

**Varazdin Development and  
Entrepreneurship Agency**



**Economic and Social Development**



**7<sup>th</sup> International Scientific Conference  
Book of Abstracts**

**Editors:  
Ivica Filipovic, Marina Klacmer Calopa and Fran Galetic**

**New York City  
24 October 2014**

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## **Section 1**

# **Globalization and Challenges of the Modern World**

## ANALYSIS OF TAX SYSTEMS IN SLOVAKIA AND HUNGARY

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### **ABSTRACT**

*Taxes are very important and significant economic and political tool in a market economy. Various definitions of taxes are known from the fiscal theory and practice. In general, the tax can be characterized as a mandatory, legally established, non-equivalent, usually recurring payment, which is paid by taxpayers to the State in a specified amount and within a specified period. Each country has its own tax system, which is the result of historical development. Tax systems have gradually changed, they have been adapted to the specificities and needs of each country. The aim of this paper is to examine the tax systems of two neighbouring Central European countries, namely Slovakia and Hungary, and to determine their position within the European Union. There will be made an analysis of tax revenues in these countries and also an analysis of trends in tax rates. The analyses will be focused mainly on personal income tax, corporate income tax and value added tax; a comparison of the tax burden will be made between Slovakia, Hungary and the European Union Member States. When examining the tax burden the indicator of the tax quota will be used, this is currently one of the most common indicators of measurement and comparison of the tax burden.*

**Keywords:** *tax burden, tax rate, tax system*

**ACKNOWLEDGEMENT:** *The paper prepared within the project VEGA no. 1/0596/14 and project VEGA no. 1/0760/13.*

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## **A NEW FRAMEWORK FOR OPTIMIZING PARTNERSHIP IN PPP PROJECTS**

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### **ABSTRACT**

*The time we live in demands faster local development, yet, local entities dispose of severely limited resources. This drawback can be overcome by forming partnerships with the private sector (drawing on its knowledge, expertise, capital, material resources), making arrangements of collaboration between the public and private sectors – PPPs. A public private partnership is a form of collaboration between public and private partners to ensure the funding, construction, renewal, management or maintenance of the infrastructure, or to provide services. In this article we will show that successful PPP projects need the optimal cooperation of all the partners involved. We will present the results of a survey conducted on a sample of local authorities in the Republic of Croatia on the basis of which we developed a framework for the optimal success of the partnership in PPPs.*

**Keywords:** PPP, LED, partnership in PPP

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## **REGION AS A FACTOR CHANGES ON A GLOBAL SCALE**

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### **ABSTRACT**

*The term "region" originating from a Latin word: regio, has two meanings in itself in terms of etymology – first, it is a movement in a fixed direction, and the second one denotes space. Combination of both results in: "movement in a fixed direction, which defines space". The meaning generally relating to the area, has over time dominated the vernacular understanding of the whole word. Currently, the concept is in principle used to exclusively describe a given territory. However, nowadays, the*

*return to the primeval meaning of the word seems to be more and more justified as well as there should be more attention paid to changes in the specific direction which result from transformations taking place within regions. For a long time, regions were most of all and exclusively treated as the largest units of administrative division of individual countries. The most important subject within the pursued regional policy was a fast and efficient integration of areas indicating development inequalities. The particular attention was paid in this scope to equalize cultural distinctions and the level of their economic growth. Despite the multi-billion expenditure, the established goals have not been fully achieved. Progressing globalization have allowed local authorities to go beyond the narrow framework of inland structures. Currently, the regional authorities have become an essential factor and entity of policies in transnational dimension. In many cases, it has become the cause to radicalize social attitudes. In extreme cases, increase in importance of regions has resulted in local disputes of economic and political nature, and in some situations it has even led to military conflicts. It is to be assumed that we are witnesses to a broader phenomenon which may disturb the fragile balance created on international arena still in the second half of the 20th century. Attempts of specific regions emphasizing their autonomy to achieve greater or even total independence, are currently taking place in nearly every corner of the world. In turn, the lack of flexibility of national authorities in the face of demands placed by local communities creates a dangerous situation of an outbreak of new conflicts on a larger than local scale. With interest in inciting unrest and with active engagement of some world powers, it may lead to geopolitical changes on a great scale. Regions, as a simple tool remaining in specific hands, may in this manner become a factor of serious and dangerous transformations in an international dimension.*

**Keywords:** *autonomy, change, factor, globalization, region.*

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## **CYBER SECURITY IN THE GLOBALIZED WORLD: CHALLENGES FOR BANGLADESH**

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### **ABSTRACT**

*With the rapid spread of information and communication technology worldwide, cyber crime appears to be a potential threat for confidential computer data and systems. Technologically advanced countries like the United States are also victim*

*of this crime. Being a less developed country, Bangladesh is under risk of cyber crimes that threatens the national security of the country. The current government's agenda of making Digital Bangladesh attempts to ensure internet connection in all governmental institutions by 2021. Similarly, both national and multinational companies are now offering online services to consumers that facilitate online shopping, banking, and communication. However, criminals take their way in the digitalized world. They commit criminal activities through phishing, hacking and stealing of personal data. Thus governmental institutions and companies become under security threat for their secret data that can hamper the daily life of the entire population in the country. Moreover, the country's 90 percent of the software is pirated that exacerbates the cyber security in the country. In addition, recent clash between Bangladeshi and Indian hackers influence the diplomatic relations between the two countries. More importantly, terrorist organizations conduct their financial and information transactions through using internet. In this circumstance, the existing acts and initiatives against cyber crime are very limited to combat the threat. The essay attempts to study the threat of cyber crime in the globalized world with an emphasis on Bangladesh. Finally, the article will offer policy options for ensuring cyber security in the country.*

**Keywords:** Bangladesh, Cyber Security, Globalization.

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## **ON TACKLING THE GLOBAL CHALLENGE OF YOUTH UNEMPLOYMENT THROUGH ENTREPRENEURSHIP EDUCATION – A CASE STUDY OF THE FEDERAL POLYTECHNIC, ILARO, NIGERIA**

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### **ABSTRACT**

*This paper is an attempt to assess the efficacy of curriculum design for Entrepreneurship Education at the Federal Polytechnic, Ilaro. A two-prong approach to the teaching and learning of Entrepreneurship Education consisting of two components has been adopted by the institution. They are namely: theory component and vocational skill acquisition component. A survey was conducted by means of questionnaires among the participants, the HND II and ND II students, who are in the graduating classes to assess their acceptance or otherwise of the curriculum. The data collected was subjected to a chi-square test and the result obtained showed that a relationship exists between gender and choice of vocational training.*

**Keywords:** component, gender, skill acquisition.

\*\*\*\*\*

## **THE INFLUENCE OF PEDAGOGICAL SUPPORT ON THE USEFULNESS OF SPSS FOR STUDENTS OF ECONOMICS AND BUSINESS**

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### **ABSTRACT**

*Statistical software solutions are playing an increasingly important role in business, by increasing the importance of several databases which are used as a support to business decision making. Because of that the economics and business faculties endeavor to provide students with knowledge of different statistical software solutions. However, achieving the high level of understanding of statistical software is a challenge for the majority of students. Therefore the adequate level of educational support for students is vital in order for students themselves to understand the usefulness of statistical software. This understanding is important, because it helps motivating them to use and apply statistical software solutions in their future applications, whether during their further learning or at the workplace. To this end, we have developed a conceptual model of the usefulness of statistical software solutions SPSS (Statistical Package for the Social Sciences) for students at economics and business programs. The conceptual model is based on the TAM model (Technology Acceptance Model), which includes constructs such as usefulness, purpose, and ease of use of SPSS. The conceptual model incorporates the influence of "pedagogical support" as a construct that is additional to the TAM model. Our research question was whether there are any statistically significant differences between undergraduate and postgraduate students regarding relationships among constructs in the conceptual model. Therefore we have developed two conceptual models, namely for undergraduate and graduate level. The study involved 300 students in undergraduate and postgraduate programs at the University of Maribor, Faculty of Economics and Business. The findings were obtained by using the structural equation modeling (SEM), partial least squares method and corresponding t-value that allowed the authors to confirm the hypothesized relations and differences, as well as to validate the conceptual mode using the data analysis program SmartPLS. We have found that there are no statistically significant differences between students at undergraduate and postgraduate studies regarding relationships among constructs. This means that the conceptual models designed for undergraduate and graduate students do not differ*

significantly. However, we have also found that there are statistically significant differences between students in undergraduate and postgraduate studies regarding the usefulness of SPSS. Undergraduate students perceive the usefulness of SPSS as being of lesser value than this is the case with the students of postgraduate studies. The difference is expected, due to the nature of postgraduate studies, which requires advanced research skills and master thesis is usually already a contribution to economic science, as well as to society as a whole. At the same time, postgraduate students acquire additional methodological and theoretical knowledge, which helps them understand and perceive the usefulness of SPSS.

