксије. Истраживање је базирано на процесу савременог економског развоја Кримског региона.

Кључне речи: *Кримска република, Кримска област, Руска Федерација, РСФСР, УССР, Украјинска републике, град Севастопољ, Референдум, Анексија, Суверенитет, Право нације на самоопредељење, Теритријална целокупност, Политичка економија, Економски развитак, Ресурси.*

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Periodization of the considered events

- October 18, 1921 Sovet of People’s Commissars made the Decision about the Formation of the Crimean Autonomous Socialist Republic.

- The Crimean ASSR was transformed to Crimean Oblast by the Presidium of the Supreme Council Decree in June 30, 1945.

- The Sevastopol was separate out the Crimean Oblast and became the city of republican (RSFSR) submission in October 29, 1945 by the Presidium of the Supreme Council Decree “About the Allocation of the Sevastopol in the independent administrative center”. All financial and organizational functions in administrative-territorial borders of Sevastopol (as the closed territorial formation – a place of a dislocation of the Black Sea Navy) were carried out under the direct management of Council of Ministers of RSFSR, without any participation of Council of Ministers of Ukrainian SSR, up to December 08, 1991.

- The Crimean Oblast was separate out the RSFSR to Ukraine SSR by the Presidium of the Supreme Council Decree in February 5, 1954. It is a fact of common knowledge that it was an excess of the competence by the Presidium of the Supreme Council of RSFSR and excess of the competence by the officials who signed this Decree; I pay attention to the following circumstance (see the Appendix): in the presented public version of this document there is no signature of the Chairman of Presidium of the Supreme Council of RSFSR M. Tarasov. It is still a question: what else versions of this document are exist. But the considered document can’t have validity as well on the formal bases – absence of the signature of the authorized person.

- The Presidium of the Supreme Council Decree of the USSR of February 19, 1954 approved the Appeal of Presidiums of the Supreme Councils of RSFSR and Ukraine SSR about transfer the Crimean area from RSFSR structure to Ukraine SSR structure. The matter was also settled by the Law USSR of April 26, 1954. A question about legitimacies of such decisions has to be a subject of separate research. In this case I pay attention that Crimean Oblast was transferred as administrative-territorial formation, but not the Crimean peninsula as the geographical phenomenon. A transfer of Sevastopol wasn’t a subject of this Decree.

- Sevastopol is fixed in quality of the city of republican (Ukraine SSR) value by the Constitution of Ukraine SSR of 1978. On the one hand, it took place absolutely illegitimate fixing of a claim for the territory, legal grounds for which possession weren’t available. On the other hand, there was a fixing of the independent status of Sevastopol from the Crimean Area / the Crimean Republic. It is obvious that the administration of Ukraine SSR didn’t identify (didn’t consider one as a part of another) the Crimean Oblast and Sevastopol at that time. Any attempts to extend Ukraine SSR jurisdiction to the territory of Sevastopol was made.

- The Republic of Ukraine made use of the catastrophic economic and political situation in Russian Federation, the constitutional crisis in the Russian Federation and extended the jurisdiction to Sevastopol in attendance order without any legal grounds (i.e. made the act of annexation of the sovereign friendly State territory (within the CIS)) in 1991 - 1992.

- The resolution of the Supreme Council of the Russian Federation No. 5359-1

“About the status of Sevastopol” (officially not cancelled and have validity until now)” of July 09, 1993 confirmed the Russian federal status of Sevastopol in administrative-territorial borders of the City District as of December, 1991. Thus illegitimacy of claims of the Ukrainian Administration on this territory was designated. Hence there was no “acquiescence” (the order by default) of rejection of the specified territory from the Russian Federation.

Conclusions

1. The Administration of the Republic Ukraine’s actions for rejection from the Russian Federation and a taking (annexation) of the territory of Sevastopol have no legal ground and contradict the following norms of International Law:

a) Art. 5 of the Agreement on Creation of the Commonwealth of Independent States of December 8, 1991 speaking about recognition and respect of mutual territorial integrity and inviolability of the existing borders within the Commonwealth;

b) The Almaty declaration of December 21, 1991 which confirmed this approach;

c) Art. 3 of the Charter of the CIS of January 22, 1993 which fixed among the interconnected and equivalent principles of the relations in the CIS as inviolability of frontiers, recognition of the existing borders and refusal of illegal territorial acquisitions, and territorial integrity of the states and refusal of any actions directed on a partition of others territory;

d) The declaration on observance of the sovereignty, territorial integrity and inviolability of borders of the State Parties of the CIS of April 15, 1994;

e) Item 4 of Art. 2 of the Charter of the UN;

f) Art. 1 of the Declaration of the UN “About the principles of international law concerning friendship and cooperation between the states according to the Charter of the UN” (on October 24, 1970);

g) Art. 1 of the Final act of Meeting on safety and cooperation in Europe (Helsinki, on August 1, 1975).

2. Actions of the Ukrainian Administration of a taking the territory of Sevastopol in 1991-19992 fully fall under the concept “annexations”. Possession of this territory was illegitimate; reasoning on acquirer prescription are insolvent in this case on the following base:

a) The private-law institute of acquirer prescription doesn’t extend on the international public relations;

b) This specified institute doesn’t extend on the conscious offenses (first of all on an illegal abatement the land plots) even in civil law, because the requirements of integrity of possession are violated (Art. 234 of the Civil Code of the Russian Federation, Art. 344 Civil Code of Ukraine and similar standards of civil codes of all civilized countries).

c) Moreover, the legislation of Ukraine (Art. 344 of the Ukraine’s Civil Code) says that the general norm about the acquisitive prescription doesn’t extend on misappropriation of the land plots, and also that the property right of the acquisitive prescription arises only on the judgment basis.

3. All payments from the Russian Federation to the Ukraine Republic for rent of bays of the water area of Sevastopol port for placement of the Russian Federation Black Sea Navy also free placement of the Republic Ukraine Navy in the territory of the Sevastopol port are superficial enrichment of the Ukraine Republic and are subject to enforce.

4. The Federal Constitutional Law “About Acceptance the Republic of Crimea to the Russian Federation the and Foundation a New Subjects as a part of the Russian Federation - the Republic of Crimea and the City of Federal Value Sevastopol” of March 21, 2014 not fully reflects legal realities of the occurred political event. The bases of the made decision designated the Declaration of the Independence of the City with the special status Sevastopol, and its offer on acceptance it in structure of the Russian Federation. The Decision about the foundation a new subject - the city of federal value - Sevastopol as a part of the Russian Federation is made on this basis. The legal mechanism concerning the Republic of Crimea is fixed: acceptance in structure of the Russian Federation this administrative-territorial formation after Declarations of its Independence, and foundation a New Subject of Federation in this regard. The obvious legal uncertainty concerning Sevastopol is present: on the one hand, it is told about declaration of its independence, on the other hand, the question of acceptance the Sevastopol in structure of the Russian Federation is held back and formation of the new subject of the Russian Federation is stated directly. In this case the question of emergence this territory as a part of the Russian Federation assumes dual interpretation. Including the legal fiction of legitimacy of loss this territory by the Russian Federation in 1991 is introduced into legal circulation.

Offers

1. To make changes into the Federal Constitutional Law “About The Acceptance of the Republic of Crimea to the Russian Federation and Foundation a New Subjects as a part of the Russian Federation - the Republic of Crimea and the City of Federal Value Sevastopol” of March 21, 2014 of the following contents.

It is necessary to add to art. 1 by p. 1.1: The Russian Federal Status of the Sevastopol is restored in administrative-territorial borders of the City District as of December, 1991.

It is necessary to read the art. 1 by p. 2 after the words “The grounds of acceptance of the Republic of Crimea to the Russian Federation” supplement “and the recovery of the Federal status of the Sevastopol”.

To add the art. 1 p. 3 with the following words “To consider the Russian Federal Status of the Sevastopol restored from the effectiveness of the Present Law”.

It is expediently to state in details the legal justification of this decision in the explanatory note to this bill, that there was no doubt: who and when actually made the act of annexation the Crimean Territories.

2. The stated position can be strengthened by the authority. If a certain public organization appeals against solutions of a representative body of Sevastopol about the

appeal to the Russian Federation on acceptance in structure of the Russian Federation (in the location of this body to Sevastopol) or the decision of the State Duma of the Russian Federation about the formation of the new subject of Federation (in Moscow) in a judicial proceeding, there will be no legal grounds for satisfaction of such claim (it's satisfaction it will be unambiguously refused to any by the impartial qualified judicial authority even if it will be the International Court of Justice, on condition of lack of it's involvement).

3. It is necessary to make the detailed calculation of the superficial enrichment of the Republic of Ukraine which resulted from illegal use of the territory of Sevastopol: payment for placement of the Black Sea navy of the Russian Federation, gratuitous placement of navy of Ukraine, unreasonably received port customs duties etc. After realization of a claim order of collecting this debt, it is possible to realize the extrajudicial unilateral test mechanism (offset of the counter uniform requirement), or the mechanism of counter protection of the violated rights. This dispute on jurisdiction is subject to permission in Economic court of the CIS Minsk. It is necessary to widely cover this process in mass media, for a dethronement of the myth which is artificially created by unfriendly promotion: who, what and to whom actually has to in the Crimea.

Marxism is popular axiomatic truth: "Politics - is the concentrated expression of economics". By virtue of the above seems appropriate to "impose" outlined political developments "on tracing" the current economic situation on the Crimean peninsula.

Since 2014. "New" Government Republic of Ukraine has taken and is taking a series of still odious events:

1. Naval blockade of the Crimea (up to the arrest of ships calling at the ports of the Crimea).

2. The energy blockade of the Crimea (where the supply of electricity to the peninsula, although the Russian electricity supply under the pretext of the Crimea continued to receive has been completely stopped in the middle of the heating season).

3. Food and commodity blockade of the Crimea.

4. Water block (when the Dnieper channel that supplied the entire Crimean peninsula was blocked).

5. Gas blockade.

Within two months after the introduction of the water blockade of Ukraine were organized large-scale activities on the drilling of artesian a borehole in the entire Crimea. As a result, domestic water needs are satisfied at 100% and production by 85%, though no company has not stopped the work on the grounds of shortage of water.

During their stay in the Crimea in Ukraine annually consumes 1,3 megawatts of electricity. Of which 800 megawatts comes with the territory of Ukraine mainland and 500 megawatts consumed by local energy resources. After the "Crimean Spring" and the introduction of the energy blockade of Ukraine electricity supplies from Ukraine completely stopped. As an interim measure with mainland Russia were set free (along with a huge supply of fuel) diesel power plant the powerful army, which provided 450 megawatts within six months (the missing electricity needs overlap due to the introduction of the hard mode energy saving and the use of fan power outages). During this period, it was organized by the unprecedented construction of dual power bridge across the Kerch Strait. The first line of energy bridge was put into operation in December 2015.

And in April 2016 energy bridge was used to full capacity. In 2016 taking into account the energy saving mode of the first four months of electricity consumption in the Crimea totaled 1.1 thousand megawatts. The planned capacity of the electricity consumption in 2018 be 2 thousand megawatts.

27 December, 2016 after completion of the connection of the gas pipeline system of the Crimean peninsula to the main gas pipelines of mainland Russia was the start of gas supply of the peninsula, which fully meet both household and industrial needs of the region. Even planned construction of two gas-fired power plants of 480 megawatts each. The total length of the pipeline is already Crimean today is 358,7 km (except Simferopol autonomous pipeline 27,3 km).

Moreover, resuscitated out its work in the period of existence of Ukrainian shipyards in Kerch, Sevastopol and Theodosius. Rebuilt a new civilian airport in Simferopol, as a result of its passenger traffic has tripled. Padded for two years more than 700 km new roads. The development of agriculture, wine and all kinds of tourism and spa industry. 32 new higher education institutions were opened. An indicator of economic growth in the region is the dynamics of real estate prices; over the past two years, property prices in the Republic of Crimea and Sevastopol in the equivalent of the euro / dollar rose to two times; and this against the background of large-scale economic crisis in Russia and Ukraine, was marked "subsidence" of national currencies twice and three times, respectively. The size of pensions and social benefits has tripled.

The state of 2013 more than 60% of Crimea's economy accounted for by the service sector (trade, transport, communications, tourism, etc.), on the industry accounted for 16% and agriculture - 10%. The structure of the industrial sector of the economy represented the following range: electronics - 25%, food industry - 35%, dry - 20%, machinery - 10%, mining - 5%, other - 5%. As a result of the sanctions and blockade action in 2014 economic growth in the Crimea amounted to only 80% of the level of similar indicators of 2013. In August 2014 it was adopted by the Federal Target Program (FTP) "Socio-economic development of the Republic of Crimea and Sevastopol till 2020" by the Government of the Russian Federation. Total financing of the federal program is 681221,18 million rubles, including the federal budget –658135,88 million rubles, the funds off-budget sources – 230085,3 million rubles.

In addition, from 1 January 2015, entered into force on the Federal Law of the Russian Federation from November 29, 2014 №377-FZ "On the development of the Crimean Federal District and the free economic zone on the territory of the Republic of Crimea and the federal city of Sevastopol values". According to the law, a free economic zone (Special Economic Zone - SEZ) in the Crimea, created 25 years (until 31 December 2039) with the possibility of extension. SEZ provides for a special regime of entrepreneurial and other activities, as well as the application of the free customs zone procedure. SEZ presupposes a special mode of doing business, including tax breaks and the provision of compensation to certain expenses resident companies.

