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RISKS OF ENERGY SECURITY

Abstract

According to its significance, energy production is in the same group of activities like production of food and raw materials, and supply of necessary drinking water. The lagging in those forms of production has negative impact on economic growth and development of countries and regions as a whole. Therefore, the problems of development of energy sector cannot be observed as isolated from the development of overall social-economic development of a country, even out of context of development of international political and economic relations. In that light, energy security is one of the most pronounced risks in the modern world. Unlike the previous period when oil was predominantly considered the factor of energy security, nowadays, the discussion about the energy security takes into account energy sources as a whole. Due to the continuously growing demand for energy (resulting from increased economic activities and raising living standard), on the one hand, and the growing number of uncertainties of different origin that accompany production, transport, distribution, storage, and final energy consumption (environmental, technical, economic, political, security), on the other, energy security has become one of the most important global development goals.

Key words: energy security, environmental risks, economic risks, political risks, technological risks.

JEL classification: Q40, Q50
Introduction

Adequate explanation of the problem of energy security and ability to offer appropriate solutions need to be understood first (Yergin, 2006; Kruyt, et al., 2009). The question refers to the essence of phenomenon, increasingly circulating in theoretical debates and public discussions among representatives of various political options. Hence the issue should be carefully analysed. Energy security should not be identified as energy efficiency (Winzer, 2012). On the other hand the difference between energy and thermodynamic efficiency should be borne in mind. The importance of external dimension of energy policy with the predominant problem of energy security is often emphasized by many authors, while environmental policy heavily influences the internal dimension of energy policy (Kern & Smith, 2008). The emergence of various risks follows the implementation of energy policies in individual countries and hence regional economic integration (Yépez-García & Dana, 2012). Thus, not only that all these facts should be known, but also the instruments of their measuring and minimising (Löschel, Moslene & Rübbelke, 2010; Kruyt, et al., 2009). To do so, the role of state, market, technology and the interests of various stakeholders must be included. Therefore, the risk management is essentially important in ensuring conditions for upgraded energy security (Ang, Choong & Ng, 2015).

The subject of the paper is identification of risks related to energy security, which is one of the most significant issues of global development. The aim is to explain the nature of uncertainties that unavoidably accompany the production, transmission, distribution, storage and final support of energy in contemporary living and manufacturing conditions. The starting point is that energetic uncertainty, which would be followed by favourable energy prices and realisation of climatic aims can be achieved only by sustainable development of energy based on high energy efficiency, renewable energy and creation of
“clever” energy infrastructure. In order to provide conditions for improvement of energy security, it is necessary to manage risks that may be ecological, economic, political and technological.

Energy as a factor of economic growth and risks of energetic security

During a long period of development of economic theory, energy as a factor of economic growth has not received the attention it has in practice. Energy is tested as intermediary goods while according to other, still recognised models of neoclassical economy, economic growth is ascribed to technological progress and the knowledge based on that progress. Economic theory that considered the quantity of available energy in the observed economy was endogenously determined, logically under the influence of biophysical and economic limitations. However, the fact is that the process of manufacturing involves the transformation of matter from one form into another, which includes the use of energy. (Jakovec, 2015).

By placing the energy into the centre of economic activities its undisturbed utilisation is recognised as a significant precondition of economic growth. It means that economy should be observed as an energetic system which includes energetic courses and conversions that culminate exactly in manufacturing of goods and services (Imran i Siddiqui, 2010, p. 206).

According to ecological economics, energy is the most significant primary manufacturing factor. This is justified by the fact that thanks to the energy, human society progressed from rural to post-industrial during two human lifetimes, or to put it metaphorically, from mattock to a computer, or from manual to machine work. To manufacture, transport, accumulate and innovate energy is the imperative of economic growth (Višković, 2008, p. 25). Hence, stable energy supply is the base of total economic activity (Abaidoo, 2011).

According to its significance, the production of energy is ranked the same as the production of food and raw materials together with water supply (Rasul & Sharma, 2016). The stagnation of energy production limits the economic growth and development in certain countries. Therefore, the problems of production of energy can neither be considered nor investigated without the development of total social and economic system of a country, even out of the context of development of political and economic relationships (Dekanić, 2011). Bearing this in mind, it can be concluded that growing risks of energetic security are a significant, limitation factor of economic growth at global level.

The need for energy increases with the economic development. Hence the stability of sufficient energy supply acquired growing global importance. The problem here is not only how to provide sufficient amount of energy, but also how to create balance in satisfaction of energy needs and establishment of social and ecological acceptability.

Energetic security is one of pronouncedly significant problems today. It is not static but utterly dynamic category, dependant on numerous risks, such as market oscillations, international policies, and the behaviour of economically developed countries (Fig. 1). Unlike the previous period when the focus of analysis of energetic security was
on oil, in this century, discussions on the phenomenon of security of energetic sources as a whole should be borne in mind. Due to continuously growing needs for energy (conditioned by the increase of economic activities and elevation of life standard of the population) on the one hand, and increasingly numerous uncertainties of various origin that accompany production, i.e. transmission, i.e. transportation, distribution, storage and final consumption of energy (ecological, technical, economic, political and security) on the other, the realisation of energetic security is promoted to one of the most significant aims of global development.

![Energy security diagram](image-url)

*Figure 1: Defining energy security (World Energy Council. n.d.)*

There are numerous risks of safe energy supply. Depending on the set criteria, they can be classified in different ways. This paper takes in account the quarterly distinctions between environmental risks, economic risks and technological risks. Each of them will be theoretically explained in short.

**Environmental risks**

At the end of the twentieth and in the twenty first centuries the location of most important sources of energy production has been basically important for economic and security policies in the countries worldwide. The increasing use of fossil fuels in the production of energy has especially contributed to the manifestation of the phenomena of strong environmental changes, most visibly manifested as global climate change. During the last thirty years many countries paid serious attention to incorporation of energy security requirements into the policy of energy and sustainable development (Martínez, 2015; Filipović & Despotovic, 2014). Now the changes of energy policy concept are being made. They include energy security, increasing significance of renewable energy sources, improvement of energy efficiency and environmental protection as the most significant (Fig. 2).
This century is characterised by the risk related to the climate change as an important challenge. Speaking of the risks associated with the energy security, a high level of environmental protection must be guaranteed (Heffron, McCauley & Sovacool, 2015). In addition to environmental, the climatic and health risks should also be borne in mind together with the impact of unconventional fossil fuel extraction (Fig. 2). This includes risks of accidents at nuclear power stations and plants as long as they are in operation.

Another risk is related to nuclear plants and their radioactive waste and disposal facilities that can experience terrorist attacks. In addition, the process of ‘global warming’ due to greenhouse effect may result in climate change. The greenhouse effect means that the gases such as carbon dioxide, methane, nitrous oxide, and water vapour retain infrared radiation like the glass in a greenhouse, thus preventing the infrared radiation to release into the Earth’s atmosphere. This higher level of greenhouse gases undoubtedly results in increase of temperature on Earth. Gas emissions increase the global temperature, especially compared to natural fluctuations of temperature levels.

The utilisation of land including the land for urban purposes is found to be responsible for nearly half of the changes in temperature differences in specific regions. Besides, although construction materials such as concrete, used for roads and buildings and other structures tend to absorb sun heat, they do not reflect it. Increasing deforestation eliminates natural cooling obtained by shadows. All those factors increase regional warming, known in literature as the urban “heat island effect” (Debbage & Shepherd, 2015). It should be emphasized that this effect differs from global warming, but their influence may affect global climatic changes. Therefore, in the conditions of global climatic changes, energy security management requires making decisions under uncertain conditions. In addition, the link between the production of energy and human health should not be ignored, especially related to risks of environmental pollution caused by thermal power plants.
Economic risks

Economic risks are related to vulnerability of economy price “shocks”, which negatively influence economic growth. In that respect, cost-effectiveness of nuclear choice not only provides autonomous and cheaper production, but also allows for the creation of predictable energy price, which is contrary to oil and gas prices (Nakata, 2004).

After a series of events that led to serious price fluctuations and difficulties in transportation of gas across certain territories, the energy security has become a key issue of energy policies in most EU countries that import energy. In comparison to the previous period, energy market is more turbulent. These new circumstances resulted in the need for saving and creation of strategic primary energy reserves. Hence economic risks related to energy projects can be classified as those related to market (with consumer prices below the cost of production and maintained by subsidies, or a decline in fuel or technology demand), macroeconomic environment (that includes unstable or inflationary economic environment and fluctuations in foreign exchange rates) and finance (i.e. interest rate rise). In time, investors and financers have become skilled in reacting to risks, thus avoiding them. One of possible solutions for risk reduction is to make fixed or guaranteed-price contracts. Market risks can also be diminished by making long-term energy supply contracts, since the key economic risk related to energy security is possible fluctuation in the energy price. Like in all other domains, the price is formed on the basis of supply and demand. When energy security is considered, short-term effects of prices can be analysed by the factors of reduced demand, while long-term effects by those that cause the energy supply growth.

The short-term measures taken in order to drastically reduce the demand for energy is not an effective strategy. It is important to make integrated planning of energy demand and energy supply at this level, and give priority to reduced demands and decentralized solutions, thus achieving cost-effective security in supply, and avoiding unnecessary or excessive energy infrastructural investment. A significant contribution to energy security can be made by investment in reduced energy demands, particularly in buildings and industry, which can stimulate economic growth and create new jobs. To reduce energy demand, especially for heating and use savings and energy efficiency is of vital importance for a few reasons such as positive effect on energy security, availability of energy and economic growth, competitiveness, fight against energy poverty and creation of sustainable jobs. International Energy Agency suggests that investment in energy efficiency and development of energy sector are the best return of investment from any source, and hence energy efficiency should be considered significant source of energy. Energy efficiency and demand side responce should equally compete with the production capacity, bearing in mind urgent and remarkable problems of energy security. All these should be taken into account in industrial policy, especially energy efficiency and renewable energy sources, thus contributing to re-industrialisation and achieving the share of industry in gross domestic product. Potential energy savings are meant for all sectors of economy, including industry, trade, construction, agriculture and service sectors.
Political risks

Energy security is increasingly important political issue, which cannot be fully responded by market mechanisms. Unlike intrusive state interventions, typical of the past, each form of public intervention should be conducted through the partnership between the state and private enterprises. According to Multilateral Investment Guarantee Agency of the World Bank (MIGA), political risk is defined as the probability of disruption of company operations by using political forces and events, regardless to whether they occur in host countries or are a result of changes in the international environment. Political risks are related to state (e.g. quality of legal system and political institutions, possible expropriation and nationalization, trans-boundary problems, etc.), policies and regulations (sustainability and validity of energy policy framework, changes in environmental policy and standards, stability and consistency of tax system), and complexity of business environment (e.g. permits and licenses) (Stojanovic & Đordjevic, 2016). While previously, risks were mostly related to oil supply (since the fuel was imported from politically unstable countries), today, liquid gas supply is a prominent risk factor (as it is the fuel to which Western systems are currently turning). In fact, gas supply is controlled by relatively small number of countries led by Russian Federation and Iran, with over 40% of world supply. The favoured option was a misconception: it seemed that gas differed from oil in the aspect of security. But this changed after the gas crisis in Ukraine in 2008. Development of geopolitical crises of regimes in a number of African countries such as Libya and Syria, then the war in Middle East led to changes in the previously adopted energy strategies of most European countries, which were able to provide long-term supply stability exclusively in case of ensured energy security, and thus develop conditions for production of goods and services that could provide satisfactory macroeconomic performance over a long period. Therefore, oil and gas companies are constantly exposed to risks in both internal and external environment. In addition, nationalization is also a source of political risk, which often occurred in the course of history. Today, expropriation is seen as a risk of taking control over companies by the government for a fee, which is typical of less developed countries. Among other political risks, the currency convertibility, breach of contracts and violation of financial organisations should also be mentioned. Political risks of the investors are especially pronounced in the countries where legislation and sanctions for violation of rules are not properly developed, hence the investors face problems in the realisation of their oil and gas supply projects, which is mainly the characteristic of poor and underdeveloped countries. And finally, there is a constant risk for investors in the domain of energy, where the projects may be jeopardized due to instability or political changes in the host country.

Technological risks

Technological risks include technical reliability of energy supply on separate markets. Nowadays, the most serious and expensive disruptions take place within the end markets, not outside them, which is paradoxical and significantly concerns the Western world. Many countries experience emergencies related to gas production and problems of transmission network. If these events are considered an alibi, their role is to hide the real causes which include either lack of investment or economic integration...
of markets, thus resulting in their mutual dependence and individual vulnerability. If infrastructure is not adequately reinforced, the network systems are extremely sensitive to any unpredictable occasion. The increasing complexity of energy networks is more and more exposed to security risks, mainly related to their IT infrastructure. The risks also include the so-called cyber weapons that can attack infrastructure in increasingly sophisticated ways and are more accessible to a wider circle of people. Thus, one of the most urgent tasks is to find an effective response to cyber security risks, using the sources that would ensure energy security.

Conclusion

Energy security has its geopolitical dimension. Namely, the issue of energy supply where some developed countries are still importers, leads a great number of developed counties to energy dependence. Energy security is an important topic in shaping and planning energy policy and strategic development.

In the conditions of intensive environmental changes, it is increasingly evident that energy based on the use of fossil fuels significantly contributes to visible manifestation of these negative phenomena on a global scale.

Economic risks occur due to economic vulnerability to “shocks” induced by prices, which has a negative impact on economic growth. The cost-effectiveness of nuclear choice was not obvious in guaranteeing autonomy or cheaper production only, (although those that adopted it benefit now), but, above all, in the fact that this option allowed for the creation of a predictable energy cost/price, contrary to recent experiences with oil and gas.

Political risks are associated with state (quality of political institutions and the legal system; possibility of expropriation or nationalization; transboundary issues and problems), policies and regulations (credibility and sustainability of the energy policy framework; changes in standards or other regulations in environmental policy; consistency and stability of the tax system) and complexity of the business environment (permits, licenses).

Technological risks are related to technical reliability of energy supply within individual markets. It should be emphasized that the most serious and most expensive “disruptions” nowadays result from the events within, not outside end markets, which is a special concern of Western world.

References


CHALLENGES FACING AFRICAN BUSINESS EXCELLENCE MODELS: A CASE STUDY OF COMPANY OF THE YEAR AWARDS (COYA)

Abstract

Business Excellence Models (BEM) are frameworks developed to guide organizations into best practices that lead to sustained high performance. These models are internationally recognized as both providing a framework to assist the adoption of business excellence principles, and an effective way of measuring how thoroughly this adoption has been incorporated. There are several BEMs adopted by different countries. North America, Europe, Asia, South America and Australia have over the years implemented National BEMs. However, in Africa, various countries have established National and industry/sector based BEMs with minimal success. This is an exploratory study focusing on reviewing existing literature on the BEMs and identifying challenges that the African BEMs have faced. The paper also provides some practical recommendations that can be adopted to ensure success of the BEMs.

Key words: business excellence models; national quality awards; Africa

JEL classification: M10, M11
rad daјe praktичне препоруке koјe treba usvojiti radi uspeшне примене модела пословне изврсности.

Кључне речи: модели пословне изврсности; националне награде за квалитет; Африка

Introduction

Business Excellence Models (BEM) are frameworks developed to guide organizations into best practices that lead to sustained high performance. Business excellence is a continuous improvement to error-free performance by everyone in an organization so as to be the best in delivering high quality services which meet or exceed the expectation of customers. Business excellence has been adopted by organizations globally as a tool to enhance their competitiveness, locally and internationally. It ensures a firm’s economic survival as the principles underlying the global business excellence framework builds a pathway to long term success and continuous improvement. Business excellence is also seen as an effective strategy to promote global quality awareness that countries have their own award system to recognize and reward organizations that demonstrate the highest standard of business excellence.

Excellence models can be traced back in Japan with the Deming Prize, which was established in 1952, to recognize the work of successful organizations in the Japanese manufacturing sector (Ghobadian & Woo, 1994). It was the success of the Japanese companies in quality excellence and continuous improvements in the 1980s that drove Western countries to develop similar quality excellence models in these countries. The first quality award that was introduced to reward organizations that demonstrates significant growth in performance is the Deming Prize. The Deming Prize was established by the Board of Directors of the Japanese Union of Scientists and Engineers (JUSE) in 1951. The improved performance in Japanese companies under the influence of quality gurus such as, Deming and Juran inspired the United States to develop the Malcolm Baldrige Award.

The Malcolm Baldrige was designed to recognize American firms that practice effective quality management and make significant improvements in the quality of their goods and services. After the American Model came the European Quality Award (EQA) which was officially introduced by the European Foundation for Quality Management (EFQM). The Australian Quality Award was first established by Australian Quality Council (AQC) in 1988 and was later acquired by SAI Global (formerly known as Standards Australia International Limited) in February 2002. Over the years, other countries have established their excellence models with mixed results. These include Singapore, Malaysia, India, China, Brazil, Mexico, UAE, Saudi Arabia, among others. The major Business Excellence Models have driven the institution of quality distinctions around the world and served as benchmarks for national quality awards (Alonso-Almeida & Fuentes-Frias, 2010).
Table 1: Global Excellence Model Members

<table>
<thead>
<tr>
<th>Country</th>
<th>Organization</th>
<th>Award</th>
<th>Administered / Sponsor</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>Baldrige Performance Excellence Program</td>
<td>Malcolm Baldrige National Quality Award</td>
<td>Government Agency</td>
</tr>
<tr>
<td>Japan</td>
<td>Japan Quality Award Council</td>
<td>Japan Quality Award</td>
<td>Industry</td>
</tr>
<tr>
<td>Europe</td>
<td>European Foundation for Quality Management (EFQM)</td>
<td>European Foundation for Quality Management Model</td>
<td>Industry</td>
</tr>
<tr>
<td>Australia</td>
<td>Australian Organizational Excellence Foundation (AOEF)</td>
<td>Australian Organizational Excellence Awards</td>
<td>Industry</td>
</tr>
<tr>
<td>Singapore</td>
<td>Enterprise Singapore formerly (SPRING Singapore)</td>
<td>Singapore Quality Award</td>
<td>Government</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Malaysia Productivity Corporation</td>
<td>Malaysia Business Excellence Framework</td>
<td>Government of Malaysia</td>
</tr>
<tr>
<td>India</td>
<td>The Confederation of Indian Industry (CII)</td>
<td>CII-EXIM Bank Award for Business Excellence</td>
<td>Industry</td>
</tr>
<tr>
<td>China</td>
<td>China Association for Quality (CAQ)</td>
<td>China Quality Award</td>
<td>Industry</td>
</tr>
<tr>
<td>Brazil</td>
<td>Fundação Nacional da Qualidade (FNQ) - National Quality Foundation</td>
<td>El Prêmio Nacional da Qualidade® (FNQ) - The National Quality Award</td>
<td>Industry</td>
</tr>
<tr>
<td>Iberian Peninsula and Latin America</td>
<td>Fundación Iberoamericana para la Gestión de la Calidad (FUNDIBEQ)</td>
<td>Ibero-American Quality Award</td>
<td>Industry and Government</td>
</tr>
<tr>
<td>Mexico</td>
<td>Instituto para el Fomento a la Calidad Total (IFCT) - Mexican Institute for Competitiveness</td>
<td>Mexican Quality Award</td>
<td>Industry</td>
</tr>
</tbody>
</table>

The main National BEMs have formed the Global Excellence Model (GEM) Council. GEM consists of organizations that are recognized globally as the guardians of premier Excellence Models and Award processes in their specific geographical region/area or trading block. Currently, there are 10 members of the GEM Council. South Africa used to be a member of the GEM council but was suspended due to lack of meeting membership criteria. At the moment, there is no African country or region represented in the GEM Council.

Benefits of BEMs

There are different reasons as to why organizations participate or implement the BEMs. These can be categorized as both internal and external reasons. On the other hand, according to Gómez-López, Serrano-Bedia, and López-Fernández, the motivations can be grouped into: external market reasons, external reasons of requirements and internal institutional reasons (Gómez-López, Serrano-Bedia, & López-Fernández, 2015). Heras-Saizarbitoria, Casadesus, and Marimon (2011) found that the critical drivers for implementing the EFQM model were of an internal character which included: productivity issues, optimization of resources, improvement of the quality of products and services, and reduction of costs.
Boulter, Bendell and Dahlgaard posited that organizations that had been awarded for quality performed better than those that had no awards or recognition for excellence (Boulter, Bendell & Dahlgaard, 2013). Additionally, it was also observed that there was significant improvement by participating in the years following the award (Corredor & Goni, 2010). This is due to the fact that on the first year of participation, most businesses may be at the stage of developing their quality systems and processes. The awarding process is able to identify various gaps which is worked on in the consecutive years.

It has also been found that by participating in the BEM, organization’s image is improved, there is greater client satisfaction as well as increased commitment of employees (Tutuncu & Kucukusta, 2007). In some instances, when the model is implemented within the organization and there is improvement of the way things are done, this leads to improved employees level of satisfaction (Nabitz, Jansen, van der Voet & van den Brink, 2009; Tutuncu & Kucukusta, 2010; Krstić & Krstić, 2015). Participation has also been linked to the greater competitiveness of the business and to obtaining competitive advantages by participating organizations (Pesic & Dahlgaard, 2013; Santos-Vijande & Alvarez-Gonzalez, 2007).

BEMs have also been found to drive improved organization performance as a result of increased profits (Dadfar, Dahlgaard, Afazeli & Brege, 2015). Due to the role that productivity and innovation plays in the BEM process, participating companies have been found to have a greater predisposition to innovation (BayoMoriones, Merino-Diaz-de-Cerio, Escamilla-de-León & Selvam, 2011; Gutiérrez, Torres, & Molina, 2010), strengthening the effectiveness of knowledge management projects and optimization of the use of the information systems.

**Barriers in Implementation of BEMs**

Despite the identified benefits and impacts of BEMs, various barriers have been found affecting their implementation. Santos-Vijande and Alvarez-Gonzalez found that the main barriers were the lack of understanding of the model by organizations and the lack of a clear quality leadership (Santos-Vijande & Alvarez-Gonzalez, 2007). Due to the complexity of the models, it was a challenge to understand the same especially for smaller and first entrant organizations. Heras-Saizarbitoria et al. found that for most organizations, lack of resources presented the single most critical obstacle followed by model complexity which affected effective adoption of the model (Heras-Saizarbitoria et al., 2011).

The models have resource demanding activities and detailed model criteria for participating companies (Eriksson, 2003; Eriksson & Garvare, 2005) making it difficult for will companies to participate. The resources required in the implementation of the model were sometimes a barrier especially for resource deficient organizations both large and small. The resources required other than financial resources were the human resources for undertaking the self-assessment and managing the entire process of the external assessors’ visits as conducting the self-assessment is a time-consuming task (Rusjan 2005). This was similarly found out by Gómez-López, López-Fernández and Serrano-Bedia (2015) who indicated that the lack of time, physical and financial resources were barriers affecting EFQM.
Other barriers were organizational cultural barriers and behavioral barriers. These were factors derived for an organization being and attitude towards quality and quality improvement processes. Inherent in this is the issue of leadership and teamwork. For successful participation in the model, the role of each organizational member is critical since quality in an organizational wide undertaking. Resistance to change or organizational initiatives also affects implementation (Dahlgaard & Dahlgaard, 2013). Lack of commitment form top management was also identified as a key barrier. Top commitment must provide exceptional support to the process both in corporate resources and personal involvement (Porter & Tanner, 2004). Dahlgaard & Dahlgaard (2013) stated that the excellence frameworks can create bureaucracy due to the need for a massive amount of paperwork and documented procedures (Dahlgaard & Dahlgaard, 2013).

Excellence models and quality awards have also been criticized as having inherent weaknesses. Loomba and Johannessen criticize the MBNQA and concluded that the model had some levels of unfairness and that superficially and publicity related problems, may arise in the process of applying (Loomba & Johannessen, 1997). The unfairness of the program was the prohibitive cost of joining the competition, the imbalance in the number of laureates between competing categories and the conflict of interest arising when examiners judging the competition also work as consultants for competing companies. The superficial area included that the Baldrige program was used by the recipients only to get free and extensive publicity and that companies with mediocre consumer ratings won and thus got undeserved positive media coverage. Rajan (2005) stated that due to the lack of clear understanding of the value of achieving business excellence, some companies focus on improving the score itself and the getting of the award rather than working to achieve the long term advantages of business excellence.

**Africa BEMs**

In Africa, several quality awards and excellence models have been initiated over the years as indicated in the table below. The success of the African models is mixed as most of them are either dormant or facing operational challenges. Nigeria with the support of UNIDO is the latest to develop a quality model in 2017. Other than Kenya and Nigeria, the other counties did not have the award process conducted in 2017. Due to the fact that the models are run on a not for profit basis, sustainability of these models have been a challenge.

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Name of Award</th>
<th>Year Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>Eastern Africa</td>
<td>Mauritian National Quality Award</td>
<td>1992</td>
</tr>
<tr>
<td>Egypt</td>
<td>Northern Africa</td>
<td>The National Award for Excellence in Quality</td>
<td>1997</td>
</tr>
<tr>
<td>South Africa</td>
<td>Southern Africa</td>
<td>South African Excellence Award</td>
<td>1997</td>
</tr>
<tr>
<td>Kenya</td>
<td>Eastern Africa</td>
<td>Company of the Year Awards</td>
<td>1999</td>
</tr>
<tr>
<td>Nigeria</td>
<td>West Africa</td>
<td>Nigeria National Quality Awards</td>
<td>2017</td>
</tr>
</tbody>
</table>
As mentioned, part of the challenges facing the African Models is sustainability. Most of them have been having challenges in being able to administer the annual assessment process and identify the company to award for quality. As indicated in the table below, apart from Kenya and Nigeria, the other known models have not had the award process since 2014.

<table>
<thead>
<tr>
<th>Country</th>
<th>Sponsors</th>
<th>Year Established</th>
<th>In existence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>Government</td>
<td>1992</td>
<td>Last Awards in 2013</td>
</tr>
<tr>
<td>Egypt</td>
<td>Government</td>
<td>1997</td>
<td>Last Awards in 2014</td>
</tr>
<tr>
<td>South Africa</td>
<td>Non-Governmental Institutions</td>
<td>1997</td>
<td>Last Awards in 2004</td>
</tr>
<tr>
<td>Kenya</td>
<td>Non-Governmental Institutions</td>
<td>1999</td>
<td>Last Awards in 2017</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Government</td>
<td>2017</td>
<td>Last Awards in 2017</td>
</tr>
</tbody>
</table>

Study Focus Questions

Due to the challenges facing the African BEMs, the current exploratory study attempted to address the following two research questions:
1. What have been the challenges facing the success of the African BEMs?
2. What strategies can the African BEMs use to ensure sustainability of their frameworks?

Methodology

In order to address the research questions above, an exploratory study was undertaken. This study was to inform a further detailed study on the viability and sustainability of the BEMs. Data for this study was collected from information from the Kenya Institute of Management (KIM), the sponsors of the Kenyan BEM (Company of the Year Awards - COYA). Interviews were also conducted with the COYA Secretariat and past participating companies. Further, information was gathered from experts who were involved in the award process. The information was analyzed using basic exploratory techniques. The collected information will assist in developing quantitative tools for gathering information from past and present participants, assessors, as well as companies that have never participated.

Challenges Facing African BEMs

Process Based Challenges

The process of participating in COYA was identified as a barrier to continued participation. This was because the process was seen to be time consuming. Most of the participants felt that the process required a dedicated project team to go through the
champions training, self-assessment and on-site assessor engagements. On average it was felt that the process required the dedicated team to spend at least 3 months on the process, yet the same team had to fulfil their job requirements as per their job descriptions. For most organizations, this was a tall order and thus after participating once in the process some declined to further engage. It was also noted that a number of organizations were recruited, paid the participation fees but due to the demands of the process declined midway to proceed to finalization of the process.