**Keywords:** pedagogical support, Technology Acceptance Model, usefulness SPSS, statistics, students

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## **MANAGING THE QUALITY OF CAMPING OFFER**

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### **ABSTRACT**

*In the overall tourism accommodation offer, camping offer presents an important segment of many European tourist destinations' carrying capacity. One third of the commercial offer in Europe is supplied by campsites, while in Croatia these capacities account for a quarter of all commercial accommodation units. The paper explores Croatian and European systems of campsites quality evaluation due to their extraordinary importance for the competitiveness of the camping product as well as their role in increasing the level of tourist consumption. The aim of this paper is to explore the relationship between quality and prices of camping services that encourage guest satisfaction as well as high performance and competitiveness of the camping offer. The authors wish to prove the thesis that higher quality camping product has a higher price, thus increasing the quality of camping demand, which implies both improved financial performance and competitiveness of camping accommodation as a special form of tourist accommodation. It is expected that the research results will confirm the thesis of the interdependence of quality and price of camping services, which encourages increased quality performance of camping*

*facilities, but also contributes to the overall success and competitiveness of tourist destinations.*

**Keywords:** *camping offer, competitiveness, management, performance, quality*

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## **SOCIAL AND ECONOMIC DEVELOPMENT OF RUSSIAN LOCAL SELF-GOVERNMENT: PROBLEMS AND PERSPECTIVES**

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### **ABSTRACT**

*The main function of local self-government is satisfaction of municipality's population needs. The essence of local self-government is to resolve issues of local importance by population of municipality directly and local authorities under its own responsibility. Thus, need to implement three main principles for effective solution of local issues: 1) principle of economic independence; 2) principle of organizational independence; 3) principle of functional independence. Research has shown that sometimes these principles are not implemented. According to the Russian Accounting Chamber and Russian Ministry of Regional Development only 2% of municipalities are economically independent. The revenue part of local budgets is composed of tax incomes (40-50%), of which only 3-15% is local taxes (the rest of the incomes are deductions from federal and regional taxes – 35%). And only 10-15% is incomes from using of municipal property, entrepreneurial activity. The rest of local budgets revenues are composed of interbudgetary transfers (grants, subsidies – around 35-50 %). Implementation of principle of organizational independence in many municipalities is also distorted. It means that in municipalities state authorities can intervene in process of formation (dismissal) and functioning of local self-government bodies. For example, a representative body of local self-government may be dissolved by Regional Law. Head of municipality may be resigned by Head of regional authorities. Such examples are very much. In 1998 Russia ratified the European Charter of Local Self-Government, therefore, this international treaties have priority over national legislation. Thus, Congress of Local and Regional Authorities of the Council of Europe conducts annual monitoring of the implementation of this Charter's norms. European Club of Local Government Experts annually informs Russian authorities about non-using the recommendations of the Congress of Local and Regional Authorities of the Council of Europe. These recommendations are aimed at improving the economic, organizational and functional independence of local self-government, as well as improving the quality of municipal democracy and it's social and economic*



*development. The article examines these and other issues related to the implementation of principles of economic, organizational and functional independence of local self-government.*

**Keywords:** *local self-government independence, local budgets, local issues.*

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## **INCREASE OF THE ROLE OF THE UNIVERSITIES IN DEVELOPMENT OF THE REGIONS**

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### **ABSTRACT**

*In conditions of formation of innovative system of development of the regions the intellectual function of the higher education and increase of the role of higher education institutions in innovative process becomes more obvious and demanded. The high education level is necessary background of movement to innovative economy. Extension of access to the higher education is the background for social progress and economic development. The work in conditions of open market economy makes new requirements to knowledge of experts having higher education. The situation analysis in the Russian professional education shows that the majority of higher education institutions carry out training of specialists in the fields of economics, management and law, and these directions are very popular among applicants. Crisis of the real sector of economy has undermined essentially the prestige of engineering specialties. The huge intellectual potential that has been gained in technical colleges, is unclaimed in the market economy. The problems of the higher school can't be solved separately from the problems of the social and economic development of the state and its territories. The priority role-in formation and realization of innovative strategy of development of Russia and its regions has to be at the higher school as only the higher school has necessary for the solution of so major problem of the intellectual potential now. However, the coordinated efforts of the educational institutions are necessary for its effective use. The creation of the federal universities that allow to group necessary resources for modernization of the higher education has to be the effective tool, and turn such universities from the traditional scientific and educational organizations into the innovative centers of development of the regions.*

**Keywords:** *university, innovative system, development of education, economic development*

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## **SIMPLIFICATION OF INTERNET SERVICES IN THE KNOWLEDGE SOCIETY**

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### **ABSTRACT**

*For several years, observable are processes of simplification IT systems and collectivization of network services. An example is the simplification of Linux operating system, which in first versions from clumsy, based on the command line and virtually devoid of the graphical elements evolved towards an open and user friendly operating system. The same applies to the posting of data on the Internet - work in cloud computing, building web pages. In addition, it is difficult not to agree with the fact that information is now one of the key consumer goods, and dynamic scientific and technological development in the twenty-first century civilization fosters referred to as a knowledge society. These considerations seem to indicate an increase simplification of communication systems and collective web services with the idea of the knowledge society. Undoubtedly, this issue deserves deeper consideration, and this article is a contribution to reflect on the issue of dissemination and simplify the network in the perspective of the knowledge society. Reflection locates on the border of sociology, economics and computer science.*

**Keywords:** *simplification, internet services, knowledge society.*

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## **CHARACTERISTICS AND OPINIONS OF CROATIAN WINTER SPORT DESTINATIONS' VISITORS**

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### **ABSTRACT**

*Although Croatia is not an Alps country, around 21% of its surface is 500 meters above sea level, and it has developed several winter sport destinations. All winter sport destinations have no more than 30 kilometres of ski trails, and are mostly intended for domestic visitors. The aim of this paper is twofold. First aim is to discuss the possibilities for development of winter sports tourism in Croatia, and second is to research into the opinions of domestic visitors about Croatia's winter sport destinations. For that purpose, a secondary data analysis was employed, and a primary research was conducted. A questionnaire was a part of a broader research conducted to find out characteristics of Croatian skiing market. In total 744 questionnaires were collected, but 291 interviewees stated that they do not go skiing*

*and were therefore excluded from the analysis. Out of 422 analysed questionnaires, 48% of interviewees did not visit Croatian ski destinations. The research has shown that the most important shortcomings of Croatian skiing destinations are their size, lack of snow and poor quality of trails. Their biggest advantage is their proximity, and skiers are most satisfied with the quality of skiing schools. The results of this research can certainly help winter sports destinations improve their position at the market.*