1. Reduced rate of corporate income tax:

- The federal budget - 0% for 10 years;
- Crimean budget - 2% in the first 3 years, 6% from 4 to 8 years, 13,5% to 9 years.

2. Exemption from business property tax for 10 years.

3. The use of accelerated depreciation in respect of its own depreciable fixed assets by a factor of 2.

4. Exemption from payment of land tax organizations - participants of the SEZ in respect of land located on the territory of SEZ and used in order to implement the agreement on the implementation of activities in the SEZ for 3 years from the month of occurrence of ownership for each plot of land.

5. Reduced rates of insurance contributions – 7,6%, including:

- the Pension Fund - 6%;
- The Social Insurance Fund of Russia – 1,5%;
- Federal Compulsory Medical Insurance Fund – 0,1%.

Simultaneously with the creation of SEZ in the territory of the Crimean Peninsula to create a free customs zone. Application on SEZ customs procedure of free customs zone is carried out in accordance with the „Agreement on the free (special) economic zones in the customs territory of the Customs Union and the customs procedure of free customs zone“ of 18 June 2010.

By results of 2015 the index of production in many sectors was 90% from the previous period, but in some sectors experienced significant growth: “Production of other non-metallic mineral products” – 117,7%, “Production of mineral products” – 11,5%, “Extractive industries” - 102, 9%, “Production and distribution of electricity, gas and water” – 207,4%, “Building” - 230%, “Manufacturing” - 350%. In general, the index of industrial production for 2015 it amounted to 112,5%. At 100% capacity loaded shipyards “Gulf” and “Fiolent”. The segment of the mining industry can be characterized by the following indicators: Sand - 180% gravel and stone - 131%.

In Sevastopol created Greenfield industrial park type area of over 85 hectares. The basic branches of the industrial park are instrumentation, electrical and electronic production. Planned to create engineering and transport infrastructure of the industrial park at the expense of budget funds: power lines, pipelines, parking lots, water supply and drainage system. Financing costs of its creation is planned in the framework of the federal target program “Social and economic development Republic of Crimea and Sevastopol till 2020” in the amount of 1.665 billion rubles. Building the infrastructure of the industrial park 2015-2018 years.

It should be noted the high level of risks in the economy of Crimea. First and foremost among the factors may be noted riskoobrazuyuschih external sanctions and blockade measures. At the level of the Crimean economic risk and impact is extremely high depreciation of fixed assets (about 74% - the highest rate in Russia).[3]

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[3] https://interactive-plus.ru/article/112239/discussion_platform

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Appendix

ПОСТАНОВЛЕНИЕ
ПРЕЗИДИУМА ВЕРХОВНОГО СОВЕТА РСФСР

О передаче Крымской области из
состава РСФСР в состав Украин-
ской ССР

Учитывая общность экономики, территориальную близость и тесные хозяйственные и культурные связи между Крымской областью и Украинской ССР, Президиум Верховного Совета РСФСР постановляет:

Передать Крымскую область из состава РСФСР в состав Украинской ССР.

Настоящее постановление внести на утверждение Президиума Верховного Совета СССР.

Председатель Президиума
Верховного Совета РСФСР М.ТАРАСОВ

Секретарь Президиума
Верховного Совета РСФСР
(И.Зимин)

5 февраля 1954 года
д.№ 712

УКАЗ

Президиума Верховного Совета СССР

О передаче Крымской области из состава РСФСР в состав УССР

Учитывая общность экономики, территориальную близость и тесные хозяйственные и культурные связи между Крымской областью и Украинской ССР, Президиум Верховного Совета Союза Советских Социалистических Республик **постановляет**:

Утвердить совместное представление Президиума Верховного Совета РСФСР и Президиума Верховного Совета УССР о передаче Крымской области из состава Российской Советской Федеративной Социалистической Республики в состав Украинской Советской Социалистической Республики.

Председатель Президиума Верховного Совета СССР
К. ВОРОШИЛОВ.
Секретарь Президиума Верховного Совета СССР
Н. ПЕГОВ.

Москва, Кремль. 19 февраля 1954 г.

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[4] Decree of the Presidium of the Supreme Soviet “About the transfer of the Crimean Oblast”. Supreme Council Herald, 9 March 1954. Taking into account the integral character of the economy, the territorial proximity and the close economic and cultural ties between the Crimea Province and the Ukrainian SSR, the Presidium of the USSR Supreme Soviet decrees: “To approve the joint presentation of the Presidium of the Russian SFSR Supreme Soviet and the Presidium of the Ukrainian SSR Supreme Soviet on the transfer of the Crimea Province from the Russian SFSR to the Ukrainian SSR.”

ЗАКОН

О передаче Крымской области из состава РСФСР в состав Украинской ССР

Верховный Совет Союза Советских Социалистических Республик **постановляет:**

1. Утвердить Указ Президиума Верховного Совета СССР от 19 февраля 1954 года о передаче Крымской области из состава Российской Советской Федеративной Социалистической Республики в состав Украинской Советской Социалистической Республики.

2. Внести соответствующие изменения в статьи 22 и 23 Конституции СССР.

Председатель Президиума Верховного Совета СССР К. ВОРОШИЛОВ.

Секретарь Президиума Верховного Совета СССР Н. ПЕГОВ.

Москва, Кремль. 26 апреля 1954 г.

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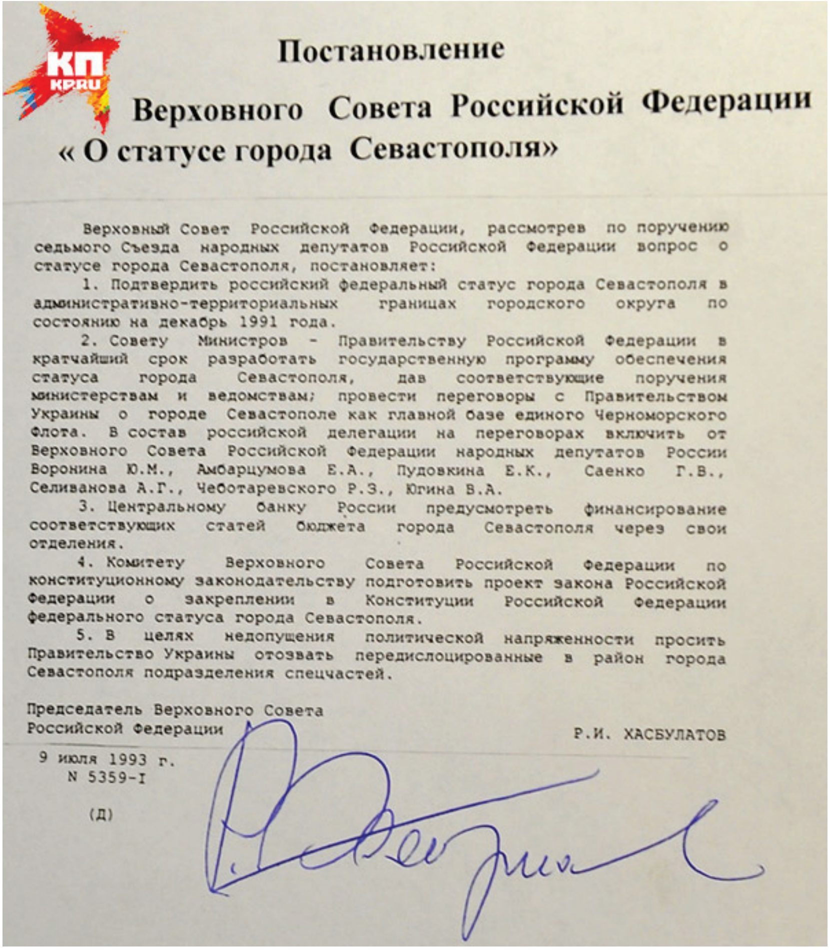
[5]

[5] The Supreme Council of the Union of the Soviet Socialist Republics decides: 1. To approve the Decree of Presidium of the Supreme Council of the USSR of February 19, 1954 about transfer of the Crimean area from structure of the Russian Soviet Federal Socialist Republic to structure of the Ukrainian Soviet Socialist Republic. 2. To make corresponding changes to articles 22 and 23 of the Constitution of the USSR.



Постановление

Верховного Совета Российской Федерации

«О статусе города Севастополя»

Верховный Совет Российской Федерации, рассмотрев по поручению седьмого Съезда народных депутатов Российской Федерации вопрос о статусе города Севастополя, постановляет:

1. Подтвердить российский федеральный статус города Севастополя в административно-территориальных границах городского округа по состоянию на декабрь 1991 года.

2. Совету Министров - Правительству Российской Федерации в кратчайший срок разработать государственную программу обеспечения статуса города Севастополя, дав соответствующие поручения министерствам и ведомствам; провести переговоры с Правительством Украины о городе Севастополе как главной базе единого Черноморского флота. В состав российской делегации на переговорах включить от Верховного Совета Российской Федерации народных депутатов России Воронина Ю.М., Амбарцумова Е.А., Пудовкина Е.К., Саенко Г.В., Селиванова А.Г., Чеботаревского Р.З., Югина В.А.

3. Центральному банку России предусмотреть финансирование соответствующих статей бюджета города Севастополя через свои отделения.

4. Комитету Верховного Совета Российской Федерации по конституционному законодательству подготовить проект закона Российской Федерации о закреплении в Конституции Российской Федерации федерального статуса города Севастополя.

5. В целях недопущения политической напряженности просить Правительство Украины отозвать передислоцированные в район города Севастополя подразделения спецчастей.

Председатель Верховного Совета Российской Федерации Р.И. ХАСБУЛАТОВ

9 июля 1993 г.
N 5359-I

(Д)

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[6] The Supreme Council of the Russian Federation, having considered a question of the status of the city of Sevastopol at the request of the seventh Congress of People's Deputies of the Russian Federation: 1. To confirm the Russian federal status of the city of Sevastopol in administrative-territorial borders of the city district as of December, 1991. 2. Council of Ministers — the Government of the Russian Federation should develop a state program of providing the status of the Sevastopol, having given the corresponding instructions to the ministries and departments in the shortest possible time; hold negotiations with the Government of Ukraine on the Sevastopol as to the main base of the Black Sea Navy. Voronin Yu.M., Ambartsumova E.A., Pudovkina E.K., Saenko G. V., Selivanov A.G., Chebotarevsky R. Z., Yugina V.A. should be included in structure of the Russian delegation from the Supreme Council of the Russian Federation of People's Deputies of Russia of V to the negotiations. 3. The Central Bank of Russia should provide financing of the relevant articles of city budget of Sevastopol through the offices. 4. The Committee of the Supreme Council of the Russian Federation on the constitutional legislation should prepare the bill of the Russian Federation that fixing in the Constitution of the Russian Federation the federal status of the Sevastopol. 5. For prevention of a political tension to ask the Ukraine Government to withdraw the divisions of special units relocated to the district of the Sevastopol.

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SUSTAINABLE DEVELOPMENT OF LOCAL COMMUNITIES IN SERBIA AND FDI

Abstract

Foreign direct investment as the most common form of international capital movements are very important factors in the development of each economy. Given the fact its characteristics in terms of the impact on long-term economic development, foreign direct investment offer the possibility of achieving goals of sustainable development. In the terms that the effects of foreign capital does not manifest in the same way at all levels in the host country, the paper gives the importance of foreign direct investment for strength the capacity of local communities in achieving the goals of sustainable development. The point of the paper is to show movement of foreign direct investments in municipalities and cities in Serbia and to provide useful recommendations for improving the business climate to attract foreign direct investment in local communities. Starting from the fact that the needs of local communities in Serbia to attract foreign direct investment are big, at the end of the paper it is given that investment location are the most important determinants of the host country by foreign investors when making investment decisions

Key words: *Foreign direct investment (FDI), sustainable development, local communities, determinations of FDI*

JEL classification: *Q00*

ОДРЖИВИ РАЗВОЈ ЛОКАЛНИХ ЗАЈЕДНИЦА У СРБИЈИ И СТРАНЕ ДИРЕКТНЕ ИНВЕСТИЦИЈЕ

Апстракт

Стране директне инвестиције као најзаступљенији облик међународног кретања капитала представљају значајан фактор развоја сваке економије. Због својих карактеристика у погледу утицаја на дугорочни економски развој, стране директне инвестиције нуде и могућност остваривања циљева одрживог развоја. С обзиром да се ефекти страног капитала не манифестују на исти начин на свим нивоима у земљи домаћина, у раду се указује на значај страних директних инвестиција за јачање капацитета

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локалних заједница у остваривању циљева одрживог развоја. У складу са тим, циљ рада је да кроз приказ кретања страних директних инвестиција по општинама и градовима у Србији пружи корисне препоруке за побољшање пословне климе у привлачењу страних директних инвестиција у локалним заједницама. Полазећи од чињенице да су потребе локалних заједница у Србији за привлачење страних директних инвестиција вишеструке, на крају рада указује се на најзначајније детерминанте земље домаћина које страни инвеститори узимају у обзир приликом доношења инвестиционих одлука и избора инвестиционе локације.