Coupled with the time demands of the process is the efforts required. Due to the nature of the assessment tool, any scoring was required to be supported with evidences. Such required gathering of volumes of evidences from different departments, sections, branches and units. This required internal buy-in and support from those to provide evidence which was not assured in some organizations thus making the process difficult. At the end of it, the participants provided both relevant and irrelevant evidences to the assessors making it a challenge in evaluating the submitted evidence for the award and in turn make it difficult for objective scoring of the organization.

The lengthy process of preparing to participate and undertaking the assessment was also indicated as a barrier to participation. The COYA process required that after recruitment of a company to participate, it was a requirement that the company identifies between 3 – 5 employees as champions to drive the process internally. Those identified were to undergo a 3 day intensive Champions Training that would equip them with the capacities to sell and drive the process within the company. While this was a noble idea, some organizations were hard pressed to send staff away on 3 days training. Even those that did, it was a challenge to rally the whole organization and especially top management to support the process. This again took time to sell the model and get everyone involved.

The champions also faced challenges in getting cooperation from the different departments and sections who were required to be involved in the assessment. On the other hand, some of the companies indicated that participating in the process for a second time led to fatigue of the champions thus affecting the quality of the assessment and the evidence submitted. This is collaborated by the COYA Secretariat who indicated that same evidence was submitted year in year out by those who participated for several years. This would end with the conclusion that there were no new quality improvement initiatives undertaken even after a preceding year of assessment.

**Tool Based Challenges**

In terms of the tool, most of the respondents opined that the tool was too complex to fill. During the self-assessment, some of the respondents indicated that they did not understand the tool fully and thus filled some sections just for the purpose of filling. Whereas champions were taken through a 3-day process of understanding the tool and the COYA process, it was evident that the tool due to its complexity was not well understood especially the scoring part. This led participants to score themselves highly even in areas where there was no evidence to support such a high scoring. In a few instances, the self-assessment and filing of the tool was done by members of staff who had not even attended the champions training and this lacked familiarity and understanding of what was required. There was also the complaint of too many questions making the tool too long and demanding.
The complexity of the questions was also an issue. While the questions would have made sense to employees in some specific levels and functions, in some instances the self-assessment was let to employees who did not have the ability and competence to fill it. The tool and some questions were deemed too complex by some participants. Others described the tool as being too abstract and circumstantial and difficult to use especially for organizations that were participating for the first time. Due to the fact that the COYA heavily borrowed from EFQM and Baldridge in its design, some of the issues therein might not have been relevant for a developing country and thus the complexity.

Other participants felt that the language and terminologies used were hard to understand and appropriate for a large multinational organization. Though the tool had instructions on how to fill, they felt some sections did not have detailed and comprehensive instructions to aid step by step successful self-assessment.

Some respondents also indicated that the tool had similar questions repeated in different sections of the tool and hence felt it was duplicative. Due to this, when there were different employees of an organization filling a particular section, there was a high likelihood of differing responses from same organization. To avoid the duplication, the filling of the tool required a controlled centralized process through a project team approach. This require several engagements before sending the self-assessment to review the responses, which according to some respondents took several days.

Most of the respondents felt the tool was also too academic and theoretical and as having been developed by consultants who did not have a sound understanding of the issues in organizations. This, they alluded as a result of the feeling that some of the questions asked in the tool were not relevant to them and their sector. COYA used a standard tool to evaluate all organizations regardless of sector, industry or orientation.

Perceived Benefits Challenges

The perceived benefits of participating in the COYA process varied among the different entrants/participants. A number of them participated for the sole purpose of winning an award as opposed to business excellence and quality improvements. Whereas the objective of the model is to help organizations improve on their processes and results, when the reason behind participating was to win an award/trophy, some companies ended up employing consultants to prepare them to win. When such was undertaken, the objective of quality improvement was lost. The win in the end meant nothing to the organization in terms of quality improvement as quality improvement and excellence was not attained. As such seeking an Award for outstanding performance against the criteria can be a major distraction from the main game of building excellence capability.

Some of the respondents did not perceive much benefits from the assessment report submitted at the end of the process as well as the benchmarking visits organized by the Secretariat. In terms of the report, some participants complained that the report either arrived too late or wasn’t forthcoming. The quality of the report was put into question especially on the issues and recommendations. Some participants stated that the report received did not reflect their companies and in some instances the gaps identified in the report were nonexistent in the organization. The recommendations were also found to be either irrelevant or inappropriate for the organization. In some instances, the report was a cut and paste from a previous report or that of another organization.
While benchmarking with the winners was one of the driving forces and benefits to participating in the COYA process, it was felt that the same did not adequately achieve the intended outcomes. In terms of benchmarking, some of the participants identified time as the main hindrance as well as objectives of the same. They felt that the benchmarking was a visit with minimal lessons learnt as it was not structured as a learning event. This was because the participants wanted to have a detailed understanding of what made the organization win in the category and what the non-winners would do to improve quality. Some felt that the benchmarking visits failed as most of the time was spent in a conference room as opposed to visiting the departments and seeing what the organization did in detail. Others attributed the shortcoming to benchmarking to the numbers of participants involved in the exercise which made it ineffective.

**Cost Based Challenges**

Due to the complexity of the process, inherently the cost of the process was also quite high. According to the COYA Secretariat, participation fee was $7,000 per company. This cost covered the training of champions and assessor visits to the companies. It excluded participation in the quality awards conferment dinner ball. Some companies felt that this was quite prohibitive and thus limited their participation. Some of those who had participated felt that the process did not quite deliver value for money. The Secretariat indicated their frustrations at convincing companies to pay the amount and when they did, most companies paid a commitment fee with the balance being an odious task to collect.

**Leadership and Organizational Culture Based Challenges**

For any quality excellence to succeed organizational leadership is critical. Some of the respondents indicated lack of leadership support in their organizations to the process. Some of the companies relegated the process to middle level management with little executive support. This was deemed to frustrate the champions especially when data and evidence was required from some sections within the organization.

Some respondents indicated the unwillingness of some managers to release their champion trained staff to the assessment process. The lack of a shared quality vision from management affected the success of the initiative. This lack of ownership made the initiative to appear as owned by the champions as opposed to an organization wide quality improvement initiative. As a result, the champions owned the process and worked exclusively on their own. Even when a company won, the win was attributed to the champions and lacked corporate wide ownership and celebration of results.

On the other hand, where improvements were recommended, the same were not implemented since in some organizations the buy-in was minimal. This was collaborated from the Secretariat who stated that some companies never bothered to review the recommendations of assessors as contained in the assessment report. This was visible during the consequent periods of assessment.

The dominant organizational culture was also a barrier. Where an organization lacked a quality philosophy, innovative culture, team-based culture and a change readiness mindset, acceptance of the model and quality improvements was a challenge.
Credibility of the Excellence Model Process

The credibility of the process came out as an issue to participating. Where some organizations felt they were not treated fairly, others felt that the whole awarding of business excellence was quite subjective with some participants indicating that they felt that the winners were predetermined. The credibility of the assessors was also identified as a barrier to participating. Some respondents questioned the professionalism of the assessors on different aspects. Some felt that some of the assessors were not competent enough to undertake the company organization. Others were of the view that some assessors were more driven by person interests especially in securing for a consultancy opportunity and thus would indicate gaps within the organization in order to position themselves for the same. It was also pointed that the some of the assessors had a consulting relationship with the winning organization and thus a feeling of unequal playing round.

Recommendations

In order to improve the performance of the African BEMs, and based on the challenges articulated from the different respondents, a number of recommendations are given:

The sponsors of a BEM should engage in aggressive marketing of the framework focusing more on the perceived benefits of participating. Case studies showing the before and the after of past successful participants should be developed and communicated to would be participants. The same should stress the tangible benefits of participation in the framework. There is a need to relook at the benchmarking visits and structure the same as a strategic outcome of the process.

Need to simplify the process. The sponsors of the model should consider simplifying the process and making it more relevant to the participating organizations. As it was found that some companies shied off to participate or complete the process due to this complexity. The tool should also be shortened with fewer questions as opposed to the current tool which has over 140 questions, each of which requires supportive evidence. The tool should be simple to understand and as simple as possible to implement. Such a tool should also show and specify how all the essentials of business excellence can be linked.

In linking the essentials of business excellence, the sponsors should consider developing an automated and integrated assessment tool. This will make it easier for objective self-assessment and ease of sharing the assessment organization-wide as well as simultaneously working on key parameters of the tool from different locations of an organization. It would ensure that inbuilt automated controls are embedded in the tool ensuring that an awarded score will only be accepted upon providing relevant evidence.

The involvement of stakeholders in tool development and validation would ensure support of the same. BEM sponsors should consider a participatory process of tool development and review and inputs from stakeholders about the process. This would ensure buy-in from companies. The companies should also be given a period to trial the tool and process before participating in the award process.

The organizers of BEMs should consider reducing the participating fees for the companies. With a redefined tool and process, the costs of administering the same should be lower leading to reduced participation fees. They should also look for partnerships
with other business associations to share in the costs of the process. Partnerships should be sought from government and other stakeholders to support the process with resources. Such partnerships should be long-term in nature to ensure sustainability. Companies should be encouraged to set aside a resource budget for the implementation of the model.

Some of the successful National Quality Awards have the sponsorship of the countries governments including being owned and driven by a government agency. The sponsors should consider the involvement of the government in the process and in order to make it a National Award to create a separate entity with the government, chamber of commerce, association of manufacturers, private sector alliance as well as other professional and membership bodies to develop a National Framework. Currently, there are many fragmented sector based award frameworks, some of which may not be driven by the need for quality and business excellence.

There should be a thorough selection and recruitment processes for the assessors to ensure that only professionally competent assessors who have no conflict of interest are chosen. A model of assessor development should be instituted that would see assessors starting off at an entry level and through capacity building are developed to the intermediate level and finally to an advanced competency level. The institutional should also developed long term mutually beneficial relationships with assessors for the credibility and sustainability of the BEM model.

References


CONCEPT AND LIMITATIONS OF EXISTING MODELS OF FUNDING LOCAL COMMUNITIES IN REPUBLIKA SRPSKA

Abstract

Local communities represent the level of Government where citizens are given the most important rights and obligations that are in the Constitution and the laws available. The aim of this study is the assessment of the economic position of the local community in the financial system of the Republic of Srpska and, accordingly, opportunities for these communities to support and improve the standard of living of its inhabitants. The analysis conducted in this paper show show significant limitations in this respect. Modification of existing models of funding local communities is essential if we want to strengthen their economic function. That attitude is based the basic hypothesis of this work. The survey is based on a more elementary and secondary methods of social science.

Key words: local communities, funding of local communities, external debt, local economic development.

Jel classification: H71, H72, H74

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Introduction

Citizens of the local community to fund local economic development. To create new jobs and improve their living standards. Their requirements and expectations are increasing in terms of weak economic development situation in Republic of Srpska (RS). Implementation of these requirements is possible only with the strong financial position of the local community. The subject of this research is financial position of municipalities and towns in Republic of Srpska’s budget system and the possibility of strengthening their economic functions.

Association of Municipalities and Cities of Republic of Srpska (AMCRS) delegated the question of bad position of municipalities and cities in the budget system of the Republic of Srpska a few years ago. Their analysis showed that the income of local communities are falling or stagnant over a longer period of time. Such a trend is present in terms of a constant budget income growth at the entity level. The aim of this work is a critical analysis of the existing concept of budget system in Republic of Srpska and recommendations for its improvement, so that the local communities step up their economic function.

Providing a larger amount of funds from the budget of local communities for investment in capital projects is a precondition of economic strengthening. Municipalities and cities of Republic of Srpska in the long run face the situation of constant growth of budgetary finances for employee salaries and social benefits at the expense of capital investment. Modification of such a system of funding local communities is essential if one wants to change their role, from the dominant social to the dominant development function. That attitude is based the basic hypothesis of this work.

The work consists of four interconnected units. In the first part of the work is represented by the existing concept of financing local community in RS. In the second part of the paper, the changes of total revenues, in several years, which are available to local communities. The factor especially analyzed is the foreign debt of RS and its influence on the movement of income to local communities. In the third part of the paper, analyzed the provisions of local communities for investment and other opportunities that are available to local communities to fund local economic development. On the basis of previous knowledge, in the fourth part of the work, I have been given specific recommendations and conclusions to improve the existing system of funding local communities.

More basic scientific methods used in this study. In particular, we relied on methods: analysis, synthesis, concretisation, abstraction, generalization, induction,
deduction, comparison. A general scientific method used is statistical and historical comparative method.

Politics of Funding Local Communities in Republic of Srpska

Local communities in Republic of Srpska are financed on the basis of the various direct and indirect sources of income. Basic, direct, sources of revenue of local self-government are: local taxes (on real estate and other baselines), local taxes (municipal, administrative and other fees), local fees (for usage of construction land, rent and other fees), revenues and disposal of assets (income from rent, interest, sale of assets, etc.), other revenues (from the municipal taxes and fines issued) and other revenues based on law (22. Article 18).

Indirect sources of revenue are divided, by specific percentages, between the Republic’s budget and budgets of local communities. These revenues are: revenues from indirect taxes, income taxes, income from fees for changing the purpose of agricultural land, income from lease of land in the ownership of the Republic, revenues from concession fees for use of mineral resources, proceeds from the special fee taken from water, material gain and the funds obtained from the sale of the seized items from the Republican Inspection Administration (21. Article 9).

Table 1. Budget revenues of RS and LSA (local self-administration) (in mill. BAM)

<table>
<thead>
<tr>
<th>Type of income</th>
<th>RS budget</th>
<th>LSA budget</th>
<th>RS budget</th>
<th>LSA budget</th>
<th>RS budget</th>
<th>LSA budget</th>
<th>RS budget</th>
<th>LSA budget</th>
<th>RS budget</th>
<th>LSA budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax income</td>
<td>1.389</td>
<td>390</td>
<td>1.397</td>
<td>373</td>
<td>1.361</td>
<td>342</td>
<td>1.372</td>
<td>345</td>
<td>1.569</td>
<td>374</td>
</tr>
<tr>
<td>Indirect taxation</td>
<td>1.044</td>
<td>306.6</td>
<td>1.048</td>
<td>293</td>
<td>1.008</td>
<td>257</td>
<td>1.046</td>
<td>268</td>
<td>1.129</td>
<td>292</td>
</tr>
<tr>
<td>Non-taxative income</td>
<td>156</td>
<td>149</td>
<td>158</td>
<td>151</td>
<td>149</td>
<td>156</td>
<td>224</td>
<td>149</td>
<td>230</td>
<td>163</td>
</tr>
<tr>
<td>Total income</td>
<td>1.544</td>
<td>539</td>
<td>1.555</td>
<td>524</td>
<td>1.509</td>
<td>499</td>
<td>1.596</td>
<td>493</td>
<td>1.831</td>
<td>588</td>
</tr>
</tbody>
</table>


Overview of the revenues of the budget of Republika Srpska, and units of local governments in the RS shows disproportional dynamics. Budget revenues of RS have increased from 1,544 million BAM, achieved 2011. year, at 2,804 million BAM, generated in 2017. It is a growth of 182%. In the same period, tax and nontax revenues of local administration grew from 539 million BAM in 625 million BAM, having accomplished an increase of 116%. In this analysis we should bear in mind the fact that, starting from 2016, are in the Republic’s Budget included the total contributions to the Pensions Fund. The change in the budget system cannot change the General conclusion about slower growth of budgetary revenue of local authorities in relation to the Budget of RS.
The largest amount of revenue, the Government of Republika Srpska and local communities, are collected on the basis of indirect taxes. Their participation exceeds 70% of tax revenues on both levels. Allocation of revenues from indirect taxes is done, after the funds from the 2007 budget to pay off the foreign debt, part of which belongs to the RS budget and the part that goes in the distribution to local communities. According to the current law on budget system, the distribution is carried out according to the percentage, for a budget of RS (72.5%), LSA (24%) and the public company Roads of RS (3.5%), (21. Article 9).
By examining the data from table 1 and figures 2 clearly manifest discrepancy in extracting the resources for the budget and for local self-administrations. In 2011, from these funds for municipalities and cities 306.6 million BAM is planned, and in 2017, 290 million BAM is planned for the main sources of income, indirect taxes, local communities are given less or at best their fundings stagnate. Such trends of income limits the effective functioning of a local community, especially limiting their economic function.

**Analysis of the Impact of Republic of Srpska’s External Debt Repayment on the Financial Position of Local Self-Administrations**

Reduction of funds received by LSA indirect taxes is a result of the growth of foreign debt installment of Republic of Srpska. As this installment is paid, on account in the Central Bank of BiH, out of total assets provided for RS, and the remaining amount is shared between the entity and the local self-administrations, it is clear that greater installment of the external debt has to result in less funding for local self-administrations. Subsequent data confirms this conclusion.

**Table 2-distribution of revenues from indirect taxes for the RS (the period from 2011 – 2017. in mill. BAM)**

<table>
<thead>
<tr>
<th>Financial year</th>
<th>The amount of BAM as an installment</th>
<th>RS participation, before paying foreign debt installment</th>
<th>Total participation of RS, after paying the installment</th>
<th>LSA participation, after paying foreign debt installment</th>
<th>LSA participation, before paying foreign debt installment</th>
<th>Difference in LSA participation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4=3+2</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2011</td>
<td>124</td>
<td>1244</td>
<td>1368</td>
<td>299</td>
<td>328</td>
<td>-29</td>
</tr>
<tr>
<td>2012</td>
<td>169</td>
<td>1208</td>
<td>1377</td>
<td>290</td>
<td>330</td>
<td>-40</td>
</tr>
<tr>
<td>2013</td>
<td>238</td>
<td>1072</td>
<td>1310</td>
<td>257</td>
<td>314</td>
<td>-57</td>
</tr>
<tr>
<td>2014</td>
<td>242</td>
<td>1118</td>
<td>1360</td>
<td>268</td>
<td>327</td>
<td>-59</td>
</tr>
<tr>
<td>2015</td>
<td>204</td>
<td>1212</td>
<td>1416</td>
<td>291</td>
<td>340</td>
<td>-49</td>
</tr>
<tr>
<td>2016</td>
<td>257</td>
<td>1253</td>
<td>1510</td>
<td>301</td>
<td>362</td>
<td>-61</td>
</tr>
<tr>
<td>2017</td>
<td>348</td>
<td>1221</td>
<td>1569</td>
<td>293</td>
<td>377</td>
<td>-84</td>
</tr>
<tr>
<td>Total</td>
<td>1582</td>
<td>8328</td>
<td>9910</td>
<td>1999</td>
<td>2378</td>
<td>-379</td>
</tr>
</tbody>
</table>

Source: Management of indirect taxation and Ministry of finance

The data presented in table 2 indicate that the installment is constantly growing. In 2007, external debt of 92 million BAM was paid, this amount represents 7% of the total funds for indirect taxes. 2017, 348 million BAM was paid for the foreign debt, the amount involved with 22% in funds that belong to the RS of indirect taxes.

The growth of foreign debt is reducing the funding of local self-administrations. Such position of local communities in the budget system of RS is not acceptable. Local communities are paying the debts of the RS Government. This relationship is particularly worrying if you have in mind the document with the projections of the framework of the budget of RS which predict further growth of foreign debt in the future. That’s projected to be the amount of 351 million BAM in 2018, 298 million BAM in 2019, 271 million BAM in 2020 and 291 million BAM in 2021 (9. p. 37).
Decrease of the LSA indirect taxes income reflects negatively on their functioning. Many municipalities accumulating unpaid obligations to the employees, local public services and users of welfare. In such conditions it is hard to think about strengthening development functions of local self-administration. Change of the existing system of indirect tax revenue distribution is necessary if the progress is to be made in this regard. For start it would be enough to reduce the municipality dependance on the amount of RS foreign debt. Introduction of the principle that everyone is paying their debts is acceptable. In this sense, distribution of indirect taxes between RS and local self-administrations should be performed before external debt payment, and then each level of government pays its own debts. Of course, other consequential measures need to be made that would significantly strengthen the position of local communities in the financial system.

Funding a Local Economic Development

Basically,stimulating a local economic development depends on a proper investment climate in each local environment. Building a competitive advantage for attracting investors is a job for each local administration. In this approach we should bear in mind the fact that the limited investment funds (and investors) rivals the large number of local communities. In such a situation, those communities that build „Diamond’s“ competitive advantages should expect success. A concept that was created by Michael Porter (Porter, 1990) to measure competitive advantages a state can apply for local communities.

Competitive advantage will be achieved by those local communities that are equipped with: a higher concentration of factors of production (natural factors, human factors, infrastructure, knowledge, culture, tradition, entrepreneurship, good local government and other); greater local and regional markets; supporting industries that will aid the production of competitive products and a stronger competition in the area of production. The previous factors should be noted by the government and other public
agencies whose policies can support a local development. Success will be achieved by those local communities with the most dynamic process of mutual action of all the aforementioned factors (Stanić M., Stanić T., 2018).

Starting point for local economic development should be determining natural resources at their disposal. It is necessary to list these resources: forests, minerals and mining, land, natural attractions, water and other renewable and non-renewable energy resources. Is necessary to regulate the ownership of these resources and then do a study analyzing their use. The next phase involves the use of these resources to one of the allowed methods: rent, concessions, public-private partnerships, privatization, sales etc.

Local communities should provide additional resources to fund the necessary activities regarding activating natural resources internal redistribution of budgetary expenses and increasing revenue by distributing the funds in a more just manner between the higher levels of Government and local communities. Local communities do not need to bear the obligation arising from the foreign debt of the entity authorities. Amendments to legislation in this area needs to get more income for local communities from indirect taxes. The existing percentage in the distribution of direct taxes, use of natural resources, should be increased to the benefit of the local communities in which these resources are located.

In planning the development of the local communities it is needed to think about the wider aspect. For many projects it is necessary for more neighbouring local communities to act in accordance. So far, on the territory of RS, there has been no satisfactory cooperation on these issues. The result is that the absence of any regional policy, but is the result and the enclosure of the local administrations that are self-sufficient. Serious tourism development and processing of industrial capacity is not possible without a change in that sphere. The formation of developmental coordinating institutions between the interested municipalities could be an important step forward.

Local development capabilities were largely limited to the general economic situation in BiH and RS. Authorities could, in a given situation, encourage the development of a region with a number of policy measures that are available to them. That’s why it’s essential active access to the local administration to the higher levels of Government on these issues. Increased participation in the reallocation of revenue from taxes is one of the ways. An active approach in proposing inclusion of local communities in the important Republic’s infrastructure projects is required. From 2015, local communities are involved in the making of public investment plan of RS. In public investment plan of RS for the period of 2018-2021, local communities participate with 4 million BAM in the total planned investment for the period of 809 million BAM (18. p. 20).

Certain features in the financing of local development are addressing international development agencies and the use of EU funds. Politics of developing cross-border co-operation, development of renewable energy sources, building a favorable business environment are some of the projects to be financed from EU funds. Public policy in the areas of tourism development, healthy food production, development of small and medium-sized companies have programs that are supported by the development agencies UNDP, USAID, SIDA, GIZ, the Swiss Agency for international cooperation, the EBRD, the World Bank and others.

The creation of a favourable business environment is only a prerequisite for attracting investors and entrepreneurs in the local community. For the successful
development of the local communities is necessary to attract more investors who will in those communities find the business motivation for investment (profit, growth, synergies with ongoing activities), and at the same time satisfy the needs of local communities (employment, income growth and public revenue, creating favourable local community identities through a favorable image and reputation).

For the successful development and prosperity of local communities the competitive investors are needed. Investors who are proven in its business in the domestic and international markets. If there is no such, local communities need is to encourage local investors on the merger and joint actions. Such a connection is particularly important for finalising production in many industries. It is undeniable that the current capacity of local investors turn towards lower levels of processing with less technological equipment. Experience that they possess these investors and their capital are a good basis for improving production.

Local communities need not to ignore beginner investors, especially in areas where the local community has the resources for development. Training of the investors in the field of entrepreneurship and businesses starting, financial encouragement for the business start are obligations that stands in front of the administration of all local communities. The development will not happen by itself, nor the market can bring prosperity on its own if an active approach to this issue by local and higher levels of State administration is missed.

Significant potential for investment in each local community exists among our citizens on temporary work abroad. These workers have significant business experience, they have the finances and desire to remain associated with their homeland. All local communities should provide a database of its ex-pats, make connections with them, provide information to each other regularly, and it would be useful to organise ex-pats days in their places of origin. It would be a great chance to hold joint meetings of local investors, local administration representatives and interested investors abroad to get useful ideas about the future development of the local community. Simply, it is needed to modify the qualities of economic contribution of the diaspora, because donations in the future can experience a great fall as family ties and obligations of financing their elders and dependents in their country of origin.

Local communities need to change their attitudes towards investment. The focus on the construction of local infrastructure should move to the construction of industrial plants as generators of progress in this area. These investments can be independent, owned by local communities, but it would be more desirable that it becomes implemented in the form of a public private partnership.

**Conclusion**

Financial position of municipalities and towns in Republika Srpska is not satisfactory. Budget revenues for these communities are not enough for high-quality and effective performance of their functions given by the Constitution and laws. In particular, the revenues are not sufficient for the performance of investment activities that are necessary in the current level of economic activity, if it is to meet the expectations of the citizens in terms of growth, employment and living standards.
The analysis conducted in this paper shows a stagnation in budget revenues in local self-administrations over a longer period of time. This stagnation is caused by the growth of budget income of the higher levels of Government. Revenues from indirect taxes (VAT, excises, customs), as the most important source of income for a local self-administration’s budget and the budget of RS, in the analyzed period (from 2011 to 2017) experience a growth. Based on these facts, the problem is not the collection of these revenues, but their fair distribution. Local communities are thus deprived of the parts of the total revenue that they should be given, in accordance to the indirect taxes revenue increase.

The basic problem lies in the fact that the revenues of indirect taxes, which would belong to entities, are first used to repay the external debt, and only the remaining funds are shared between the budgets of the local self-administration and the budgets of the entities. As the foreign debt of the RS Government shows significant growth from year to year, it causes reduction of income to local communities in the distribution of the remaining funds from indirect taxes, after having paid foreign debt installment. Local communities in such a way pay the debts of the higher level authorities. Change of such relations is essential.

Introduction of the principle that everyone is paying their own debts is acceptable. In this sense, distribution of indirect taxes revenue between RS and local self-administrations should be performed before appropriations for external debt, and then each level of government pay their own debts. In this sense it is necessary to make the appropriate changes to the law on budget system. Of course, that measure should be complemented by several other, that would significantly strengthen the position of local communities in the financial system.

The existing concept of financing of cities and municipalities leaves a large space for their investment activity. The funds for these purposes can increase the internal redistribution to local budgets, cuts other budget outcomes in favor of capital projects, but also make the distribution of tax revenues between entities and local communities more fair. A certain amount of funds can be withdrawn from international development agencies and EU funds.

For the successful development and prosperity of local communities, strategic investors are required. Investors who are proven in their business in the domestic and international markets. If there are no such, local communities need is to encourage local investors to merger and perform joint actions. Significant potential for investment in each local community exists among its citizens on temporary work abroad. These workers have a good business experience, they have the money and desire to remain associated with their home land. Local administrations should constantly take action in the direction of changes to the economic role of the diaspora as the money senders (unilateral transfers) to the leading investors in their home regions.

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DINAMISM OF PROPERTY TAX REFORM IN SERBIA – ADMINISTRATIVE AND FISCAL ASPECTS

Abstract
Since the introduction of property taxation in Serbian legislation, the tax system has been the subject of reforms a number of times for the purpose of its harmonization with European Union standards. Initial changes were almost unnoticeable, while the latest modifications in the law attracted considerable interest of the tax policy creators, financial experts, as well as the taxpayers themselves because they introduced a new method of determining the tax basis which has increased the overall tax liabilities at annual level. Bearing in mind that the property tax generates local revenue and that local governments are in constant need for additional resources, the methodology of determining the tax liability should be based on the principle of equity and equality in order to ensure an ultimately efficient tax collection. In this paper, the authors will attempt to analyze both positive and negative aspects of improving the property tax system through a number of years, as well as to propose some solutions for the future reform of this system. By means of fiscal decentralization, this revenue plays an important role in financing local expenditure, while its abundance directly secures a larger autonomy of local self-government units, making them less dependable on the funds coming from the state budget.