**Keywords:** Croatia, satisfaction level, skiers, winter sport tourism

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## **INNOVATION PROJECTS CLASSIFICATION ISSUES**

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### **ABSTRACT**

*Innovation is identified as a key driver for strengthening of competitiveness and the central element of today's knowledge-based economy. In EU, it has become one of the priorities aiming at the modernization of the industrial base. In that sense, this paper is dealing with innovation projects as a special project category that is getting high attention in innovation and project management literature and practice. It can be said that quite recently the link between innovation and projects has come under serious examination, leading to better understanding of innovation in projects typology. This relation has generated much research in recent years, showing the importance of this area. Consequently, the goal of the paper is to give some more insight into concept and special characteristics of innovation projects and above all, to present one possible classification expanded by some new types of recently identified innovation categories. So far, conventional typologies have been mostly oriented towards a product/service/process innovation projects. One of frequently mentioned categories, not explicitly listed in Oslo Manual classification is that of eco-innovation. It represents the modern concept in the innovation theory, explaining a remarkable impact of innovations on the quality of life and environmental protection. Therefore, an overall and comprehensive innovation project classification should be very important regarding their clear contribution to economic and social development, as well as industrial and environmental improvements.*

**Keywords:** Innovation, Innovation project, Classification, Model

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## **MODERN CONCEPT OF FINANCIAL POLICY OF THE UNITED STATES OF AMERICA, THE EUROPEAN UNION AND POLAND AND ITS IMPACT ON GROSS DOMESTIC PRODUCT**

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### **ABSTRACT**

*The article was devoted to the most important theme, which is taken up not only in Europe but also in the world. The modern concept of financial policy, which is applied in various countries, among others, in Poland, the United States and Europe, is characterised by the difference, but it has to lead to one goal of economic development. Two different concepts that were applied by the United States of America and the European Union have similar indirect aims, but the approach of achieving them differs. The policy of the United States of America consists in the additional printing of money, while the European Union policy is based on signing the fiscal pact, according to which the European Union countries can not bear too high costs. They even restrict expenditure and stabilise public finances as well as save money and search for other sources of income. In the thesis, the research on various stages of dealing with the economic crisis, as well as the application of counteracting the economic crisis were made. Moreover, two different financial policies, applied in the United States of America, the European Union and Poland, and their impact on the Gross Domestic Product, were compared. The impact of the applied financial policies on the financial results was examined. Furthermore, the ratios of inflation, unemployment, industrial production and current turnover, were analysed. Additionally, the evolution of the commodity prices and the exchange rate on the two sides of the Ocean, during the use of various financial policies in America and Europe were compared. The research aims to approximate which of the applied financial policies is more effective, how it affects the financial results that should be achieved with its application, what an impact it has on the inhabitants of a given region, and if it is characterised by the effectiveness in counteracting the crisis and even results in the economic growth. The research period that was emphasised in the thesis relates to the period of 01.2004-06.2014. The research was conducted analysing the selected economic data of the United States of America, the European Union and Poland.*

**Keywords:** *crisis, financial policy, Gross Domestic Product, inflation, interest rates*

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## **MIGRATION VERSUS RETRAINING AND PROFESIONAL CHANGE**

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### **ABSTRACT**

*The present study aims to analyze labor migration from Romania starting with 2005 until present, the causes and effects of this phenomenon on short and medium term. The labor force mobility is a component of contemporary society and equally adjustment tool imbalances in labor markets. The dynamics of labor force mobility in Europe has been determined, basically, by the political events from 1989. After the falling of the communist regime in Romania, our country has faced the phenomenon of population migration and, implicitly, of labor work mobility. The migration is still happening nowadays, but the intensity of migration is no longer as strong as it was 10 years ago. Also, this study will present the measures taken on the national level to counteract the migration phenomenon in Romania. Have these measures failed to achieve their goal? The study will also analyze the problem of the unemployment insurance, especially the costs incurred in terms of retraining and professional reconversion of free movement of goods, persons and capital open with the accession of Romania to the EU's economic and social valences. The study conclusions propose a set of measures that each state should take to balance retraining costs of unemployment segment, a mutual fund in this regard, so that countries with lower economic potential should not be forced to bear much of these expenses.*

*Chapters:*

- 1. The analysis of the migration phenomenon from 2002 to present. Causes and effects*
- 2. Retraining programs of the Romanian labor force from 2005 to present*
- 3. Demand and offer on the labor force market in Romania compared to EU*
- 4. Conclusion*

**Keywords:** *labor force, migration, social protection system, unemployment insurance, unemployment retraining.*

**ACKNOWLEDGEMENT:** *The achievement of this study was possible with the support of the program Performance and Excellency in Doctoral and Postdoctoral Research in Economic Sciences from Romania, contract no. POSDRU/159/1.5/S/142115, a project co-financed from The European Social Fund through the Operational Sectorial Program in Human Resources Developing 2007-2013.*

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## **PREDICTING INDICATORS AT SMALL SCALE USING ENTROPY ECONOMETRICS**

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### **ABSTRACT**

*Statistical information for empirical analysis is very frequently available at a higher level of aggregation than it would be desired. Economic and social indicators by income classes, for example, are not always available for cross-country comparisons, and this problem aggravates when the geographical area of interest is sub-national (regions). In this paper we propose entropy-based methodologies that use all available information at each level of aggregation even if it is incomplete. This type of estimators have been studied before in the field of Ecological Inference. This research is related to a classical problem in geographical analysis called to modifiable area unit problem, where spatial data disaggregation may give inaccurate results due to spatial heterogeneity in the explanatory variables. An empirical application to Spanish data is also presented.*

**Keywords:** *Disaggregated regional data, distributionally weighted regression, generalized cross entropy.*

**ACKNOWLEDGEMENTS:** *This work has been completed within the BLU-ETS project “Blue-Enterprises and Trade Statistics”, a small or medium-scale focused research project funded by the Seventh Framework Programme of the European Commission, FP7-COOPERATION-SSH (Cooperation Work Programme: Socio-Economic Sciences and the Humanities).*

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## **NEW WAY OF BEHAVING IN INTERDEPENDENT SOCIETIES: INTERNET CONTRIBUTION IN FOSTERING CONSUMER'S WILLINGNESS TO PAY SOLIDARITY-BASED GOODS**

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### **ABSTRACT**

*This paper aims at demonstrating that Worldwide growth, International Trade has led to great hopes for the sustainable improvement of well-being and living conditions. But it has a cost, while extreme long-term poverty is on the wane, there is a parallel dangerous increase in the different forms of inequality that threaten both the sustainability of our interdependent societies and a specific region as Sub-Saharan Africa... Several initiatives have emerged worldwide and aimed at tackling structural inequalities. For instance, solidarity-based economy challenges the major social and/or environmental problems of today's world by seeking innovative solutions at the economic, political levels... In daily life, Solidarity-based economy leans on the consumers' willingness to pay a premium, with respect to the "social quality" of produced goods. The paper highlights the major contributions of Internet in fostering the "prospective responsibility" and "individualized collective action" within our interdependent societies and globalized economies. It shows that specific characteristics of this Technology help in developing consumers' prospective responsibility which is at the heart of a new way of behaving... Those contributions will be illustrated with the study of Fair Trade: "a new trade partnership considering equity and solidarity towards marginal and vulnerable actors", which is the best known of the emerging initiatives that constitute the solidarity-based economy and addresses social justice issue.*

**Keywords:** *Consumer's responsibility, Individualized collective action, Internet, Inequality Poverty, Solidarity-based economy, Willingness to pay*

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## **CREATIVITY AND ENTREPRENEURSHIP IN INFORMATIONAL METROPOLITAN REGIONS**