Кључне речи: *Стране директне инвестиције (СДИ), одрживи развоји, локалне заједнице, детерминанте СДИ*

Introduction

Foreign direct investments (FDI) are the main form of international capital movements. They occur when an investor located in one country, acquires the assets of another. The level of realized FDI in a country depends on many factors: geographic location, stability, environment, political and economic freedoms and risks, access to local and regional market, legal security, labor and institutional construction in the country (Ibreljić, 2011, p.114). FDI can be very useful when it comes to increasing per capita welfare of the citizens of a country.

However, the modern approach to foreign investment means that it primarily must be socially responsible and economically viable. Paralell with the development of science and technology, environmental concerns has become a main topic in 70 years of the last century. Today, people are becoming aware of the fact that environmental degradation is a global problem which needs to be urgently stopped (Čajka, Jovanović, 2015, pp.87-91). Since the question of the survival is of essential importance for the further prosperity of the entire planet, there is a need to build a special attitude towards the issue of sustainability. Sustainable development attends to create a better world, balancing economic, social and environmental factors in order to preserve the natural wealth for future generations. The main motto is to find paths of development, which will not endanger the environment (Malović et al., 2016, pp.171-175).

Local economic development is not just a concept, but it is also a process. Like any other process it consists of a number of steps and alternatives. Each step leads to the final goal, but with skipping or eliminating certain steps, whole process can be compromised. By including all activities or of certain elements in the process of economic development, it can be created own path of development (Bojovic, 2012). In accordance with the foregoing, as well as at the global economies level, local communities in Serbia are faced with the problem of economic development, which is reflected in the lack of capital. The complexity of the problems inherited local imposes the need defining new concept of sustainable development based on attracting FDI. Broadcast municipal bond of the municipality is cheaper than conventional loans from banks, which is the reason of attracting a large number of investors in order to implement concrete (Prokopović et al., 2016). In order with this, FDI requires special attention to development strategies at the community level, which recently acquire a completely new feature, feature of sustainability.

FDI and goals of sustainable development of local communities in Serbia

In today's global economy, foreign direct investment is the fastest way of region development of each country. FDI are the basic mechanism of the globalization of the world economy, assuming the role of key development factors of each country. For a state in which it invests, FDI mean new jobs, increase exports, and generally, the launch of economic growth and development. On the other hand, direct investment as a form of foreign investment, enabling the investor to acquire the right of ownership, control and management on the basis of invested capital. Large or smaller companies, that are striving to appear on many different world markets, can do this most easily by accomplishing production capacity with desired locations. In addition to the conquest of new markets, investing in other countries can also mean faster and cheaper supply of raw materials, electricity, transportation and easier access to free economic zones. The range of potential effects of FDI on the domestic economy is very wide. The effects are mostly positive and duplex, a key piece of evidence for this is in their very dynamic growth in recent decades. All countries participating in this process recorded significant economic growth, with of course a somewhat different situation last few years due to the global economic crisis has not bypassed this segment (Jevtic et al. 2011, pp. 228-235).

The term „Sustainable Development" was defined in 1989, and officially proclaimed by the Bergen Declaration of 1990, as development that dilled with the needs of the present generations, and possibility of future generations to achieve their own needs and to develop themselves. The interaction of environmental development and mutual coordination complementary with development and environmental policy, which respected of ecological systems are the essence of the concept. At the local level, sustainable development implies that local economic development supports economic and social life, using the talents and capabilities of the local population.

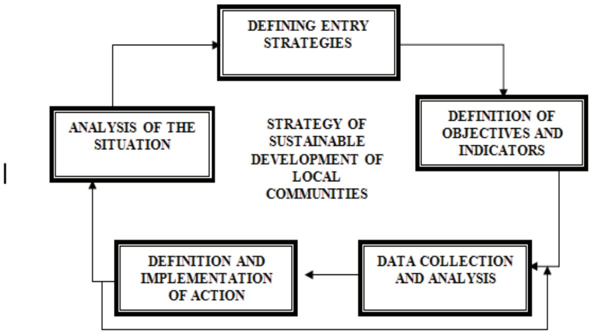
The sustainable development benefits from the development community is equally distributed to all social groups and ensure their longevity (http://lokalniodrzivirazvoj.webs.com/). In defining and implementing sustainable development, the most important step is to determine goals. These goals include a description of the actions that should be achieved to attain the desired look that is defined by a strategic future vision. The development complies with the requirements and limitations of nature, involves correlation of economic and environmental policy at all levels of society and its integration with modern international trends (Mihajlovic at. al., 2013).

Achieving goals requires a specific strategy for the local community, which is implemented through several stages (Knežević et al. 2009, p. 116):

1) Analysis of the situation,
2) Defining strategic guidelines,
3) Defining objectives and indicators of sustainable development,

4) Data collection and analysis, and
5) Defining and implementing actions.

Figure 1. Strategy of sustainable development - phase of process

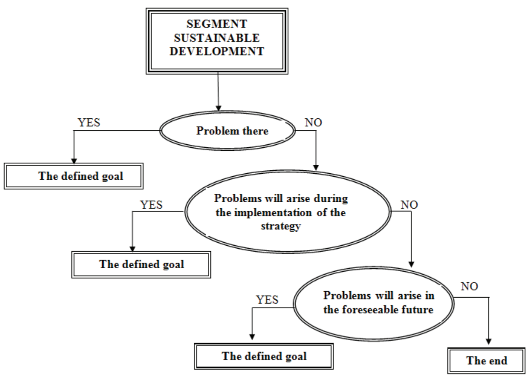


Source: Knezevic, Zivkovic, Puric, Janicijevic, 2009

Figure 2 represents the central phase of the strategy of sustainable development, the phases in which goals should be defined in order to be achieved, but also the mechanisms of monitoring their implementation. In oreder to define the strategy of the local community, it must be taken into account the fact that it is equally important to recognize problems, but also to recognize the opportunities and benefits for the local community. As the time and resources for strategy implementation are limited, it is inevitable to decide which aspects and to what extent, should be given priority when defining the objectives.

Access is shown in Figure 2. Figure 2 represents is there a problem or not, when it is making a decision that basis on the segment of sustainable development.

Figure 2. The process of setting priorities



Source: Knezevic, Zivkovic, Puric, Janicijevic, 2009

It can be seen that if there is a problem, it is necessary to define an appropriate objective of sustainable development to the local community and commit to work on its solution. If the problem still exists, or it will certainly occur in the time of period for which is strategy defined, it is necessary to define targets of problem that will prevent or mitigate its consequences. In the case when the problem is expected in the foreseeable future, it requires taking early actions to prevent developing of problem.

The advantages of this approach are that it is clear and easy to use. But it still does not have salvation of the problem that management has, in the case when it is necessary to decide which problem is priority.

These disadvantages can be solved by using the approach that takes into account the probability of occurrence of a problem (phenomena, events), its consequences and effects. Such approaches are define the character of a problem that has been identified in the situation analysis, defining it as a function of probability. The possibility of a problem or occurrence that is observed is called the probability, while the effect is presented as the consequences of their occurrence. The objectives of sustainable development should have some general characteristics: they must be clearly defined, measurable and achievable.

For example, the goal "How to be more attractive for foreign investment at the local level"; must be clearly defined, in terms of what kind of concrete investment are thoughts (for example Greenfield, or other). Therefore, methods for monitoring and measuring of the goals achievement must be clearly defined, too. But it is important for the goals to be realistic and achievable for a certain period of time.

Dynamics of FDI income in Serbia

One of the basic characteristics of the countries in transition, such as Serbia, is the low level of domestic capital accumulation, which stipulates the need for intensification of FDI inflows. After initial skepticism, the mid-nineties, the European countries in transition have begun to compete with each other in creating a more favorable investment environment to attract larger FDI. If it takes into account that the war of nineties imposed sanctions and the political turmoil, Serbia has consistently been shunned by foreign investors, as a destination for FDI. More intensive investment in Serbia started after 2000 (Stankov, Markov, Milošević, 2015, pp. 61-69).

The trends of FDI inflows in local communities in Serbia has significant variations, which is typical for developing countries, caused primarily because of to the implementation of the transition process and also because of the global economic and financial crisis (Table 1) (National Alliance for Local Economic Development (NALED).

From Table 1 it can be seen that Vrsac is the municipality with biggest foreign investments in the period from 2012 to 2016, in Serbia (662 million euros), while the city of Pancevo is on the second place with 526.5 million euro. The Titel is the municipality with the lowest FDI inflow, where it flowed only 200 thousand euros. From the same table it can be seen that FDI in Serbia is characterized by uneven distribution, which indicates the necessary analysis of the business environment in all municipalities of country.

Table 1. FDI in Serbia, by municipalities and cities (2012-2016)

Municipalities / city	2012	2013	2014	2015	2016	Total EUR	Municipalities / city	2012	2013	2014	2015	2016	Total EUR
Ada					4.641.600	4.641.600	Jagodina	62.500.000	4.200.000				66.700.000
Alibunar					6.600.000	6.600.000	Kikinda					10.000.000	10.000.000
Aleksinac		4.800.000				4.800.000	Knić		5.200.000				5.200.000
Apatin	27.000.000			1.000.000	470.000.000	498.000.000	Knjaževac	1.900.000					1.900.000
Bač		3.000.000			10.000.000	13.000.000	Koceljeva		1.800.000				1.800.000
Bačka Palanka	2.000.000				15.700.000	17.700.000	Kovin					2.500.000	2.500.000
Bačka Topola					5.900.000	5.900.000	Kula					15.000.000	15.000.000
Bački Petrovac					800.000	800.000	Kuršumlija		4.000.000				4.000.000
Batočina	6.000.000				3.000.000	9.000.000	Lučani			1.200.000			1.200.000
Beočin					3.586.702	3.586.702	Mali Iđoš		1.900.000				1.900.000
Bečej		1.000.000	30.000.000			31.000.000	Mionica					700.000	700.000
Bela Crkva		1.500.000				1.500.000	Niš	20.000.000	3.500.000			1.600.000	25.100.000
Beograd					114.000.000	114.000.000	Novi Bečej					700.000	700.000
Beograd-Novi Beograd	45.000.000	4.600.000			120.700.000	170.300.000	Novi Sad					4.000.000	4.000.000
Beograd-Palilula		30.000.000			24.000.000	54.000.000	Odžaci					15.666.157	15.666.157
Beograd-Savski Venac			55.000.000		600.000	55.600.000	Paraćin	7.500.000					7.500.000
Beograd-Stari Grad					152.000.000	152.000.000	Pećinci	10.000.000				124.450.000	134.450.000
Beograd Surčin		40.000.000				40.000.000	Plandište					1.925.000	1.925.000
Gornji Milanovac	2.500.000					2.500.000	Ruma	1.600.000	4.000.000			31.426.765	37.026.765
City Kraljevo	9.300.000					9.300.000	Senta		2.000.000				2.000.000
City Kragujevac	121.400.000	2.000.000			500.000	123.900.000	Smederevo		18.000.000			150.000.000	168.000.000
City Leskovac	6.000.000				500.000	6.500.000	Srbobran					450.000	450.000
City Novi Sad	151.000.000	1.000.000			45.000.000	197.000.000	Sremski Karlovci					8.000.000	8.000.000
City Pančevo	1.000.000				825.500.000	826.500.000	Stara Pazova	5.000.000		18.500.000		99.500.000	123.000.000
City Pirot	3.800.000				8.750.000	12.550.000	Subotica					39.600.000	39.600.000
City Sombor	1.500.000				73.775.000	75.275.000	Surdulica	3.000.000					3.000.000
City Sremska Mitrovica		3.000.000	2.000.000			5.000.000	Svilajnac					900.000	900.000
City Sremska Mitrovica	20.000.000				88.700.000	108.700.000	Šid					8.800.000	8.800.000
City Šabac					12.000.000	12.000.000	Titel					200.000	200.000
City Valjevo	20.000.000					20.000.000	Vlasotince					700.000	700.000
City Vranje	29.000.000				100.000	29.100.000	Vršac	3.000.000				659.000.000	662.000.000
City Čačak				10.000.000		10.000.000	Ćuprija		10.000.000				10.000.000
Inđija	16.000.000	1.500.000	54.000.000		113.000.000	184.500.000	Zrenjanin	10.000.000				86.100.000	96.100.000

Source: National Alliance for Local Economic Development (NALED)

Determinants for attracting of FDI in Serbia

Based on the analysis of FDI in Serbia, but also taking the fact that the competition among developing countries in attracting FDI is large, it can be concluded that basic economic conditions for attracting investment is not enough to encourage foreign investors to come in Serbia. Starting from the fact that the interest of foreign investors has a certain risk, the areas that investors avoid are unstable economy, national currency, social unrest, inconsistent of monetary and fiscal policies (Kula, 1998, p.19).

Therefore, without a favorable business environment, Serbia will not have foreign investment, especially when it comes to Greenfield investments. Countries that its overall policy environment is to ensure stable conditions for the smooth and profitable operation will certainly faster and easier for attracting FDI, than the countries where the investment environment is not sufficiently favorable. (Mihailović, Simonović, 2016, p.58).