Key words: property tax, tax reform, tax basis

JEL Classification: H2
Introduction

Property tax in the Republic of Serbia represents a nominal tax since it is not paid from the property substance, but from the taxpayers’ means (Lovčević, 1997, p. 116). It is usually, but not always, a local tax, based on the property value determined at annual level for both natural and legal persons. Given the fact that it can provide a stable source of income, it is particularly appealing to local governments and plays an important role in the decentralization of state power and the autonomy of the local government units.

In practice, the tax is considered to be an instrument for securing necessary budget funds, but it is also used for achieving other goals (Kulić, 2009, p. 43). According to taxation principles, it needs to be large enough to cover local government expenses, as well as sufficiently flexible to quickly adapt to all changes in terms of its increase or decrease for the purpose of obtaining a balanced budget.

The tax reform in the Republic of Serbia should be viewed in the context of the harmonization of its system of public revenue to European Union standards. Many global studies have documented a discrepancy between an administrative practice and legally established standards (Fisher, Fairbanks, 1967, p. 48). In order for this tax to become one of the essential sources of financing local governments on long term basis, the first step is to change the legal framework. Unless the tax structure is made simple enough to gain trust of taxpayers and to allow an efficient administration, the sole reform does not mean much and is doomed to fail (Almy, 2013, p. 61).

In its basis, a tax reform generally means the change of taxpayers’ and tax authorities’ conduct. It is much more profitable when people voluntarily accept to follow regulations, than to force them to do so using unpopular measures to ensure compliance with law. Property tax proponents have advocated for a long time its reform in order to reach its highest potential (Rozner, 2009, p. 1). The best practice of both administrative and political tax reform has already been identified; however, due to specific nature of local government units, it does not mean that this practice could be successfully implemented in all of them, although some of its general rules could be used as guidelines for an efficient property taxation.

The tendency of the state government to influence the change of the local tax
regime may have impact on the firmly established wholeness of the political system, even in stable political conditions (Youngman, 2006, p. 2). Therefore, the comparative analysis of successful and less successful international property tax reforms are of great significance for assisting the countries in the attempt to revise their own tax systems or are pressured to make fundamental changes in that context in near future. The challenges that a tax reform brings cannot be resolved in a short run, but rather require the preparation of strategic solutions which are specific for different countries (Norregaard, 2013, p. 34).

The most frequent problems related to tax reform are: the lack or incompleteness of information related to the actual facts which leads to incorrect calculation of the tax basis, insufficient financial and human resources and inadequate administrative capacity for an efficient implementation of reform activities (Rosengard, 2012, p. 14). The justifications for launching a tax reform that would unquestionably improve fiscal performance are social equality, economic efficacy and administrative cost effectiveness.

With the adoption of the Law on local government finance, the property tax became the principal revenue for the local level of government, while the jurisdiction for its administration was awarded to local tax departments. Since the deadline for taking over this jurisdiction was January 1st, 2009, in this paper the authors will present the most significant reform outcomes which have marked a decade of the work of local tax administrations.

### Qualitative aspects of initial property tax reforms

The comprehensive tax reform from the beginning of the 90s also included the area of property tax which was introduced in our tax system on January 1st, 1992. The tax income has been used as the principal source for financing of local self-government units and its significance reflects the fact that the properties cannot be moved elsewhere in order to avoid paying this tax (Mark, Carruthers, 1983, p. 45).

The property tax is paid on the basis of the property ownership (Popović, 1999, p. 256). For natural persons, the tax basis represented the product of an average market price of the square meter of the property in the particular local self-government unit, property’s usable space, the location coefficient and the property’s quality coefficient. The amount of amortization is deducted from the calculated value which further significantly reduced the property’s value to the extent much below the market value of the taxed property (Kecman, 2001, p. 120). At the beginning the amount of amortization was 70%, but following the change of law, this reduction was performed according to 1.5% amortization rate by applying the proportional method. As of 2010, the property’s value was reduced according to 0.8% amortization rate by applying the proportional method, with the upper limit not exceeding 40%. There was no need to establish the tax basis for taxing properties belonging to legal persons, since the values of these properties were established in their business records, taking the values recorded on December 31st of the year preceding the year for which the property tax was being established.

Almost all contemporary tax systems offer to their taxpayers various tax reliefs reducing their tax liabilities (Popovic, 1997, p. 192). Reviewing the tax system in Serbia, it can be concluded that these reliefs have been established under the influence of various political, economic, social, fiscal, ecological and administrative factors, and
needed to be modified from time to time (Bahl, 2009, p. 25). Tax credits significantly contributed to the inequality of taxation system in Serbia. In majority of tax systems, the property tax is linked exclusively to the property’s characteristics and it does not take into account the specific status of its owner. The initial tax regulations prescribed that the property’s owner with three family members could have a tax credit up to 70%, which was, perhaps, a unique case in the international property taxation practice. Such tax reduction was more the result of the state’s welfare strategy, than its taxation policy. The regression was also significant since the taxpayers with the most expensive properties could score the largest tax credit (Altiparmakov, 2011, p. 90). The current law, which foresees that only the property’s owner is entitled to the tax reduction of 50%, not exceeding the amount of 20,000 RSD, did not mark a significant change in relation to the level of tax credit, which remains considerably high. However, according to some estimates, almost 95% of households in Serbia cannot achieve its maximum which has made this tax relief less equitable. Namely, our system of tax reliefs is so comprehensive and “generous” rendering the property tax income fiscally insignificant from the aspect of the entire tax system (Bućić, 2010, p. 31).

The property tax reform from 2011 imposed the restriction in the growth of property tax for natural persons, so the tax liability established for that year could not exceed 60% of the tax liability that was established for 2010. The similar situation was recorded in 2012 when the amount of the tax liability for a certain property could not exceed the tax amount that was established for that property in 2011. These legal provisions were favourable for taxpayers and therefore, these changes in law went unnoticed. However, the income generated from collecting property taxes in Serbia was far less than the property tax income in the countries of European Union.

**Mini-reform endeavour related to property taxation**

One of the best solutions of the problem related to increasing the local budget is connected to the property tax income since it is considered to be insufficiently exploited in majority of countries worldwide, and, therefore, many countries have made significant endeavours to make considerable changes of their tax system (Ciprian, 2015, p. 66). The starting point of each tax reform is the calculation of the tax basis and the previous tax reforms in Serbia obviously did not do much in this field. The major flaw was encountered in the calculation of the average market price since none of these reforms used the most reliable parameter for estimating the tax basis for absolute rights transfer tax. In addition, the decision to keep the quality coefficient and high rate of amortization made the overall tax basis rather underestimated.

For many years there had been much talk in the Republic of Serbia about the necessity to launch property tax reform. In 2013, the tax law was finally amended and its application began in 2014. One of the major motivation for initiating the tax reform was the amount of collected revenue which was found to be insignificantly low, almost symbolic (Buzu, Mccluskey, Franzsen, 2012, p. 20). The reasons for changing the law were related to the issues of integrating the construction land use charge and the property tax, more equitable distribution of tax liability - proportional to the taxpayer’s economic status, enhancing the certainty and predictability of the overall amount of public
expenses, as well as decreasing the administrative costs. The law was significantly changed in relation to the subject of taxation and the calculation of the tax basis, while it was left to the local self-government units to further adopt bylaws important for determining the amount of tax liabilities.

The legislator prescribed in details the methods and conditions for passing these bylaws, setting the deadline for their adoption - November 30th of the year preceding the year for which the tax basis was being determined. In order to achieve the data transparency, the legislator imposed the obligation that these acts should be publicly displayed as legally prescribed on the Internet web pages of local self-government units. The construction land use charge and the property tax were integrated which left the local governments without a major source of their own funds. The ideal scenario of a simple replacement of the charge with the increased amount of property tax could not be exercised since it was not possible to collect the increased tax liability from the individual taxpayers and have an “all win situation” (Arsic, Vasiljevic, Bucic, Randjelovic, 2004, p. 43). The process of integrating the charge and tax fees raised many questions related to its justification since the income generated from collecting the charge at the time of its establishing was much higher than the overall tax revenue (Miladinovic, 2015, p. 47). The reform was aimed at providing tax reliefs for businesses by imposing additional fiscal liabilities on natural persons.

Chart no.1 The overview of the property tax income and the income generated from the construction land use charge in the Municipality of Ćuprija (2012-2017)

Source: The chart was made based on the data obtained from the Ministry of Finance – Treasury Department and the Local Tax Administration of Ćuprija

The calculation of the tax basis was changed and local self-government units were awarded the jurisdiction to establish on annual basis the average price of the square meter of a particular property on their territory taking into account the method which was prescribed in details in the tax law. The amortization rate was set to 1% on annual
basis, with the maximum of 40%, but with no obligation to implement it. The property quality coefficient was removed, while the property location coefficient was replaced by establishing the territorial zones in local self-government units. The tax rates remained unchanged, while additional tax reliefs were added. However, the largest charge referred to the method of calculating the tax liabilities of the taxpayers who keep business records, that is of legal persons which are now under obligation to use the method of self-taxation. As for natural persons, the major change of the law was concerned with the categorization of properties. Namely, the buildings intended for recreation and vocation, as well as the category “other buildings” were removed from the previous categories of properties, so each of such property needed new classification and new calculation of tax liabilities. Generally speaking, the property tax should be paid for each existing property, except for the exemptions defined by law. There appeared the problem of an adequate categorization of properties since the tax application form could not provide the insight what type of building is being taxed, that is whether the specific building is a summer house, shed, storage, or similar structure, so that they could be classified into defined property categories. Thus, the field inspection showed that some sheds and summer houses could have been classified into residential structures, or some huts and storages into garages. These examples from practice showed that some adjoining buildings used for living were taxed as garages since they could not meet the conditions of residential structures, and therefore, their estimated average price was much lower.

The property tax basis is determined according to the property’s usable space and the average price of the property in a particular territorial zone. Thus calculated value of the property, except for land, can be reduced for the amortization rate of up to 1%. The property’s usable space, which is the subject of taxation, includes: terraces, cellars, storages, lofts, basements, build-in balconies and renovated attics. Thus, this law did not make exceptions in regards to cellars, basements and storages which used to be taxed at reduced rate – their full space being now the subject of taxation. The average price of the square meter of the property per a territorial zone is determined by bylaws passed by relevant bodies of individual local self-government units. The average price is calculated on the basis of the price of that type of property, sold in that particular zone in the period from January 1st to September 30th of the current year. The law does not regulate the methodology for determining this price and its correct calculation dependson a continuous and timely collection of available data within legally prescribed time frames (Miladinovic, 2018, p. 96).

In order to determine the average price of the square meter of the property per a territorial zone of a local self-government unit, it is necessary to have at least three sales of this type of property in that particular zone. In case this condition is not met, the average price is determined based on the average price of the properties sold in the bordering zone. The bordering zone may be in the same local self-government unit or in the neighbouring local self-government unit. In case there were no three sales of properties in these zones either, so the average price could not be determined under this condition either, then, the average price from the current year is taken for determining the property tax liability for the next year.

Although this new legal solution for determining the average price may seem simple at first sight, in practice it proved to be difficult. In small local self-government units it is almost impossible to accomplish the sale of three properties from all listed
categories, so they cannot meet this precondition for determining the average price of the
given category of property. Although the legislator had to find the way to integrate the
construction land use charge and the property tax and ensure that the newly established
tax liability is not too low to cause a large debt in the local governments’ budgets, it did not take into account the real-life situation when it decided to use this method of
determining the average property price.

The implementation of the long-awaited changes in the calculation of the property
tax for legal persons started in 2014. The tax basis for the properties whose values are
presented in business records according to the fair value method, in line with international
accounting standards, that is, the international standards of financial reporting and
accepted accounting policies, represents a fair value of the property recorded on the
last day of the current business year in the legal person’s business records. For the
taxpayers which do not keep their business records according to this method, the tax
basis is established according to the property’s usable space and average market price.
Certain properties are exempt from this calculation on the basis of their intended use
and their accounting value recorded in the taxpayer’s business records on the last day of the business year is taken as the tax basis for establishing the tax liability. If the
taxpayer presents these properties in its business records separately from the land they
are built on, the sum of the accounting values of the buildings is taken as the tax basis
for calculating the tax liability, while the value of the land is calculated by applying
the average price principle according to the decisions adopted by local self-government
units. If the buildings and the land are presented as a whole, then, the value of the land is
appraised by a certified expert in the field of construction engineering based on the data
recorded on the last day of the business year for the current year. As for the land without
built structures, its value is taken as the tax basis for calculating the tax liability.

The issue that could not be avoided in any tax reform is related to calculating the
tax basis for agricultural and forest land. Since the annual cadastral revenue was not
regularly revalued, a great number of local self-government units did not establish the
property tax liability for this type of land. Absurdly enough, this tax was presented in
local self-government units’ business records as their expenditure, since the costs of their
accounting and collecting were much higher than the amounts of the actually generated
revenue. Moreover, there is no reason why this kind of property should not be taxed, as
well. Thus, before 2014 the agricultural and forest land represented an unused taxation
resource, but then, in 2014, this issue came into focus of the legislator which resulted in
the change of the method of calculating the land tax that was incorporated in the new tax
law. These novelties related to the new method of calculating the land tax contributed to
much higher annual tax liabilities for the agricultural and forest land owners. However,
the increase of this tax liability did not mean the increase of tax revenue. The new
law provisions contained some inconsistencies which have had a great impact on the
taxpayers’ decisions related to paying this liability. The examples from practice show
that these provisions have some flaws which adversely affect the tax collection and
that the categorization of the property from the earlier period seemed to be a more
adequate solution. However, although the changes of the tax law very soon started to
show some deficiencies, this reform, nevertheless, successfully resolved many problems
and anomalies existing in the previous tax law (Kecman, 2013, p. 79).
Controversies related to the announced property tax reform

With the development of the new fiscal policy, the property taxation has assumed a new, more significant role; now, it not only serves as the instrument for generating income, but also as an additional means of decentralization (Malme, Youngman, 2001, p. 1). After a four-year period of implementing a new system of establishing property tax liabilities, the Ministry of Finance published a draft version of the modified Property Tax Law, intended to come into effect in 2019. The previous changes of the law, from the very beginning of its implementation, were met with criticism from both taxpayers and the professional public, so much more was expected to come with this reform, to come sooner at first place. The methodology of establishing the tax basis was changed in the previous law, but the new procedure created considerable problems to legal persons who applied the self-taxation methodology. In addition, local self-government units also encountered difficulties with establishing the average price of properties per territorial zones. Therefore, it is no wonder that that the upcoming reform is in the focus of great interest, particularly of the legal persons and the owners of business premises whose property tax liabilities have been largely increased with the application of 2014 tax law.

New modifications of the tax law are primarily aimed at amending and completing the old provisions which were inconsistent or ambiguous, thus reflecting the intention of the authorities to resolve the problems encountered in the practice in the past four years. The decision to change the property categories and introduce again the category of “other buildings” that would include all the buildings and structures not intended for living or conducting business is welcome as a positive change. Garages and parking places no longer constitute a separate category of property, but were added to another group. However, since garages always belonged to a separate group of properties, the opinion is that they should remain as such and that other auxiliary structures, such as sheds, storages, etc. should be included into the category of “other buildings”.

The restrictions related to land taxation remain in force and a large number of land owners will not be paying land tax since their property does not exceed the surface of 10 ares. The professional opinion is that only large land lots (over 10 ares) should be the subject of taxation, which is contrary to fiscal logic (Stojanovic, Lapcevic, 2013, p. 41) and, therefore, this provision should be changed. If there are no restrictions related to the size of the buildings to be taxed, there should be no restrictions related to the size of the land lots, and, in such a case, the implemented integration of the construction land use charge into the property tax would be justifiable.

Another novelty in the draft version of the property tax law is the 40% reduction of the tax basis for the buildings whose ground floors are below the land surface, whose adjoining awning structure exceeds than 10 m2, as well as for the buildings intended for sport, recreational and fair activities. Cellars became the subject of taxation as fully usable space in 2014 tax law. However, since this is the part of the property not used as frequently as other rooms and facilities, it would be logical that this space is taxed according to reduced rate.

The current provisions of the law regulate the moment when a certain tax liability comes into effect, while the modifications of this law also foresee the conditions for terminating this obligation. Due to frequent confusions arisen in practical application of these provisions, the working draft of the new law more closely describes the situations
when a tax obligation is assumed and when it ceases to exist. However, the new provisions do not clarify a dilemma related to meeting the conditions for taxing the property in terms of its furnishing, as well as in what cases a property ceases to exist and is no longer the subject of taxation.

One of the new solutions found in the draft version of property tax law is related to the tax rates for establishing the property tax liability of natural persons. The progressive rate remains in effect, but it is now reduced for the properties whose tax basis exceeds 10.000.000,00 RSD. If these provisions are adopted, this rate will be 0,40% for the tax basis of up to 50.000.000,00 RSD, that is 0,5% for the tax basis exceeding 50.000.000,00 RSD. The legislator’s intentions in this case are not quite clear since natural persons who own more valuable properties should be paying larger taxes. However, this provision puts such taxpayers in a favorable position.

The draft version of the new tax law no longer foresees a possibility that the tax basis for legal persons can be a fair value, but it is now calculated as the product of the property’s usable space and the average market price, reduced for the amount of amortization. Thus, the methodology of calculating the tax basis for legal persons became equal to the one used for natural persons, but the provisions regulating a special category of properties for which the tax basis is determined according to their accounting values, still remain in effect.

The practical application of the property tax reforms have shown that very often it was difficult to implement them in real life (Slack, Bird, 2014, p. 2). As soon as this working draft was made public, it received a lot of criticism, causing it to be replaced by the second working version after two months. However, there is a great probability that this second version will be the final one since the beginning of its implementation is foreseen for January 2019. Majority of the changes that were proposed in the first working version of the new tax law were removed from the second draft, so it can be concluded that there will be no radical changes of the current law related to the method of calculating the tax basis. This means that the key deficiencies encountered in the current law will not be eliminated and the amounts of tax liabilities will remain almost unchanged in the next years.

Another tax law novelty is that paths, parking places, polygons, fences, garden pools, fountains, garden fireplaces, children’s playgrounds, etc. will become the subject of land taxation. The new provisions describe in more details the property’s usable space, while in the property categorization, the phrase “other land” replaces the phrase “other buildings”. It is going to be very difficult to determine the average price of “other land” since in practice, during sales, this land has never been distinguished from other types of land: construction, agricultural or forest land. As for the land without built structures which is used for growing plants, tree seeding and landscaping, the local self-government units are given a possibility to decide whether they will tax it as agricultural or forest land. One of the changes which will definitely provoke critical remarks and dissatisfaction among taxpayers is related to taxes on unfinished buildings, that is the properties under construction which have a roughly built frame structure. Bearing in mind that there is a great number of such properties in the Republic of Serbia which have been left unfinished for a long time, this decision is justifiable from the aspect of a fair taxation policy, particularly if we take into account that the current provisions of the property tax law foresee taxes on ruined properties.
It was expected that the new property tax reform would resolve the problems that the local self-government units have been facing in the previous years; however, the proposed working draft of the modified law does not reflect such intent of the legislator.

**Conclusion**

The aim of every property tax reform has been to improve the existing taxation system so that it can generate a larger income and thus contribute to a larger financial autonomy of local self-government units. The results of the initial reforms had positive financial effects, but still insufficient to achieve formerly set goals. The application of new legal provisions pointed to the necessity for further reforms of the tax system aimed at rather more accountable management of fiscal policy by local self-government units and creating the budget aimed at more rational planning of revenue and expenses.

The previous modifications and amendments of the tax law brought the cancellation of the construction land use charge, which was a big change in the financial system of local self-government units. Before its integration into the property tax, natural persons generated larger tax income, while the legal persons generated larger income from construction land use charge.

The current situation shows that natural persons now have larger tax liability, while legal persons’ annual tax burden is decreased compared to the period when this liability was established.

Today, the average price of the property’s square meter is different depending on the category of the property it belongs to, while the former law recognized only one average market price applied to all types of properties. The cancellation of the corrective quality coefficient which contributed to lower tax basis resolved the problem of reduced tax basis, but not in the way to justify the integration of construction land use charge and property tax, particularly when it comes to the fact that the land lots not exceeding 10 acres are still exempt from taxation.

The methodology used for establishing an average market price of certain categories of properties was designed for “ideal conditions” which practically do not exist. In the Republic of Serbia, there is a number of small local self-government units which have difficulties in meeting the legislator’s conditions of an average price based on at least three sales of a certain category of properties during a certain period of time. Although the legislator foresaw the existence of such cases, the question remains whether the average prices calculated in this alternative way are realistic and justified in less developed regions.

The decision that all local self-government units are under obligation to publish all parameters used in establishing the property tax liabilities for the following year until November 30th of the current year, is viewed as a positive change. The new method of establishing the property tax basis for natural persons and the new tax application forms which were modified as a result of the cancellation of the quality coefficient, facilitated the process of recording new taxpayers by expending the scope of properties due for taxation. As for legal persons, the change of tax application forms resulted in many problems and after a four-year period of applying the self-taxation procedure, there is still a large number of taxpayers who are submitting incorrect or incomplete applications.
which entails a comprehensive tax inspection. Also, there has been a number of cases of the abuse of the “fair value” principle, since this methodology was not correctly presented in the taxpayers’ business records.

The first proposed draft version of the property tax law has positive aspects in terms of introducing the category of “other buildings”, as a separate category of properties which would provide a more equitable method of taxation in terms of their looks and usability, but explanatory provisions could bring many problems in their practical application. The removal of the “fair value” principle in taxation of legal persons’ properties is viewed as a justified solution that can prevent the abuse of its arbitrary application for the purpose of decreasing tax liabilities.

The second draft version contains very few changes compared to the current law provisions which sends a clear message that the legislator is not ready to implement a serious reform of the property tax law. The introduction of the category of “other land” will not contribute much to the increase of tax income, since this provision will be almost inapplicable in practice. The financial effects of the decision to tax unfinished buildings will not be immediately noticed, but it could bring positive outcomes if these provisions are strictly implemented in a long term period and if they are equally applied to all taxpayers who own this category of properties. Given the fact that the price of the construction land is much higher than the price of agricultural or forest land, the decision to apply the price of agricultural and forest land for determining the tax basis for the land without built structures used for growing plants, tree seeding and landscaping, is reasonable.

The implementation of the modified and amended tax law provisions has shown their both positive and negative sides pointing to the fact that there is still place for some improvements, that is for the new reform of the property tax system in the Republic of Serbia.

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THE INFLUENCE OF THE STRATEGIC DEVELOPMENT OF MODERN TECHNOLOGIES ON THE FACTORS OF COMPETITIVENESS AND ECONOMIC GROWTH

Abstract

In today’s time of modern business, where the most important environment or competition, which is increasingly specific to the globalization of markets and economic regulation, we can say it is unsuccessful without the use of digital technologies and the Internet. Powerful competition can bring significant benefits to consumers, taking into account that manufacturers are superior in terms of product quality, prices, service delivery, warranty period, deferred payment and various other bonuses to attract as many customers as possible to their product or service. The subject of research is the influence of the Internet and digital technology on the development of competitiveness. The key competitiveness factors of the companies on the market are current competitors, potential competitors, substitutes, customers and suppliers. These factors actually represent Potter’s model of five forces, and they will be further elaborated below, each individually.

Key words: competitiveness, modern technologies, economic growth, Potter’s model

JEL classification: O1, O21
Introduction

In today’s time of modern business, where the most important environment or competition, which is increasingly specific to the globalization of markets and economic regulation, we can say it is unsuccessful without the use of digital technologies and the Internet. Powerful competition can bring significant benefits to consumers, taking into account that manufacturers are superior in terms of product quality, prices, service delivery, warranty period, deferred payment and various other bonuses to attract as many customers as possible to their product or service (Urrutia, 2010, p.10). However, the networking of enterprises and public administration and the development of the Internet contributed to great changes in the functioning of business systems. In this way, simple and fast communication is enabled, the transmission of a large amount of data in, it can be said, one time at a great distance, Internet payment, the creation of new virtual organizations and other benefits. On the contrary, what may not be the best part of this type of business, is that there was increased pressure among competitors. This pressure is most likely created by the gap between the most successful companies, and those less successful, who are struggling to survive on the market. Because of this, the research has shown that efficient companies, in static business, can not withstand the pressure without innovations that are crucial for the survival of enterprises in the capitalist economy. Companies face the ever-increasing need for digital transition, and it is necessary to adapt to new changes in a very quick and efficient way (Prepletaný, 2013, p.54). Only those companies that adapt very quickly to new conditions can survive on the market. The speed, scope and impact on the system have led to the fourth industrial revolution that further enhances the role of information and communication technologies in companies. The subject of research is the influence of the Internet and digital technology on the development of competitiveness (Protic & Lazarevic, 2015, p. 87). The key competitiveness factors of the companies on the market are current competitors, potential competitors, substitutes, customers and suppliers. These factors actually represent Potter’s model of five forces, and they will be further elaborated below, each individually. Internet and digital technologies, by creating new ways to add value and shifting the power of five competing forces, have changed the competitive climate in numerous economic activities (Kalac, Masovic, & Ahmetovic, 2017, p. 36). These changes often require the modification of generic strategies, which sometimes lead to new combined strategies.


**Competition on the internet**

We can say that there are two facts that relate to key Internet basic objects. The first is that the Internet is based on telecommunications networks and there are a number of networks - the so-called basic Internet - controlled by an extremely limited number of companies. Second, it’s someone who needs to administer and manage the Internet system. This “someone” plays a key role in the development of the Internet market. Competition is a game - a game that provides end-to-end supplies and functions of demand for a particular good or service interact in an efficient way (Krstic, Gavric & Skorup, 2018, p. 187). This game requires a playground and fair rules for the game. We can call the playing field “Market” or, more precisely, “relevant market”. Competition rules, also called the principles of antitrust, ensure a fair development of the game. These rules are basically forbidden by two things: agreements and / or practices between competition that distorts competition (what we call a secret agreement) and the abuse of the market of monopolists or groups of oligopolists enjoying the dominant position of those markets (Evans, 2015, p. 24). The purpose of the ban to ensure the success or failure of the Player depends solely on its own ability to compete. Competition rules are not applied abstractly. They are always applied in markets that have very precise boundaries. We need to be clear about who you are competing with, for which product or service and within which geographic areas. Now, the Internet is not a threat or a competing advantage. It’s not even a market. We can consider the Internet as a system of communication on a global network, so-called World Wide Web (Stojanovic & Kostic, 2017, p.9). This system can be used in many ways and for various purposes by different people. From an economic perspective, we could see it as a kind of commodity that allows companies to compete - that is, to offer, sell, buy and (sometimes) distribute goods and services - in a different way. These are concepts like e-commerce or e-commerce (Balto, 2000, p. 280).

**Role and challenges of competition policy in the ICT sector**

When it comes to the relevant market, it can be said that this is the most important element and the starting point for acting in the competition protection segment. Proper assessment of market share and indirect market power of businesses depends on the exact definition. In the era of expansion of the ICT sector, the global view of competition policy is a change. The situation is similar in Serbia. Under the influence of high concentration and interlacing services from individual markets, there are three basic directions that competition policy applies to modern information and changes in communication technology (ICT). The directions of change are (Shannon & Weaver, 2016, p. 78):

1. Changing the angle of view and assessment of the relevant market;
2. Balancing between good and bad parties related to engaging in the sphere of research and development (R & D) and,
3. Careful relationship to patents and licenses, as a basis for the protection of intellectual property, as well as obstacles to entering the new market.