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### **ABSTRACT**

*Due to the growing importance of metropolitan regions for the economy this work aims at analyzing what fosters economic prosperity. We propose the theory that creativity generates new ideas and enhances the entrepreneurship level in the city. In this research the focus lies on metropolitan regions, located around 30 Informational World Cities, which are prototypical cities of the knowledge society. Referring to Friedmann, we extended our focus to regions (surrounding the cities) and went beyond administrative boundaries for the purpose of economic integration and commuting flows to be included. The main task entails finding a possible correlation between creativity, entrepreneurship and economic prosperity. In order to do so, we had to determine adequate indicators describing these aspects. Regarding the economic prosperity we elaborated the GDP per capita. As for entrepreneurship, we focused on the self-employment rate and establishment of new firms. For the purpose of measuring the creativity we had to define it first, namely as constructiveness and innovative problem solving. This means creativity is not only to be found in the field of arts, but also in the fields of science, technology and research. Therefore, we chose the following four indicators to measure the level of creativeness: the Bohemian Index according to Florida which measures the amount of creative people within the city, the creative infrastructure, the scientific (publications) and the technological output (patents). To sum up, our research questions are: Can it be stated that in the informational metropolitan regions the*



*more creative the city is, the more entrepreneurs it has? And, is there any correlation between creativity, economic prosperity, and entrepreneurship?*

**Keywords:** *Creativity, Economic prosperity, Entrepreneurship, Metropolitan regions, Informational World Cities*

#### **ACKNOWLEDGEMENT**

*We would like to thank Elmar Lins for conducting the significance test.*

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## **MODELS FOR MEASUREMENT OF NATIONAL INTELLECTUAL CAPITAL - A CASE STUDY OF THE SKANDIA NAVIGATOR MODEL**

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#### **ABSTRACT**

*Measuring of the national intellectual capital is important for every nation because of its role in the creation of national wealth. During the time, different individuals and international organizations have tried to develop an appropriate methodology for measuring national intellectual capital. This article focuses on a model that was developed by Leif Edvinsson and Michael S. Malone for needs of companies. The model is Skandia Navigator, and it was widely accepted both by companies and academic community. After this enormous success, the authors decided to modify this model for measuring a national intellectual capital. Just as the previous model (for the companies), a national model has resulted to be a great success, and it was used for measuring intellectual capital of 44 countries. The model consists from five components: financial capital, market capital, process capital, human capital and renewable and developing capital that are placed in suitable time frame (past, present and future). The indicators used in the model can be divided in basic and specific for every country. Model has several concepts of implementation, and some of them are presented in this article.*

**Keywords:** *Financial Capital, Human Capital, Market Capital, Process Capital, Renewable and Developing Capital, Skandia Navigator.*

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## **INFLUENCE OF CULTUROLOGICAL ENVIRONMENT AND LEADER'S PERSONALITY IN MORAL JUDGEMENT**

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### **ABSTRACT**

*At the moment of entering a new cultural environment there is an inevitable appearance of the need for personal transformation in leadership, and that according to Jean Piaget, author of theory of cognitive development, primarily occurs in early age and develops throughout life, passing through all transformations, adjusting to social and ethical norms of behaviour thus creating personality later enriched with education, experience, beliefs and values through ways of judgement and deciding makes a whole. When entering a new cultural environment, with various business and social activities, this whole is often tested in terms of flexibility, adjustability, internal moral criteria (moral compass), acceptance of new norms of behaviour, different culturality, different language areas, different microeconomic situations than the one it came from. Leaders face a task of maintaining their own integrity through reactions defined by the code of ethics, socially responsible management and profits. If they put in a new situation, leaders use all of their resources in order to know how to rightly deem and judge which behaviour to keep through their moral compass, and which to accept from the culture they came to. Each of them is faced with a question to what extent goal (profits) justifies means. It is a duty of every leader to conduct an inventory of their ego as exhibited manifestation of personality through recognition of too weak and too strong ego and reactions to appearance of them through humility, humbleness, ethics, morality and the need to satisfy all stakeholders in the decision-making process, characterized by ethical leadership. Link between leaders, shareholders and stakeholders should be continuous with the right to integrity and dignity of all those included in the system through implementation and everyday enlivening and enrichment of ethical norms of behaviour agreed by code of ethics.*

**Keywords:** *Culturological Environment, Ethical Leadership, Moral Judgement, Personal ego, Personality*

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## **CREATIVE INDUSTRIES ROLE IN ST. PETERSBURG SOCIO-ECONOMIC DEVELOPMENT STRATEGY**

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### **ABSTRACT**

St. Petersburg is the second biggest city in Russia (4th in Europe due to citizens number factor) with total population over 5 million inhabitants and is extremely important industrial, commercial, scientific, cultural national center. Now St. Petersburg is the only big city which whole downtown (over 40,000 buildings) has been included into UNESCO World Heritage list. At the same time St. Petersburg has some economic and social problems (underdeveloped infrastructure, old technology based industrial enterprises number, negative regional foreign trade balance, low population life expectancy, etc.). In order to solve different problems the city Government has designed the socio-economic development strategy up to the year 2030 (Strategy).

**Keywords:** *Creative industries, creative spaces, city of St. Petersburg, St. Petersburg St. Petersburg socio-economic development strategy, Russia*

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## **TRANSFER OF TECHNOLOGIES IN DEVELOPMENT COOPERATION MODELS**

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### **ABSTRACT**

*Development cooperation has been identified as one of the possible sources of technology transfer to Sub-Saharan Africa. However, the poorest region of the world and the biggest recipient of Official Development Assistance, Sub-Saharan Africa is also the least advanced technologically. Seeing in technology development an opportunity to stimulate economic development and convergence, the issue of development cooperation mechanisms for increasing the use of technology in economies of the countries from the region is approached. The goal of this paper is to define three general models of cooperation: traditional, socially responsible, and horizontal. These models are based on the historical background of development*

*relations between the co called donor and recipient, on the structure of aid and the recipient catalogue. Main characteristics of identified models were put in the context of aid quality and selection of aid channels. Although the models apply to general development aid compartment, the context of technology transfer possibility was addressed in this paper, since it has been assumed a crucial element to eliminate development disparities. Problem of the role of international cooperation in technology transfer, factors influencing the transfer and conditions which foster technology transfer have also been undertaken in this research. Methods of comparative and system analysis were adopted in order to elaborate theoretical foundations for the models of cooperation.*

**Keywords:** *development assistance, development cooperation, technology transfer*

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## **LINUX MYTH. OPEN SOURCE SOFTWARE IN INFORMATION SOCIETY**

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### **ABSTRACT**

*In Information Society is clear that information is the most important value. To have access to them need to pay fee. Nevertheless in this economic algorithm is at least one expection - the Open Source Software project. The quality of those kind of applications is as good as in comercial projects, but they are free of charge. In some versions of software licences (like in GNU General Public License) user can freely use the software, analyse how it works, adjust the application to his expectations and put the new version into Internet (for other users). This solution is totaly free. But, here is the question - how it works? what is the legal status? why it is free? is it popular? In one of empirical cases of my work I will put into examination the case of Linux Operating System. I will try to answer those questions and show the background of whole problem with Open Source Software.*