Table 2. Determinants of SDI host country

Determinants of the host country	Type of FDI to the investor's motives	The most important economic determinants for investing capital
I. Political framework • economic, political and social stability • regulations regarding entry and operation in it • standards of treatment in the country of affiliation • Policies functioning and structure of the market • international agreements on foreign investments • privatization policy • trade policy and compliance with the policy of foreign investment • tax policy	**The search for market**	• market size and per capita GDP • market growth • access to regional markets • the specific tastes of consumers of the earth • market structure
II. Economic framework	**The search for resources**	• raw material • low labor cost of unskilled labor • professional work • technological, innovative and other acquired resources • physical infrastructure
III. Easing investment and business • Investment promotion • Incentives for investors • reduction of administrative barriers • services following the investments	**The search for efficiency**	• cost of resources and assets • other input costs (transport and communications costs to / from and within the host country, the cost of other intermediate products) • membership in regional integration applicable to the establishment of regional corporate networks

Source: Marjanović, 2011.

According to this, the essential determinants of the host country for foreign investors include political and economic framework of the country as well as measures to facilitate investment and business. The importance of individual determinants depends on the motives of the implementation of FDI. Table 2 shows the determinants of FDI in host country (Marjanović, 2011, pp. 215-220). The decision for investing outside the country, imposes the need for a detailed analysis of the business environment of the host country. Detailed analysis of the business environment involves primarily an analysis of the economic environment of the host country (the size and structure of the population, the analysis of the level and mode of distribution of income and wealth).

Apart from analyzing of the economic environment it is necessary to analyze the cultural environment or its individual elements (language, education, religion, aesthetics, habits and customs, etc.).

Special attention must be paid to the analysis of the legal and political environment, when a country is going to make investment decisions. So it can be concluded that foreign investors are following the political situation, laws, procedures and regulations in potential host countries, when they are making decisions of investment (Sinanagić et al. 2013, pp.107-124). This is a very important, because foreign investors can see the potential risks on that way. The economic development, even without the knowledge of the concept of sustainable development is impossible without taking into account other elements of social development. That fact is based on survey of investors conducted in Serbia in 2008, in which they are showing these characteristics (Bojovic, 2012) :

- the quality of the human resources,
- political stability,
- quality and accessibility of infrastructure,
- quality of life and
- ease administrative procedures.

Undeveloped nations – Serbia and its working class - However, workers based in undeveloped nations cannot be the reason behind the stagnation of, or decrease in workers' wages from developed countries. On the contrary, the self-expanding logic of capital in its hunger for profits is the main reason for the international differentiation of the working class. This differentiation is expressed in the deskilling of workers, in the differentiation of the labor process (and patterns of production and reproduction of labor power), damage to the living labor fund due to super-exploitation, the establishment of international wage differentials etc. Capital prevents the international unity of working classes by dividing them, "taking advantage of areas of uneven development and amplifying existing schisms"(Palloix, 1977, p. 123).

Opposite investment promotion, which applies only to placement of the benefits and conditions of investment in a particular municipality, attracting investments is a broad term that includes improving the local business climate and infrastructure, a variety of incentives and benefits to investors (price reduction for lease of land, exemption from taxes, etc.). There are several political statements regarding FDIs circulating in the Serbian public sphere. The first one stubbornly repeats that foreign investors come to Serbia because of Serbia, its people and their knowledge. This 'argument' mainly appears in politicians' discourses, as well as among the media and press. The second statement asserts that FDIs bring technological progress by creating positive spillover effects. The term spillover effect refers to the indirect influence of FDIs on the host country, where statistical associations between transnational and productivity improvements in local domestic firms are interpreted as resulting from technology transfers between foreign affiliates and domestic firms. The dominance of labor intensive production in Serbia hardly confirms this to date. The third statement asserts that FDIs positively affect the national market by boosting competition. However, it is well known that foreign companies in Serbia are incorporated in networks maintaining a monopoly, and that they import almost all of their raw materials and intermediary inputs from abroad. In doing so, they directly eliminate domestic suppliers, thus exhausting and petrifying the whole economy (Radenkovic, 2016).

Regimens to the fact that Serbia is characterized by uneven development of its regions, it is necessary to pay more attention to the work force, i.e. working class in less developed regions and in less developed Serbian municipalities and cities. Human resources are irreplaceable. It is important for Serbia not to allow its young people leave the country, and therefore it is necessary to take urgent measures to prevent the brain drain from Serbia abroad. However, that is another question, but the fact is that country can not be able to attract foreign capital without its own intelligence.

Conclusion

The activities of a municipality for FDI are determined by the dynamism and competitiveness of its business sector. Therefore, the development of entrepreneurial spirit is also a factor for attracting FDI and for achieving the goals of sustainable development of local communities. Analysis of FDI by municipalities and cities in Serbia indicate a growing movement in the period. However, despite these facts, the performed analysis indicates the solution to the problem of risk that foreign investors stand out as significant limitations when making investment decisions. As a candidate for EU membership, the prerequisites for attracting foreign investors in Serbia are: the establishment of political and macroeconomic stability, trade liberalization and solving the problem of corruption..

Therefore, the continued economic, institutional and legislative reforms throughout the territory with the strengthening of infrastructure networks in local communities enable the creation of a favorable investment climate. The fact that the capital is in the process of globalization one of the most mobile factor that can speed up the economic development of the country in which the funds invest, but also a factor for the creation of a favorable institutional environment, it is a long term process that needs to maximize the positive effects and minimize the negative effects of foreign investment.

The analysis made in this paper indicates that Serbia is gradually becoming an attractive investment destination, thanks to its many advantages. Finally, in order for Serbia to create the conditions for long-term economic and sustainable development of local communities, it is necessary to take advantage of the globalization process benefits and on that way try to attract the inflow of FDI in the host country.

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NATIONAL MINORITIES, WITH SPECIAL OPENING OPINION IN THE REPUBLIC OF SERBIA

Abstract

The term national minority emerged in the modern age at international conferences. They gain special significance by forming the first international universal organization, the Society of Nations. In Serbia, the issue of the position of minorities appears after gaining independence in 1878. After the Second World War, the existence and position of a minority is determined by new international conventions. Concerning the SFRY, the protection of minorities was guaranteed by the constitution. Serbia and other countries that emerged from the breakup of the SFRY regulated this issue by laws and bilateral agreements. Serbia has bilateral agreements on the protection of minorities from several neighboring countries. The position of minorities in Serbia can be assessed as exceptionally good, which can not be said about the position of the Serb minority in some neighboring countries.

Key words: *National minority, protection, constitution, state, agreement*

JEL Classification: K38, K39

НАЦИОНАЛНЕ МАЊИНЕ, СА ПОСЕБНИМ ОСВРТОМ НА ПОЛОЖАЈ МАЊИНА У РЕПУБЛИЦИ СРБИЈИ

Апстракт

Појам национална мањина настао је у новом веку на међународним конференцијама. Посебан значај добијају формирањем прве међународне универзалне организације, Друштва народа. У Србији се питање положаја мањина појављује после добијања независности 1878. године. После Другог светског рата постојање и положај мањине се утврђује новим међународним конвенцијама. Што се тиче СФРЈ заштита мањина је била загарантована уставом. Србија као и остале државе које су настале распадом СФРЈ ово питање уређују законима и билатералним споразумима. Србија има билатералне споразуме о заштити мањина са неколико суседних држава. Положај мањина у Србији се може оценити као изузетно добар, што се не може рећи за положај српске мањине у неким суседним државама.

Кључне речи: *национална мањина, заштита, устав, држава, споразум*

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Introduction

The system of minority protection in the Republic of Serbia was developed even during the Socialist Federal Republic of Yugoslavia, in which, in a different way to the other socialist countries, the question of nations and entities was looked at, while the Eastern Bloc countries did not specifically address the issue, nor did they develop a system of protection Ethno-cultural groups.

Ethno-cultural groups. The SFR Yugoslavia, through various mechanisms, secured the protection of the rights of the so-called “nationalities”. The 1974 Constitution defined the status of national minorities and their collective rights. The Yugoslav “key” institution enabled, despite the one-party system, the representation of minorities in political life. Through the “key” all SFR Yugoslavia national groups, in which there were 6 constituent peoples, were proportionally represented at all levels of government. The highest level of participation was, as it is today, at the local level. Within the SFR Yugoslavia, members of minority groups had the right to official use of languages, autonomy in culture in terms of establishing different cultural associations and cultural institutions, as well as education in their mother tongue. At that time, the majority of members of minority ethnic and cultural groups lived in the territory of the Republic of Serbia. Following the change of power in the 2000 elections, the new government in Serbia took the necessary measures to join the United Nations, the Council of Europe and other international organizations, as well as obligations related to international standards for the protection of national minorities. This meant that the state committed itself to developing democratic institutions and procedures and adopting special measures aimed at the protection of national minorities, thus implementing a multicultural policy recommended through the documents of the OSCE, the Council of Europe, the European Commission, etc. Among the most important documents Serbia is a Framework Convention for the Protection of National Minorities Rights and the European Charter of Regional and Minority Languages, which defines the minimum protection guaranteed to minority groups. Today, the position of minorities is regulated by special laws, among which the Law on the Protection of the Rights and Freedoms of National Minorities, the Law on the Official Use of Languages and Letters, the Law on the Foundations of the Education System and the Law on Local Self-Government. Apart from this, Serbia has bilateral agreements on the protection of national minorities with Croatia, Macedonia, Hungary and Romania.

Definition and notion of minorities

The affiliation of a minority can be appreciated on the basis of subjective elements, that is, the statement of a person about belonging to a particular minority or on the basis of objective elements, ie the existence of certain facts which objectively determine the affiliation of one person to a particular minority population (Avramov and Kreća, 1997, p. 276).

There are different definitions of minority concepts. Perhaps the most precise definition is given by Francesco Capotorti. He says that the minority by number of members of the population is smaller than the rest of the population and has special cultural characteristics (especially language, religion, etc.). We can call this an objective element of the definition of a minority. The subjective element of this definition is related to the pronounced mutual solidarity of the population that refers to the preservation of its identity (Marković, 2004, p. 479).

The definition of a national minority is also given in an international act (an additional protocol to the Convention on the Protection of Human Rights and Freedoms Relating to Persons belonging to National Minorities of 1993). The definition determines that a minority is made up of a group of people who live in the territory of one state for a long period, with which there are long-term relationships, that is, its citizens and that members of the minority have some cultural, religious and linguistic specifics in relation to the majority population.

From these definitions we can conclude that the national minority is a part of the population of the state (that is, its citizens), which differs from the majority population according to the characteristics inherent in their nation. Members of national minorities are provided, in addition to universal human rights, and special rights whose purpose is to preserve their national identity of identity (Marković, 2004, p. 481). National minorities do not have the right to a special territory. There is no international instrument guaranteeing minorities the right to political or territorial autonomy. Hence minorities, as a collectivity, have not been granted the right to self-determination until secession. Self-determination, which is enshrined in the human rights pact, has an individual character, but it does not have a collective character. It implies a free commitment in the religious, national, ideological and linguistic sense of every human being and even of the minority.

Affiliation to a national minority must not, in any case, arise through ancestor or family affiliation, but may be a result of upbringing, or a subjective subject matter.

National and ethnic minorities

The division into national and ethnic minorities was made in relation to the existence, or non-existence of, the mother nation. This division also has to do with the existence of the home state of one nation. This means that a national minority is understood to mean that the population living in the territory of the national state of another nation, and has its own national state (Marković, 2004, p. 481).

When we talk about an ethnic group, the essence lies in the absence of a home state. This population has awareness of its identity (cultural, language, traditional), which is different from that of the majority nation in that country. What should be especially emphasized when it comes to minorities is the will of the minority to show its particularity. This particularity refers to the parent majority nation in a given state (Marković, 2004, p. 481).

What is important for determining the existence of a national minority, or for the existence of minority rights, is the existence of certain characteristics. This is the first determination of which group of people has the status of a national minority, what are the particularities that should be protected by the appropriate legal norms and ultimately determine the mechanisms for the revival of minority rights (Marković, 2004, p. 481).

Minorities in the Republic of Serbia

The relationship of the majority and minority in Serbia is based on several stereotypes. The first is the stereotype that most have the automatic right to rule, and that this right will automatically be abolished if minorities are given the rights. This construction is very important because rights (including basic human rights) in this kind of thinking are considered as something that is given to or given to someone. The second stereotype is based on the belief that minorities are culturally, intellectually and emotionally inferior to the majority. This kind of thinking is especially evident when it comes to gender equality (Nikolić, 2005).

This is also the third stereotype - that is, in the political fight against the representatives of minority opinion, all means are allowed. Political struggle is understood here as a struggle for life or death, war to extermination, and here there is a continuity of Serbian parliamentarism, which according to historians can be traced back to the end of the 19th century. From this attitude towards political opponents (where obviously all the funds are allowed), it is completely clear that members of ethnic or religious minorities can not hope for anything better.

There is a drastic difference in the scope and quality of exercising minority rights between Vojvodina and the rest of Serbia. The multi-ethnic tradition in the institutional and legislative regulation of the rights of national minorities in Vojvodina is the basis of today's, minority-sensitive and effective behavior of the Vojvodina authorities as well as the more active attitude of the Vojvodina minorities to the issues of preserving one's own identity. The application of the law greatly complicates the aforementioned legal conflict, inconsistencies and non-existence of certain legal solutions.