Taking into account that the market’s borders are too broad, it may seem that companies are significantly lower market forces, and therefore it can be overlooked that companies have higher market power, but in reality this is not the case. The relevant market has two components,
one for products, and the other in the territory where these products are offered, therefore there is a relevant product market and the relevant geographic market (Turban, 1993, p.26). Therefore, the relevant product market is a set of goods or services that consumers and other users consider substitutable in the sense of the common purpose, characteristics and price, while the relevant geographic market of the territory in which the participants participate in the offer or demand and where there are the same or similar conditions of competition, which are significantly different from the conditions of competition in neighboring territories (Lashkova, et al., 2018, p. 37). As such, the phenomenon of the relevant market is narrower than the phenomenon of the general concept of the market, which includes the exchange of goods and services across the territory, regardless of the conditions of competition and the existence of product substitutability.

**Technology opens new data source**

All technological innovations, platforms and applications represent a huge potential form of access to previously untapped data sources. Data can now be collected, e.g. at the point of sale, and analyze to gain a more complete view of the customer, on the one hand and on the other hand, to improve and enrich the overall user experience. Moreover, customers are no longer just “customers”. They are creators of content, merchants and advertisers. They blog and talk about products with their friends, colleagues, followers, while expanding on-line sales. They check and contribute to the product review websites, as well as for the retailing of their own websites and social media sites, expressing their liking, not appeasing and recommendations. They advocate quality purchased products and services with one hand while belittling brands and companies that do not fulfill their promises. Mobile digital technologies enable this and much more anywhere and anytime.

The ability to instantly publish experiences on social media sites and allow others to comment on posts change consumer behavior in relation to information, collaboration, interaction, entertainment and maintaining overall awareness. It also changes the way consumers perceive and react to ads. Stankić et all (2018) identifies earned media as the most reliable form of advertising for clients. If retailers can take advantage of this trend of open and unwieldy downloading of communications by putting them on the Internet, this will inevitably lead to a better position of retailers to formulate up-to-date decisions in the areas of merchandising and inventory planning, product and service prices, marketing (online and off-line) and personal targeting. By maintaining integrated communications on both physical and virtual channels, vendors can have access to digital channels to enhance service in the store.

This is the beginning of the introduction of large data and analytics in the retail industry. It is known that data is running business and large data analysis can help marketers to deepen customer insight and bid adjustment, both on-line, and on the basis of a previous overview of consumer behavior, transactions and interactions while reducing marketing costs, increasing messages optimizing and maximizing overall marketing performance (Berisha-Shaqiri, 2014, 22). On top of this, large data from digital devices means that traders can more closely monitor customer behavior in real time. This requires managing customer relationships and targeted marketing unprecedentedly. Large-scale mining, retailers have a stronger platform for better management of existing new relationships.
Extraordinary limitations of the use (or misuse of) internet for operations

The Internet can be a great system for conducting commercial transactions, buying and selling many things. However, there are limits to what can be sold or purchased on the market, regardless of its “virtual” or traditional nature. There are other limitations on how you can trade with good or service. Certainly, certain issues such as the privacy of our data on the Internet, consumers’ rights and obligations (consumer protection) over the Internet, tax on electronic commerce transactions, dispute resolution between parties trading on the Internet and the prevention of cybercrime should be posed (Kroenke & Hatch, 1994, p. 58). Then, it is possible to discuss the legal framework currently under construction in the EU for the purpose of conducting electronic business trade. This framework would be based on the recently adopted Electronic Commerce Directive and the envisaged directives on electronic money, property rights over Internet protection or data. All these regulations would finally establish the limits within which competition on the Internet markets will develop. It is important to understand that neither the European Union, nor the United States nor any other economic area in the world can unilaterally impose a framework without the prior consensus of other areas (Čeganjac, Kostadinović & Đuričić, 2012, p. 98). Firstly, because the Internet is what it is, it is global in nature and unlimitedly open to all users in the world. Secondly, because this nature leads to extra-territorial effects - i.e. decisions adopted far from our borders that have direct implications for our business and consumers who demand it by international negotiations (Lunenburg, 2012, p. 7). Otherwise, there is a real risk that is different, contradictory solutions are being implemented - or attempted to apply - in different regions of the world. Today, it would be highlighted as a more difficult issue for such negotiation, the aspect of using private data for commercial purposes on the Internet, to which the EU would have a more restrictive approach than the US, or an approach to the enforcement of corporate tax rules outside the EU, but acting on the inside market via the Internet.

Completed competition on the internet

For many companies, the Internet represents a business opportunity, the ability to implement investment projects with high expected return rates, improving competitive advantage or corporate diversification strategies. For many other companies - for some business sectors in general, in some cases - the Internet can pose a serious threat, as the functions they perform will disappear with the development of e-commerce. This would be the case with many intermediary functions (wholesalers, retailers) for which direct Internet competition is possible. The Internet not only jeopardizes mediation functions. This is also a challenge for territorial protection agreements, i.e. for a seller who gets full exclusivity for the commercialization of some goods in a particular territory. The Internet makes it very easy to know at what prices these goods are offered in neighboring or distant territories and provide resources for their acquisition from different resellers. It is not unthinkable that these characteristics can lead to many traditional traders and a category of companies that oppose new forms of competition over the Internet. Moreover, for the full exploitation of Internet business opportunities, we are witnessing the concentration of economic power - both in the
form of mergers and in the form of strategic agreements between companies - which might be necessary to justify the so-called new economy, but this could mean that the market structures in this new economy will be controlled by a limited number of players on a global scale. Consider, for example, the planned mergers between America on Line and Time Varner or Vivendi / Canal Plus and Seagram. Finally, from a social standpoint, the first requirement for participation in a new economy based on the ubiquitous use of the Internet and digital technologies is that it has access to the Internet and those technologies.

It is now clear that even in industrialized countries, a large part of the population will remain outside the Internet. This could mean a social breakdown that could have negative consequences for the proper functioning of the economic system. These consequences would also appear at the international level in relation to relations with developing countries (Nikolić, Vesić & Stošić-Mihajlović, Lj, 2017, p. 23).

Image 1: Five Powers of Internet Affiliation:


Entry of new competitors

There is no doubt that digital business is changing the nature of competition. Today you do not have to worry only about traditional competitors in the industry, but about new participants outside your industry, equipped with new business models based on digital form and values (Momčilović et al, 2017, p.150). Often these are technological giants and startups that have conceived and built a new business model from the foundation, based on the new ecosystem of the digital business platform. They use well-known social, mobile, analytical and cloud technologies, but they often add personas and context, intelligent automation, Internet stuff and cyber security to further enhance the value of their platform (Živadinović, Medić, Skorup, 2016, p. 36). In fact, tomorrow’s leader may not be someone you know. Competition in industry is often regarded as a constant struggle between the same set of carriers, but in reality, things are far more dynamic and transient (Poliščuk, 2007, p. 97). As an example, while 89% of Fortune 500 went out of business between 1955 and 2014, in recent years, according to R “Rai” Wang of Constellation Research, 52% was merged, acquired, bankrupt, or fell from the list only 2000. year. Why are new participants moving easily? Digital business changes rules by reducing traditional barriers to entry. A business model based on digitization requires far less capital and can bring large economies of scale (Vesić & Radić, 2018, p. 60).
Threats to substitutions

The danger of a substitute has to do with the threat of replacement products or services. Since the Internet allows for the same jobs to be enabled and done in new ways, the risk of substitution increases. As far as digital business is concerned, this can come from pure digital replacements or hybrid digital / physical replacements. Taxi services, such as Uber and EasyTaxi, for example, provide a hybrid model via a digital application for consumers and taxi drivers, along with a physical taxi. Digital services wrapped around the physical product are yet another example and can move from one extremity such as the industrial Internet to others, such as home automation technologies or personal fitness products.

In addition, the long-term flow of revenue from digital services can be worth much more than a one-time sale of a physical product. The risk of substitution is high in many industries, because the cost of switching is low and the willingness of customers to replace it is high. In the case of taxi services, users can easily switch from traditional models to a new model by simply installing an application on their smartphone (Papić, Stanojević & Mandić, 2017, p. 196). The tendency to switch from a traditional model is high because of customer waiting time for taxis, lack of visibility at the taxi site, and so on.

Bargaining power of customers

Perhaps it is the strongest of the five forces that affect the competition in the industry negotiating power of customers, because the biggest driver of digital business comes from the needs and expectations of consumers and customers themselves. Due to the fact that consumers provide more information when making purchasing decisions and reducing the cost of switching, it can be said that Internet and wireless technologies can increase the negotiating power of the buyer. This bargaining power represents a new set of expectations for digital customer experience and requires sustained corporate innovation in all business models, processes, operations, products and services (Andelić, Rastić & Ilić, 2017, p. 149). Customers and consumers today have gained much more bargaining power due to instant access to information, social media insights, including access to reviews and feedback, low cost of switching over digital channels, price sensitivity, access to substitute products and services with greater ease of use and as well as increased competitiveness of the industry as a result of other forces. The Internet increases the power of the buyer or consumers through the Internet because, first and foremost, a large number of information is relevant to the Internet, and then, the costs that the user pays for this way of the house are low because of the Internet. Because of this, companies that intend to seriously deal with this mode of selling must more closely listen to the needs of the customer as well as to respond efficiently and relatively quickly to their demands.

Bargaining Power of Suppliers

To what extent will the Internet be an advantage or an aggravating circumstance, it can depend on the position of the supplier along the value chain, as is the case with the buyer’s power. Suppliers can accelerate or slow down the adoption of a business model based on digitization based on the way they affect their situation. Those who deal with digital models themselves, such as using APIs to simplify the ability to form new partnerships and manage existing ones, can help accelerate your model. The effect of the Internet on the power of the supplier depends on the nature of the competition in a specific activity. Those who are traditional
model suppliers and who are asking or still determine their new role in the digital equivalent can use their bargaining power to slow down or challenge the validity or legality of the new model (Vesić & Petronijević, 2018, p.151). Good examples are legal and business issues that emerge in the economy of sharing digital data (eg sharing, sharing rooms, etc.) where suppliers and other members work to ensure that the business model and process innovations still respect the established rules, regulations, privacy and security (Andelic & Vesić, 2017, p. 18). This is a positive and necessary development, because, together with the negotiating power of the customers, it can help to keep the new models “fair” in terms of their functioning.

Rivalry among existing competitors

Finally, existing competitors look at the digital business, trying to understand the disruptions that arise and prepare their answer. The answers can range from defensive to offensive measures, and even attack on the first movement (Stošić-Mihajlovic & Nikolić, 2017, p. 82). Only those competitors who can use digital technologies and the Internet to create a recognizable image, who have recently offered products or services, will be able to capture much of the profits with the help of new technology. This rivalry among competitors is always in the game, but in recent years digital business has added fuel to the fire, just as e-commerce has been going on for many years. Rivalry is heated because inbound and outbound barriers are reduced due to comparative low-cost digital business models, and in many cases new entrants do not even have to have physical assets or infrastructure.

In particular, the “platform” model sees significant success on the market by simply connecting stakeholders and applying a set of peripheral services to enhance user experience. In this way, platform operators move to the forefront of service delivery and approach the client without having assets or employees working in the industry (Andelić, Nikolić & Vesić, 2017, p. 90). According to an article in The Guardian, “Today, any service provider, and even content provider, is risking to become a host of platform operators, which, uniting all these peripherals and simplifying their use, suddenly shifts from the periphery to the Center.” In all, while preparing different digital business initiatives, a five-force framework can be a useful way of thinking about the different winds and winds that act on the imaginary model and how different ingredients can react. In combination with a common value chain analysis, it can help inform about your strategy and provide some useful insights into what you can find in the way.

Conclusions

Communication is a game that requires fair rules and games in a field called the market. In this game, two things are forbidden, agreements between competitors and the abuse of the market of monopolists and ologopolists who enjoy the dominant position on the market to ensure success or failure. The relevant market is a set of goods and services that consumers and other users consider substitutable in terms of common purpose, characteristics and prices. We can observe the Internet with a system of communication on the World Wide Web that is used by various people for various purposes. Changing the viewing angle, balancing between good and bad parties related to the elimination of the sphere of research and development, and attentive attitude towards patents and licenses are the basic directions to which the competition policy relates and the changing of technology communications. There are limits to what can be bought or sold on the market, regardless of its virtual or traditional nature. The Internet is global
by nature and unlimited and open to all, and therefore neither the EU nor the US has been any other economic area that can not unilaterally impose a framework without a prior consensus.

Digital business hampers the five forces of competition in the industry. These forces are competitiveness, the danger of a substitute, the negotiating power of the buyer, the negotiating power of the supplier and barriers to entry. Today we do not have to worry about traditional competitors in India, but about equipped new business models based on digital form and values. As the dangers of substitution are concerned, this danger is high in many industries, as the cost of obtaining is low and the inclination of customers to replace is high. Perhaps the strongest of the five forces is the negotiating power of the buyer, because the biggest driver of digitized business comes from the needs and the aching of the customers themselves. Also, in the last section, we also asked the questions to be asked when choosing a business plan and revitalization.

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LEADERSHIP IN SERBIAN HEALTHCARE SYSTEM

Abstract

Background/Aim. To discuss current challenges and future perspectives in order to initiate a debate on the introduction of leadership in Serbia’s health care system. The ultimate goal of the review is to provide a ground work on which future standardized training and credentialing curriculum could be based on. The PubMed and Web of Science databases were searched in December 2017 and January 2018 for scientific papers written in English using the keywords: health systems, management, leadership, medical education. Health care issues have been the subject of intense scientific discussions around the world for the past two decades. Most attention is drawn to the efforts of interested countries to find the most effective way of managing complex health care systems. There is evidence that management is important and that in successful management, the effects are correlated with management practices and promoted values. The situation where heads of health care teams of large clinical systems in Serbia are physicians, requires more attention to be paid to managerial and leadership skills. Clinical quality depends on employee team work, therefore leadership and management skills are necessary at all levels. The development of leadership competencies must be an integral part of the training and education of doctors in Serbia. There is currently a great necessity of a standardized curriculum to be developed and applied with training and certification of current and future leaders.

Key words: health systems: management; leadership; medical education.

JEL classification: I1, I15, O1, O5

ЛИДЕРСТВО У СИСТЕМУ ЗДРАВСТА У СРБИЈИ

Апстракт

Разговарати о актуелним изазовима и будућим перспективама како би иницирала дебату о увођењу лидерства у српском здравственом систему. Крајњи циљ је пружање основног рада на којем би се могло заснивати будући
стандардизовани програм обуке и акредитације. Датотеке ПубМед и Веб оф Сциенце претражене су у децембру 2017. и јануару 2018. за научне рађеве написане на енглеском хористеној кључне речи: здравствени системи, менаџмент, лидерство, медицинско образовање. Питања здравствене заштите су предмет интензивних научних дискусија широм света у последње две децении. Највећу пажњу посвећују напорима заинтересованих земаља да нађу најефикаснији начин управљања комплексним здравственим система ма. Постоје докази да је менаџмент важан, и да су ефекти у корелацији са праксом и менаџменту и вредностима које се промовишу. Ситуација у којој су руководиоци здравствених тимова великих клиничких система у Србији лекари, захтева више пажње на менаџерске и лидерске вештине. Клинички квалитет зависи од рада тимског особља, стога су потребне лидерске и менаџерске вештине на свим нивоима. Развој лидерских компетенција мора бити саставни део обуке и едукације лекара у Србији. Тренутно постоји велика потреба за развијањем и применом стандардизираног наставног плана и програма с обукам и сертификацијом садашњих и будућих лидера.

Кључне речи: менаџмент, вођство, медицинска едукација

Introduction/ Background

Nations around the world organize and develop their health systems in accordance with their own needs and resources, which leads to great differences in experience and understanding. A good health system brings quality services to people around the world, whenever and wherever the need arises. Services themselves vary on a country basis, but generally require a robust funding mechanism; a qualified and financially satisfied labour; reliable information behind decisions and policies; adequate facilities and logistics to provide quality medicines and technologies (Ferre et al., 2014; Daniels et. al., 2017). The quality of health care in the Balkan countries today is far lower than the European average (Buttigieg et. al., 2016). The health care system of Serbia has the highest number of employees in the region, but it allocates the least money for the sector (Al Jazeera Balkans, 2018). As health care costs today are rising faster than the costs of other services, providers of health services in Serbia, especially the hospitals, are under constant pressure. The main challenges are increased costs and variations in quality. A major concern is also the return of invested funds. Faced with the financial crisis and fear of the unsustainability of the health system, there is a constant pressure from the authorities to reduce costs, although resources are becoming more expensive and the patients’ expectations are increasing. The migration of medical personnel from Serbia is becoming a trend; the consequences are obvious and the expectations are unfavorable. The results of the research “Migration of health workers from the Western Balkans countries - analysis of the causes, consequences and policies” recently published by the Institute of Public Health of Serbia showed that health care workers on the way to other countries are mostly forced by low income, inability to get employed, job dissatisfaction, and by the position of doctors in the society, followed by the lack of conditions for professional development and career development, poor working conditions, poor organization and nepotism(Institute of Public Health of Serbia “Dr Milan...
Jovanović Batut.” Migration of health workers from the Western Balkans countries - analysis of causes, consequences and policies 2017). In order to tackle the challenges that the health system in Serbia faces today, a deep understanding of the resulting situation, the response of the competent authorities, the planned actions of the scientific community, and the concrete contribution of all stakeholders are needed. These are difficult decisions, and it is unclear what the right or acceptable solution is and what is not in such specific areas of human practice.

Methodology

The PubMed and Web of Science databases were searched in December 2017 and January 2018 for scientific papers written in English using the keywords: health systems, management, leadership, medical education.

Discussion

Based on the review of available literature, this article discusses knowledge flows on how management can affect the quality and sustainability of health systems and organizations. Health care service provider issues have been the subject of intense scientific discussions around the world for the past two decades. Most attention is paid to the efforts of interested countries to find out the most effective way of managing complex health care systems. There is a belief that management is important and that in successful management, the effects are correlated with management practices and promoted values (Goodall 2011). Recent studies have highly underlined the importance of governance in the health sector: a positive correlation between clinical and economic performance has been found; management can affect the quality and sustainability of health systems and organizations. (Fitzgerald 2015)

Of course, there are still many open questions, including the topic of managing a complex health care system. Globally, the view that medical organizations run by doctors are working better than others is dominant. The following benefits of medical engagement are highlighted: lower patient mortality rates, less serious incidents, maintenance of high level of service delivery and patient care, good financial status, achievement of set goals, maintenance of basic standards (Macinati et al., 2016). In Serbia, the healthcare system is traditionally administered by doctors. The Law on Health Care from 2010 allows the appointment of non-medical professionals as directors if the training on health services management has been successfully completed. This raises important questions about the role that doctors can and should have in creating the future of medicine in Serbia. There are a lot of dilemmas about how to increase, support and invest in the development of leadership and managerial skills. Scientific experts express doubt and warn that such efforts will not be enough unless accompanied by clear and long-term development of managerial skills through well-designed and regular education. Such education should not be an addition to the already complex process of medical education and training (Sarto, Veronesi 2016).

Leadership and governance are two different entities. Not all leaders are managers and not all managers are leaders. The manager focuses on systems and structure, the
leader focuses on people. Management means developing formal plans and monitoring results. Leadership deals with confronting change and establishing a vision. The ability for medical (clinical) leadership and management should be considered as an essential part of the development of professional competence among doctors, addressed at all levels of their training. Medical leadership is a key part of the professional work of a doctor, regardless of specialty and appointment. Therefore, doctors in Serbia should be more actively involved in the planning, provision and transformation of health services (Xenikou, 2017). It is their duty to contribute to the development of the institution in which they work and to fulfill what society needs in the future. It is a way for a doctor to stay in touch with clinical reality, and at the same time to plan its future in the form of new ideas and current projects. This would also contribute to the integration of clinical and managerial interventions that the complex needs of health systems require today (Macinati et. al., 2016).

In recent years, especially due to the pressures of financial crisis, there is an increasingly obvious need for a broader perspective on the quality of health services. It seems that clinicians and managers can no longer work in isolation, because every manager-clinician conflict is regularly transformed into a competition for resources. Managers and clinicians in Serbia are aware of this and tend to integrate operational and clinical processes. It is not enough for clinicians to act only as practitioners in their discipline. It has become obvious that they have to act today as partners by accepting the shared responsibility for the success of the organization and its services. Groups are often more loyal to the leader than the manager. Why? A leader is followed naturally, whereas managers have to be respected. Only working together, the leadership of a health organization can provide the quality health care needed today: in a holistic and integrated way. Natural disasters, which have been common in the past decade, provide the best example of how clinicians and managers can act synergistically (Sterbenz., Chung 2017).

At the macroeconomic level, health is a factor that has direct implications for the proper conduct of life and economic and social activity. Health is “the collective value of a higher interest” (Lacronikue, 2005). The health of each individual and the nation is directly proportional to their quality of life. The quality of life is defined as the perception of individuals about their own position in life in the context of the culture and system of values in which they live, as well as according to their goals, expectations, standards and interests. It is a broad concept made up of individuals’ physical health, psychological status, financial independence, social relations and their relationship to significant environmental characteristics. Our consciousness is the one that principally shapes quality of life, health, and ability. What people people more and more strive for is inner satisfaction. Happiness is the primary goal of human existence (Lega, Sartirana 2017). At the international level, welfare improvements are increasingly seen as an alternative to increasing gross national product (GNP) as a measure of progress and the nation’s goal. Well-being is well beyond any good (Bocelli 1938). One of the leading nations in the debate on welfare policy is Britain where Parliament established working groups for the welfare economy, which points to the view that well-being has become an arena for political debate. The UK government launched in 2015 a new advisory center based on evidence of well-known “What Works”. The purpose of the Center is to provide guidance to national, regional and local policy makers and other stakeholders on best
welfare improvements in the UK, and to encourage stakeholders to make decisions based on the impact of different political options on the welfare of the nation (Kirkpatrick et al., 2016)

Currently everything happens 20 times faster than a few decades ago. Our spiritual growth and maturation are also accelerating, and in addition, healing is faster. However, health care planning is often described as evolutionary rather than revolutionary. The change is the nature of reality. We are all in the path of personal change and the simultaneous changing of the world around us. But no problem can be solved at the same level of consciousness on which it originated (Einstein). This is achieved by gaining insight into his abilities - spiritual development, self-evolution. For the development and training of employees in this direction, the most successful companies in the world allocate as much as ten percent of total income. In Serbia, only about one or two percent is allocated for such needs. Increased awareness and flexibility lead to the revitalization of both personal and professional life, and personal and professional development go hand in hand with each other. Quantum physics has confirmed the importance of the level of consciousness and intent of the individual - the force behind everything created. Therefore, health organizations, wherever they are, should now provide quality health care in a holistic and integrated way with the help of clinicians and managers. The characteristics of quality health care are: efficiency, accessibility, equality, safety and effectiveness. All this with a focus on the patient is a platform in which clinicians and managers can identify clinical and operational processes that would enable them to provide health care in a desirable, comprehensive way. Its major weakness is that it turns holistic medicine into art rather than science because the physician must master the intention, which is a poorly understood dimension of existence. Also, the treatment and management of complex health systems requires a constant compromise between the need to reduce costs and improve the quality of health care, which greatly slows down the process of progress and the expected improvement (Kirkpatrick et al., 2016)

It has become a familiar cry in recent years that more doctors should take up senior management and leadership roles in the health service. Some countries, such as Australia, Canada and the UK, already have medical education and developed competency frameworks for management and leadership. Broader literature on leadership suggests that some leadership behaviors are universally supported, but there are also those that are culturally determined. At the global level, debates are still ongoing, how to coordinate medical education with changing socio-economic needs and organizing health systems. Most health systems continue to face multiple challenges during the management process. For example, the intelligent use of information technology has become essential for effective leadership. Health informatics has developed over the years and is one of the important pillars in providing quality health care. IT systems of the European health sector, compared to other industries, are still not at a desirable level. The challenge of the digital world can not be seen only as a challenge, but as a future perspective (Martin et al. 2015; Spurgeon et. al. 2015)

Doctors in managerial positions are important for hospital performance. The question arises what role they can and should have in creating the future of medicine. Considering the great investment in time and resources necessary for their training, it is reasonable to investigate whether placing future physicians in leadership roles is a valuable investment. There is a prediction that a large number of doctors who now
perform the tasks of managers will soon retire, and that leadership competencies among young doctors must be developed. The conclusion of the assessment of leadership education indicates that there are serious shortcomings in the number and quality of leader (Savage et. al., 2017; Straus et. al., 2013).

Leaders are those employees who discover new directions for continuation. Therefore, the process of change in Serbian health care should be efficiently and comprehensively addressed, by identifying the leadership potential among employees, by inducing team spirit and the ability to function within the team, by taking into account technological and other non-technological opportunities, such as climate culture and human resources. In order to achieve greater organizational outcomes, knowledge is needed on how to identify a medical leader and how they can support this mission. It is necessary to make smart decisions, not to accept the loss of human resources and to experiment with bad decisions. Evidence of decision-making must be used at all levels - tactically, operationally and strategically (Xenikou 2017).

How to recognize the leader

Leadership is the ability to influence a group towards achieving goals. A leader is a person who is able to understand the common goal, as well as to express the collective intent and will of the group. The effectiveness of leadership comes from the ability of the leader to inspire, communicate and coordinate within the group, solve problems and learn. Leadership is motivation. The style of management manages the motivation, morale and retention of staff. The leader believes in what he is promoting, does not just do it for personal gain, but to help as many people as possible. The team views the team’s work as a group synergy. Successful synergy means achieving better results in the team compared to individual results. The vision of the leader and the creative mind leads employees into collective value creation. Meaning, creativity and purpose are the three deepest motivational factors of each human being. These are spiritual contents that make up the essence of spiritual intelligence. Spiritual intelligence is indispensable for many obstacles that managers, leaders and their teams face on a daily basis. Self-awareness is the basis of spiritual intelligence. This is what every manager and / or leader must recognize and initiate within his team (Shearrer 2012).

Healthcare in Serbia requires leaders who do not develop their own ego but institutions they manage, who have a holistic approach - a global view of the whole situation that is seen as a whole of related parts - where an individual within the group is enabled to exercise his own personal rhythm, with all its potentials. Personal characteristics of a leader are charisma, enthusiasm, courage, and empathy. In team work, he advocates mutual trust, respect for the ideas of employees and respect for their feelings. If leadership is a motivation, then a person who knows how to motivate can be a leader because he can be trained for leadership. Individuals who do this will appear as leaders who generate performance that is beyond expectations. It may be useful to bear in mind that “willing” unlike “accidental” medical leaders are more capable of “absorbing” or constructing managerial expertise (Tsai et al., 2015).
A way forward

Health care management and leadership is essential, but neglected aspect of medical training in Serbia. Changes in curricula and innovation are inevitable parts of progress in undergraduate and postgraduate studies in medical education. Lack of training promotes poor decision-making and inadequate health services that negatively affect end users. An integrated approach to the management of health care and education of medical leadership at the undergraduate level is needed in order to enable physicians to be effective leaders who manage resources in an appropriate manner and in accordance with quality requirements. The health care system today needs to provide quality health care in a holistic and integrated way with the help of clinicians and managers (Sterbenz et al., 2017).

Discussions of the future of medical education and the need to include training that allows doctors to contribute to the management, maintenance and reform of health care delivery models, continues the debates that have taken place since the introduction of new public governance reforms. It was found that the leadership of a physician can improve the performance of the health care system in terms of: social responsibility (community contribution), adoption of reforms and information technologies, management of financial and operational resources, quality of care (including health outcomes, patient safety and experience of care) and staff satisfaction and their retention. The situation that physicians at the head of the health care teams of significant clinical systems in Serbia requires that more attention is paid to managerial and leadership skills. What we need to know is why and how to increase, support and directly invest in the development of clinical leadership in Stabia; define the role of a doctor, their organizational and clinical responsibility, and how they can be educated to fulfill what society needs in the future (Bank et al., 2017).