**Keywords:** *Linux, Open Source Software, Information Society, Software Licences.*

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## **BEYOND ECONOMIC REVENUE: THE SOCIAL IMPLICATIONS OF TOURISM**

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### **ABSTRACT**

*The traditional tendency to measure the impact of tourism by its economic revenue led tourist industries to focus on audiences that held the biggest share of their product – mass/leisure tourism. The growing popularity of sustainable tourism indicates that the industry is now being considered within social and environmental contexts. Alternative forms of tourism including educational, volunteer, and cultural tourism are becoming more popular, gradually reshaping tourism as a concept that promotes cultural understanding and peace. Dark tourism, referring to the appeal of death and disaster, is another form of socially-impactful tourism. Looking at post-conflict areas, one can identify the niche dark audience of conflict professionals – researchers, academics, trainers, journalists, policy-makers. While various forms of tourism overlap within one territory, focusing on an audience with a more evident purpose of visit such as conflict professionals allows this study to more clearly evaluate the social impact of that particular form of tourism. Why focus on conflict professionals? Although their turnout can be a negligible percentage of the overall tourist turnout in a particular territory, it is an audience that not only visits the post-conflict territory, but also contributes to its social development and raises international awareness for the territory's post-conflict transition. Having in mind the articles and books written for a post-conflict area by foreign conflict professionals, and the capacity-building offered to locals, it appears that the social contribution this audience offers is one to be considered. Looking beyond economic revenue, what is the social impact of post-conflict dark tourism by conflict professionals? This thesis will discuss its significance within the context of Cyprus, a popular tourism destination, which is also a post-conflict site.*

**Keywords:** *Cyprus, Post-conflict areas, Social development, Tourism*

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## **SOCIAL MEDIA USAGE IN BANKING INDUSTRY AND ITS MANAGERIAL VIEW: CASE STUDY FOR MEXICAN BANKING SYSTEM**

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### **ABSTRACT**

*Being a basic platform of worldwide electronic business, the Internet has emerged as the world's major distribution channel for goods and services, the easiest and cheapest way for communication and interaction. These changes, which have influenced more or less all business areas by making them to be drastically transformed, require new challenges, communication approaches and creative behavior in the "dot com upheaval". It has affected banking industry and made them to deal with radically new challenges. It has offered lots of opportunities for businesses that can be seen even in the short period. And here managers need to create and establish new ways and methods to transform and adjust their organizations to the new changes, to communicate and interact to customers, which best can be done via Social Media. Social media has become a part of human life. It has entered consumers' day to day lives. It has tremendous impact on today's world especially in business world. The rapid progresses in technology seem to have more impact on changes in the banking industry than any other. This article is focused on social media usage in banking industry. We define social media as a manifestation, development and transformation of human's most impressive characters: communication and interaction, which nowadays are done throughout the new channels. The right communication is linked with customer satisfaction, which itself is linked with customers loyalty and retention. Thereby, in our opinion social media is a new challenge in banking industry the ignorance of what can cost banks customers' loss. In fact, today banking industry is extensively debating, discussing and thinking on Social Media usage in financial world. Banks have begun to catch that social media is a new challenge for them and it can become a crucial constituent of banking strategy. Social media in banking industry is a discussion topic of this article which than comes up with its current usage in Mexican banks and its managerial view.*

**Keywords:** *customer care, customer satisfaction, communication, social media*

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## **THE ANALYSIS OF THE IMPACT OF MACROECONOMIC SHOCKS ON CROATIAN ECONOMY USING THE SVAR METHODOLOGY**

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### **ABSTRACT**

*The aim of this paper was to develop a statistical model that will be able to encompass the most important macroeconomic shocks that hit the Croatian economy in the last decade. Since Croatia is a small open economy (SOE), which is due to the economic structure largely dependent on the economic performance in the euro area, it is assumed that any significant change in the euro area would affect Croatian economy.*

*Therefore, the goal was to identify and explain the reaction of the domestic economy to domestic and euro area shocks. For the purpose of this research, a five-variable structural vector autoregressive (SVAR) model comprising both domestic and foreign variables was used imposing block-exogeneity restrictions and assuming that domestic shocks have no significant impact on variables from the euro area. Variables were divided into two blocks, where the first block represented foreign economy and was comprised of real Gross Domestic Product (GDP) and harmonized consumer price index in the euro area, while the second block represented Croatian economy and consisted of real GDP, consumer price index and real exchange rate of the kuna against euro. Using innovation analysis, we examined the size and the persistence of both domestic and foreign shocks on the Croatian economy and studied the relative importance of each shock in explaining the fluctuations of domestic variables.*

*The estimated impulse response functions and variance decomposition showed that foreign variables have a significant impact on domestic variables and are the main determinants of domestic inflation and economic activity in Croatia. The results can be useful to policy makers as they show that the volatility of foreign macroeconomic fundamentals should be taken into account for future studies of domestic economic developments.*

**Keywords:** *Block-exogeneity restrictions, Croatia, Macroeconomic shocks, Small open economy (SOE), structural vector autoregressive (SVAR) model*

**Acknowledgment:** This work has been fully supported by Croatian Science Foundation under the project STRENGTHS (project no. 9402).

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## **PRACTICAL EXPERIENCES WITH THE IMPLEMENTATION OF BSC IN THE MANAGEMENT OF SLOVAK COMPANIES**

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### **ABSTRACT**

*Implementation of the Balanced Scorecard method to the management system of Slovak businesses seems to be a real problem. A large number of factors are involved in the use of this method in the business management, from theoretical concepts to practical applications. The largest, respectively the most significant problem is in the misunderstanding of the importance and benefits of this method, but also in financial difficulty of Balanced Scorecard model implementation to the life of Slovak companies. Small and medium-sized businesses in particular are concerned about this method because it is rather expensive for them and they are not convinced of its benefits and positive results. In addition, the present time is significantly affected by a lack of funds for the implementation of expensive software solutions for business management and controlling. Balanced Scorecard method, however, is an area that cannot be omitted due to lack of funds. It is the area that is important to develop in time of lack of funds, because the right setting of goals helps to overcome this problem as well. No expensive software solutions of Balanced Scorecard from IT companies are needed but healthy strategic thinking of managers of enterprises. Only those who work in the company know it the best. The benefit of this paper is to point out a way of applying BSC method without application of*



*software products of IT companies but by the initiative of managers and employees in selected Slovak company.*

**Keywords:** *Balanced Scorecard, Perspectives, Strategy, Strategy Map.*

**ACKNOWLEDGEMENT**

*This paper was prepared within the grant scheme VEGA no. 1/0596/14 – Creditworthy model formation with the use of financial and sectoral indicators in the energy industry of the European Union and forecasting the indicators development.*

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**FARMERS' USE OF INDIGENOUS KNOWLEDGE SYSTEM (IKS)  
FOR SELECTED ARABLE CROPS PRODUCTION IN ONDO STATE**

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**ABSTRACT**

*This study sought to determine the use of indigenous knowledge for selected arable crops production in Ondo State. A multistage sampling method was used and 112 arable crops farmers were systematically selected. Data were analyzed using both descriptive and inferential statistics. The results showed that majority of the sampled farmers were male (75.90%). About 75% were married with children. Large proportion of them (62.61%) were within the ages of 30-49 years. Most of them have spent about 10 years in farming (58.92%). The highest raw scores of use of indigenous knowledge were found in planting on mound in yam production, use of native medicine and scare crow method in controlling birds in rice production, timely planting of locally developed resistant varieties in cassava production and soaking of maize seeds in water to determine their viability with raw scores of 313, 310, 305, 303 and 300 respectively, while the lowest raw scores was obtained in use of bell method in controlling birds in rice production with raw scores of 210. The findings established that proverbs (59.8%) and taboos (55.36%) were the most commonly used media in transmitting indigenous knowledge by arable crop farmers. The multiple regression analysis result revealed that age of the farmers and farming experience had a significant relationship with the use of indigenous knowledge of the farmers which gave  $R^2 = 0.83$  for semi log function form of equation which is the land equation. The policy implication is that indigenous knowledge should provide basis for designing modern technologies to enhance sustainable agricultural development.*

**Keywords:** *Arable Crop Production, Extent of use, Indigenous knowledge.*

\*\*\*\*\*

## INNOVATION CLIMATE AS A SOURCE OF COMPETITIVE ADVANTAGE

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*The publication of this paper is financed by Croatian Science Foundation (project Building Croatian Manufacturing Competitiveness)*