The economic conditions in which they exist are of special importance for the position of national minorities. The economic frameworks in which one national minority exists depends on several factors. This may be the level of development of the entire state or the minority's minority. Similarly, financial investments in areas where minorities live may also be the basis of their privileged position vis-à-vis the population in other parts of the country. Here we can mention that even financial investment in the AP Kosovo and Metohija was abused to buy the real estate of Serbs in this province and their emigration. In the end, it should be mentioned that the proximity of important international roads is of great importance, which can also influence the improvement of the position of both the minority and the population of the home country.

Legal regulation of the position of national minorities in Serbia

The position of national minorities in Serbia is probably among the best in the world. Members of national minorities have a constitutional right to political association, establishment of cultural institutions, education and information in their mother tongue, the right to choose and to be elected to local and republic authorities, to engage in economic affairs and other activities. National minorities have material conditions for their development. Vojvodina, where the most members of different nations live, is a very economically developed region, while Kosovo and Metohija, where the Albanian population is concentrated, although economically underdeveloped, has been developing faster than other parts of Serbia in recent years. However, Albanians in Kosovo and Metohija do not recognize the Republic of Serbia in which they live, nor its constitution. Under the pressure of separatist national leaders and with the external support of certain world powers, the Albanian minority boycotts all state institutions through which they should exercise their rights and freedoms. They do not recognize state authorities, refuse to pay taxes, they do not allow their children to study in Serbian in public schools according to programs that apply to all other students in Serbia. Albanians in central Serbia often boycott democratic elections in which they could elect their legitimate representatives to local and republic authorities.

In Kosovo and Metohija, extreme and aggressive Albanian nationalism is at work, accompanied by a demographic explosion, which has changed the structure of the population in our southern province. This development was also contributed by the fact that in 1945, with Tito’s approval, between 300,000 and 400,000 refugees from Albania moved to Kosovo and Metohija (Radulović, 1990). In this way, the ethnic composition of Kosovo and Metohija has changed and conditions have been created for the Albanians, which enable them, in violation of all possible international legal acts, to appear on the international political scene with the request “Kosovo Republic” (Nikolić, 2005). The Serbian people in Kosovo and Metohija are under great pressure from the beginning of the Second World War in our region (the beginning of the war was caused by the shooting of March 27, 1941, initiated by the British intelligence service) (Jerotijević and Purić, 2013, p. 116).

For the exercise of the right to cultivate the culture and traditions of national minorities, the provisions of the Law on the Protection of the Rights and Freedoms of National Minorities, which are guaranteed to them individual and collective rights, are of paramount importance. In order to exercise the right to self-government in the field of culture, education, information and official use of languages and scripts, members of national minorities can choose national councils, which are actively involved in the process of functioning of the Ministry of Culture.

Legislative framework

The basic rights of national minorities are guaranteed by the constitution and laws. These are: the right to education, the preservation and development of culture, the right to the official use of languages and letters, and the right to information in their mother language. The most important documents of our legislation relevant for the protection of national minorities are the Constitution of the Republic of Serbia, the Statute of the Autonomous Province of Vojvodina, the Law on the Protection of the Rights and Freedoms of National Minorities, a number of laws of the Republic of Serbia, decisions of provincial bodies and statutes and decisions of local self-government bodies.

The Constitution of the Republic of Serbia (adopted in 2006) defines Serbia as a state of the Serbian people and all citizens living there. In the special section entitled “Rights of Members of National Minorities”, minority rights are guaranteed, both individual and collective. Article 75 provides for the creation of councils of national minorities for the purpose of exercising the right to self-government in culture, education, information and the official use of languages and scripts. Also, Article 20 stipulates that the achieved level of minority rights can not be reduced.

The existing Minority Protection Act of 2002 was transferred from the legislation of the former federal state of FRY. In this regard, it must be emphasized that at the level of Serbia since the year 2000, no systemic law on minorities has been adopted, some decisions are made ad hoc and regulations urgent. The Minority Protection Act does not provide for penal provisions for non-enforcement of the law, so the issue of obligation and responsibility for its implementation is raised, and in this connection the issue of a serious approach of the lawyer to this issue. The Minority Protection Act gives very high powers to national councils in the field of protection and realization of minority rights. So far, 14 national councils have been constituted as key bodies of minority self-government. They should be partners of the state in the process of decision-making relevant to the exercise of minority rights, but since their powers are not clearly specified and embedded in regulations at the republic level, this is often not the case. Under Article 19 of the Minority Protection Act, state authorities are required to request an opinion and to consult with national councils when deciding on all issues concerning minority rights guaranteed by the Constitution. In practice, this legal provision is rarely and selectively applied.

The important consequences in the field of exercising minority rights include a number of special laws: the Law on the Official Use of Languages and Letters, the Law on Local Self-Government, the Law on Determining the Autonomous Province Autonomy (Omnibus Law), the Law on Public Information, the Law on the Election of Deputies and the second. It is important to note that the adoption of these laws, which are important for the exercise of a minority right, has been carried out without proper public debate in a non-transparent manner and without the participation of representatives of minorities. In addition, the field of legal regulation of minority rights is characterized by a lack of coherence, a direct conflict between the existing laws or legal solutions, the absence of certain laws and numerous by-laws. Thus, the Law on Local Self-Government does not allow the public use of national symbols of national minorities, but only the state signs and signs of local self-governments, which is in direct contradiction with the provision from the Minority Protection Act. There is also a conflict between the Law on Official Use of Languages and Letters and the provisions of the Minority Protection Act, as well as the relevant decisions of the Assembly of the AP Vojvodina. It is very important that before legal regulation of the work of national councils, especially the way of their choice, competence, and the way of financing. Existing advice currently has no legal basis for its work and operation.

The right to official use of the language

According to the existing legal solutions, the language and the letter of the members of the national minority are introduced for official use in the local self-government unit, where according to the results of the official census, more than 15% of minorities live (Law on the Protection of the Rights and Freedoms of National Minorities, Article 11). According to the principle of acquired rights, there is an obligation to retain the language and the letter in official use and in local self-government units in which the language and letter of the national minority were in official use at the time of enactment of the Minority Protection Act. There is the possibility of introducing languages and letters in official use in settlements or local communities if 25% or more of the national minority lives in them. In Vojvodina, in addition to the Serbian language, Hungarian, Slovak, Romanian, Croatian and Ruthenian languages are also in official use. One or more national minority languages are in official use in 38 out of 45 Vojvodina municipalities.

Field research shows that disregard of regulations in terms of enabling the official use of languages and letters for members of national minorities is very widespread. This applies to the use of languages in local self-government and state administration bodies, courts and police, even in those municipalities where minority populations have a high share in the total population of the local community.

It is not known that a legal provision has been applied according to which a person who refuses or confines a citizen to use the language or letter he serves in exercising his rights will be punished by imprisonment for up to one year (Criminal Code, Article 129).

The right to education in the mother language

The Law on the Protection of Minorities (Articles 13 and 14) regulates education in the language of national minorities. This right in Serbia is realized by members of all numerically significant minorities, besides Vlach.

In the Autonomous Province of Vojvodina, members of the Hungarian minority can be educated in their own language in 78 primary and 30 secondary schools, and in most of them, the classes are bilingual. Education in the Hungarian language covers over 77% of students from this community over the years at primary level and over 65% in secondary school. Teaching in Hungarian is also conducted at three higher schools, Hungarian language and literature departments in Belgrade and Novi Sad, and at three other universities in Vojvodina.

The situation in the education of members of other national minorities in Vojvodina is slightly less favorable: about 73% of Slovaks attend primary school and about 20% in secondary schools; About 57% of Romanians attend elementary school in their mother language, and about 27% in secondary school. Teaching in the Croatian language takes place in 4 primary schools in the Subotica municipality, and up to now more than 200 students attend the first four grades at elementary level. The aforementioned minorities, besides Croats, also have chairs for language and literature at the Faculty of Philosophy in Novi Sad, and Slovaks and Romanians can educate teachers in their own language.

Out of Vojvodina, education in non-Serb language exists in Presevo and Bujanovac (Albanian), and somewhat in Bosilegrad (Bulgarian). This education depends on the wishes of the minorities themselves (for example, in Dimitrovgrad, the vast majority of parents decided to teach in the Serbian language). In the territory of central Serbia, students were provided with mostly optional classes of subjects of native language with elements of national culture, for members of the Bulgarian minority in two municipalities and Bosniak minorities in three municipalities. Lately, Bosnian language appeared, which extends a part of the Bosniak minority, which does not differ from the Serbian language in the local environment.

The legal solution according to which education in the language of the national minority does not exclude the obligatory learning of the Serbian language, often because of a poor curriculum leads to the fact that members of minority communities sometimes do not speak well Serbian language.

The right to participate in public life and equality in employment in the public service

The Law on the Protection of Minorities (Article 21) stipulates that in the course of employment in public services, including the police, account is taken of the national composition of the population, the appropriate representation and knowledge of the language spoken in the area of the body or service (Law on the Protection of the Rights and Freedoms of National Minorities, Article 21). This right, however, has not been adequately transferred to the legislation of the Republic of Serbia. Amendments to the Law on the Election of Deputies from 2004 abolished the election census of 5% of votes for political parties of national minorities. This solution, however, is useful only for members of the Hungarian and Bosniak minorities, but not numerically smaller, since, according to him, they can not cross a new realistic census. By the decision of the non-legislative body of the Republic Electoral Commission, the number of signatures necessary for the surrender of the electoral list has been reduced for national minority parties.

Conclusion

Minor protections, or the attempts to establish it, have lasted for quite some time. Some theorists consider that the first manifestation forms of this protection are created during the time of religious wars in Europe in the 17th century. From the Westphalian Peace in 1648 to the formation of the Society of Nations in 1919, there was a significant development of minority rights. For the first time in history, the Peoples' Union has created a comprehensive minority protection system. This was the basis of building the protection of minority rights in the last hundred years. The most significant United Nations act on the protection of minorities is the Covenant on Civil and Political Rights.

In my opinion, national minorities should not be allowed to claim territorial autonomy, especially if this is not in accordance with the constitution of a country. Despite the different opinions about respecting the rights of national minorities, I think that she is very respectable in our country, even to the point of respect, that it seems to me that the majority of the people have fewer rights than the minority. Our country should set a clear state strategy towards minorities. Serbia should find optimum and functional models for regulating the relations of the majority and the minority, not only because of the political stability of the country, but also for the reasons that it requires a fair organization of the society and the state.

National minorities should respect the sovereignty and national integrity of the Republic of Serbia, as it respects and guarantees their rights. At the root, any separatist ideas must be prevented and given that any kind of separatism will be punished.

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APPARENT CONTRADICTIONS EFFECTIVE AND EFFICIENT SUPPLY CHAIN – TIME PRESSURE AND ELIMINATING THE STOCK

Abstract

Responsive performance as a response to all the requirements of customers and consumers, at first glance, requires plenty of time and a high level of inventories in order to service the customers and consumers in a quality manner. However, in recent decades, along with the development of the concept of supply chain, in theory and in practice, proves the opposite: in conditions of the high level of competition and the speed of change in the needs and demands of consumers, the speed of orders execution is often the key performances in many supply chains. As regards inventory, competitive supply chain tends to hold stocks only for the needs of production during or even minimum safety stocks over it. Companies are trying to organize their supply chains so as to achieve the quality, completeness and reliability of delivery in the shortest possible time and with minimal inventory. Such operational capability is achieved and the efficiency and competitiveness of the supply chain, that is, "operational excellence" can be solve contradiction of the time compression and the stock reduction, compared to the total satisfaction of customers.. This paper will be discussed models, methods and techniques of management in the supply chain that allow such an organization.

Keywords: *Supply Chain, time pressure, reduction of inventories, efficiency, konkurentnokst.*

JEL classification**:** M21, L21, F60

ПРИВИДНЕ КОНТРАДИКЦИЈЕ ЕФЕКТИВНОГ И ЕФИКАСНОГ ЛАНЦА СНАБДЕВАЊА – ВРЕМЕНСКИ ПРИТИСАК И ЕЛИМИНИСАЊЕ ЗАЛИХА

Апстракт

Респонзивност као перформанса одазива на све захтеве купаца и потрошача, на први поглед захтева довољно времена и висок ниво залиха да би се

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купци и потрошачи сервисирали на квалитетан начин. Међутим, последњих деценија, упоредо са развојем концепта ланца снабдевања, у теорији и пракси доказује се супротно: у условима високог нивоа конкуренције и брзине промена потреба и захтева потрошача, брзина извршења проруџбина је често кључна перформанса у многим ланцима снабдевања. Што се залиха тиче, конкурентан ланац снабдевања тежи да држи залихе само за потребе производње у току или још и минималне сигурносне залихе преко тога. Компаније настоје да своје ланце снабдевања организују тако да остваре квалитет, комплетност и поузданост испоруке у што краћем времену и са што мањим залихама. Таквом оперативном способношћу остварује се и ефикасност и конкурентност ланца снабдевања, односно, „оперативна изврсност" може решити контрадикције временског притиска и редукције залиха у односу на потпуну сатаисфакцију купаца. У овом раду ће бити разматрани модели, методе и технике управљања у ланцу снабдевања који омогућавају такву организацију.