We have used the approach to finding scientific literature for discussion about how management can affect the quality and sustainability of health systems, all in an effort to draw the attention of competent authorities and stakeholders and initiate their joint action in order to evolve health care in Serbia. Clinical quality depends on interprofessional team work and, therefore, leadership and management skills are needed at all levels. The development of leadership competencies must be an integral part of the training and education of doctors in Serbia. There is currently a great need for a standardized curriculum to be developed and used for training and credentialing of current and future leaders. There is currently a great necessity of standardized curriculum to be developed and applied with training and certification of current and future leaders. Modification and innovation in curriculum are unavoidable on the road to progress in postgraduate medical education. For the idea of change that adds value to the already existing content it is necessary that the idea is adopted and becomes a routine - standard practice. This requires excellent organizational ability and clinical responsibility in order to create content in practice necessary for Serbian society. Although the implementation of healthcare changes has been known as challenging, change management experts rarely choose to support it. They argue that organizational readiness for change is a critical obstacle to the successful implementation of the initiative for change (Kirkpatrick et al., 2016).

Are we ready? Are Serbian clinical teaching teams ready for changes at organizational level? There is a need to highlight research into readiness for change at a clinical level.
This article is part of a larger study that focused on issues related to quality, performance and health care management and leadership in the system.

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ARBITRAL SOLUTION OF INTERNATIONAL ECONOMIC DISPUTES IN THE CONTEXT OF INTERNATIONAL ORGANIZATIONS IN CONDITIONS OF INTEGRATION PROCESSES

Abstract

In the modern world, great attention is paid to integration processes as an imperative for many world regions, where within these regions countries join in order to exchange comparative advantages and strengthen their economic positions within the integrated area, as well as outside it. The reasons and motives are more, everyone sees their chance to boost economic power, while underdeveloped countries or countries in transition see their chances through the various privileges and reputations that such associations receive. However, as in all other social relations and in international, especially economic, there may be disputes, whose resolution, due to the specific nature of such relations and disputes, led to the development of a system of special and selected arbitration courts. The paper also analyzes the specific position and legal personality of international organizations, in order to apply the rules on their responsibility in resolving the disputes in question. By establishing the legal personality of international organizations in the establishment of international legal and economic relations, i.e. the ability to take on rights and obligations in their own name, their responsibility for non-respect of rights and non-fulfillment of obligations in the international law order are also established.

Key words: international organizations, international disputes, arbitrations, legal subjectivity of international organizations, responsibility of international organizations, integration processes.

JEL Classification: K22, K29

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Introduction

Entities of international law are all persons who can be the bearers of rights and obligations in the international legal order, first and foremost those are states and international organizations. However, the subjectivity of international organizations is in many respects distinctive. Likewise, the international legal status of international organizations varies from case to case. The quality, nature and scope of the specific international legal subjectivity of international organizations is not identical and depends on the specific, both constitutive and functional characteristics of the organizations themselves. So, for example, the international legal subjectivity of the UN and the Council of Europe differs in terms of, activities, goals and membership, even though they have all the same constituent elements. On the other hand, subjectivity, OSCE in relation to the previous two organizations is even more distinct, and when we add to this the issues that arise in terms of the international legal subjectivity of the European Union, we can see how this is a really complex question (Savić, 2016, p. 176). Namely, the European Union, although it has elements of an international organization, today constitutes a
specific federation of federal states, or of a confederal character (Vukadinović, 2006, p. 79-103).

Integration processes, as an important element that marks international legal and economic relations in the contemporary world, the issue of subjectivity and the responsibility of international organizations are, moreover, legally complicated. Given the motives and goals, it represents an original historical phenomenon that begins after the Second World War. Since then, the development of integration has been taking place uninterruptedly throughout, practically in all parts of the modern world. Concerning content elements, some specific integration units have already entered the phase of building complex and diverse management systems (EU), others put emphasis on market-based interconnection (ASEAN), while others insist on the effects of interdependent division of labor (NAFTA). In addition, the fact that integration processes continue with unlimited intensity in terms of deepening, especially the economic content of their connection, should be added.

It is precisely from the positions of significant achievements and the future course of this process that we can estimate that integration processes are, at their core, a progressive historical phenomenon. The basic guiding idea is to create a maximally liberal market economy that best fits private capital and the basic sense of its existence. In addition to this, there is also a range of concepts of integration. It is known that integration leads to unevenness in economic development, as well as significant instability. Following these dangers, transnational organizations have been gradually formed, as well as the necessary means by which they influence the more balanced development and harmonious social division of labor. The question arises as to whether an integration can exist, and at the same time it does not have a discriminatory character, if it is known that they are created primarily to protect and foster the interests of its members.

Likewise, as in all other social relations and in international economic relations, there may be disputes between the parties in the economic relationship, the subject of the contract, etc. In such cases, mechanisms are needed that can enable the settlement of disputes. Of course, in those cases available to the parties to the dispute are those mechanisms that are otherwise available for resolving disputes in any conflicts, or appropriate courts.

However, international economic relations are somewhat specific, primarily because the affairs in these relations are based primarily on the agreement of the will of the parties involved in such relations. This freedom of will implies that the parties to the dispute themselves decide on the manner of resolving disputes that might arise from such relations. This led to the development of a system of special, selected courts, an arbitration in international economic relations. Moreover, arbitration proceedings are the prevailing way of resolving international economic disputes. This, furthermore, implies that there is a high degree of commitment to their decisions, that is, that the parties to a high-level dispute recognize the decisions of those elected courts.

This led to the undeniable fact that international or national arbitrations today are the prevailing way of resolving international commercial disputes. Although neither the international courts have lost any significance in this regard, it is undisputed that arbitration has far greater significance in resolving international commercial disputes from courts (Starčević, 2007, p. 71).
Previous determination of the concept of legal subjectivity of international organizations

Definition of international organizations

In the doctrine of international law there is no generally accepted and comprehensive definition of international organizations that would apply to all organizations of an international character. This is not surprising given the wide range of organizations that can be considered international organizations under international law. That is why it is often resorted to by listing those elements that are substantially determined by its international character. One of the most commonly used definitions is conceptually determined by international organizations as a permanent form of cooperation among states established by agreement, in order to achieve a common goal and which has autonomy in relation to states, with special bodies whose function is to fulfill the goals of the organization (Encyclopedia of Public International Law, 1995, p. 1289). A similar definition can be found in other authors who designate international organizations as “the collectivity of states established by an international treaty, with the statute and common bodies and subjectivity different from the subjectivity of its member states, which is also a subject of international law with the power to conclude international treaties.” The International Law Commission-ILC, in its Article 2 (a) Membership Plan, determines that the term “international organization” refers to an organization established by a contract or other instrument governed by international law, which has its own international legal personality. International organizations as their members, in addition to states, may include other entities. It is precisely this definition of the concept of an international organization that has common characteristics relevant to their responsibility for acts contrary to international law. Therefore, one should not seek to define the concept of an international organization in order to apply it universally, but so that their conceptual determination is of a purposeful character, such as the need to apply the rules of international responsibility of such organizations.

International organization as a legal entity

Since only subjects of international law can bear responsibility for unlawful acts, the presumption of international responsibility is possession of international legal subjectivity. For a long time, states were considered the only subjects of international law. However, the creation and multiplication of international organizations necessarily posed the question of their international legal subjectivity. With the responsibility of states for unlawful acts, the question of subjectivity is not raised, because they are the primary subjects of international law. When, in particular, it is a matter of the legal personality of international organizations, we can say that for a long time in legal theory there were no harmonized views, especially in details, on whether, to what extent and which international organizations are subjects of international law. Therefore, in international organizations, the issue of possession of international legal subjectivity is a prerequisite for applying the rules of international accountability. The legal subjectivity of international organizations, regardless of all differences and specificities, can be determined through several important elements. First, it is the existence of formal legal conditions for the emergence of concrete international legal relations, which international
organizations provide through their actions on the basis of conventions, agreements and administrative acts. Secondly, international organizations, through the functioning of their bodies, decide independently, regardless of the will of the Member States that established them, and not on their behalf, but take concrete actions in their own name and for their own account (Krivokapić, 2011, p. 104). Then, we can determine the legal nature of international organizations by observing its constituent elements, which are essential for the existence or absence of a legal entity of an international organization. By formulating the constituent elements, they acquire legal and business capacity, which means they have the capacity to be the bearers of certain rights and obligations in the international legal order and can independently participate in international legal relations as legal persons. This further means that they have international legal personality, that is, they can be considered as subjects of international law. However, the nature and quality of their international legal subjectivity are specific, and their legal personality in the international legal order has certain formal legal restrictions because they do not possess procedural and delictal ability in the full sense of the word (Savić, 2016, p. 177). The limits of their legal and business capacity are determined by the states when concluding the act on the establishment of international organizations defining the scope of activities of the international organization. It is the founding act and its entrusted activities within the framework of the legal and business capacity of the international organization itself. The complexity of the legal issue of the international legal subjectivity of international organizations completes their special status both in terms of the internal law of the state on whose territory the seat of the international organization is, as well as the special legal order of its members. At the same time, it must be one legal personality, both in internal and international law in general. It can be concluded that the issue of the legal capacity of international organizations is not problematic, since it is acquired by itself by the very founding itself.

Problems arise in determining their business ability (Lukić and Košutić, 2006). In the legal theory, it is generally accepted that one person, entity, organization, etc., in order to be considered a legal entity, must simultaneously integrate legal and business capacity. Therefore, it is not disputable the issue of an international organization as a legal person in internal national law, because it is, in this sense, a subject of law. However, despite the legal complexity and all open dilemmas about the quality of international legal subjectivity, we can conclude that international organizations possess concrete abilities as unique legal persons, on the basis of which they enjoy specific legal subjectivity.

The constituent elements of international organizations. International organizations are constituted by formal decisions by states, whose will is embedded in the constitutive instruments of these organizations (Nešović and Jerotijević, 2018, p. 91). Therefore, the legal nature, status and jurisdiction of international organizations depends on the conceptual definition and content of the constituent elements on the basis of which they are established. Costume elements represent the basic common characteristics that make up the unique essence of international organizations. By determining and analyzing the essence of the constituent elements, the international legal subjectivity of organizations, their legal nature, status and scope of activities, respectively, are determined. jurisdiction. First, the constituent element of international organizations are states as the basic creative subject in the process of their creation. The legal nature of inter-national organizations is inter-state, which means that they represent an instrument and institutional framework
for voluntary cooperation between states, hence the undisputed influence of Member States (Avramov and Kreća, 2008, p. 171). International organizations do not have an independent will, because they can stand alone on the basis of the founding act, entrusted with jurisdiction by the states. Then, countries participate in the work of bodies and other bodies of international organizations that result in binding decisions. These decisions reflect the will and political power of the member states, and the mandate for their implementation is entrusted to the international organizations within which they have been passed. On the other hand, by establishing, or by joining an organization, the states voluntarily committed themselves to adhering to the legal rules that were embedded in a concrete, founding international treaty, thereby limiting some of their rights and undertaking specific obligations. One of the constituent elements is a multilateral international treaty, which is voluntarily concluded and without which an international organization would not exist, as an instrument of its founding. This founding international treaty establishes the basic prerequisites for the existence of an international organization such as: reasons and objectives for establishment, area and competencies, organs and bodies of the organization, manner of dispute settlement between member states, accession procedures, rights and duties of members, etc. As it is an international treaty of constitutive character, some theorists define it as a constitution of an international organization. One key question is raised here: are international organizations the result of purely international contracting or there is another feature of their subjectivity, that is, is the subjectivity of international organizations a mere accumulation of the will of the states (Savić, 2016, p. 182)? It can be said that the subjectivity of international organizations does not represent the accumulation of the will of the states, but implies the autonomy of will, although limited and directly manifested in international legal relations, “international organizations were created to help members deal with issues that each member can not deal with in sovereign isolation” (Blikker and Wessel, p. 1-8, 2005). “International organizations are not the substratum of states, but the bodies through which the common goals of several states are realized, they do not absorb the complete personality of the state, but through their overall cooperation, their functioning (Lat. corpora), the organization appears as a separate person (Avramov and Kreća, 2008, p. 171).”

Then, the constituent element is the organs of an international organization through which the adopted decisions of the organization are put into operation. For this reason, international organizations, without doubt, determine international legal subjectivity. International organizations, as a rule, have the main, basic organs that represent its pillar, both in formal and factual terms. Depending on the nature of the organization itself, these bodies can be administrative, executive, plenary, advisory, or judicial.

Activity, or competence, can be considered as the following constituent element of an international organization. By the conclusion of the founding international treaty, depending on the nature of the association, the state determines the field of activity, which is usually predetermined by the type of international organization itself. The activities of international organizations are closely related to its goals. Certainly, the intentions of the founding states are crucial, because the states that conclude the founding act by establishing the organization itself determine the competencies of the international organization, on the basis of which a conclusion can be made directly about the existence or non-existence of its international legal subjectivity. Furthermore, in addition to an international treaty,
it is necessary to adopt and enter into force the statute of an organization that also constitutes a constituent element of an international organization. This document defines the organizational framework of the organization and, above all, refers to the acquisition of the legal personality of an international organization. Together with the founding act that is the basis of the legal capacity of an international organization, it closes the whole of its legal personality. The Statute is most often regulated by the procedures and method of decision making, as well as additional competencies of the body of the organization. It has already been said that an international organization, as a subject of international law, within the limits of its jurisdiction, has its own autonomous will, which differs from the special will of the Contracting States, and is directly responsible for the adoption of its acts and actions undertaken in order to implement them in life. Thus, we come to autonomy, as a constituent element, which together with the above mentioned elements rounds up the international legal subjectivity of international organizations. Although the international organization enjoys its autonomy within the jurisdiction defined by the provisions of the founding treaty, and in accordance with these norms, and outside the framework of the framework loses its legal capacity, its international legal subjectivity is undisputed. Based on its constituent elements within a defined framework, an international organization has legal and business capacity.

### Membership in international organizations

Membership in international organizations implies certain rights and obligations for members of that organization. In other words, by ratifying the founding act, the organization’s members accept the rights and obligations arising from it. One of the fundamental rights of the members is to participate in the work of this organization, while their primary duty is to conscientiously implement the decisions of the organization. In the event that a member does not fulfill his obligations to the organization, the organization may take certain measures, from the limitation of some rights to suspension and exclusion. The question is, who can be a member of an international organization? It is indisputable and, at the same time, the rule that states are the most important members of an international organization, either its founders, those who later joined or received it. In its definition of an international organization, for the purposes of the Draft Members’ Responsibility, ILC has determined that members of an international organization, in addition to States, may be other international organizations, territories other than independent states and private entities, accepting such an existing trend in practice. This attitude has been accepted by many countries. However, it can be said that these are exemptions from the rules that only states can be members of the organization and this is a presumption for any organization regardless of whether it is provided for by the founding contract or not. Exceptions to this rule (territories that do not have all the features of the state, other international organizations, private entities) must be explicitly envisaged by the founding act.

There are several forms of membership in international organizations: 1) full members who participate in all the activities of the organization and have full scope of rights. Most often, the founding act stipulates that only countries can have this status. In recent times, the founding acts contain the possibility of full membership of other international organizations in them, and less often territories other than independent
Dispute resolution within international organizations

The accelerated development of the world market has contributed to the creation of an extremely dynamic process of the traffic of people, goods and capital. This has contributed to the development of international contractual relations arising from contracts that are tied to at least two countries. The existence of several different legal systems of economic and civil law at the state level is the starting point for the existence of international commercial law in its contemporary form. When a particular factual situation in one legal matter is linked to more such systems, it is necessary to ask which rules to apply. This can be achieved through the rules of international private law, which implies the application of one of the systems of individual states, the selection of which is based on some criteria (collision method) or the application of international uniform legal rules by applying unified (uniform) norms (the substance).

International unification is the process of equalizing legal norms that apply in different countries. For many years now, internationally, efforts have been made to achieve the unification of substantive law in the civil sector, and especially in the economic field. The unification lawmakers start from the thesis that by passing unified rules eliminates the space for the emergence of conflicts of law, so the need for the application of collision norms ceases. However, the practice so far has shown that this is not always easy and that there are many temptations on the road to real unification. By adopting uniform rules applicable to contracts concluded in various legal, economic and social systems, the removal of obstacles to the conduct of international business transactions contributes to the development of international traffic and the achievement of legal certainty in general. Therefore, the unification of international contract law has become a permanent tendency for business people, national legislators and legal doctrines. More recently, more and more, instead of unification, we are talking about the harmonization of rights, which does not aim at absolute uniformity, but rather the convergence of legal systems. Harmonization consists in reducing differences and deviations between national legal systems by determining the results that regulation in a particular area needs to achieve, without imposing funds that will be specifically achieved without imposing the legal text itself. Only in case of harmonization there remains room for the application of collision norms.

In recent decades, regional and world organizations have been created which, among their objectives, explicitly include the equalization or harmonization of private law of the Member States (eg the European Community, NAFTA - The North American Free Trade Agreement, OHADA – Organisation pour l’Harmonisation en Afrique du droit
For these organizations, it is characteristic that Member States convey certain, still limited, legislative powers in the area of civil and commercial matters to the organs of an international organization. They make regulations that are applied directly, without ratification, in the Member States or set standards that need to be fulfilled by national legislation in a particular area. It is about the obligation of the harmonization process. Normally within these organizations, a court or institutional arbitration is established to resolve possible disputes by member states regarding the application and interpretation of a unified law, or the harmonization of national law with established standards.

Therefore, the highest merits for equalizing certain segments of civil and commercial law are attributed precisely to certain international organizations. They are mostly intergovernmental organizations, which means that they are their founders and members of the state, or specialized agencies and commissions of these organizations. In addition, an important role belongs to individual non-governmental international organizations and professional associations of traders and businessmen. These organizations and associations are often authors of drafts that are later adopted at international conferences or within intergovernmental international organizations.

The first two multilateral conventions, which regulated certain issues of international arbitration, were brought within the Society of Nations, in Geneva after the First World War. These are the Arbitration Clauses Protocol of 24 September 1923 (Geneva Protocol) and the Convention on the Execution of Foreign Arbitral Awards of 26 September 1927 (Geneva Convention). At the time of their adoption, these documents were of particular importance, since certain barriers to international arbitration were remedied to them. However, the progress that the arbitration will subsequently experience, and which maintain the provisions of the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention), and the great success of this Convention, has affected the declining significance of the Geneva Protocol and the Geneva Convention.

These two documents no longer apply between States that have signed the New York Convention (Article VII / 2 of the New York Convention); they are perceived in relations between states not bound by the New York Convention, as well as in relations between these states, on the one hand, and states that have ratified the New York Convention, on the other. The New York Convention is the most prestigious and most universal convention in the field of international trade arbitration. This Convention, which has been accepted by 106 countries to date, is being implemented and interpreted by courts of a large number of countries and is the subject of special attention to legal doctrine throughout the world.

Within the framework of regional conventions regulating international trade arbitration, the European Convention on International Trade Arbitration, adopted on 21 April 1961 in Geneva by the UN Economic Commission for Europe, is of particular importance. To date, 26 European countries have joined the Convention. According to the general attitude of the doctrine, the European Convention represents a significant stage in the evolution of international trade arbitrage rights. In the context of the European Convention, the Arrangement on its application should be mentioned in Paris on 17 December 1962 and ratified by six European countries. Under the auspices of the Council of Europe, a European Convention on the Uniform Law in Arbitration Matters of 20 January 1966 was prepared in Strasbourg, which did not enter into force. Of the
other regional conventions, the Convention on the Settlement of Investment Disputes between States and Citizens of Other States, made in Washington on March 18, 1965 under the auspices of the World Bank, was signed by more than 130 countries.

One of the most important international documents regarding the unification and harmonization of the rules on international trade arbitration is the Model Law on International Trade Arbitration, which was adopted on June 21, 1985 by the UN Commission for International Trade Law (UNCITRAL).

The basic goal of adopting the Model Law was to create clear and comprehensive rules that would reflect the correct and modern standards for international trade arbitration, which could be accepted by various economic and legal systems in the world. In this regard, the UN Resolution of 11 December 1985 states “States are encouraged to take into account this Model Law when they pass or revise their legislation in order to meet the modern needs of international trade arbitration” (Kovačević, 2000, p. 345).

Although differences between national legal systems have sometimes led to complications, the unification of arbitration rules made by the Model Law is now considered as satisfactory. The reason for such success should undoubtedly be sought in the flexible character of harmonization by which this document is distinguished. Unlike uniform laws and international conventions that do not endorse the modification of their rules, the Model Law states that States are only recommended to see its solutions when adopting national laws in this matter. In that sense, each state is free to determine the extent of integration of Model Law into its internal legislation.

Taking the Model-Law solutions, some countries have decided to take a step further in liberalizing rules on international trade arbitration. This was followed by the Dutch legislation in the matter of arbitration after the 1986 reform, as well as the Swiss Federal Law on Private International Law of 1987. Model law has been adopted in a number of legal systems, and to date, more than 20 countries have passed arbitration laws that are, to a greater or lesser extent, based on this model (Australia, Bermuda, Bulgaria, Canada, Cyprus, Egypt, the Netherlands, Hong Kong, Hungary, Mexico, Germany, Nigeria, Peru, Singapore, Switzerland, Tunisia, Ukraine, etc.). They should also be added to eight US states, as well as all provinces and territories of Canada.

**Arbitration and arbitration procedure on the example of Serbia**

Arbitration is a special judicial institution where arbitrators chosen by the parties meritoriously resolve their dispute. Arbitration courts are also called “selected courts”. The arbitral tribunal is represented, both in national and, more so, in international traffic, because arbitration is faster, less formal than a state court, the dispute is settled in the first instance if the parties have not agreed to oppose the arbitral decision. Arbiters are good connoisseurs of commercial law, they apply applicable regulations, and can, in certain cases, resolve the application of the principle of justice (Lat. ex aequo et bono).

In Serbia, until now, the arbitration trial was rather underdeveloped. The consequence of such a situation is, on the one hand, the overload of the domestic judiciary and, on the other hand, the recruitment of domestic and foreign arbitrators abroad, even in disputes that are significantly related to Serbia.

In Serbia, the Law on Arbitration was adopted on May 25, 2006 (“Službeni glasnik RS”, No. 46/2006). The Arbitration Act, in accordance with internationally accepted
rules, fully regulates all matters of arbitration - the formation of arbitration, arbitration, arbitration decision, as well as its recognition and enforcement before the competent state courts (Vuković, 2001, p. 19).

The law allows for the speedy establishment of independent arbitration courts on the reputation of similar institutions in the most developed countries, so that domestic and foreign investors, as well as other interested parties, primarily in the economy, can entrust the eventual disputes to the resolution of arbitrations in Serbia, with the legal certainty recognized by France, Switzerland and the United States, countries where arbitration is the most developed. The arbitration law is based on the modern arbitration concept and incorporates the arbitration rules of UNICENTRAL as solutions from comparative law, and in particular from the law of France, the United States and Switzerland.

The arbitration law regulates arbitration of disputes without a foreign element (internal arbitration) and with a foreign element (international arbitration). The basis of the arbitration is the agreement of the parties - without this agreement there is no arbitration trial (Pravna enciklopedija, 1979, p. 78).

Arbitration can only be negotiated for arbitrary disputes, i.e. disputes that are similar to being subject to arbitration. This is only about property disputes about the rights freely disposed of by the parties, except for disputes for which the exclusive jurisdiction of the state court is prescribed. Any natural and legal person, who, according to the provisions of the Law on Civil Procedure, has the capacity to be a party to the proceedings, can negotiate an arbitration, including the state, its organs, institutions and companies in which it has ownership interest. Arbitrary dispute resolution is organized by permanent arbitration institutions, in accordance with its rules and the Arbitration Act, as provided for by the agreement of the parties.

The chambers of commerce, professional and professional associations, associations of citizens in accordance with their founding act and the Law on arbitration may establish or organize arbitration, if in accordance with their activity. In addition to permanent arbitration, parties can also establish temporary ad hoc arbitration for resolving a particular dispute.

Arbitration agreement

An arbitration agreement is defined as an agreement by which parties entrust arbitration to settle their future and arising disputes from a particular legal relationship, which means that arbitration can be arranged at any time, even when the dispute has arisen and when it is brought to the court, but can only contract for a specific legal relationship, or a dispute, and not for all legal relationships between certain persons.

In this way, the supremacy of the state judiciary and the exceptional nature of arbitration are ensured. It is also established that an arbitration agreement may be contained in a contract regulating a legal relationship (arbitration clause) or in a special agreement relating only to arbitration (arbitration agreement).

Agreement is null and void:
1. if the type of disputes to which it relates is not eligible for arbitration,
2. if it is not concluded in the form prescribed by law,
3. if the parties did not have the necessary features and capabilities for its conclusion,
4. if it is concluded under the influence of coercion, threat, justice or error.

The arbitration agreement must be made in writing, and the prescribed modalities of the written form are prescribed in detail. The agreement remains in force in the case of the transferor of the underlying contract or receivable. If there is a valid arbitration agreement, the court is obliged, on the complaint of the party, to declare itself incompetent and to dismiss the lawsuit in the same matter.

Notwithstanding the existence of an arbitration agreement, before the initiation or during the arbitration proceedings, the court may make a decision on the introduction of provisional measures, at the request of the interested party.

The arbitral tribunal consists of one arbiter (arbitrator) or three or more arbitrators (arbitration panel). If the arbitration agreement provides for more arbiters, their number must be odd.

The number of arbitrators in the arbitral tribunal is determined by the parties. The parties shall also determine the procedure for the appointment of arbitrators by mutual consent. The arbitrator can be any business-capable natural person, regardless of nationality, which has characteristics that require the parties. In particular, the arbitrator must be impartial and independent in relation to the parties and the subject of the dispute.

The arbitrator accepts the duty in writing, and is obliged to inform the parties about all the essential issues related to the performance of his function. The Arbitrator must perform his duty conscientiously and efficiently and may be exempted if he is not impartial or independent or if he does not have the qualities required by the parties, and the procedure for his disqualification, as well as the termination of the function and the appointment of a new arbitrator, are regulated. The arbitral tribunal may also decide on its own jurisdiction, i.e. on complaints of incompetence and overdraft.

**Implementation of the arbitration procedure**

The arbitration procedure is regulated by the agreement of the parties, within the limits of the imperative norms, and in particular the essential principles of the procedure, the manner of determining the place of arbitration, the language of the proceedings, the manner of filing a lawsuit and the response to the lawsuit, the moment of initiation of the proceedings, also provides for the possibility of oral and written proceedings, the manner of delivery and receipt of letters, the obligation to notify the parties, objections, the status of witnesses and experts, the assistance of the court in the presentation of evidence, and the manner of ending the arbitration procedure.

The arbitral tribunal shall make the final decision, which shall decide on all the requests of the parties, and may also issue an interdisciplinary or partial decision, which shall decide on the part of their claims. An arbitration decision is made by the application of rights, contracts and customs, and only if the parties explicitly agree on that, the decision may be made by the application of justice and fairness. In international arbitration, the applicable law, that is, the rules, is determined by the agreement of the parties, and in the absence of such agreement, the appropriate right, that is, the rules, is determined by the arbitral tribunal.

The arbitral award shall be made in writing, after a plenary session attended by all arbitrators, but a majority of the votes shall be sufficient for the adoption of the decision. An arbitrator who is not in agreement with the decision can give an opinion. The decision
must contain an introduction, a statement, an expense, and an explanation, and may also
be made on the basis of a settlement. The decision is delivered to the parties, and may
be deposited with the court of arbitration if the parties so require. The arbitral tribunal is
obliged, at the request of the parties, to correct, interpret or amend the decision.

The domestic arbitration court may annul a decision rendered in the Republic by
means of domestic procedural law, regardless of whether it is an internal or international
arbitration, only for the reasons prescribed by law, provided that the lawsuit for annulment
is filed within three months from the date when the prosecutor received an arbitration
award. The court may suspend the conduct of a vote if, at the request of the party, it
orders the arbitral tribunal to remove the reasons for the annulment.

The arbitral tribunal is obliged, at the request of the parties, to correct, interpret or amend the decision.