### ABSTRACT

*Innovation is the result of the interactions and exchanges of knowledge involving a diversity of actors in situations and interdependences (Landry, Amara, & Lamari, 2002). Innovation requires the convergence of different kinds of knowledge from different types of actors (Landry et al., 2002). There is scarce literature measuring innovation potential. In this work the well-known Tidd et al. (2005, pp. 566-568) instrument for measuring innovation climate is used. The instrument measures five categories, namely strategy, processes, organization, ties and learning. On grounds of an internet survey of the Croatian manufacturing sector Croatian innovative audit is presented. The survey targeted 2443 Croatian manufacturing companies with over 10 employees. After two months of the launch of the survey 135 valuable questionnaires are obtained. The instrument shows that Croatian average innovation climate index is 4,7 out of 7 which means that there is much potential for improvement. Using factor analysis the questionnaire is tested, because so far we could not find the validation of the instrument. The results show that indeed the instrument has high validity. Then using structural equation modeling, the effects of organizational climate on new product launch, time to market and revenues from new products is evaluated. The results show that strategy and learning have the biggest influence on number of innovations; ties have the biggest influence on time to market of new products, and organization has the biggest influence on revenues from new products.*

**Keywords:** *competitive advantage, Croatia, innovation audit, innovation climate, structural equation model*

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## **IDENTIFICATION OF MEGACITIES AND THEIR VERTICAL AND HORIZONTAL CLASSIFICATION IN THE PERIOD FROM 1950 TO 2050**

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### **ABSTRACT**

*As a result of its explosive rise since the second half of the 20th century, the population of the world has tripled in comparison with 1950. In 2009, the number of inhabitants living in cities was over the number of people inhabiting rural areas, while from 75 in 1950 the number of cities with more than 1 million inhabitants is expected to increase to 553 by 2050. Nevertheless, the most evident forms of the march of urbanization are megacities, i.e. those urban agglomerations where extremely large populations are concentrated. One important problem of defining megacities is the determination of an optimum population threshold that is the establishment of the population value over which an urban agglomeration can be regarded to be a megacity. This article has been divided into two main sections: the first section relies on a relatively objective method to determine the optimum population threshold value of megacities, whereas the second section makes use of the World Bank and UN's country classification to arrange the same cities into groups. With the help of the various classifications, the vertical and horizontal shifting of megacities in the period from 1950 to 2050 becomes clearly apparent.*

**Keywords:** *megacity, population threshold, The World Bank country classification, UN country classification*

### **ACKNOWLEDGEMENT**

*This paper is supported by the **János Bolyai Research Scholarship** of the Hungarian Academy of Sciences.*

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## **THE INFLUENCE OF CLOUD COMPUTING ADOPTION BENEFITS ON HOTELS' COMPETITIVE CAPABILITIES**

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### **ABSTRACT**

*In the competitive environment of the hotel industry, a sophisticated portfolio of IT applications and high-quality IT infrastructure is an important driver of hotels' performance, playing a strategic role in organizations, where it creates competitive advantage and enables new business opportunities. Cloud computing, the latest strategic inflection point in the development of IT, can deliver new value for customers through innovative applications along the value-chain. The purpose of this research is to explore the impact of organizational and business benefits of cloud computing adoption on the hotels' internal and external competitive capabilities. A survey was conducted in hotel companies in Istrian county in Croatia and based on hotel managers' perceptions and attitudes, a research model is assessed using the PLS-SEM method. Implications for hotel management are provided.*

**Keywords:** *Cloud computing benefits, Competitive capabilities, Hotel information systems, Hierarchical component model, Partial least squares, Structural equation modeling*

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## **LOCAL POVERTY MANAGEMENT STRATEGIES OF METROPOLITAN MUNICIPALITIES IN TURKEY**

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### **ABSTRACT**

*The main aim of this study is to evaluate poverty alleviation strategies of seven selected metropolitan municipalities in Turkey and to make suggestions about their poverty management strategies. The involvement of municipalities to the poverty problem has started in 1970's by announcing its name as "collectivist municipality". In 1980's this collectivist municipality notion has turn into "social municipality" concept and in 1990's social municipality facilities has increased*

*mainly focusing on social aid . Since 2000's metropolitan municipalities has become mainly important institutions to alleviate poverty problem. In this study, managers and social service experts have been deeply interviewed in seven selected metropolitan municipality from each geographical region around Turkey. 26 managers and social service experts from 7 metropolitan city have been interviewed. Poverty alleviation strategies of these municipalities have been examined around the concept of social municipality, local governance, local development and its evaluation. At the conclusion of the study; it has been suggested some offerings about municipalities' poverty management strategies, poverty management organisation, neediness criteria, social aid types, social municipality practices, local governance practices, and the problems peculiar to metropolitan municipalities.*

**Keywords:** *Poverty, poverty management, social municipality, local development, local governance, local participation, metropolitan municipality.*

\*\*\*\*\*

## **IMPENDING FACTORS TO VALUE ADDITION IN THE VALUE CHAIN OF SWEET POTATO (*Ipomoea batatas* (L.) Lam) IN OSUN STATE, NIGERIA**

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### **ABSTRACT**

*Value addition of sweet potato has received comparatively little attention in Nigeria despite its potential to reduce perishability and enhanced utilization of the crop in diverse forms. This study assessed impending factors to value addition of sweet potato in Osun State, Nigeria. Multi-stage random sampling technique was used to select 140 respondents for the study. Data obtained were analyzed using descriptive statistics and Pearson Product Moment Correlation (PPMC). Findings showed that majority (75.00%) of the respondents were male with mean age of the 42.20 years and 95.70% of the respondents had formal education. 60.70% of the respondents had more than 10 years farming experience. The mean farm size was 2.20 hectares. Majority (77.90%) of sweet potato farmers had high knowledge in sweet potato production and relied on information from their fellow farmers, friends and farmers' union. Sweet potato farmers sold their sweet potato tubers by displaying and persuading customers. Sweet potato value addition was affected by inadequate finance, low farmers knowledge on sweet potato value addition, inadequate*

*extension service support, high cost of processing equipment, bulkiness and perishable nature of sweet potato, too much focus/attention on other root and tubers among others. Correlation analysis showed that significant relationship existed between constraints ( $r=0.17$ ,  $p<0.05$ ) and value addition of sweet potato. The study concluded that impending factors had influence on value addition to sweet potato. It was recommended that sweet potato farmers should be empowered through effective and efficient extension training on the use of the modern processing techniques in order to enhance value addition of sweet potato.*

**Keywords:** *Impending factors, Knowledge, Marketing strategies, Value addition, Sweet potato.*

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## **SELLING HOW GOOD WE ARE: AN ANALYSIS OF WEB-BASED CSR COMMUNICATION IN 'MADE IN ITALY' COMPANIES**

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### **ABSTRACT**

*The paper explores the linguistic expression of companies' commitment to Corporate Social Responsibility by analyzing frequently occurring words, their collocates and phraseology derived from text through computational means. With the support of corpus linguistics tools and the software package WordSmith Tools 5.0, the CSR disclosures issued on the Web by a sample of Made in Italy companies are analyzed both quantitatively and qualitatively in an attempt to shed some light on a diversified repertoire of argumentative strategies adopted by enterprises to persuade stakeholders of their dedication to sustainability principles.*

**Keywords:** *CSR, CSR disclosures, Made in Italy*

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## **STUDENT PERFORMANCE IN PISA 2012 (MATHEMATICS) EXPLAINED BY GENDER, IMMIGRANT BACKGROUND, INDEX OF ECONOMIC, SOCIAL AND CULTURAL STATUS FOR STUDENTS AND SCHOOLS**

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### **ABSTRACT**

*The Program for International Student Assessment (PISA) has been conducted 5 times. The first PISA was conducted in 2000 and the latest PISA was conducted in*

2012. In 2012, mathematics was the main domain. All students were tested in mathematics and all students were 15 years old and attended school. The index of economic, social and cultural status (ESCS) has exerted a significant influence in all countries for all domains every time. But also gender and immigration background has had a tremendous impact in most countries. In this paper, the variation between schools will be explained by the students' gender, immigrant background, ESCS and the schools' total ESCS. By introducing the schools' total ESCS, the intra class coefficient (ICC) will be reduced considerably. The data analysis will be made by using two different models ( the programme SAS will be used). The MIXED procedure where the schools are the random effects and SURVEYREG using the Balanced Repeated Replication (BRR) and its variant Fay's modification will be used. The conclusion is that not only is the ESCS very important when estimating the students' performance, but also the sum of their classmates' ESCS is important. Furthermore a ranking of schools which only control for the students background will give a skew ranking of schools.