Кључне речи: *Ланац снабдевања, временски притисак,редукција залихе, ефикасност, конкурентнокст.*

Introduction

Modern business conditions in recent decades, characterized by the expansion of the globalization process, the development of information and communication technologies we, changing consumer behavior and increase competition, demanded radical changes in business organization. This has led to the development of a process approach instead of a functional and to the development and application of the concept of the supply chain as a response to the present operating conditions. Supply chain organization (or reorganization of existing) required re-engineering of business processes, that is, analysis that can come to the conclusion that it is necessary that some of the activities and processes must be radically changed or even eliminated. Process re-engineering may require extinguishing even the organizational unit (for example, some storage facilities) or move some activities and processes in other strategic business unit, even with the partners (the other company). The concept of supply chain such changes are not unusual, on the contrary. The essence of a competitive supply chain is achieved very often radical changes in strategic focus, dramatic change in the organization and reorganization of business processes.

The process of the supply chain regulates the required level of capacity and enterprise resource because it uses only the capacity level required for the process of meeting the demand in a particular market segment being serviced. Excess capacity and resources is the problem of the enterprise and can be incorporated into other supply chain or it can be removed (to eliminate). In this way, the essence of its supply chain concept of regulating profitability of companies in the chain, as opposed to the functional organization where it is difficult to determine what is rational behavior in the functional departments of the company.

In many companies time to control, but above all in key processes that a company with its core competence adds the highest value, and neglect are not core activities that can be a source of irrationality and inertia or may be a bottleneck where the process stops (for example, this can be process expeditions in the department of sales and maintenance of equipment, etc.). In operating the process of integration of logistics activities and processes established synchronization and continuous flow of materials, goods and information, but are necessary models, methods and management techniques in order to guide the process, achieve coordination between the activities and processes of partners and control the process of continuous delivery of value.

Concept and organization of the supply chain

The essence of the organization and configuration of business consists of operations that create and deliver products and services, and their connection. Business organization takes different inputs (raw materials, people, information, money, etc.), perform operations (products, provides services, sales, transport, costs, the training staff), but also create products. It is a stream of materials and goods from suppliers, through production, to customers. Inputs are what the organization benefits, tangible (raw materials, semi-finished products, auxiliary materials, spare parts) and intangible (information, money, knowledge). Materials range from the most distant suppliers to end customers. Among these organizations are the relations complex and interactive. The supply chain is also a range of activities and processes organized in a certain way, through which the material and intangible inputs ranging from the most distant supplier to the end customer, but the point is that these activities are linked and integrated into a single process. A special role without having logistics which is responsible for the movement of materials through the supply chain, but also for information, especially those notified of any deviations from the desired state in the supply chain. M. Christopher for supply chain process said: "This is a process which is aimed at cooperative management in order to most effectively use the resources of the distribution channels with the aim of best satisfying the consumer, and thus, achieving competitiveness (Kanji, Wong, 1999, p.1147 - 1168). In second place Christopher says that a supply chain must be serviced quickly because mistakes are costly. Manage the execution order is gear that allows the supply chain all moving smoothly (Hugos, 2003, p. 131).

During the industrial era (or traditional economy), and 50-ies of the last century competitiveness could be provided mainly through mass production, economies of scale and low production costs; barriers to competitiveness were often high capital investment. Today the competitiveness of determining performance of the demand coming from the environment and what measures the quality of products / services from the customer's perspective, speed and reliability of delivery and overall operating costs. For the most branches are more important organizational components and compliance with environmental needs, than investing in the capital. Today, due to the dynamic changes in the environment, it is difficult to predict future trends in a particular form. Therefore, there is a different approach to creating strategies: simply put strategy today generally define the basic directions of movement and the values that will be pursued, based on the capabilities that an organization owns. Businesses, in conditions of constant change are seeking to develop its operational capabilities and ensure the efficiency, flexibility, capability and operational excellence.

In order to overcome a number of limitations in the company, the solution is found in the establishment of in-depth partnerships with customers and suppliers, and with many service companies from which it has developed a new entity - the supply chain, which is jointly managed the entire business process, from the farthest supplier to the end customer. Through these changes the character of the given operational strategies to support basic strategic direction and competitive strategies, and numerous models, methods and management techniques, to guide business or carry out certain improvements, which have a systemic character. Competitive strategies of companies today are related to supply chain management strategies, information exchange and joint planning and joint use of resources, in order to achieve efficiency, ensure customer loyalty and competitiveness. Businesses are turning their competence where the most added value and doing what they do best, leaving all other activities, through a form of outsourcing and partnerships, other companies (Cvetković, 2016, p. 12, 17). The supply chain is also a form of organization that represents the operational response to contemporary turbulent and discontinuous and highly competitive business environment. Basically this organization is the integration and synchronization of all activities and processes of the supply chain.

In the past the company has the competitive pressures correspond to the management and improvement activities in the functional areas, departments or sectors of the company, in the acquisition, production, distribution. With growing competitive pressure control such a response was not satisfactory, primarily because between activities there is a high dependency and interactivity. Procurement Plan has an impact on inventory management, packing way to handle inventory, changes in transportation affect the operation of the warehouse. This means that an organization that can provide the best results should be linked primarily to the movement of materials, so that (in the most vital companies) come to integrate all activities input and then output logistics. Inbound logistics coordinated its activities with production plans and outbound logistics department took over all activities related to the distribution of finished products (Waters, ed., 2007, Waters, p. 4), i.e., the process of execution of orders through an integrated logistics process with internal processes. These trends in business organization have inevitably led later in the integration of all activities in the company, and then to connect and integrate the activities and processes with partners and across the supply chain. The main motive of all these integration processes is the common goal of the company in the supply chain in the most efficient way to service their relevant markets and thus achieve their business goals and business (competitive) strategy.

Today it is considered that the unique supply chain management (SCM - Supply Chain Management) is the best option for the realization of corporate strategy. The market can’t compete with isolated companies, but their supply chains. This includes the harmonization of strategic goals, joint planning and sharing plans, information system shared by all companies in the supply chain, coordination and synchronization of activities. Such an integrated system supply chain is a strategic asset.

In considering the organization of the supply chain should be emphasized the importance of new information and communication technologies, as this level of efficiency of the supply chain would not be possible without its application. In doing so it is not just a technical tool, but also a means of creating new models of management and configuration operations.

Models, methods and techniques of "time pressure"

When it comes time pressure (time compression), it is necessary first of all to say that the selection of this strategy is not a goal to achieve maximum speed, but to achieve the ability to always perform at the time the request of customers. In this sense, time (speed) can be an integral part of the offer to customers in the market.

The weather is particularly scarce resource and an important source of competitiveness. Applying time-based, above all, means shorter delivery time. Time is an important factor from the standpoint of economy businesses because by shortening cycle times reduce costs. Time and speed of delivery are also spheres serving customers, and competitiveness, because it implies the delivery speed, the speed of resolving complaints, speed of delivery of information, and the like. "If the time is spent on non-profitable activities, then you will not have time for profitable activities." (Cox, 2003, p.18). The total time of each operation and all activities and processes together, makes the response time of the total supply chain. The companies that are working on a "production to order" (make-to-order), this time from order to delivery represents a throughput capacity. In companies where safety stock (make-to-stock "production for storage") during execution orders can be measured as the sum of time from the moment the internal order, then the time of manufacture and delivery of stock, and then adds the time from customer orders to delivery from the warehouse. Time is still controls internal efficiency, reducing downtime and costs and control the level of customer service.

Basic tasks in the implementation of these strategies focus on the time to remove processes that do not add value. That organization can be radical in the sense that this group can be assigned only processes related to the core competence of enterprises involved in the supply chain. In this case, on the other hand, can be adopted as value-added activities and those that are not essential, for example, quality inspection activities within a process, or handling of the materials within the process while it waiting for the next stage of processing. It is therefore appropriate that the second criterion is based on the theory of value chain M. Porter, which disaggregates processes in activities. According to this theory activities that add value are those that the customer is willing to pay these costs if the activity incorporated in the price. The must also be borne in mind that the activities have been removed from the process do not appear elsewhere in the supply chain, that is, an important result of the total supply chain and a holistic and systematic approach. In this regard, in some part of the process, some activities may be adding to the overall result of the process was improved, including on the basis of time because there is a high interdependence and interaction between the activities and processes in the supply chain. For example, if you pay more attention to the packaging, it can facilitate and speed up the transport or storage of cheaper, streamline processes in retail. Eliminate activities that do not add value to a company in the supply chain devote to those activities that add value. Redundant activities can be outsourced to other companies where the main activity in the form of outsourcing (outsourcing).

In search of the optimal solution must be borne in mind that any change in the process can have consequences at the time of execution, as well as the level of reserves, their use of resources, expenses (each activity carries its own costs), quality or level of service to customers. Tersine and Hummingbird are found (1995) that the management of the passing of time mirror quality management, cost, innovation and productivity (Waters, ed., 2007, Beesley, p. 77). In any case, the dimensions of time, in a dynamic market conditions, must always be considered, in the context and at the level of the supply chain.

Performance time (time pressure) can be supported using seven operational strategies that have been identified Carter, Mesnik and Hanfield, 1994, and today they can be applied even more in the supply chain. They are defined as: (Waters, ed., 2007, Beesley, s. 76)

- Simplification - remove from the process all the complexities that accumulate over time,
- Integration - improving information flows and communication in order to achieve an integrated information flow and operations,
- Standardization - the use of generic (reference) process model of best practice, which includes the standardization of components, modules and information flow,
- simultaneous operation - switch from sequential to continuous production process,
- control of process variation - prevention, in order to avoid losses in quality and time,
- automation of - applied to improve the efficiency and effectiveness of the organization and supply chain activities (and self-control of the system),
- resources planning - allocation of resources in accordance with the best practices of supply chain management, with the use of multi-skilled workers in order to enable the flexible use of resources (equipment).

A systematic approach to reviewing business performance, including the performance time, is incomplete at the enterprise level, since the delivery of value to customers and consumers starts from the farthest suppliers and includes a number of other partners, and ends with the final customer or consumer when you realize all the effects. Therefore, it is expedient to consider performance time in the context of the overall supply chain. Despite the complexity of the supply chain system, the current level of development of technology, especially information and communication technologies, the possibilities of combining management resources are numerous, such as the number and configuration possibilities of business, again with the use of modern information systems.

Models, methods and techniques that are used thereby have the purpose to reduce the complexity and to enable the realization of performance times, and other target performance of the supply chain. Improving performance cycle times and total time of delivery value is achieved both through the eliminations of redundant activities primarily through a creation of business processes based on the application of different models and methodologies (or concepts), and is achieved through planning, coordinating and directing the activities and processes in operational execution.

Process modeling is the initial condition for the successful management of business processes. If there is not a model of how the process is going, management will not be possible. When modeling system it is necessary to set up a functional part of the process, the physical flow and information flow (Hayes, 2004). This involves defining the purpose of the process and elements of technology, organization, procedures, communications and weather. Modeling the flow of data and information defines the mode of creation, a way to create databases and their use and method of exchanging data. Basically this is the flow of data between the various tasks and activities that coordinate people. This whole process is a mapping process, assuming the physical, information flows and time. The mapping process as a graphic display represents a sequence of activities and tasks and documented by a series of data in order to determine the most efficient movement of materials and goods, as well as branching information at certain points on the points which are control characters because they serve to coordinate, control and operational decision-making. Map process must include information on the status of the most important operating elements of the supply chain: cost, quality, customer service and time. The map contains the time required for the phase, tasks and activities. The map identifies the processes and activities and processes that add value, so it can be identified and the current value. The main benefit of the mapping is that it allows the visibility of movement of goods through a variety of functional areas, and therefore their usefulness. A map of the process according to define the responsibilities and the final result of the process, rather than by functional classes.

To accelerate the transformation process through the supply chain, from information on demand to procurement plans and production, it is necessary to pull the organization of activities and processes in which the starting point consists of activities related to demand management, not just plans for production and procurement of materials. The opportunities for improvement of the organization in the supply chain lies in the inclusion of employees in the process of advancing and in the application of the methodology of the JIT supply components and materials (“just in time”) in the upper reaches of the chain, whose principles are applied throughout the supply chain. In the lower course of the supply chain can be applied “postponement” system, postponing the finalization until you define specific demand, after which he promptly can deliver. All these elements are the elements of lean organization. Lean manufacturing is increasingly presents itself as a lean organization system of the overall system, in which processes are triggered only when there is demand, producing only what is needed and when it is needed. This means that at each stage produces only as much as is needed for the next phase. In such a system, performance times are the basis of business organizations. Lean System also believes that the stocks of all kinds of unnecessary and should be eliminated from the process. With continuous improvements in time to eliminate potential bottlenecks that could cause delays and interruptions in the process or stockpiling.