The provisions of the Law on the Border Procedure shall apply to the court
proceedings on the complaint for the annulment of the arbitral award. The parties can
not forego the right to a petition for reprimand in advance. In some cases, the arbitration
proceedings may continue even after the decision has been annulled - namely, if the
reason for the annulment does not relate to the existence and validity of the arbitration
agreement, that agreement remains binding upon the parties until they decide otherwise.

The domestic arbitration award has the power of a domestic final court decision
and is enforced in accordance with the provisions of the law governing the enforcement
proceedings.

A foreign arbitral decision shall have the power of a domestic final court decision
after it has been recognized by the competent court of the Republic. A foreign arbitration
decision is a decision taken by an arbitral tribunal whose place is outside the Republic of
Serbia, as well as a decision taken by the arbitration tribunal in Serbia, if foreign law was
applied to arbitration proceedings.

The Law on Arbitration regulates the jurisdiction and procedure for the recognition
and enforcement of foreign arbitration decisions, the grounds for refusing recognition
and enforcement, the procedure for awarding an arbitration decision initiated abroad, as
well as the content of the decision on recognition and enforcement.

Foreign Trade Arbitration (FTA) (established in 1947) is an institutional
(permanent) international economic arbitration of a general type, based in Belgrade, at
the Serbian Chamber of Commerce. It resolves disputes of all kinds from international
business relationships. FTA Features:

- FTA is an autonomous and private (non-state) judicial authority based on the
  will of the parties;
- FTA is an international arbitration, independent and independent in its work,
  which most often resolves disputes between domestic and foreign persons;
- Arbitrators may be domestic and foreign citizens, appointed by the parties,
  from the list of arbitrators or from outside, and the only president of the
  arbitration panel must be from the list of arbitrators;
- Disputes are settled by an arbitrator or an arbitration panel composed of
  three arbitrators, which depends on the will of the parties, and if there is no
  agreement between the parties, the criterion is the value of the dispute;
- FTA is a general type of arbitration because it resolves all kinds of disputes
  arising from international business relations;
- FTA is an open-ended arbitration, because both parties can be foreigners.
FTA's competence:
Foreign trade arbitration, if the parties contracted or accepted its jurisdiction, resolves disputes in which both parties, foreign legal or natural persons and disputes between domestic and foreign legal or natural persons derive from foreign trade and other international business relations (Vuković, 2001, p. 142).

The STA is also responsible for resolving:
1. disputes concerning ships and aircraft, or international disputes to which aviation and navigation law applies,
2. disputes arising from a contract on the establishment of an enterprise and other forms of organization in mixed ownership,
3. disputes arising from a contract on foreign investments,
4. disputes arising out of a concession contract,
5. disputes arising from a contract on intellectual property rights (copyright and related rights, industrial property rights, legal protection of know-how, rights in the field of unfair competition,
6. other disputes in international business relations.

Procedure and decision:
- Foreign trade arbitration shall conduct a conciliation procedure, and if the settlement succeeds, that procedure shall be terminated by settlement by signing the minutes in which it is established that the parties have settled.
- The arbitration procedure is one-sided and, as a rule, lasts for up to one year.
- The arbitral decision is final and there is no appeal against it. It has the force of a final judgment of the ordinary court.

Conclusion

International organizations have become irreplaceable in the contemporary international legal order. In the world of globalization and other integration processes, they allow for cooperation that goes beyond state borders. However, although they do not possess all the qualities of statehood, the status of international organizations can not be reduced to a mere set of individual will of the member states, but it is much more complex. In addition, the criterion of statehood, in the conditions of modern development of international legal relations, can not be considered as a key to international subjectivity. International law has long since grown into a pure intergovernmental concept, and the notion of an international legal personality has become a much wider concept of an individually recognized state in accordance with the perception of a subjectivity based on sovereignty and the legal order of power. Also, if it is understood that subjects of international law are bearers of international rights and obligations and are directly responsible for disregarding the rights and non-fulfillment of their international legal obligations, then undoubtedly international organizations have legal and business capacity as they exercise their rights in international relations.

It is clear that international organizations have a special international legal subjectivity that differs from the subjectivity defined in internal state law. In the first place, the subjectivity of an international organization depends on the intent of the states that
conclude the founding act, forming the organization itself. In the event that states intend to establish the existence of an international legal personality of a particular organization, they can incorporate it into the founding act. Nevertheless, it is more often the case that on the basis of the defined objectives, the activities, competencies and rights entrusted to the international organization, the existence of the international legal subjectivity of the organization is carried out. There is no doubt that international organizations represent legal persons in international law, that they are a subject of international law and that they are able, taking into account international demands, to assume in their name rights and obligations in international legal relations.

The practice and doctrine of international law clearly indicate that the subjectivity of international organizations differs from organization to organization and are subject to the impact of specific rules of international law applicable to particular organizations. Alvarez believes that the wrong attempts to establish a general theory of the responsibility of international organizations is based on the existing but still limited concept of their international legal subjectivity. Also, in the last comment of Article 2 (a), the ILC drew attention to the fact that in applying the general principles and rules laid down by the Members’ Board on the liability of international organizations, where appropriate, account should be taken of factual and legal circumstances related to the specific organization.

It can be concluded that the role of international organizations within the international legal order, despite the crisis in which international law is today, is gaining in importance. This especially in the conditions of the integration process at the global level, when the others began to develop, as a rule, are more complex forms of international and economic relations. As in any process of full dialectical unity of opposites and the process of integration, especially in the economic sphere, it was burdened with various problems. For example, the formation of a global economy has been influenced primarily by the elements that most contribute to the development of economic forces, both in the technological and economic as well as in the social and political sphere.

The character and complex structure of international relations, especially economic and business, requires a special degree of delicacy in resolving disputes that accompany these relationships. One of the basic motives that determines business people in their contractual relations of international character in the event of a dispute is arbitration, it is reflected in an effort to resolve the dispute equitably and fairly, taking into account professional customs and the relevant rules of the profession.

In addition to resolving specific disputes, this is also significant from another point of view. Namely, through the resolution of certain economic disputes arbitration has a significant impact on the development of the rules of international commercial law. It is understood, to a lesser extent, that the courts also have such influence when dealing with economic disputes. The procedure before the arbitration is not public, which is of importance to the parties given that they are given the opportunity to preserve their business interests and business secrets in spite of their appearance before the court. All these circumstances have made arbitration gaining a dominant role in the field of dispute settlement in the field of international business traffic.

The future of the world economy will depend on solving open issues between certain parts of the world and the speed and the way in which appropriate adjustments will be made, first of all those countries which have dominated the world economy in the past and which have been integrating the world economy, Benefits.
The future of the world economy will also depend on the relationship between the world population, natural and other resources. Regardless of all open issues and difficulties, the unjustified presence, hunger, misery, poverty and absence of the political will of relevance factors to address issues of interest to the world community for which there is a possibility to resolve, all these shortcomings fall into the shadow of overall economic achievements.

These results represent enormous material strength and provide the basis for expectation of positive results in the development of the world economy. They will be even greater and will help mobilize the forces for further development, if the developmental effects are available in the right way to the global community as a whole. The integration of the world economy should contribute to resolving these issues by integrating these associations into economic development, whereby the abolition of diversity and equality through the privileges of one another is expected over time, thus leveling the level of development, as the tariffs are abolished and other obstacles that burden free trade. For example, Serbia that should join the EU will not automatically become a developed country, but gradually, through the system of free movement of people, capital, labor and other privileges the population of Serbia, and thus the economy will be economically strengthened and slowly drowned in the rest of the EU countries, in terms of economic development (this is an assumption that does not have to be fully accurate).

Finally, it should be emphasized that, no matter how different they may have been, one can not overlook the fact that international organizations have certain common features without which they are not. Subjectivity, which means the question of responsibility should be viewed through the concrete scope of the rights and obligations of a particular organization. Therefore, international organizations, in the extent to which they hold certain rights and obligations, should be held accountable for their violation.

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HEALTH MANAGEMENT EDUCATION
E-LEARNING MODEL

Abstract

E-Learning is a generic name for many different tools and methods to apply Information and Communication Technology to learning. As it is a fast evolving area of expertise, we provide below the most significant aspects to be considered as possible approaches or options when we were starting to design an educational system in the Health Management fields using e-learning methods. Experience shows that guidelines for the development of e-learning systems have both advantages and disadvantages. One important disadvantage is the fact that it is difficult to generalize guidelines for e-learning systems because educational situations often very considerably. Despite all the disadvantages, guidelines can be used effectively in this area. The aim of our E-learning Health Management Study, which is carried out at our University, is to establish a cooperative and mobile e-learning system in the area of the Health Management and Health Policy Development. In the MBA course of the Health Management we designed and developed the E-learning Health Management Education System. The project was also clarify how guidelines for e-learning systems can be used successfully in different clinical entities using as a parameters: screening, prevention, diagnosis, treatment, follow-up and education.

Keywords: education, e-learning, health management.

JEL classification: I15, I18, I25
Introduction

E-Learning as understood today is “any electronic tool, method and system used to design, develop, deliver, assess and manage more or less methodically and systematically the overall teaching and learning process”. The educational use of any specific or generic software application working on a Computer Hard-drive, or from a USB Key, from a CD-Rom or a DVD can be considered as e-Learning. But in its most common sense, e-Learning is connection to the Internet or any other telecommunication network, as Teleconferencing, Videoconferencing, Wide Area Network, Local Area Network, VoIP or Mobile telephone. E-Learning covers school, university, vocational and professional education and training as well as lifelong learning, as a formal or informal process. In fact, e-Learning is “Information and Communication Technology Application to Learning”, and it can include all possible modalities: Face-to-face learning in the traditional classroom setting, Distance Learning and any mix of the two called “Blended Learning”. But it can also be called “Computer-Supported Collaborative Learning”, “Technology Enhanced Learning” or many other possible denominations. E-Learning is today promoting fast and evolving science and technology research and development areas in many universities, international and European scientific or development projects and national or international organizations devoted to standards specifications definition worldwide. From these important activities new educational technologies and methodologies are emerging and providing opportunities that can be possible approaches or options in educational projects. As digital technology changed the face of global transparency in the different fields like strategic policy, financing reform, health communications, it is also modifying educational practice and context. We will try to present briefly below what main perspectives have been opened, especially regarding outputs and outcomes of our Project named “Serbian School of Health Management e-Learning System”. In Conclusion we will explain our remarks about some very clear e-learning Advantages, but also Dilemmas.

Learning Management System and Virtual Learning Environment

Learning Management Systems are now ubiquitous in most universities as well as in any kind of school around the world to manage many administrative, communication, educational and statistical aspects. Such systems implemented through web applications
related to databases are facilitating many different management activities, as for instance student registration and fees payment, information and documents dissemination; educational resources distribution, tracking of student activities in discussion forums, individual or group assignments; results to assessment as well as individual, group or global statistical reports. Each of these functions can be activated or not. On top of such generic options many features are available as plug-ins or optional functions. Learning Management Systems can be downloaded free of charge on the Internet, or acquired from commercial companies with different kind of free or proprietary licenses. Moodle and Blackboard are the most prominent options in each category. According to the selected option it can also be freely installed and maintained on a server relying on permanent technical staff or relying on external commercial services (Rosenberg, 2001, Melton, 2002, Wong et al, 2010).

**Collaborative Learning**

Scientific research in educational psychology carried out since the last century is concluding that learning is achieved better by individuals through tutored activities in collaborative groups. Combinations of different face-to-face and virtual learning environments are looking to be more efficient and attractive than the traditional academic course model. Many possible software solutions and options are available to design and provide such collaborative environments to carry out individual or group activities implementing socio-constructivists approaches to teaching and learning. Web-based applications such as Wikis and Blogs are very appropriate (Childs et al, 2005, Garrison, 2011).

**Free Open Source Software and Open Educational Resources**

Two different major models are in competition today for software development and dissemination. The “Proprietary” model relies on the traditional commercial perspective where the product is sold as ready to be installed, developed internally protected by a “Proprietary“ license. This kind of license prevents the user from “opening” the source code of the software to see how it works and make modifications for any reason. It also prohibits copying and redistributing this software as it is, or modified. Copying is in fact very easy and costs nothing, as the product is immaterial. Many such pirated copies of proprietary software are used in education, but this is illegal.

At the opposite there is the “Free Open Source Software“ model that is developed collaboratively through peer review, by individual volunteers and/or companies making the source code freely available to all on the Internet. It is protected by an “open” license that guarantees the free (as in freedom of) access to the software source code to everybody; and the free use of the software, (learning, modifying and redistributing), but under the same license. This allows any individual or organization to get free software, to use it and adapt it freely to one’s use and redistribute it eventually. Which also means that such software being reviewed by so many persons is evolving and improving faster than proprietary means.

Based on the same assumption and it is the same for textbooks contents and educational resources. If it is developed and published as “Open Educational Resources”, not only it is free and open to be modified and adapted, but also it can improve faster and be more efficient. A huge movement has started to publish entire lists of courses and
educational resources under “Creative Commons” licenses or other licenses, as “Open Educational Resources” in many universities worldwide (McVeigh, 2009, Garrison, 2011).

**Learning Design**

Based on different scientific research, efficient instructional design methods and technologies are providing today a consistent platform to design and develop sound “Units of Learning”. For instance Benjamin Bloom’s taxonomy of learning objectives and Robert Gagné’s “nine events of instruction” are providing an efficient basis to structure learning in a coherent system (Gagné, 1995).

A Competence-based approach also presents a convincing model to define, through a needs analysis initial step, the competences to be acquired by the targeted population, using a structured model including all necessary information to design the entire learning system. In this model, competences may be divided in taxonomy with several levels, each element of competence being described in terms of performance, criteria of performance, and indicators of performance. Those indicators may be classified using Gagné’s Taxonomy of learning outcomes, or other suitable models. The Cheetham & Chivers model is currently very popular (Cheetham & Chivers, 2005).

Having achieved such competence definition, all necessary information to design the learning will be available: i) from the performance definition it is possible to derive directly the learning objectives; ii) from the performance criteria we get the different topics to be addressed and possible contents; iii) from the indicators of performance we get all necessary information to design the assessment tools.

**Learning Styles and Usability**

Learning is achieved by individuals through specific psychological typical settings called “learning styles”, and also through declared or implicit preferences. There are different models to identify and manage learning styles - David Kolb’s Learning-Style Inventory is one of the most famous psychological approaches.

Learning preferences or Media preferences deal with preferred personal learning strategies / heuristics and if the student learns better with speech, text, graphics, video or any multimedia combination. These considerations can impact on the design of the Units of Learning, not only in their didactical structure but also in the ergonomic dimension of the media design and functional environment that is called “usability” (Melis et al, 2003).

E-Learning media and environments are based on computer interaction, and their efficiency is directly related to the usability of the design. So usability is efficiency in the intuitive learning of the interface’s commands (also called “Learnability”), and efficiency in the learning achieved by the student. Units of Learning designed with poor usability create more difficulties to the learner not related with the topic to be learned. The learner may be distracted from learning by having to learn how to use the contents or the system. That can have a negative impact on course completion rates and post-test scores. As a conclusion, usability of learning media and environments must be tested with a sample of targeted users (Eyler & Giles, 1999).
Learning Technology Standards

From an economical perspective, in order to be able to share, reuse and adapt learning resources in the same system or in any other, different international consortia have specified a set of standard metadata. Produced by an instructional designer, a teacher or a learner, a “Learning Object” can be compliant to such standards when “packeted” with specific tools as Reload or eXe.

LifeLong Learning

In our globalized knowledge-based economy, e-Learning is providing new opportunities for adults to cope with competences they need to adapt to necessary evolutions in their practices, or to access new responsibilities. Lifelong Learning is a flexible concept for educational and training institutions, projects, enterprises etc. to offer any kind of training, competence development service and qualification to anyone: young not yet employed, worker in activity, unemployed, all through his or her professional life.

The characteristics of anywhere-anytime networked collaborative learning based on competence definition and IMS Learning Design standards are very attractive in this perspective. Important research and development European projects are currently ongoing – TENCompetence is one of the most important. “TENCompetence is a 4-year EU-funded Integrated IST-TEL project that will develop a technical and organisational infrastructure for lifelong competence development. The infrastructure will use open-source, standards-based, sustainable and innovative technology. The TENCompetence infrastructure will support the creation and management of networks of individuals, teams and organisations in Europe who are actively involved in the various occupations and domains of knowledge. These learning networks will support the lifelong competency development of the participants from the basic levels of proficiency up to the highest levels of excellence. The network consists of learners, educational institutes, libraries, publishers, domain specific vendors, employers, associations, and all others who deliver services or products in the specific field(Hege et al, 2007)

Challenges in e-Learning and educational innovation adoption

Implementing an e-Learning project in an educational institution may be challenging. It is proposing different methods for people with comfortable strategies, attitudes, methods, tools and habits already in place. Changing to something new that they don’t know will not be easy for them. It will be necessary to promote the solutions selected, to convince and motivate all targeted users and deciders to be part of the project. Training of trainers and specific training resources and activities will be necessary to train all intended users to use efficiently the system. It is risky to implement a system that is not yet negotiated and prepared with the intended users. Resistance to change must be managed cautiously, because “the inherent nature of organisations is to be conservative and protect themselves from constant change” (Rossett, 2002, McGorry, 2003).
Project Results

E-Learning System for the School of Health Management

We proposed and established that the e-Learning system for the School of Health Management should include four major Sections (see: “Mapping of the School of Health Management e-Learning System”):

a. Learning Resources Development Section
   • Competences Definition
   • Learning Design
   • Requirements

b. Training Delivery Section
   • Training Management
   • Training Targets
   • Requirements

c. Teleconferencing Management Section
   • Management
   • Staff Training
   • Requirements

d. Servers Administration Section
   • Applications Management
   • System Maintenance
   • General Statistics
   • Requirements

Generally, learning is a central topic within many of the psychology experts, and its problems have provided the occasion for hundreds of experimental studies. The science of learning remains in a state of flux, in part because we have not yet reached agreement upon the most appropriate concepts to use in stating our problems and in interpreting our data. Our Project “Health Management Education – New Approaches and Possibilities” included also developing of the School of Health Management e-Learning System follow the process of the accreditation in our high-education system. Health Management e-Learning System gave to our standard medical education completely new health communication possibilities represents an attempt to provide in one place the key points input-parameters like a new medical theories in praxis and new aspects of the different clinical guidelines and/or disease protocols. The aim was to see theory in relation to our e-learning experimental model represented in the Project. The topic chosen was in each clinical case one actively studied by adherents to the theory, which could be judged both by its provocativeness in suggesting e-learning experiments, and by its success in dealing systematically with the data which emerge from such experiments.
Methodology topics were:
• Setting the Task or Question to be addressed
• Selecting the Medical and Non-Medical Experts
• Choosing and Preparing the Scientific Evidence
• Structuring the Interactions
• Methods of Synthesis Individual Judgements
• Priorities for Future Research

Project implementation strategy consisted of the next topics:
• Establishing of the Focus and Multidisciplinary Expert Group
• Preparation of the e-Learning Project Budgeting
• Holding Meetings and Permanent Group Communication
• Use of the Specifically Developed Computer Templates and Cards
• Audit and Feedback of Results

Guideline Algorithm Management was involving in our E-learning system the next parameters for each investigated clinical entities:
• Screening
• Prevention
• Diagnosis
• Treatment
• Follow-up
• Education
Conclusions

In conclusion we can suggest, as an output and outcome of our Project, that implementation of the e-learning Health Management System together with classical Education System is not so easy because of the many experienced established Education Standards and Norms which were the mayor obstacles for better understanding and
application, not only in Health Medical Education, but also in Medical Praxis. All 4 Sections represented in the Project’s e-Learning Application Proposal/Learning Resources Development, Training Delivery, Teleconferencing Management and Servers Administration Sections/ were completely involved in our MBA Health Management Courses and, for some experimental clinical entities like Diabetes Mellitus, Hypertension and Rehabilitation, in the clinical investigation. Results was very satisfied on the scientific level, but not enough applicable in the clinical praxis. Methodology Topics, Project Implementation Strategy and Guideline Algorithm Management with 6 parameters /screening, prevention, diagnosis, treatment, follow-up and education/ signs, for the future, very creative, comfortable, up to date and fast with strong multidisciplinary effectiveness and efficacy. During the application of our Project Proposal Goals we found finally the next very clear e-learning Advantages and Dilemmas:

1. Advantages using Health Management E-learning Model
   • Better understanding through joint discussions using all 4 e-learning Sections in the School of the Health Management,
   • Better and faster Multidisciplinary Connection between Theory and Praxis,
   • Flexibility to join discussions in the Trainings Delivery Section threaded discussion areas at any hour,
   • Health Management Instructors and MBA students both report e-Learning fosters more interaction among students and instructors than in large lecture courses,
   • Develops knowledge of the Internet and Computers Skills that will help learners throughout their Health Management Careers Development.

2. Dilemmas regarding Health Management E-learning Model
   • Without the routine structures of a traditional class, students may get lost or confused about MBA Health Management Course activities and deadlines,
   • Health Management Instructor may not always be available when MBA students are studying or need help,
   • Slow Internet connections or older computers may make accessing MBA Health Management Course materials frustrating,
   • Hands-on or lab work is difficult to simulate in a virtual place like in Clinics or in the University Classroom.

References


Mutual influence of the international investment position and the net government position with the banking sector of the Republic of Serbia

Abstract

The growth of claims of the Banking Sector from the State and the decline in the International Investment Position of the Republic of Serbia are conditioned by the illiquidity of the public sector, which further imposes a concrete conclusion that this phenomenon is in a negative correlation with the degree of budgetary balance.

The illiquidity of the public sector, which is primarily reflected in the inability to pay off public debt, which records constant growth, but also in the deficit of budget funds, adversely affects the international investment position, as well as on claims of the Banking Sector from the Republic of Serbia. With the help of these data, the high negative coefficient of interdependence of these two parameters is observed, which is the subject of this research.

Key words: banking, sector, investment, position, claims

JEL classification: G10, G11, H50
Introduction

As the global economic crisis escalated, foreign capital inflow abruptly stopped and credit activity contracted. On the one hand, sources of funding were reduced, while risk aversion of banks increased, i.e. the possibilities and readiness to lend to the private sector fell. On the other hand, in an environment of considerably lower income, loan demand also declined. Unfavourable macroeconomic trends that resulted in a decline in production of investment, unemployment growth, strong depreciation of local currencies in many countries, and lower real wages, also reflected negatively on the ability to repay earlier loans.

This, and the fact that, in conditions of considerable inflows of sources of funding before crisis, assessment of credit by the banks was not cautious enough, resulted in accelerated growth of nonperforming loans. A contraction of high-quality demand for loans and the expansion of nonperforming loans, which started to burden bank balance sheets and their results, led to a significant tightening in banks’ standards and conditions for new lending. Without a doubt, this limited the demand for new loans, which, in turn, restricted investment and consumption, economic growth and disposable income. Thus, many economies in the region found themselves in an entangled web of growing nonperforming loans, in part caused by deterioration in macroeconomic performance and a decline in economic activity, and in part by slower economic recovery in the following years that was not supported by bank loans - feedback effect (Tabaković, 2018).

The international investment position (IIP) is a statistical statement that shows at a point in time the value and composition of:

- external financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets, and
- external financial liabilities of residents of an economy to non-residents.

The difference between an economy’s external financial assets and liabilities is the economy’s net international investment position (NIIP), which may be positive or negative. Respectively, the NIIP provides an aggregate view of the net financial position (assets minus liabilities) of a country via-à-vis the rest of the world. A positive NIIP (assets higher than liabilities) qualifies an economy as net creditor, a negative NIIP (liabilities higher than assets) as net debtor nation, allowing for measuring the extent of external financial exposure of a country. (Eurostat, 2018)

According to Sector for economic analysis and research of National Bank of Serbia (2017), there are several classification of IIP elements by type of investment (functional division):

- Direct investment - They represent an investment in a company that is resident of
the other country providing long term connection, interest and ownership control over that company. This is the type of investment in which the investor is owns 10% or more of the direct investment company’s ownership;

- **Portfolio investment** - They represent investments in equity or debt securities not covered by foreign direct investments and reserve assets;

- **Financial derivatives** - Securities derived from basic ones financial instruments. They are displayed separately from the basic ones instruments, since they do not transfer capital, but transfer risk of capital investment;

- **Other investments**;

- **Reserve assets**.

Also one of the most important classification of IIP elements, according to financial instruments includes, implies: property relations instruments - share capital, reinvested earnings and equity securities; debt instruments - debt securities, money and deposits, trade credits, financial loans, IMF loans and the use of special drawing rights; reserve assets - monetary gold and special drawing rights.

In accordance with the defined goal and subject of research, the work is organized in five parts. The introductory part is the first part. A review of the literature on empirical research on determinants of credit activity and international investment position is given in the second part of the paper. The research methodology is presented in the third part of the paper. The analysis of the results of the research is presented in the fourth part, while the conclusions drawn on the end, in the fifth part of the work.

**Literature Review**

Exact data on the state of credit activity of the Republic of Serbia, but its international investment positions are found in the annual reports of the monetary policy. On the basis of this data, trends in the previous period can be noticed, the movements of these parameters in the coming period, and finally, on the basis of which this was done, concrete research. However, the previous research results analyzed in the writing of this paper, and which form an integral part thereof, can only be partially applied in this research as a reference.

The banking sector is the engine of economic development of each country, given its efficiency in the process of transfer of available funds and using the limited financial resources most productively (Vunjak, Davidović & Stefanović, 2012). When we talk about bank sector in Serbia, authors Furtula, Todorović & Durkalić (2018) concluded that performance indicators in most cases increased and changed in period 2008 to 2016.

Authors Marjanović et al. (2018, pp. 248) concluded in their work that the issue of bank efficiency plays an important role in contemporary conditions, bearing in mind that banking performance in the financial sector is one of the main determinants of the overall economic development of a country. Also, one of recommendation from other authors was that all instruments of the monetary policy should have the same importance (Furtula & Kostić, 2017, pp. 157).

J. Galić (2013, pp.2) found that earlier data indicate that banks’ credit activity in post-crisis years has recorded a trend of deceleration, both in terms of scale and in terms of risk or conservatism in their approach, all of which is a result of economic recession.
Leitão (2012, pp.3-4) analyzes the relation between economic growth and bank credit. Introducing variables as domestic credit, savings, bilateral trade and inflation, it is shown that endogenous models have a greater potential to explain economic growth. It is confirmed that savings encourage growth and the inflation and domestic credit are negatively correlated with economic growth.

According to J. Tabaković (2018, pp. 2) the NBS has demonstrated its commitment to the preservation and strengthening of stability of the financial system, in accordance with its competences, by continuing to implement regulatory activities that went even beyond the Strategy’s framework.

The US Department of Commerce (2018, pp. 15) says that the IIP includes major sections for the functional categories of direct investment, portfolio investment, financial derivatives other than reserves, other investment, and reserve assets.

Methodology and the data source

The methodology of this article is based on the connection between banking sector credit activity and investment activity, or the establishment of mutual correlation.

The subject of correlation analysis is to examine the mutual strength of the relationship and the dependence between the claims of the banking sector from the state and the international investment position of the state. These are also the selected variables. The examination of the direction and strength of the interaction of these indicators is carried out on the basis of correlation analysis. It is also implemented on a sample of Republic of Serbia.

The time interval to be tested is from 2009 to 2017. Testing the direction and strength of the interconnection will be expressed by the coefficient, using the Pearson linear method. It is a covariance of standardized variables X and Y. It is calculated using the following formula:

\[
 r = \frac{\sum_{i=1}^{n} x_i y_i - n \bar{x} \bar{y}}{n \sigma_x \sigma_y}
\]  

Or alternatively:

\[
 r = \frac{\sum_{i=1}^{n} x_i y_i - n \bar{x} \bar{y}}{\sqrt{\left(\sum_{i=1}^{n} x_i^2 - n \bar{x}^2\right) \left(\sum_{i=1}^{n} y_i^2 - n \bar{y}^2\right)}}
\]  

The coefficient takes values from a closed interval between -1 and 1. The zero value indicates that there is no linear correlation; the value plus one denotes a perfect positive fit, and minus one shows a perfect negative fit. The value of the coefficient is closer to 1, the linear bond is stronger. The lower value of the coefficient does not necessarily indicate a weak link between the variables, since there may be a very strong correlation between the variables, but the curvilinear, so the application of the linear coefficient of correlation is not appropriate in this case (Buturac, Ignjatijević, 2017, pp. 135-153).
Data from the National Bank of Serbia (2009-2017), the banking sector credit activity (2009-2017) and the results of the investment activity (2009-2017), are taken as information source, based on which this research was conducted.