**Keywords:** ESCS, ICC, PISA, MIXED models, SURVEYREG, Balanced Repeated Replication, Fay's modification.

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## **MODERN ECONOMIC MODEL OF FINANCING – CROWDFUNDING**

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### **ABSTRACT**

*Isn't good when you think about lot of people finance your project and an ideas? Yes, it's quite good. That is crowdfunding. Crowdfunding is a term for a variety of approaches that tap into the potential of a large and open crowd of people. So far, there is no systematic understanding of the processes used to source and aggregate contributions from the crowd. An inherent problem that entrepreneurs face at the very beginning of their entrepreneurial initiative is to attract outside capital, given the lack of collateral and sufficient cash flows and the presence of significant information asymmetry with. While different investors exist for larger amounts of capital such as VC funds and banks, entrepreneurial initiatives that require much smaller amounts to start with need to rely on friends and family or own savings. They then also make extensive use of bootstrapping techniques to mitigate their financial constraints, by boosting their short-term profits. More recently, some entrepreneurs have started to rely on the Internet to directly seek financial help from*

*the general public (the “crowd”) instead of approaching financial investors such as business angels, banks or venture capital funds. This technique, called “crowdfunding”, has made possible to seek capital for project - specific investments as well as for starting up new ventures. A prominent example is Trampoline Systems, a UK-based software company that intends to raise £ 1 million through crowdfunding. In this paper, we discuss about crowdfunding as an alternative way of financing projects, with a focus on small, entrepreneurial ventures. The structure of the remaining chapter is as follows. Also we provide a description of crowdfunding and discusses existing research on the topic.*

**Keywords:** *cash, crowd, crowdfunding, financing, money, projects*

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## **REPORTING STANDARDS FOR HEALTH RESORT – ASSUMPTION FOR SUCCESSFULL BENCHMARKING**

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### **ABSTRACT**

*Benchmarking is defined as a set of activities that use performance indicators to assess and manage the performance of organizations. The purpose of this paper is to develop a benchmarking methodology for monitoring business operations at national and international level, with focus on health resorts. The methodology is based on the latest edition of Uniform System of Accounts for Lodging Industry (USALI, 2014) and Uniform System of financial reporting for SPA (USFRS, 2005), adapted to health resorts and focused on financial and non-financial information. The paper discusses the possibilities of successful and sustainable use of health tourism potential at tourism destination and national level, in accordance with the objectives defined by Croatian tourism development strategy. Today's health resort manager is facing new business problems and opportunities. Running a health resort requires the ability to look outside the business for solutions, ideas, and best practices. It allows health resort manager to develop plans for improvements or adoption of specific best practices, usually with the aim of increasing some aspects of performance. The contribution of this paper is in analysing the main KPIs in Croatian health resorts and hotels, based on monthly profit and loss statements for 2013 to determine the most profitable segments of health tourism offer. According to the theoretical framework, best practice and the level of performance measurement*



*in Croatian health resorts, the research recommends the framework for reporting system in health resorts.*

**Keywords:** *benchmarking, health resort, health tourism, hotel, performance measurement, reporting standards, USALI, USFRS*

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## **COUNTRYSIDE ATTRACTIVENESS AND TRENDS IN ACCOMODATION**

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### **ABSTRACT**

*Small and traditional communities are increasingly beginning to experience significant attention from tourism, as an increasing number of travellers wish to experience living cultures and traditional ways of life. Rural tourism consists of much more than travel and related businesses in rural areas. There is a great importance of the rural setting and atmosphere, which is tangibly and emotionally separate from urban or resort tourism. Tourist demand in the segment of rural tourism is extremely heterogeneous in its needs, expectations and activities, and can be regarded as 'in constant growth'. Trend of tourists' decisions of taking several shorter trips during a year leaves enough space for making one of the trips, a trip into rural area. In general, there is a growing trend of interest in natural and cultural heritage, including, of course, rural ambience. For tourists one of the important part of rural tourism product are accommodation capacities. Tourists seek for authentic accommodation capacities; old houses are for sure the most attractive. The different models and supporting instrument for restoration of old houses as accommodation capacities in countryside in Croatia are analyzed in the paper.*

**Keywords:** *accommodation management, countryside, old houses, trends*

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## GLOBALIZATION AND THE CHALLENGES OF SUSTAINABILITY

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### ABSTRACT

*During the last half of century, as the process of globalization and its myriad of facets and consequences have (gradually and differently) contaminated the entire (business) environment, a whole plethora of academics, business practitioners, and politicians have been approached globalization through a variety of different lens – if considering: the dioptres / power of globalization – its valences of being both input and output for/from processes such as development or targets such as competitiveness; the focus – in terms of leading actors and theirs specific positioning and behaviors towards globalization; and even colors – if talking about the different portraits reflecting overall globalization or some of its specific dimensions, features and consequences.*

*As a result, there is no single “prescription” for globalization – as it is today and as it will be in the future; but one thing is for sure: throughout its (factual and conceptual) evolution, the entire process of globalization was accompanied by and has generated a lot of challenges and spillover effects, which have had the vocation to permanently reshape its riverbed, while raising new challenges. Sustainability has become such an issue since the Brundtland Report in 1987, when it has reached the attention and concern of both politics and businesses. Like the other sides of globalization, sustainability brings with it specific challenges, which have to be assessed and properly managed (at international, national and organizational level as well) considering its interconnections with all the other facets of globalization.*

*The paper aims to analyze the challenges of sustainability – as a mandatory dimension of globalization – on development and competitiveness, in order to identify possible correlations and alternative evolutionary paths.*

**Keywords:** *globalization, sustainability, sustainable competitiveness, sustainable development*

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## ETHICAL ISSUES IN ARTIFICIAL INTELLIGENCE

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### ABSTRACT

*Artificial Intelligence is nowadays ubiquitous, intelligent machines are able to perceive the emotions of a human or other machine, and to respond appropriately to it. If machines have a certain moral status, can they be treated as a slave or are they equal to humans? Transhumanism H+ states that artificial intelligence will someday repair our bodies in order to potentially infinite extend our lives. Is the symbiosis between human and intelligent machines the new way of life?*

**Keywords:** *Artificial Intelligence, cybercrime, transhumanism.*

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## CAPITAL FLIGHT: THE CASE OF CROATIA

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### ABSTRACT

*In economic theory prevails general agreement that capital flows towards capital scarce countries with increasing profit opportunities whereas it flees from higher wage developed countries. A small developing country like Croatia, constantly faced with a chronic budget deficit and the lack of significant foreign direct investments must be aware of possible capital outflows. This is even more important nowadays when economic crisis in Croatia still does not abate. Therefore the goal of this study is to estimate the amounts of capital flight for Croatia, evaluate its causes and effects and discuss available options for macroeconomic management. Empirical assessment relies on static analysis that compares the data from 2008 to 2013. Methodologically this study is a continuation of two previous studies that comprised the periods 1993-1999 and 2000-2007. Two versions of residual method have been used in estimation of the exact amount of the capital flight. The results suggest relatively significant amounts of capital flight during the observed period. Moreover*