Promoting effects usually are measured over the efficiency and the effectiveness of key processes (cycle times, costs, effects), but from the viewpoint of time necessary to measure the efficiency and effectiveness of the overall process of the supply chain. Planning, control and improvement of the supply chain improved in recent decades, many of the techniques applied in the operational process in support of the overall efficiency and effectiveness, such as, for example, (Fredendal, Hill, 2001, p.148): total productive maintenance (Total productive Maintenance, TPM), Poke-yoke, focused factories, simplification and standardization.

Poke-yoke is mechanism and protection system that allows the prevention of errors in the use of equipment through a series of technical solutions and conditional step in using equipment. All of these techniques directly impact on the prevention of deadlock and the total time and the result of the supply chain. Simplification is done through reducing the number of activities through better distribution activities through training. Standardization and documentation of the process is essential to understand the current state of the process, to support the continuous improvement and eliminating downtime and measuring those improvements. Standardization of operations is a way to define the entry requirements, the procedure of the process, the time of each step and result. In fact, the most important reason for the standardization is to identify and understand the variations in the process and to adequately prevent or overcome delays and interruptions. The standardization process can be applied SIMPOC model that defines all elements and characteristics of the process (Supplier-Inputs-Measurement-Procedure-Outputs-Customers - suppliers, inputs, measurement, procedures, outputs, customers) (Goldsby, 2005, 233 s). Thus defined, the process leaves little room for delays and improvisation. Standardization also means reducing the number of parts and materials which are used in the manufacture of the product and modulus, as well as the definition of the types of raw material. Standardization and reducing the number of parts focus on quality improvement.

Logistics as a functional area at the level of the supply chain can make the greatest contribution to the achievement of target performance time. Integrated logistics process makes it easier to connect other processes to efficiently move materials through the supply chain in order to find where it is needed, at the right price, quantity and quality and at the right time. The components of a typical logistics system are: customer service, forecasting demand, distribution communications, inventory control, materials handling, execution of orders, support services, selection and analysis storage location, purchasing, packaging, return goods, addressing waste, traffic transport, warehousing and storage (Council of Logistics Management) (Bowersox, Closs, Cooper, 2002, p. 55). Integrated connecting and synchronizing logistic process in the supply chain which is essential for the efficiency of the chain and weathering performance of the supply chain. One of the most important roles of logistic in the supply chain is to reduce the downtime of inventories in relation to productive time.

In recent years, talks about the agility of the supply chain or business network, whose characteristics are: market sensitivity, network organization, process integration, virtual integration. These principles are adjusted business structure and logistic processes. Commercial networks as a special form of the supply chain is created in order to effectively take advantage of market opportunities presented by more or less suddenly point. Options for this organization lie primarily in the use of highly efficient information technology and in good mutual understanding of opportunities, but basically the organization’s rapid response - time dimension.

Added value entered in the inventories (in products) is associated with the length of time cycles which is adjusted to the level and dynamics of the anticipated demand. If you predict the level and dynamics of demand and supply chain has the ability to meet this schedule, inventory levels will be lower, which reduces costs and adds substantial value from the standpoint of the company. Thus, the performance time pressure and inventory model closely linked. Keeping inventories in itself causes costs for handling them, because of deterioration and breakage and storage costs. The added value generated for speed, compared to the industry average, it can be used to lower the prices of products and increase customer loyalty, or will affect, through a higher level of competitive price, the increase in profits of companies in the supply chain.

Time dimension of supply chain performance is associated with the dynamics of inventory levels, and then with the supply chain costs. Delivery on time (before or after the appointment) is the only correct. In the case of premature delivery appears inventory handling cost, and in case of delay appears problem stock outs, lack of supplies, which will result in different types of loss or damage.

Benefits of “time pressure” are manifold. The benefits of this strategy is first manifested in the internal framework as it reduces costs and allows the operational capacity to distinguish itself as a competitive advantage in relations with customers. However, in terms of frequent and unexpected changes in the market, the benefits of weather performance are increasing because of reduced risk for the entire supply chain: the greater the distance between making a business decision and its implementation, the ability to change circumstances and that the decision proves incorrect, all the better. It may happen that the ordered products are not sold and to create high costs for obsolete inventories, and to lose the opportunity to be the lack of (stock out) real goods occur loss due to lost sales. Therefore, the reduction of cycle time (lead time-a) delivery of strategic importance, and buyers are often willing to pay more for faster delivery. Specific advantages of the strategy time pressure are as follows (Waters, ed., 2007, Beesley, s. 84):

- Customers need a lower level of security and cyclical stocks,
- Customers are making buying for shorter periods,
- are less likely to change or cancel orders,
- increase the speed of cash flow.

It is widely known model “integrated transit” Dell company (Barac, Milovanovic, Cvetković, 2006, pp. 91-96), which is based on the best performance of cycle times and maximum customization of the product, provided it is not stockpile at any stage . The company collects on-line orders with all the performance of computers and components suppliers have adjusted their logistics platform that can deliver them in the day. Dell is thus able to deliver a computer for 48 hours. The company Cemex, Mexico, cement producer, has offered its customers the delivery of cement, not 48 hours as is standard in the industry, but for 4 hours. It is this company has turned from a regional, the other manufacturer in the world, where the organization is fully adapted to this purpose (Osterwalder, Pigneur, 2010, p. 136).

Management tools for improving performance at the same time the weather impact on system performance because stock levels between these performances there is a high interdependence and interactivity. Model of inventory management by the vendor (Vendor Managed Inventory, VMI) model and joint planning, forecasting and filling (Collaborative Planning, Forecasting, and Replenishment, CPFR), dramatically shorten the procedure of delivery and filling, reduce inventory levels without compromising service levels.

Models, methods and techniques of inventory management in supply chain

High inventories often cover many shortcomings in the organization and functioning of the supply chain, the structural and operational level. "Doing business without supplies," provided that it meets the demand for efficient, reliable sign that the organization is good.

The most important organizational goals are to increase supply chain flexibility for the demand that is continually changing and improving the quality and level of service to customers (mix of products and services). The other two targets, reducing inventory in the supply chain and lessening the overall supply chain costs seem to be able to reduce the level of services. The concept of supply chain allows it to be so. Inventories only mask the problems and mistakes in the organization and in principle are unnecessary. Business "no stock" indicates that the supply chain is well organized, that all flows are aligned and synchronized; they established a real partnership and implemented adequate management models. To all these organizational control objectives, it is necessary to cross measuring the level of inventories, supply chain costs and service levels.

The basic model is the result of tracking stock (records) and accounting laws of motion of material (Ryzen, 1998):

Inventories = cumulative supply (procurement) - cumulative demand.

In other words, if we draw a black box around the portion of the supply network and measure the total quantity of product which flows into the box (supply), and then subtracting the total amount of which determine that out from the box (demand), the result of the stock in the box, provided it is not an item is destroyed on the road. The mathematical formula is:

$$\mathbf{I\ (t) = S\ (0, t] - D\ (0, t).}$$

Inventories in the supply chain consist of basic and safety stock. Base is usually at the level of half of the usual delivery for the reference period. Safety stocks as protection against variations in demand or variations of operating a lead-time. They are the hubs or between, the bonds that achieves logistics. Inventories are stored when necessary or underway between nodes, requiring different handling, which raises costs.

I (t) means a specific stock in the box at the time t, and it is assumed to be started without the stock in the box at a time t ($I(0) = 0$). The result may be negative, if customers buy goods and not received by the edge of the time ($I(t) < 0$), i.e. demand exceeds supply. Positive stocks can be thought of as the amount of a pending order, and negative orders that await edge.

Since it is in practice impossible to establish a lasting balance between supply and demand, it is necessary to know what causes it, to understand the appropriateness of the cost of inventories and inventory to be managed. Sam management model inventory levels and inventory costs include consideration of determinants such as ordering and procurement costs, the costs of holding and handling inventory, lead time (time series) procurement lead time delivery to customers, the cost of stock-out (lack of goods). Through the model is actually considered, on the one hand, expenses, on the other hand features and service levels through a system of inventory supply chain. Time in the model included the relations of coordination, policy reserves, timeliness of information exchange, responsiveness to customers and required (competitive) level of service.

Since keeping inventory costs money, you need to find the optimal level and determine the reorder point. In the traditional economy, the key question is any quantity produced, i.e., scale economy-sized production series (EBQ, economic batch quantity), while today, the JIT system, the more important question of what amount of raw materials to order and when to order, i.e., bit the scale economy in size (volume) as the material ordering (Economic order quantity, EOQ). That is, when produced for stock and in large quantities when the costs of preparing for a new production line were high, it was essential compensation (trade-off) between the cost of preparing a new series of machines for production and inventory carrying costs required for smooth production. The essential operational flexibility is achieved through actually speed adjustment lines (equipment) for the new production series. Today it is often used flexible equipment based on electronics which is being prepared for production measured in minutes.

Today, in terms of pull organizations, small batches, frequent delivery and JIT system, when the weather is preparing reduced to minute, economical ordering of materials is seen in relation to the dynamics of demand, but not with respect to production. It is necessary, in terms of the specific dynamics of demand, to find the optimal point on the scale economy and the balance between the frequency of ordering, the costs of ordering and inventory handling costs, then, to determine the level of basic security and inventories in relation to the planned level of service to customers (Cvetković, 2016, with 152).

In addition to reducing costs, there are other, more important goals of eliminating or reducing inventories, and to the goals of improving the overall system efficiency and saving other resources in the supply chain. In inventory management, you need to know what causes the stock to the changing organization of activities and processes conducted or structural changes in the organization of the supply chain.

The level of the stock along the entire supply chain (raw materials, intermediate products and finished products) is one of the key performances of the supply chain, which has high operational, as well as strategic implications. The level of stocks is a measure of efficiency, effectiveness, quality and service levels. There are four ways you can positively affect the level of inventories, respectively, to reduce the level of safety stock (Scott Lundgren, Thompson, 2011, p. 16):

- Shortening of lead-time,
- Reducing uncertainty on the supply side,
- Reduction of errors in forecasting demand,
- Reducing the level of service (customer supplied).

By shortening the lead-time and the supplier can largely eliminate the security stocks provided that demand is known. In this sense, a good forecast of demand is the key to reduce inventories. However, we can add a fifth factor - integration relationship with customers and suppliers. The high level of integration and cooperation of the supply chain to actually sustained ability to synchronize activities and the elimination of “whip effect” - disturbances in the supply chain of the market and the stockpiling of various points in the distribution chain, but also a lack of goods to the other points.

One of the most important reasons for the integration of the supply chain is the construction of these key competences to permanently reduce downtime stock in relation to the productive time. To achieve such synchronization, except for demand forecasting and related integration with suppliers, it is necessary that the logistics function is fully integrated into the operating system of the total supply chain.

In order to improve integration of the respective operative and in the supply chain can be used to manage these relationships models such as model inventory management by the vendor (VMI), and model of common plan, forecast, and the filling (CPFR). These are the models that govern relations between buyers and suppliers and supply process, but that process can determine the dynamics of the overall supply chain. These models shorten the exchange of information, simplify procedures and eliminate a number of transactional activities, reduce inventories and costs at all stages of the supply chain, without compromising service levels. Since there is a high level of exchange of information, customer service (fast, complete and accurate delivery) can be always at the optimum level.

VMI model is suitable for consumer goods. The essence of the VMI model is to eliminate stock-outs - and the lack of materials in the production and finished goods to fully satisfy real demand. Inventories are being pushed towards the suppliers of raw materials, a manufacturer and retail work after the pull system. This model is very useful for suppliers of raw materials because they are constantly aware of the current, live market information, thereby gaining valuable experience and alertness and thus were able to reduce their own inventories. Model also has its full effects on the supply side.

CPFR model is more complex and involves more comprehensive analysis and is suitable for use in the upper reaches of the supply chain (between the suppliers and manufacturers). CPFR is a model that allows supply chain partners to share historical data and develop plans of production and distribution for the future. This model makes it possible to determine the need for products for normal operating conditions, the promotional periods or not planned altered level of demand for other reasons. With the help of information being shared are defined stock levels and terms of completing the procedures in the special situation of the market. The model contains a system of collecting data on the demand of finished products directly to the market, retail, and then the data is combined with other data related to information and elements of the strategy stocks to fill in order to support the common prediction and a common business plan. This makes it possible to reserve production capacity sufficient to meet demand to minimize safety stock and at the same time retailers are sure to be filled orders (Blanchard, 2010, p. 165.)

Using these models can be proved that with the reduction or elimination of the stock can increase the level of service to the customers, and the total efficiency of the supply chain.

The company that produces furniture IKEA has 1,800 suppliers in 50 countries, 9,500 products, 345 stores in 42 countries, 36 distribution centers in 16 countries, 1,500,000 million deliveries and 35.5 million in revenue. IKEA with its suppliers sign a code of cooperation that are based primarily low cost, environmental performance and corporate social responsibility (Milovanovic, Milovanovic, Radosavljevic, 2017, 35). IKEA based their cooperation on long-term planning, at least 5 years, starting from the possibility of the supplier, the capacity and quality of raw materials suppliers can offer. The company, in its retail stores allows customers to combine themselves and seek solutions for your furniture with the support of experts IKEA (https://rctom.hbs.org/submission/ikeas-business-and-operating-models-a-match-made- and-heaven /). Combining their information from the market with the capabilities of its suppliers, IKEA with them practically implemented CPFR model, but also a model of delayed installation because with carefully researched customer needs offers a number of alternatives for solving the housing problems of customers in the store. This is an acceptable level of inventories solve almost all customer needs and provides the principles of mass customization principles and reducing inventories. In this way the amount of inventories is reduced "because it is a function of the square root of demand": if demand doubles, inventories will increase only for the square root of 2 (1.414). (Fredendal, Hill, 2001, 140).