**Indicators of credit and investment activity of the Republic of Serbia**

**Credit activity**

In the period before the crisis, economic growth in Central, Eastern and Southeast Europe, including Serbia, was dynamic. Indeed, it was predominantly driven by consumption, which was, in greater share, financed by capital inflows and bank loans. Inflows were, to a large extent, channeled into the financial sector. In fact, it may be said that this period was characterized by the arrival of foreign banks from Western Europe, which brought new and cheaper sources of funding to the market. A period of robust credit expansion ensued. In such an environment, however, many countries experienced unwanted consequences. Inflationary pressures increased and external imbalances deepened. (Tabaković, 2018)

It can be noted that the lending activity of the banking sector is higher measure launched in the fourth quarter of 2009. Such an attitude is particularly effective in view of the third quarter of 2009 (also the worst in the course of that year) given that the amount of newly approved loans amounted to only 33 billion RSD. However, the worst three months of the past year (at least in terms of the sector of the economy and the population) related to the second quarter - the economic activity-oriented credit virtually vanished from 0.3 billion RSD loans while the credit activity to the population decreased by 4.7 billions of RSD. At the same time, credit growth on the basis of housing construction was zero. The only place for a significant increase in credit activity, the banks saw in the public sector, which in the same period increased by a record 52.3 billion RSD in one quarter (National Bank of Serbia, 2009).

**Table 1. Net Government Position with the Banking Sector – Bank Claims from the State (mil.€)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>198,84</td>
<td>636,80</td>
<td>755,28</td>
<td>1.011,25</td>
</tr>
<tr>
<td>2010</td>
<td>1.119,03</td>
<td>1.451,71</td>
<td>1.483,65</td>
<td>1.785,75</td>
</tr>
<tr>
<td>2011</td>
<td>1.816,24</td>
<td>1.793,38</td>
<td>1.868,64</td>
<td>1.896,10</td>
</tr>
<tr>
<td>2012</td>
<td>2.093,97</td>
<td>2.501,54</td>
<td>2.631,31</td>
<td>2.728,91</td>
</tr>
<tr>
<td>2013</td>
<td>2.657,64</td>
<td>2.782,06</td>
<td>2.929,80</td>
<td>3.138,06</td>
</tr>
<tr>
<td>2014</td>
<td>3.545,88</td>
<td>3.733,72</td>
<td>4.008,68</td>
<td>4.170,67</td>
</tr>
<tr>
<td>2015</td>
<td>4.173,02</td>
<td>4.244,82</td>
<td>4.448,74</td>
<td>4.834,92</td>
</tr>
<tr>
<td>2016</td>
<td>5.358,26</td>
<td>5.386,66</td>
<td>5.458,80</td>
<td>5.672,50</td>
</tr>
<tr>
<td>2017</td>
<td>5.652,63</td>
<td>5.640,98</td>
<td>5.532,87</td>
<td>5.574,92</td>
</tr>
</tbody>
</table>

*Source: National Bank of Serbia*

The decrease in credit activity in 2013 in the corporate sector relates to all categories of credit placements by purpose or branch activities of the economy. On a quarterly basis, the most significant reductions were in the group of loans for working capital (RSD 15.3 billion)
and investment loans (RSD 12.2 billion). At the same time, the most significant decline in loans relates to construction, wholesale and retail trade, as well as the manufacturing industry. The key contribution to the growth of loans to the finance and insurance sector comes from the fact that the trend of maintaining banks against risk-taking through the reduction credit exposures by the sector of the economy and placement of free assets into low-risk securities, primarily the repo securities of the National Bank of Serbia (which increased by 14.9 billion on a quarterly basis, i.e., 69.4 billion annually) and state bonds of the Republic of Serbia (National Bank of Serbia, 2013).

Figure 1. Net Government Position with the Banking Sector – Bank Claims from the State (mil. €)

![Figure 1](image)

*Source: National Bank of Serbia*

During the third quarter of 2017, gross loans to the banking sector Serbia in nominal terms increased by 24.5 billion dinars and amounted to are 2,028.6 billion dinars, representing a growth of 1.2%. When it’s a credit the activity of the banking sector is observed at the net level (after the impairment for the banking sector value adjustment), loans increased by 4.2%. Credit growth is evident, despite the fact that it is, in accordance with the Decision on accounting the write-off of balance sheet assets of banks, the transfer of troubled loans, which are completely impaired in the off-balance sheet of the bank. The increase in gross leveraged credit activity is most pronounced in the sector of companies, for RSD 31.0 billion (or 3.5% more than at the end of the previous quarter), as well as in the population, by RSD 11.2 billion (or by 1.4% more than in the previous quarter). Increase of loans given companies were recorded with loans indexed to foreign currency clause and loans in foreign currency (by RSD 34.1 billion), and that in mind loans for liquidity and working capital, and loans for payment of imports. The nominal reduction in gross loan activity was recorded in the sector of entrepreneurs, the public sector, foreign entities and other clients. Compared to the end of the previous quarter, the non-financial sector in bankruptcy has to 18.9 billion dinars, or 31.1%, less gross loans. With a share of 45.0% and 39.0% in total gross loans, corporate sector and population sector are still the most prevalent (National Bank of Serbia, 2017).
**International Investment Position**

International Investment Position (IIP) includes financial assets and passives that have an international character. IIP is a balance sheet of a foreign party financial assets and liabilities of a country. Foreign financial assets include financial receivables of residents, of nonresidents and monetary gold, which is included in the reserve assets of the land. (National Bank of Serbia, 2018)

The IIP shows stock at the beginning and end of an accounting period (most often a quarter or a year). Changes in the stock of financial assets and liabilities at the beginning and end of the period stem from changes in transactions (covered by the balance of payments) or other changes during the observation period. Other changes include those arising from write-off, revaluation, reclassification, commitments made or withdrawn, but not resulting from transactions between non-residents and residents. The IIP shows the difference between the stock of a country’s external financial assets and liabilities. A country has a net creditor or net debtor status depending on whether the IIP stock data have a positive or a negative sign. (National Bank of Serbia, 2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets (mil. €)</th>
<th>Liabilities (mil. €)</th>
<th>Net IIP (mil. €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>16.005</td>
<td>38.394</td>
<td>-22.389</td>
</tr>
<tr>
<td>2010</td>
<td>15.940</td>
<td>40.289</td>
<td>-24.349</td>
</tr>
<tr>
<td>2011</td>
<td>19.484</td>
<td>44.291</td>
<td>-24.807</td>
</tr>
<tr>
<td>2012</td>
<td>17.226</td>
<td>44.519</td>
<td>-27.293</td>
</tr>
<tr>
<td>2013</td>
<td>17.676</td>
<td>48.503</td>
<td>-30.827</td>
</tr>
<tr>
<td>2014</td>
<td>18.134</td>
<td>50.848</td>
<td>-32.714</td>
</tr>
<tr>
<td>2015</td>
<td>19.334</td>
<td>53.447</td>
<td>-34.113</td>
</tr>
<tr>
<td>2016</td>
<td>20.854</td>
<td>55.456</td>
<td>-34.872</td>
</tr>
<tr>
<td>2017</td>
<td>20.480</td>
<td>55.960</td>
<td>-35.840</td>
</tr>
</tbody>
</table>

*Source: National Bank of Serbia*

The IIP is the basis for assessing the exposure to country risk as it presents the stock, breakdown by sector and maturity of external liabilities, notably external debt, as well as the volume and composition of claims on non-residents. The IIP is a statistical statement that IMF member countries, pursuant to Article VIII, Section 5 of the IMF’s Articles of Agreement, are required to submit to the IMF at the determined dynamics. The IIP is prepared in line with the Sixth Edition of the IMF’s Balance of Payments and International Investment Position Manual (BPM6, 2008), and the IMF’s External Debt Statistics – Guide for Compilers and Users (2003). (National Bank of Serbia, 2018)
As a distinction between foreign financial assets and liabilities, IIP clearly shows the difference between the financial assets that one economy has and the money that he owes. Depending on the IIP sign, the land can be net creditor or net debtor in relation to the rest of the world. The IIP is the basis for assessing the country’s exposure to risk economic relations with other countries, since it contains a level display, sectoral schedule and maturity of foreign liabilities, especially foreign debt, as well as the volume and structure of receivables from non-residents. (National Bank of Serbia, 2017)
Foreign financial liabilities include financial liabilities Residents by non-residents. IIP, as a rule, shows the balance at the beginning and at the end of the billing period (usually quarter or year). Changes in the Balance of Financial Assets liabilities at the beginning and at the end of the period are caused by changes that are the result of transactions (included in the balance of payments) or other changes during the observation period. Other changes include changes based on write-offs, revaluations, reclassifications, occurrence or loss of obligations, and are not the result of transactions between a non-resident and a resident.

**Results**

According to previously presented indicators of the Claims of the Banking Sector from the State and the International Investment Position of the Republic of Serbia, the main focus was moved to determine and describe the coefficient of mutual correlation between these two indicators.

Since this is parametric statistics, where the coefficient of variation is less than 30 (in this particular case 17,09674), the Pearson method of correlation was applied, thus calculating the correlation coefficient of these two indices.

The correlation coefficient of the International Investment Position and the Claims of the Banking Sector from the State is -0.982104, which means that the correlation of these two parameters is above all: negative (< -0.5) and also strong (see Table 3).

**Table 3. Correlation between the IIP and the Claims of the Banking Sector from the State**

<table>
<thead>
<tr>
<th>Year</th>
<th>Claims of the Banking Sector from the State (mil. €)</th>
<th>International Investment Position (mil. €)</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.011,25</td>
<td>-22.389</td>
<td>-0.982104</td>
</tr>
<tr>
<td>2010</td>
<td>1.785,75</td>
<td>-24.349</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1.896,10</td>
<td>-24.807</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2.728,91</td>
<td>-27.293</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3.138,06</td>
<td>-30.827</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>4.170,67</td>
<td>-32.719</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>4.834,92</td>
<td>-34.113</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>5.672,50</td>
<td>-34.872</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>5.574,92</td>
<td>-35.840</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Authors’ interpretation based on the data base*

Also, using the descriptive statistics method, the determination coefficient can also be calculated. In this case, part of the variance of one variable caused to another is 96.4528%. Taking into consideration the relatively small number of samples (9 years) on which the research was conducted, and based on the calculated coefficient of determination, a certain degree of safety can determine the mutual cause of the trends of the tested variables.

In Picture 5, the correlation of these two indices is shown, along with the variation coefficients, also mentioned. Based on this, the conclusion is that a high level of the Banking Sector claims from the State contributes to a low IIP value. Therefore, the negative trend of
the International Investment Position is in a strong negative correlation with the increase of the Banking Sector claims from the state.

**Figure 4. Correlation between the IIP and the Claims of the Banking Sector from the State**

Source: Authors’ interpretation based on the data base

The negative trend that started in 2009, continued in the next three years, with a proportionate decline in investment and an increase in lending activity. After 2012, International Investment Position experienced a drastic drop from -27.293 mil. € to -30.827 mil. € in 2013. On the other hand, in the period from 2013-2014, Banking Sector claims from the state experienced a drastic increase. From 2014 to 2016, both parameters achieve an equal trend. In 2017 Banking Sector claims from the State are reduced, but the amount of reduction is negligible compared to the previous negative trend.

According to J. Tabakovic (2018), Serbia is good example of the numerous measures and activities taken to curb the level of non-performing loans in the last five years, because of the systematic approach taken to narrow the internal and external imbalances of the country and create a more stimulating investment environment in a sustainable manner.

Also, considering J. Galic’s research (2013), during 2009, the banking sector was faced with a lower availability of funds for investment, which made borrowing more expensive (higher interest rates essentially mean a lower level of investment activity, and expected consequences include lower liquidity of the real sector and difficulties in servicing the existing loans). The trend continued in 2010 and 2011; thus, at the end of 2012, the economy faced a shortage of liquid assets and high liabilities, which significantly affected the preservation of banking sector stability.
Conclusion

The economic crisis that has shaken the economy of the Republic of Serbia has been present in this region for the past twenty years. The consequence of this phenomenon is macroeconomic instability and the fact that domestic economy has stagnated, in conditions of strong inflationary pressures and the weakening of the domestic currency.

The stagnation of the economic recovery on the republic level and the deteriorated economic outlook with the decline in domestic economic activity has prompted the strengthening of macroeconomic imbalances. The decline in total economic activity, the overflow of exchange rate risk in credit, and the difficult access to financial markets and the narrowing of opportunities for collecting fresh sources of funding have limited the space for the operation of financial institutions.

A high level of indebtedness of the domestic real sector in the previous period was achieved, and the problem of insolvency, with consequent problems with the collection of placements, was caused by the relatively modest banking claims growth and the weakening of investment activity. Responding to a pre-determined subject of research, within the limits set by the methodological postulates, we have come up with results that confirm the hypothesis of the research.

The research is shown as the interdependence of parameters in the real sector. Two components of the real sector are presented, regarding the growth of the banking claims from the state activity and the decline in investment activity. Thus, the growth of the banking claims from the state was generated by quantitative data on Government debt in the banking sector. The decline in investment activity was presented through data on the international investment position of the Republic of Serbia. A high negative coefficient of interdependence between these two indicators was observed, on the basis of which the determination coefficient was calculated, and a high degree of causation of the two observed variables was determined.

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THE IMPORTANCE OF AUCTIONS FOR AGROINDUSTRIAL PRODUCTS TRADE

Abstract

The aim of this paper is research of the importance of auctions for wholesale of agro-industry products. Based on theoretical and scientific knowledge, the result that would encourage auction trade is demanded. The basic goal is, through the analysis of auction importance for trade, to affirm information and conclusions that may show that wholesale markets are appropriate place for auction trade in agro-industry. Therefore, the aim is to achieve expected result on the market, by auction trade, etc. by bid based on and equivalent to expected incomes. However, auctions are classical example of trade with mutual depended valuations, so theoretical and empirical researches tend to achieve the effect of efficiency and maximum revenue.

Key words: auctions, trade, market, wholesale market, agro-industry products

JEL Classification: Q1, O12

ЗНАЧАЈ АУКЦИЈА ЗА ТРГОВИНУ АГРОИНДУСТРИЈСКИМ ПРОИЗВОДИМА

Апстракт

Циљ рада је истраживање значаја аукција за трговину агроиндустријским производима на велико. На основу теоријских и научних сазнања жели се постићи такав резултат који ће подстакћи трговину путем аукција. Основни циљ је да се кроз анализу значаја аукција за трговину, афирмишу информације и закључци који могу показати да су велетржиште повољно место за аукцијску продају у агроиндустрији. Дакле, циљ је постићи очекивани резултат на тржишту, трговином путем аукција, методом лицитације који ће бити заснован и еквивалентан очекиваним приходима. Међутим, аукције представљају класичан пример трговине са међузависним вредновањима па се теоријским и емпиријским истраживањима жели постићи ефект ефикасности и максималног прихода.

Кључне речи: аукције, трговина, тржиште, велетржница, агроиндустријски производи

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Introduction

Auctions are kind of specialised market institutions that originate from ancient times. As market and trade forms, auctions have been present from 500 BC. When we speak of the importance of modern auction for trade, it is necessary to mention interest of governments, states and economists for their importance on oil market. It is not necessary to stress how important oil is for world trade, but for the purposes of this paper it could be necessary, in the sense of presentation the importance of auctions for global trade. In the middle of the 1970s, economists from all over the world shown greater interest for practical implementation of auctions in trade. Namely, the aim of research of importance and role of auctions in trade, was finding the most efficient strategies and plan for their realisation in the market. Modern business conditions and usage of the Internet contributed to development of auction trade and sales of different goods and services orientated to consumers. Also, it is necessary to stress the importance of so-called occasional auctions for goods that are rarely on market but may have great economic value and price, such as antiquities and artefacts with great artistic value. In the focus of analysis in this paper is the agro-industry products market and importance of auctions for the trade. When speaking about agro-industry products trade, it is important to point out the importance of bazaars and fairs as the oldest market institutions but also modern trade places as wholesale markets. For domestic and international trade, of great importance are regular auctions organised in regular time intervals with recognisable and well known goods. Fairs may be very efficient places for auction trade, if they are significant and recognisable in agro-industry. For these trading places time intervals are very significant and it is recognised in agriculture and agro-industry. The special aim of this work is to stress the relevance of wholesale markets as places for auction whole sales of agro-industry products. The main role of private, public or state wholesale markets is organisation of auction trade, providing place and monitoring the course of auctions. This is all necessary in such markets.

Definition - forms and place of auctions in trade

Auctions are among the oldest market institutions. They were held in places where many people have gathered, such as squares and during church ceremonies. Like bazaars, fairs also originate from ancient times. With certainty it is possible to say that they are the oldest forms of trade. If we say that some forms of trades are important for the development of trade for centuries, being improved by development of production forces and transport, it is however not necessary to stress it in the this case.

The word “auction” originates from Latin word „Auctio“ that means lifting. First auctions were organised in Ancient Rome. It is interesting to mention they were held on squares. The aim of auctions was the protection of interests of the absent and incapable, whose property was being sold. Later, this selling manner was used for sale of debtor’s property, by court decision, to pay debtor’s obligations. (Acin-Sigulinski, 2008).

Auction is a specialised market institution where the goods are sold by public sale – the bidding. The first price is determined by salesman, and the buyer who offers the highest price becomes the owner. The price is formed by bidding of potential buyers. The
owner of goods is the buyer who offers the most, so they have the right to buy wanted quantity at the offered price.

Auction in modern market economy is international market institution where the sale of goods is made by bidding and bidding is the method for achieving the maximum price. By opinion of the author of this paper – auctions are organised markets in which irreplaceable goods in strictly determined places and at the specified time, that fulfill all legal and security conditions for objective trade. There are different types of auctions, depending on aims they tend to achieve. According to the criterion of permanence, there are:

1. Occasional auctions – for goods that are rarely sold
2. Regular auctions – organised in public places with known methods of bidding.

When we speak about he significance of auctions for agricultural products trade, it is important to stress the relevance of regular auctions, because of the trade of familiar goods and because of the permanent place for auctions. Auctions may be:

1. Retail auctions and
2. Wholesale auctions.

When it comes to wholesale auctions, there are private companies, public or other economic entities engaged in organizing auctions, providing space and supervision services to traders operating in such markets. Auction companies provide auction organising services but do not participate in the trade themselves. The most important services of the auction companies are

- Providing the premises suitable for trade
- Organizing an auction store in terms of traders’ records and trading standards
- Conducting a bid flow
- They inform interested companies and the rest of the public about the prices achieved at the auctions.

In order to clarify the concept of trading, it should be noted that auctions are traded by auction brokers that are registered with an auction company (house) for trade in auctions. These companies represent buyers at the auction (brokers) because it is in the interest of buyers to use the brokers’ expertise, knowledge and confidence in achieving the appropriate price. There are also appropriate mechanisms for protecting the interests of buyers in the trade (bills) in the name of the company, bank guarantees and other types.

Auction types:

- 💡 English type
  The type of auction in which auctioneer begins to trade with the lowest acceptable price. The essence of this trading form is that buyers bid offers up to maximum acceptable for certain buyer.

- 🚪 Dutch type of auctions
  The type of auction that begins with the highest price which gets lower until some buyers agree to buy.
Auctions of sealed offers. (Đorđević et al. 2008).

This is the type of auctions in which participants give their offers in sealed form, so other participants do not know what the offer is. This type of auction consists of two parts, the first is the delivery of offers, and the second is opening of offers and announcement of winner and the highest price.

In 1797 Johann Wolfgang von Goethe sold his handwriting using auction of sealed offers. (Benni et al. 1998).

Steps for auction preparation:
• Preparation of auction plan
• Choice of auction form
• Development of auction rules
• Announcing in media
• Registration of participants and distribution of auction documentation
• Maintenance of auction
• Sale contract finalisation
• Conclusion of auction. (Đorđević et al. 2008).

Auction process:
1. Auction preparation:
   • Delivering goods on the address
   • Classification and separation in lots
   • Putting goods in an auction store for inspection
   • Promotion of auctions – sending of auction lists (place and date of auction, name of auctioneer, description of goods, description of each particular lot)
2. Auction bidding:
   • Announcement of opening
   • Bidding
   • Making contracts, taking goods for another auction sale, or withdrawal of goods. (Acin-Sigulinski, 2008).

Trade of agricultural products on fairs, wholesale markets and other trading places is specific due to:
1. Manner of organising
2. Price determination
3. Standardisation of goods and services that are exhibited or sold.

The specificity of trade in the agro-industry stems from the importance of these products for the health and life of the population. On the auction itself, there are experts who know the rules and standards in the agro-industry. The sale is performed by agents intermediaries, who accept goods which is considered to be interesting for potential buyers. They are the ones who determine the starting price and sell it in their own name and for the account of the owner. These are salesmen brokers. Depending on the type of auction and the reasons for the organisation of the trade, there are brokers who perform the buying on their behalf and for the account of the clients. It should be noted that both types of brokers charge a commission from sellers or customers. When it comes to agro-food or agro-industrial products sold at the auction, it should be noted that this is a sale of
non-standardised goods, which means that their quality cannot be accurately determined, so there is a need, before and sometimes during auctions, to be present in the premises. Based on the above, we can conclude that in terms of the quality of purchased and sold goods, wholesale markets represent the most efficient and important place for auction trade in agro-industrial products.

**Research results**

**The importance of auctions from the aspect of trade**

Modern approach to auction theory is seen in theorem of equivalency of expected incomes. This theorem is assuming that bidding participants have private values and they are neutral to the risk and also symmetrical (functions of probability allocation are identical), English, Dutch, auction on first-price and second-price bring the the same expected income to seller. If some of assumptions is not fulfilled, different kinds of auctions would generate different level of expected income to seller. It is necessary to mention that there are licitation participants that are reluctant to risk, and on second-price auction they would make an offer equal to the value. However, on the first-price auction, a bidding participant has a dilemma. If he lowers the offer in relation to its value, he would pay less if he wins, but probability for winning is lower. If bidding participant is reluctant to risk, it is more important for him to win but to pay less, so he will slightly lessen his offer on the value, and first price auction brings greater expected income to seller then second-price auction. Course of auction and expected income depends on the number and power of bidding participants. The important market moment during auctions may create an opportunity for bidding participants to operate cooperatively and form a cartel in order to generate greater profit on account of the seller who generates lower expected income. We may say that each kind of auction has its advantages and disadvantages, therefore combination of auctions are common in the practice. For example, in an English-Dutch auction, the first phase is an English auction until two participants remain. Afterwords, they participate in first-price auction. Dutch-English auctions have opposite order. Combining them encourages greater number of participants on bidding, who may also get a certain premium. On the bases of performed researches, we may conclude that auctions with great number of participants are very significant instrument for wholesale trade of agro-industrial products.

Auctions studied by Vickrey are known as sealed auctions, since proposals are given in sealed envelopes. On the sealed first price auctions, participant who offers the highest price gets the goods and pays the amount he had offered. On sealed bid second-price auctions, buyer who had offered the highest price gets goods, and pays the price equal to second highest amount.

Vickrey’s auctions are greatly studied in economic literature, but they are unusual in practice. There are generalized variations of Vickrey’s auction for multiplies auctions, such as generalized second-price auction. (Benjamin i dr, 2007).

Analysing modern type of agro-industrial products trade, the conclusion is that wholesale markets are the most organised and most efficient form of wholesale trade. From the aspect of efficient management aiming to achieve efficiency effect and
maximum revenue through auction sales, wholesale markets represent a well organised, permanent place of trade. Having in mind experiences and practical usage of wholesale markets in wholesale trade in developed economies, mainly for fruit and vegetables, we may conclude that they enable a trade increase and efficient distribution of agro-industrial products. An efficient management of the company or part of an auction company is also an effective tool for achieving the efficiency and effectiveness of increasing auctioning through auctions.

The importance of wholesale markets as a place for trade

Wholesale market, as a company or a part of an auction company, offers organising services but does not participate in the trade itself. Modern world agricultural production attaches enormous importance to healthy nutrition and food safety within the overall agro-industrial complex. The agrarian world economy is engaged in research on the importance of sustainable development of agriculture and especially areas that are, by their nature, suitable for the development of this type of industry. These places of trade create the necessary preconditions for the sale of large quantities of goods, controlled quality, domestic and foreign customers of controlled health safety. The importance of auctions for trade in agro-industrial products can be seen by comparing domestic trade as well as the share of domestic enterprises in regional, European and world trade.

The policy of reliance on the agrarian and rural economy as a whole would have to be, not only in the function of survival in the present times, but also a lasting determination of our country and economic development policy based on decentralisation and harmonious economic development. (Jovanović, 2013)

Wholesale markets are specialised market institutions aimed at supplying a larger volume of agricultural products market, primarily fruits and vegetables. At these market institutions, wholesale trade is made available to the agro-industrial products and therefore their impact is very important for concentration of total supply and demand in the agro-industry. Due to their specificity in trade, they may be trade institutions with a non-standardized or standardised trading process. The market form of the organisation of wholesale markets depends on its legal form, its role and importance on the market. Therefore, it is necessary to emphasise that wholesale markets can also organise the sale of goods through auctions.

The wholesale market is a special market institution that deals with the organisation of wholesale trade, by regulating, maintaining and issuing specialised space for exhibiting and selling fruits, vegetables and other agricultural and food products, other consumer goods, as well as the provision of accompanying services, and in particular the storage of goods, its processing, processing, packaging and other services related to handling and transportation. The Wholesale Market is a legal entity registered for carrying out activities of wholesale organisation in accordance with regulations on the registration of economic entities. Sales at wholesale markets are traded by traders. Wholesaling is done wholesale and exceptional retail trade under the conditions prescribed for the market. (Zakon o trgovini, 2013).

Modern approach involves the use of wholesale markets as a special form of trade in order to achieve the goals of the company in the market, the greater the volume of trade, the quality of the service provided as a competitive advantage, in order to satisfy the interests of customers and end-users. (Kuzman et al. 2017).
In developed countries, wholesale markets are one of the most important market institutions in agricultural products trade. (Kuzman et al. 2018).

The significance of wholesale markets from the aspect of total trade in agro-industrial products is great, but they can have a special role as places for trade through auctions. As a place of auction sale, they can have an informative role at the regional and national market level, especially for buyers and sellers of goods in the seat area. Their informative role is important from the aspect of reporting through electronic and printed media as well as media from the field of agro-industrial complex. Their role in the global auctioning site is reflected in ensuring the maximum supply of fruits and vegetables, cereals, increasing domestic supply and production, low prices and continuity of trading that enable adaptability to seasonal fluctuations in prices.

**Recommendations for the future of the market**

**by the development of auction sales**

The concept of the development of wholesale markets as market institutions needs to be adapted to the already established standards in world trade in agro-industrial products. With a strategic approach to the development of these institutions in wholesale, it is necessary to develop a system of trade based on samples, by reference to certain standards, description and quality of products and in an auction manner. In particular, we can emphasise that the sale through auctions in the world trade is increasingly taking place in the direct presence of goods at the wholesale market, with the aim of ensuring the quality of goods, food safety and human health, as well as the price for purchased goods. Therefore, it is necessary to emphasise the role and significance of wholesale markets for the auction trade in terms of ensuring all modern standards of storage and warehousing of goods already applied in market-developed economies.

The research showed that irrigation increases the efficiency of agricultural production, influences the change of the seed structure, and market surpluses can be placed on the international market by using the existing international agreements signed by the Republic of Serbia. (Mihailović et al. 2014).