The necessity of changing the management practices of companies in Serbia

Management practices in Serbian companies do not know enough of modern management tools, in addition to companies that are connected through the acquisition of global business systems. Serbia has experienced deindustrialization dismantling and deterioration of large business conglomerates. Restructuring did not produce results because they are most often made without a clear objective, commitment and competence. Thus, it is not built a new management practice, where of course there are the few exceptions that do not have the "critical mass" for visible changes in the business and management practices. In doing so, companies sold large systems as a rule are closed for business and the general public in order to allow a broader introduction to the practice of their organization and management.

Managers and businessmen from Serbia need to understand the new strategic approaches, partnerships and flexible organization and operational solutions that bring efficiency and competitiveness, and the necessity of building pithy competence, character information and other technologies, the need for learning. All these elements are included in the concept of the supply chain.

One example of successful privatization in Serbia and successful integration into global supply chains is the pharmaceutical industry "Zdravlje" Leskovac:[4]

Privatization of enterprises for the production of drugs, "Zdravlje" Leskovac in 2002 was a classic acquisition. "Zdravlje" as a successful company in the past, relatively easily and successfully incorporated in the system Actavis group (former name Pharmaco), a system of inter functional coordination, including improving the system performance to a system in the company fit. In a few years after privatization Actavis is in this transitional period, invested by 2006 31 million euros, so that the system was able to be compatible with the corporation. It has invested in new equipment for the production, in the adaptation of production and warehouse space, the new information system (SAP), in quality control and improvement of working conditions. SAP, the operating system is modular and consists of 11 modules, and the "Zdravlje Actavis" (up to 2014) implemented 7: materials management, finance, control, quality management, sales and distribution module and human resources (HR). As a special, strategically significant investment in 2005 highlights the age adaptation PJ "Pharmacy" and warehouses that have been reconstructed in accordance with the highest standards of good storage practices.

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4 https://www.lakemedelsverket.se/.../part2%20nr3, and according to the information (and documentation) of the interview with the directors of "human resources" and "logistics" of Zdravlje, in 2014.

Immediately, after the privatization of “Zdravlje” removed the non-core activities: Factory tube and dose in Lebane is sold, canteen, transport and operation provided cosmetics to partners in the form of partners who are for the account of “Zdravlje” engage in such activities by outsourcing system. Under the system of outsourcing is regulated and maintenance and cleaning.

In the “Zdravlje” has been fully implemented corporate business model Actavis, as a model and control performance quality, PDCA loop, which strongly determines processes (Figure 1). Actavis management system in a corporation that is implemented in the “Zdravlje” is set in accordance with the standards for the preservation of a healthy environment and human health and safety (EHS - Environmental Health and Safety Management System). Through this model realizing the integration of the Actavis system control through the following processes:

- equalization of documentations,
- defining objectives,
- installation of standards and performances (and verification, measuring the embodiments),
- system of continuous improvement.

Unification of documentation is generated decoration forms and flow of documents with the help of information systems and information technology best, both horizontally and vertically to the top management of the corporation. Strategic corporate values and objectives are implemented in the “Zdravlje” of the tactical objectives and the operational activities in the process. All the objectives of the “Zdravlje” are set in accordance with the corporate values, legal requirements, technologies options, financial, operational and business requirements. At the same time the goals are defined and responsibilities for the processes necessary actions to achieve the objectives and deadlines, which is also subject to continuous review process.

The objectives are reviewed periodically through key performance indicators, as well as organizational development (organizational charts, job descriptions and resources). Part regular communication procedure in the “Zdravlje” and the corporation are reports (local business unit management and regulatory bodies, corporations) and committee sessions, meetings and interviews.

In the new conditions in the system Actavis emphasized the aim is to produce “Zdravlje” that the markets are delivered on time and where it is needed. At the same time from the corporation through a new organization implemented an aggressive approach to cost reduction. Developing partnerships is carried out according to the criteria features: 1) to reduce costs and increase efficiency, 2) to bring new products to new markets continuously flows through the stable supply. “Zdravlje” is also trying to get into the whole system “to develop a dynamic corporate culture of commitment, compliance, motivation and active involvement of hardworking people who are willing to participate in increasing efficiency and achieving goals, including fully into the business process. Speed and flexibility in relation to demand are basic operational performance in order to achieve the strategy.

The business model of “Zdravlje” is trying to take advantage of the Actavis corporations system. These benefits arise from the performance as:

a) The effective technology transfer (through all parts of the corporation)

b) The effective knowledge management,

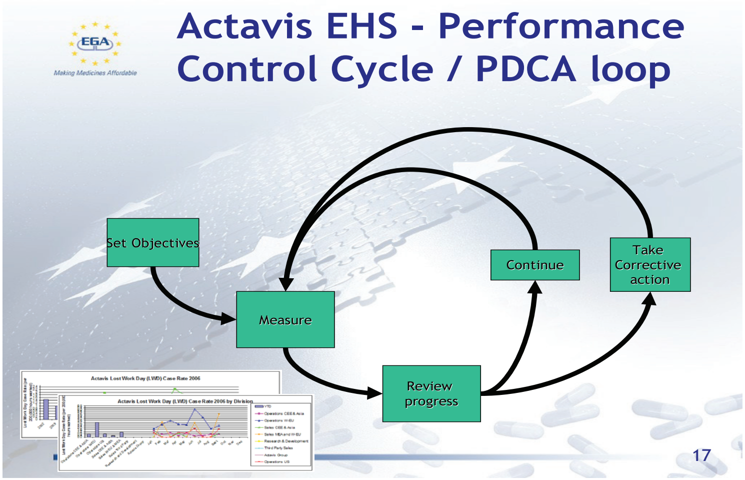
v) Harmonization of documentation,

g) The rational use of resources, and

d) The efficiency of prioritizing and their transfer through the corporation.

Procedures, and the organizational structure of the constant can be challenged and which may be at the initiative of the PE, which can affect the return and to the general procedure and the improvement at all levels. This eliminates the risk of negative effects of centralization of decision-making, which may lead to a recession and loss of resources. Planning is adapted discontinuous conditions. Operational Planning in Zdravlje Actavis-in takes place after the system rolling forecast (rolling - sliding forecasting demand and production), yet for 12 months, with a defined schedule and monthly schedule for the next month, with the precise structure and terms, in accordance with customer needs . Plan to innovate every month for the next 12 months. The sales plan (which is the production plan) creates marketing sector sales department. Marketing plan makes this class of planning in the production where I give a production plan, with full implementation of the MRP II (Manufacturing Resources Planning). At this stage in the planning, through the SAP system, involved other functional areas - finance, engineering, procurement and human resources. Logistics sector which manages the procurement of necessary materials to complete the monthly plan, which is defined at the level determined by demand, according to the procedure specified module procurement. About 70% of procurement procedures carried out by the methodology just-in-time, or supplied when there is demand, when run production processes. The system just-in-time is applied is limited. Supply and transport (by outsourcing system) are the responsibility of the logistics sector.

Figure 1: "Zdravlje Actavis EHS" - cycle control performance - PDCA loop, model control performance corporation Actavis implemented in "Zdravlje"



Source: https://www.lakemedelsverket.se/.../part2%20nr3

All activities are entered into the SAP system in real time (thereby forming the documentation), so that in the process no unnecessary steps even skipping activities. The system of identifying the perpetrator (the principal) of activities enables additional control after a long time.

Within the manufacturing sector of Health was formed *"customer service"* department whose task (through marketing) to address specific issues and requirements of customers. This is a dynamic communications with the market and a valuable source of information.

In the period before the privatization of the company Zdravlje has worked in the system of mass production (build to stock) and "push" products on the market (push system). Today it effectively applies the system of "drawing" of a product from the market and customers (pull system). Zdravlje Actavis is in line to achieve its competitive strategy based on the following criteria: 1) Operational excellence (responsiveness at low cost), 2) trust of customers, and 3) leadership in products (continuous product innovation). Continuous communication within the company and with the environment is the basis of continuous learning and creativity.

Positive effects of the seven-year transition effort, involvement of "Zdravlje" in Actavis Group can be illustrated by the following data:

- efficiency is improved, delivery lead time is shortened from two months to a few days,
- increased annual revenue from 45 to 71 million euros in 2009,
- export is increased from 16% to 46% in 2009.
- 70% of the procurement system is carried out by "just-in-time" system.

Also, many times the increased capacity is planned that production in the next period to increase from 500 million to 1.9 billion tablets, whose sale is provided through a system of Actavis in the world market, thus all other performance dramatically improved.

And the planning and organization of the operating system in the "Zdravlje" are essentially facing accelerating the process, shortening cycle times, quality control, inventory reduction and cost reduction, while the achievement of a high level of customer service. A special role in achieving these goals is the information system.

It could be said that the period of transition in Serbia takes a very long time that one of the reasons for insufficient knowledge of current management practices and modern strategic approach and organizational solutions in global business. State investment in such projects, education would be the least that can be done. Results could be called that many small and medium enterprises to become successful and become a promising, able to engage in global flows and supply chains. Some of them might even become a significant internationals or global companies.

Conclusion

Modern environment and business conditions in recent years have led to the need for radical changes in the business organization. With the change in the strategic focus on the needs and requirements of customers and consumers became necessary changes in the organization of business functions in the process. This has led to the development and application of the concept of the supply chain as a response to the present operating conditions. The supply chain is characterized deepened, partnerships and process structure of the business organization. Many research and practice prove that the market compete integrated supply chains, rather than isolated companies. Management of the supply chain is carried out through a common management of organizational performance and performance of activities and processes overall supply chain. In considering the organization of the supply chain should be emphasized the importance of new information and communication technologies, which are not only a technical tool, but also a means of creating new models of management and configuration operations.

Key performance supply chain performance is the flexibility and resources of the organization, in order to respond to constant changes in the market. However, there are performances that are seemingly contradictory with key strategic goal - satisfaction of customers and consumers. This performance is the speed (time pressure) and performance levels of inventories (reduction or elimination of inventories).

When it comes time pressure (time compression), it is necessary first of all to say that the selection of this strategy is not a goal at all costs to achieve maximum speed, but the ability to achieve speeds that are always on time, carry customers’ requirements. In this sense, time (speed) can be an integral part of the offer to customers in the market. Applications on the basis of time involves primarily shorter delivery time, but with the new operating strategies and lean organization where processes are triggered if there is demand, delivery time is associated with upstream processes, the cycle times of the whole process of the supply chain. The main task in implementing these strategies focus on the time is to remove the activities and processes that do not add value. Models, methods and techniques that are used while their purpose is to reduce complexity and enable the achievement of performance times and other target performance value chain, as well as quality. Map process as a graphical representation must contain information on the status of the most important operating elements of the supply chain: cost, quality, customer service and time. The map identifies the processes and activities and processes that add value, so it can be identified and the current value. In lean organization is applied to pull the organization of activities and processes, just-in-time (“on time”) in the upper reaches of the supply, delayed assembly in the lower courses of the supply chain. In the process of manufacture are used techniques that are supporting the continuity of the overall process has to productive equipment maintenance, Poke-yoke, simplification and standardization. The movement of material through the processes of logistics has a special role, which must be integrated into the operational process of the supply of chain. The benefits of this strategy is first manifested in the internal framework as it reduces costs and allows the operational capacity to distinguish itself as a competitive advantage in relations with customers, allowing them to reduce stocks and to secure supply. At the same time accelerate cash flows. In this sense, applied management models in the supply chain, such as inventory management model by the vendor (VMI) model of joint planning, forecasting and filling (CPFR), dramatically shorten the procedure of delivery and filling, reduce inventory levels without compromising on quality and the level of service. These models are an integral part of inventory management model.

High inventories often cover many shortcomings in the organization and functioning of the supply chain, the structural and operational level. “Doing business without supplies," provided that it meets the demand for efficient, reliable sign that the organization is efficient. Inventory management is not just accounting issue, but the object and competitiveness strategy and operating strategy. As a strategic issue is associated with the level of service to customers, and as operational services to customers and the cost and operational efficiency, while appearing contradictions that are the subject of this paper. This contradiction is solved through the achievement of performance "operational excellence" which drastically reduce or eliminate inventories without compromising service levels. The condition for the achievement of such performance is primarily the ability to forecast demand (primarily through the continuous exchange of information), and then implementing a strategy of pressure and time synchronization of the overall process. In this respect, apply and models for managing relationships and directing the activities and processes in the supply chain - VMI and CPFR.

The final conclusion is that the contradiction between the time pressure and the elimination or reduction of inventories, on the other hand, the quality and level of services can be solved only by efficient operational processes, and principles of business and operational excellence that are based primarily focus on customers, flexibility, shorter time cycle, integrated information system and a high level of integration activities and processes.

In order to improve competitiveness, it is essential that managers and businessmen in Serbia acquainted with modern management practices in the world.

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