The results of the research show that the improvement of the competitiveness of the agricultural sector in the Municipality of Stara Pazova requires the implementation of adequate strategic measures and projects in the field of improvement of human potential, higher level of processing of agricultural products, as well as better agrotechnical equipment of agricultural producers. (Mihailović et al. 2017).

Competitiveness is a combination of the best methods and business models in a market in which a consumer, buyer or other interested entity in the market finds common goals with an enterprise in the form of purchasing an acceptable product or service for satisfaction and usefulness in a commercially acceptable manner. (Prdić, 2017)

In order to meet the demands of more and more exciting customers, both in the domestic and foreign markets, strengthening the competitiveness of the domestic economy imposes, inter alia, the need for programmes that will improve agricultural and rural development. (Subić, 2017)

Advantages of auction trade on wholesale markets of agro-industry products are:

- The development strategy of trade and agro-industry complex of the Republic of Serbia
Huge interest of buyers for auction trade and trade on wholesale markets
Improvement of trade conditions by building and revitalisation of modern wholesale markets
Aggregate sales in trade of agricultural goods (fruits and vegetables, grains)
Implementation of European and world experiences in wholesale trade of agricultural goods
Opportunity for organised and planned export of products on other markets
Trade of organic and healthy food with controlled origin and safety
Wholesale buyers’ preference for auctions and wholesale markets as specialised market institutions but also attitudes and perception of consumers, for quality, price and freshness of products.

Disadvantages of auction trade on wholesale markets of agro-industry products are the following:
- Uncontrolled influence of wholesale network, especially in import of fruit and vegetables
- Inadequate development strategy and market rules
- Absence of export strategy for wholesale market that is enabled by auctions
- Strengthening of regional competition
- Traffic, infrastructural and information disbalance
- The lack of organised export on free markets (Russia) etc.

Based on the views of well-known experts on the importance of agriculture and the development of the market for agricultural products, the conclusion is simple and unique – the auctions are an effective type of wholesale trade.

Conclusion

Based on the conducted research, it can be concluded that auctions are a very important segment of the trade in the market, depending on whether it is a trade in products of special value or goods. The task of this paper was to examine the importance of auctions in trade in agro-industrial products as well as what effects they can achieve on business efficiency. When setting the goal that the bid wants to achieve, it follows that it is the efficiency and the maximum realised income of the seller. Depending on the type of goods we trade, for example fruit and vegetables, cereals, these two strategic goals before the auction can be harmonised but sometimes even conflicting. When these two goals are conflicting, it is possible that a particular auction allows the seller to earn a high income, but that the allocation is inefficient in the sense that the goods are not awarded to the bidder(s) who value it most. Also in terms of auction trading by auction method, it is possible that the allocation is effective, but that the seller achieves a low level of sales. On the basis of everything exposed, it can be noted that market information is a very important factor in organising auctions. One of the worst assumptions of auctioning is the inability to know the number and strength of potential participants at the auction. Therefore, it can be concluded when it comes to trade in agro-industrial products, primarily fruit and vegetables, that wholesale markets are a very efficient place for achieving the goals of sellers, customers and auction organisers. The importance of
auctions is clear when we have in mind that they are used for the sale of oil and gas. From the aforementioned known historical and practical facts, we can conclude that our goal in this paper was achieved in terms of emphasising their importance for trade. When considering the market for agroindustrial products, it is necessary to emphasise the trade in the famous fairgrounds in the world. Agricultural products have the significance of both nutrition and human health, and the controlled wholesale and retail trade system is important in the system of the entire agro-industrial complex. Like any other type of trade in the market, it has its advantages and disadvantages, but considering the overall importance of agro-industry, as well as the quantity, quality and price of products we can conclude that auctions on wholesale markets would improve the total trade volume.

References


KNOWLEDGE MANAGEMENT AND THE IMPORTANCE OF KNOWLEDGE MANAGEMENT FOR THE ORGANIZATION, S PERFORMANCE

Abstract

In the modern world, it is increasingly moving from the classic way of managing people, natural and material resources to the knowledge management process. Knowledge Management (Knowledge Management or KM for Knowledge) is a system that helps us understand how and why something happened in a particular organization or enterprise. In the business world, this process is also called “corporate memory”. Knowledge in this context is seen as an organization’s ability to function effectively. Knowledge management is a name that indicates a process in which an organization, collectively, intentionally and systematically collects, organizes, exchanges, shares and analyzes its own resources in terms of resources, documents, knowledge and skills of its associates. At the beginning of 1998, technological advances made it possible to eliminate the deficiency observed across business sectors: companies did not systematically manage the knowledge they gained in their work. If an employee leaves the company, there was an irrecoverable loss of knowledge, and the whole process of training, acquisition of knowledge and development of the methodology had to be repeated. Only a decade later, things have changed and many organizations have developed knowledge management systems. This concept attracted the attention to NGO because many of them generate knowledge, on the one hand, and face rapid changes of associates on the other. Knowledge management implies the ability to organize data (mining data), as well as some ways in which the searched data will “push” the target users, because the very existence of resources is not enough incentive for adult learning. Dealing with the knowledge component within business activities as explicitly expressed and integrated into all aspects of strategy work, through policy to practice at all levels in the organization.

Key words: Knowledge, Management, Decisions, Strategy, Organization

JEL classification: L29, M11, O39.
Knowledge as a synthesis of information

Globalization of the market emphasizes knowledge as the basic value of successful companies. Quality management of knowledge hidden in the company therefore becomes the imperative of successful business. Estimates say that most of the company’s knowledge is hidden. In such a situation, it is no surprise that more and more efforts are invested in an attempt to turn knowledge into a concrete fact that can help create new values of this capital. New ways of doing business, first of all business on the Internet, significantly redefine the working hours. Business 24/7/365 requires that corporate knowledge has to be a dynamic resource and it will be continuously used for the purpose of doing business as high as possible.

What is knowledge? Knowledge can be defined as a synthesis of information, professional and research knowledge and experiences that have practical value. Knowledge has two basic components: data and information. The data is actually unstructured records that do not have any value for themselves. For example, a list of...
orders for ordering time is a set of data. By analyzing the data, we obtain information, or knowledge that can lead us to activity. If we analyze data onto the above example, we can find out at what time the highest order is made; information that can be used to improve the business. Information can be generated from categorization, account, correction, and compression.

As already mentioned, knowledge management is a consequence of the increasing demands of global business. Also, the lack of knowledge where needed, as well as the dispersion of knowledge within different parts of the company, has led to thinking about the most effective way to manage organizational knowledge.

At company level, we can develop two types of knowledge. Employees have personal knowledge, and they are neither recorded nor categorized. The recorded knowledge (instructions, procedures) is called codified knowledge. A large number of knowledge management companies have shrunk to several basic categories, such as:

**Increasing productivity** - Using knowledge to define best business practices, as well as avoiding ineffective activities in order to quickly solve innovation problems and finding new ideas that directly improve productivity, as well as the company’s position on the market.

**The speed of responding to the problems and demands of customers** - It is first of all about the availability of knowledge where it is needed. Modern communication technologies have revolutionized the rapid distribution of knowledge regardless of geographical distance.

**Additional education** - Easy distribution of knowledge over the Internet allows everyday work on the education of employees (distance learning), which will put their knowledge into the knowledge management process at the company level.

**Acquiring new knowledge** - In order to maintain competitiveness and respond to the demands of modern business, companies continuously increase the quality of corporate knowledge. Employee education is a classic, but not the only solution. Namely, many downloads are carried out with the intention of acquiring the knowledge and technologies of other companies. Another, very popular way in the world, is the use of consulting services for companies whose only job is to collect and rent knowledge about various economic branches. Consulting services are used as a rule in key moments of performing a project, when short-term but concise experiences of others are needed.

Knowledge can be enhanced by organized communication (merging) of people with different profiles and intersections. Their joint engagement on a project can generate many quality ideas, which would otherwise not be possible. Adaptation to trends, new technologies and market and competition requirements, also inevitably, means acquiring new knowledge. In such a process, those employees that are willing to change and accept new knowledge and experiences are crucial.

Modern communication technologies (Internet) have led to the creation of the so-called „networking knowledge. It is a process of knowledge distribution of employees, teams, development groups, where intensive communication extends existing knowledge, but also creates new ideas. Finally, research into new technologies is one of the main methods of acquiring new corporate knowledge. In this, large world companies have even overgrown universities and become scientific institutions, as they invest in research and development (R & D) up to 25 percent of annual revenues. Knowledge management is not an easy job, but it is inevitable if you want a successful business. Good use of
corporate knowledge, its location and systematization can be crucial for generating new ideas and for a complicated process of transforming knowledge into better sales, higher profits or better placement on the market.

Types and sources of knowledge

There are numerous attempts to systematize knowledge, but for the needs of management, the most important ones are classifications that contribute to the development of knowledge management areas, that is, those that are significant from the aspect of business operations and functioning of the company.

One of the basic divisions contains five types of knowledge (Zack 1999):

- **declarative** - to know something about someone or something, (know-what)
- **procedurally** - to know how (know-how)
- **causally** - know why (know-why)
- **conditionally** - to know when (know-when)
- **relational** - know who / what with who / what (know-who, know-where)

These types of knowledge can be understood as key components of knowledge, which is significant from the aspect of development of managerial competences.

Knowledge can be divided individually and collectively. Individual knowledge includes the knowledge of individuals and it can be general and specific. General knowledge refers to the knowledge of some areas that are in principle the subject of the interest of the wider population and as such is available to everyone and is generally acquired during the primary education process.

Special knowledge refers to the knowledge of some narrow areas of interest and, unlike general knowledge; it is not available to everyone, but the conditionally stated privilege of those with higher educational levels. Collective knowledge is the knowledge that an organizational unit possesses.

An organization understood as a set of individuals leads to the conclusion that collective knowledge is equal to the cumulative knowledge of the individuals constituting the given organization.

However, collective knowledge of insensitivity and synergetic component, which implies that two individuals, in addition to their own knowledge, if they cooperate, create additional knowledge that is the result of a congratulatory process and relates to the improvement of knowledge. For organizations it is very important that they have employees with a wider scale of knowledge, that is, a larger number of individuals who are experts in some specific fields.

The most important division of knowledge from the aspect of knowledge management strategies is the one that distinguishes between implicit (tacit) and explicit (knowledge). Explicit Knowledge is the knowledge that can be expressed in the formal language and exchanged between individuals, and implicit knowledge is personal knowledge embodied in individual experience and involves intangible factors such as personal beliefs, perspectives and values. (Murray 2000).

For organizations, there is a much greater problem of managing implicit than explicit knowledge. The reason is more than simple, and lies in the fact that implicit
knowledge is not written anywhere and is an immanent part of every person who owns it. It is conveyed by speech, mutual discussions, open suggestions, and for its transfer, they will transfer it to the others if necessary. This fact raises the issue of managing implicit knowledge in cases of employee fluctuation or retirement. In these cases, the workers carry with them a part of the knowledge they acquired in the given organization, which belongs to the organization because it invested the resources and the time it was created, which it should remain after their departure, but is by its nature invisible.

From the point of view of administering implicit knowledge, it is far less a problem for organizations to retire the workers than to transfer workers to another organization, which in turn gives the implicit knowledge of newly recruited workers without any investment. The solution of the problem lies in the codification of implicit knowledge, which represents its transition to an explicit form. Implicit knowledge using appropriate symbols (depending on the type of media) goes into explicit knowledge.

In order to successfully implement a knowledge management program in one organization, it is necessary to identify all the knowledge sources that one organization has at its disposal. Generally speaking, two sources of knowledge can be identified: internal and external sources.

Internal knowledge sources are in the “heads” of the employees of the organizations and are characterized by the behavior of employees, procedures, software and equipment. Internal knowledge sources can be recorded in different documents or stored in database.

External sources of knowledge of general importance include publications, universities, and government agencies, consulting firms, professional associations, personal relations, suppliers, knowledge brokers and strategic alliances (Zack 1999).

In terms of company orientation in relation to knowledge sources, there are three options available. The first refers to enterprises that exclusively generate knowledge from their own sources. Although it is difficult to believe that in the present environment conditions such enterprises exist, the prevailing internal orientation can significantly jeopardize the competitive position of the company, because the trends in science are based on multidisciplinary orientation, and it is difficult to believe that an enterprise, regardless of size, can cover all fields of science. The second option refers to those companies that are oriented only to external knowledge sources. And this extreme attitude of the company towards knowledge can eventually cause instability in the company’s business, because the external sources of knowledge are free or very cheap, and at the same time they are accessible to all. A company that relies solely on external sources of knowledge can lose essential competence over time, and therefore the basis for a race with its competitors. In the end, the best option is to fine-tune the use of knowledge from internal and external sources. This combination eliminates the disadvantages of orientation only to internal or external sources of knowledge. An interesting option for acquiring new knowledge from external sources is strategic alliances. Although they are mostly formed on a project-based principle and with a time-limited duration, alliances offer enormous potential for acquiring new knowledge. All-participating companies use their own previous experience in working together and thus, deepen the knowledge boundaries. How well they can be good, alliances for individual companies that constitute it represent a permanent danger in the sense that alliances are used as perfidious spyware by partners. It is therefore necessary
to precisely define all the activities and areas that the Alliance should cover, thus protecting the vital knowledge of one’s own organization.

At first glance it is hard to believe but consumers and suppliers can be a significant and almost free source of knowledge. Although, in this case it is primarily in relation about ideas and information not about knowledge in some of the recognized forms, and the importance of these sources should not be underestimated. The active participation of the mentioned stakeholders can bring the company to the market and the vibrations that come from it. In order to exploit the potentials of customers and consumers, it is necessary to establish close contact with them both through the Internet (various online forums, discussions, mail), and face-to-face (the use of sales operations as the main recipient and various forms and techniques for collecting opinions).

### The importance of knowledge management for the organization’s performance

Managing knowledge and developing managerial competencies should enable better execution and implementation of the process. All the processes within the organization can be reduced to three basic processes: processes of effectiveness, efficiency and innovation.

### Significance of knowledge management from the aspect of effectiveness

Effectiveness involves performing the most desirable processes and making the most feasible decisions. Knowledge management can help the organization become more effective by helping them to choose and implement the most appropriate decisions. Knowledge management enables members of the organization to collect information necessary for monitoring external events. This results in fewer surprises for the organization’s leaders and, consequently, reduces the need for modifying plans. Otherwise, poor knowledge management can result in organizational errors that are reflected in repetition of the same problems or their poor prediction, even when they are obvious (Bacera-Fernandez and Gonzales 2004).

Knowledge management enables the organization to rapidly adapt its processes in line with current opportunities, which is especially evident in times of frequent and dynamic changes. At the same time, knowledge management organizations may have significant problems in maintaining the effectiveness process in case employees leave the organization (voluntarily or forcefully) or when admitting new members.

In the first case, the workers “relate” with their own knowledge and knowledge acquired in the organization in the process of organizational learning. Such knowledge can often be an integral part of essential competence. The loss of such knowledge erodes the competitive advantage. In the second case, the knowledge of newcomers may be incompatible with the knowledge that an organization needs, which may also have a bad effect on organizational performance, whereby knowledge includes routines, procedures,
processes, customs, rituals and the like. However, it should be aware of the fact that newcomers can bring improved organizational knowledge in all its elements, as well as experience and knowledge from previous jobs.

Significance of knowledge management from the aspect of efficiency

Effective knowledge management can provide organization with greater productivity and efficiency. Cases that confirm this are many. It is interesting to give an example of Toyota that, thanks to the network of knowledge sharing within the company, has provided a competitive advantage over other car manufacturers for years, primarily in productivity, and then in the speed of development of the new vehicle model. Toyota has managed to solve three basic dilemmas concerning the sharing of knowledge, referring to the following (Bacera-Fernandez and Gonzales 2004):

1. motivate members to participate and openly share useful knowledge (at the same time preventing them from being reared by the competition),
2. Prevent free riders (individuals who learn from others, but do not help others to learn) and
3. Reduce the costs associated with seeking and accessing different types of valuable knowledge.

The last stated can be in contradiction with one of the basic principles of knowledge management, which reads - knowledge management is expensive, but this is not so important given the benefits it brings. However, Toyota’s idea is quite different and emphasizes the view that some types of knowledge, although they have some theoretical value for the organization, can be imaginary because this knowledge for the given organization is not appropriate, and in this regard, it must be taken into account that it is managed knowledge that is really necessary for the organization.

The importance of knowledge management from the aspect of innovation

Organizations that manage knowledge and have developed a knowledge sharing system can expect their employees to generate new innovative solutions to solve problems, as well as the development of more innovative organizational processes. Knowledge management can provide more productive brainstorming and thus improve the process of innovation in an organization.

Benefits from knowledge management

Benefits from the concept of knowledge management and the development of managerial competencies are numerous, but the biggest problem is the quantification of all the benefits that are conditioned by the application of the concept. This problem
is further aggravated by the fact that there are both direct and indirect benefits and it is therefore common to use the knowledge management skills in a descriptive way.

Practitioners and theorists in the field of knowledge management have tried to quantify the contribution of knowledge management to the business results of the company through ROI (return on investment) investment coefficient in the knowledge management program, but some consistent model has not yet been found so that the obtained results are mainly based on a lower or higher probability of accuracy.

In general, knowledge management leads to a reduction in errors and redundancy, faster problem resolution, better decision-making, reduction in research and development costs, increased employee autonomy, improved relationships with employees and the improvement of products and services (Stuart 1996)

In the era of enterprise knowledge, the competitive advantage is based on knowledge and exploitation of the chances for which exploitation knowledge is necessary. The emphasis is on knowledge as a resource and it needs companies to provide:

- Innovation through the encouragement of free expression of ideas,
- Improving the services provided to consumers,
- Increasing revenue through better placement of products and services on the market,
- Reducing worker fluctuations through recognizing the value of employees’ knowledge and rewarding them for activities related to knowledge management,
- Improve work operations and reduce costs by eliminating redundancy or unwanted processes (Santosus and Surmacz 2001).

**Our position in knowledge management**

Do we have ground at all or have we fallen into the bottom without a bottom already?

If someone thought that the victory of Spartacus would disappear slave and society and a new one would arise, in the mistaken e-period in the rule of human society, it cannot be skipped it. Human development is a long way that can only be accelerated by education. Changes in the minds disappear much slower, as the management guru says, Peter Draker “changes can be managed, but they have to be settled”. This is just the education of the change bearers. Who are the bearers of change today, or where are we today in relation to the developed world? Do we have to “come” to this world or from this point we can connect to it?

**Conclusion**

What we can take as a result of the Western experience is that the carriers of change to industrial society are manipulators. They are those who are in the state to capture the existing technology and use the resources in the best way. Their work increases productivity. But we can see new tendencies in modern business that are reflected in the education of LIDER, but not the leader in the sense of the leader, the man who shares
on behalf of all, whose motto is “Company, it’s me” (Napoleon’s paraphrase: “The state, it’s me “), More leaders as trainers, teachers, consultants, people who can bring all the creative potentials of their employees, his motto is „Company, that’s us “.

And as we can see, the disease has taken waves at all levels. The living in some kind of irregularity we have developed our distorted system values, distorted the image of a society in which the gray economy runs (there are jokes here that people on average earn 100 euros a month, and spend 300), where the most important struggle for power, political and family ties a ticket for socializing on the social scale, the fight against corruption has not been a memorial until recently, and now it’s just from work. As a result, academic citizens do not see their future in this country. When we take all this into account, we find ourselves facing a big problem.

We are afraid that, as the problem of the gap with the industrial society is solved by buying Western technology, today we do not think that we will overcome the purchase of information technology. We have to change and change the philosophy of life-business.

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Competences-Based Perspective, A conceptual framework of managerial knowledge izvor Bosch, F.v.d. Wijk, R.v. Creation of Managerial Capabilities through Managerial Knowledge integration
BOOK REVIEWS

Saša M. Stepanov,
“MODEL OF QUALITY OF SERVICES OF BUSINESS SYSTEMS IN CATERING”,
Economics Society Ekonomika, Nis, 2018, p. 198.

Just published monograph (2018) Assist. Prof. PhD Saša Stepanov, a professor at the Faculty of Applied Management, Economics and Finance in Belgrade, could have a significant impact on the theory and practice of quality of services in business systems. The definitions, attitudes and conclusions presented in the monograph are the result of a long and fundamental work undertaken in order to provide answers to the quality of services, especially in the catering industry.

Writing a primitive monograph to the doctrine of a doctoral dissertation has always been a venture that requires skill that goes beyond the natural supremacy of scientific expression, especially when an authentic topic is to be presented within the framework of the science of quality. It is precisely the scientific monograph “Model of Quality of Business Systems in Catering” by the author Assist. Prof. PhD Saša Stepanov, a good example of the text on quality and its impact on the development of a society that is acceptable and comprehensible to the broad audience of readers.

The monograph has three parts. The first part consists of seven heads: “History and quality of quality”, “Defining quality”, “Fundamentals of the quality management system”, “The basis for establishing effective and efficient quality management”, “Quality in service quality, services, service specificity and their basic dimensions, and Basic Quality Measurement of Service Quality Measurements, while in the second and third parts of the monograph, the “Methodological Concept and Results of Research and Their Interpretation” are presented.

In the first chapter “History and importance of quality”, in one systematic and simple way, basic historical facts related to quality, control, testing, overall quality management, total quality of society, as well as its significance are presented. In order to achieve and maintain the quality of services in terms of user understanding and expectations, the author considers the basic strategy to successfully ensure the overall satisfaction of the user and its retention, ie ensuring his loyalty.

After the first, the author in the second chapter, “Defining Quality,” sums up several quality definitions that are directed towards a closer and clearer expression of a market approach to quality, as well as its definition, stressing that access to quality has changed depending on social and economic conditions or conditions on the market, and concludes that quality is a timeless concept. Accordingly, the author’s premise is that quality is composed of many parameters that interact in different ways, with certain quality characteristics having different significance depending on the type of product. The author views the quality as an alternative that has no alternative. From the aspect of the market, quality is one of the most important requirements, and from the aspect of the organization itself, quality is defined as the most important business function, which must be managed. A well-designed and set quality management system encompasses
all phases and all activities of the organization, from the initial determination of the requirements of the users, to the final fulfillment of their requirements and expectations, including support after delivery, all the way to the end of the life of the product or service. Activities can be in direct connection with the environment, or primarily related to the organization itself within which the activities take place, says the author of PhD. Stepanov. The term “quality” is not defined only in relation to users, but also in relation to the fulfillment of requirements, and those requests are made by all interested parties or stakeholders. The author then states that the services are a direct consequence of the realization of service activities, and in order to meet the market demands and expectations, the quality of the service plays a key role. Therefore, the user should first define the requirements for the service, and then evaluates and evaluates the level of service quality in the process of realization. Service processes are designed, organized, controlled and managed according to the requirements for quantity and quality of services. Service quality is a direct consequence of the applied strategy, technology and organization of service processes. Quality indicators in the service system relate to logistics resources, logistic processes and subprocesses, human resources, management and organization. The societal perspective refers to the quality of life, safety and environmental protection. From a social point of view, the quality of service needs three key functions: environmental protection, protection of human life and health, and protection of service users. Working conditions and security of service delivery are the basic factor that influences the choice of service strategy and technology. Certain service processes follow significant risks, so that in designing and organizing service processes, potential risks should be reduced to the minimum, and should be aimed at eliminating them.

From the third to the seventh head, the author performs analyzes of the basics of the quality management system, with the establishment of effective and efficient quality management, primarily in service activities. In the third chapter, it is emphasized that the family of SRPS ISO 9000 standards distinguishes between requirements for quality management systems and product requirements. Requirements for quality management systems are specified in the standard SRPS ISO 9001, because the requirements for quality management systems are generic and applicable in organizations in each industrial and commercial area, service activities, etc., regardless of product category. Standard SRPS ISO 9001 does not specify product requirements. Standard SRPS ISO 9000: 2007 lists examples of “users, owners, employees, suppliers, bankers, trade unions, partners or society” as examples of stakeholders. The new standard SRPS ISO 9004: 2009 defines stakeholders as individuals or other entities that add value to the organization, or are otherwise interested in the organization’s activities or activities of an organization affecting them. The management system can also be checked according to the requirements of international standards such as ISO 9001, ISO 14001, OHSAS 1800, etc. In the next, the fourth, the author analyzes the transition period in which Serbia is located, with a special emphasis on respecting norms in that period of the current standard ISO 9000: 2008. However, by adopting ISO 9000: 2015, these standards and guidelines are redefined to a certain extent in order to facilitate the integration of quality management systems. The standards of the SRPS ISO 9000 series are designed to help organizations of all types and forms of organization to implement and implement effective quality management systems. The standards of the SRPS ISO 9000: 2005 Series comprise the subject and area of application of the family of 79000 standards
and define the appropriate terms, while SRPS ISO 9001: 2008 defines the requirements for a quality management system when an organization needs to demonstrate its ability to consistently provide a product that meets the requirements of the users and the relevant laws and regulations, then SRPS ISO 9004: 2009 defines management in order to achieve a sustainable organization’s success, and SRPS ISO 19011: 2002, i.e., a system for checking the quality management system and/or environmental management system. In the next three chapters of the monograph, fifth, sixth, and seventh, the author also devotes great attention to quality in service activities, which provides guidance to support organizations for achieving sustainable success in a complex, demanding and changing environment, using the approach through quality management, then quality specifics services and their basic dimensions. The author seeks deep analysis in order to highlight the level of quality of services that has become a key factor of competitiveness, regardless of whether the buyer, the end user evaluates the service in question together with the material product (as an integral value of quality measurement) or separately from it. For this reason, the performance of the service system that delivers such services is very significant. Considering the fact that services have enormous importance and great participation in national economies, especially in developed countries, the author dedicates attention to this aspect precisely. Thus, the field of scientific knowledge of this monograph is directed towards quality.

In the second and third parts of the monograph, the methodological bases and results of the research and their interpretation are presented. Consequently, the author presents his research by carrying out the research on a convenient (convenient) sample, which is formed from the users of catering services of the business system, which was the easiest to arrive in the period of conducting the research, starting from the purpose and tasks of research and set hypotheses. The scientific contribution of the monograph is based on the extension and deepening of knowledge on all issues related to the subject of research, i.e., for the quality of services in the hospitality industry and their contribution to the affirmation of the quality of services in general, as well as the inclusion of these findings in the theoretical fund of science on quality and service economy. This research defines the basic factors of quality of delivered services in the catering industry, as well as the possibility of their prediction based on the socio-andragogical characteristics of the respondents (beneficiaries of these services). The distinguished factors of quality of catering services served as a basis for determining the model structure which should enable more precise approach to certain aspects of the quality of catering services in general, as well as their evaluation. At the same time, the practical contribution of this research undertaking is in defining, based on the epistemically determined indicators, the quality of delivered services, key factors from the perspective of catering service users. The information thus obtained indicates what needs to be done and what must be avoided in order to improve existing catering practices. In other words, the practical significance is reflected in the application of a new methodological procedure in evaluating the quality of services in the catering industry, which has the satisfaction of the beneficiaries of these services.

The scientific significance of the presented monograph by PhD Stepanova in the case of several positive and negative criticisms is also contained in the fact that he will give us a theoretical breakthrough in finding out the characteristics of some of the most important phenomena related to the quality of the services of business systems as it will
represent the readers not only insight into the definitions of basic concepts, but also a reliable guide through the labyrinth of the quality model of modern business systems, primarily in the catering industry. The indirect, social significance of the monograph is that the actors engaged in the field of quality decision making and implementation will improve the knowledge and thus the probability of creating new and expanding existing models of quality modern business systems in the catering industry. The book is very well written, and its layout, the overview of matter, the way and the simplicity of presentation are at the highest level. Complex measurements and research are explained in a very clear way. It will start to benefit everyone studying this issue, either in practice, either as science workers or students.

Prof. PhD Todor L. Petković
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Апстракт

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Abstract

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Литература

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