*research suggests that there has been a constant decline of capital flight amounts due to a deterioration of macroeconomic indicators in Croatia. The reason for some of the changes could be found in declining capital inflows in Croatia within last few years. It has been also considered that unregistered tourism profits have been hiding behind the net errors and omissions item in the balance of payments. Croatia has been fighting with a constant lack of capital. Each capital flight is au contraire main macroeconomic goals. Therefore, we find it is necessary to study the phenomenon of capital flight for Croatia in the future as well.*

**Keywords:** *capital flight, Croatia, empirical assessment, macroeconomic management*

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## **STATISTICAL ANALYSIS OF SIGNIFICANCE OF TOURISM FOR THE ECONOMY OF A COUNTRY, WITH SPECIAL EMPHASIS ON BOSNIA AND HERZEGOVINA AND THE WESTERN BALKANS**

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### **ABSTRACT**

*Application of the methodology of Satellite accounts in tourism shows that tourism is an extremely important component of the economy, as it leads to development of other activities that are closely associated with it, such as investment, employment, exports etc. Many countries give great importance to tourism development, seeking their chance for economic prosperity. Many analyses suggest that the relative importance of tourism in creating GDP-I is much higher than official statistics show. This paper will demonstrate this claim through the difference of the estimated and official involvement of tourism in the economy of the Republic of Srpska. In addition, in this paper other assumptions intertwine, such as:*

- *Application of statistical methods and multivariate analysis methods enable better grasp of the contribution of an branch of economy, in this case tourism,*
- *Implementation of Satellite accounts is a long-term commitment of each country, regardless of the high cost of implementation and*
- *Traditional inclusion of tourism offer and demand is not comprehensive because many sizes are ignored.*

*As the mentioned Satellite accounts are not applied in Bosnia and Herzegovina, or in the region, the issue has attracted great attention. On the other hand, benefits from the eventual implementation of Satellite accounts are numerous, both for the economy as a whole, and users of tourism products and services, and also for the*

*providers of tourism products and services. The complexity of producing these accounts is illustrated by the fact that they are calculated in the right form in few European countries, and that in only eight countries they are implemented in the so-called. pilot studies. In other countries, and in our region -Western Balkans, this project is yet to be implemented. On the whole, Satellite accounts are calculated every three years. A key advantage of the implementation of Satellite accounts in tourism is reflected in the fact that it very successfully enables accurate calculation of contribution of tourism, including all indirect effects which are not negligible in tourism. For the realization of such a large project, it is necessary, on the one hand, to implement the most sophisticated statistical and econometric methods, but also to include statistical machine of the state at full capacity. Using statistical analysis it is possible to consider the objective situation of a country and thus achieve competitive advantage in relation to other countries in the tourism market. This is why the production of Satellite accounts is important both for tourism as a separate branch, and for the economy as a whole.*

**Keywords:** *Bosnia and Herzegovina, Economy, Statistical Analysis, Tourism*

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## **FIRM-LEVEL TECHNICAL EFFICIENCY AND INVESTMENT CLIMATE IN DEVELOPING COUNTRIES - AN APPLICATION TO MIDDLE EAST AND NORT AFRICA MANUFACTURING**

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### **Abstract**

*Drawing on World Bank enterprise surveys (ES), this paper reveals that firms' technical efficiency (TE) is correlated with investment climate (IC) in eight manufacturing industries of 22 developing countries. Essential aspects of investment climate include the quality of infrastructure, the experience and education of the labor force, the cost of and access to financing, as well as different dimensions of*

*government-business relations. The empirical analysis also illustrates that low technical efficiency in several Middle East and North Africa (MENA) economies is associated with investment climate deficiencies. The paper also highlights that industries more exposed to international competition, as well as small and medium domestic firms, exhibit a higher sensitivity to investment climate limitations.*

**Keywords:** *Firms Survey Data; Investment Climate; Manufacturing; Middle East and North Africa; Technical Efficiency.*

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## **OPPORTUNITIES TO INCREASE THE VALUE OF SLOVENIA'S TRADE WITH THE PACIFIC RIM COUNTRIES – THE CASE OF AUSTRALIA**

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### **ABSTRACT**

*Slovenia is, like many other countries, especially small ones, dependent on exports and imports of goods and services. European countries are Slovenia's main trade partners, together accounting for almost 90 per cent of the value of Slovenia's trade in goods. There are various reasons for this, such as the relatively short distance between Slovenia and other European countries. If Slovenia wants to increase the value of its trade with non-European countries, it should adopt a number of measures, such as increasing the effectiveness and efficiency of its trade promotion. In this paper the authors discuss opportunities to increase the value of Slovenia's trade with the Pacific Rim countries by focusing on the specific case of Australia.*

**Keywords:** *Australia, Pacific Rim countries, Slovenia, trade, trade relations.*

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## **ROLE OF NON-VERBAL COMMUNICATION IN PUBLIC RELATIONS: CROATIAN STUDY**

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### **ABSTRACT**

*This paper focuses on the phenomenon of non-verbal communication, i.e. on the analysis of its role in public relations. It investigates the importance of good understanding and interpretation of non-verbal communication in public relations and the possibility to improve this aspect of communication through education.*

*The aim of the paper is to identify the role of non-verbal communication in public relations and to examine the extent to which selected Croatian PR professionals and communicators are aware of their own non-verbal communication, how they perceive its importance and its congruence with verbal communication. The study seeks to examine whether their perception confirms the results of research on the relative importance of verbal and non-verbal aspects of communication. The study will establish which non-verbal cues are considered as the most important by the subjects, which of them are spotted first and how they are interpreted. Also, the aim has been to find out how much **what** someone says has an impact on making business decisions and to what extent those decisions are affected by **how** someone says something.*

*In order to accomplish the aims of the study, in-depth interview has been applied providing a clearer idea of how much PR professionals know about non-verbal communication, its importance and interpretation. Preliminary research results suggest that Croatian PR professionals are aware of the importance of non-verbal communication.*

**Key words:** *non-verbal communication, PR professionals, public relations*

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## **ANALITIC HIERARCHY PROCESS IN SERVICE OF CUSTOMIZED OFFER IN BANKING: SAVINGS AND INVESTMENT**

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### **ABSTRACT**

*Today's banking institutions spread their product and service line on a daily basis. This effort to increase competitiveness is also creating an overstocked supply for existing and new clients. Not every product is meant for every client and aggressive sales strategies tend to repel clients which can cause serious problems in long-term client-bank relations. This paper will analyze Savings and Investments products along with their adaptation and modulation regarding client needs. Accordingly, banks will be able to offer particular products to clients with specific needs and wishes. The Analytic Hierarchy Process, or simply AHP method, represents a process which will be able to transform client's demands and affinities into a customized offer. It is an easy-to-implement method used in any step of the decision making process; the process must have multiple alternatives and each of them carries specific characteristics. The decision maker ranks all the characteristics and simultaneously all the alternatives according to his affinities forming a final decision. This paper will explain how banks will be able to adapt to client needs and wishes in the future using the AHP method.*

**Keywords:** *Analytic Hierarchy Process (AHP), Banking, Customized Offer, Decision Making, Savings and Investment*

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## **CLIENTS MANAGEMENT KNOWLEDGE IN THE TOURIST ORGANIZATION**

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### **ABSTRACT**

*This paper describes the importance of customer knowledge management of tourism organizations. The concept of customer's knowledge management was created as a combination of knowledge management and implementation of customer relationship management. Customer knowledge management clients is the key to improve the competitiveness of tourism organizations put clients into focus of organizational knowledge and client becomes an active participant in the creation of tourist attractions. Research on the application of customer knowledge management was conducted on 302 hotel operators in Croatia. The results show that the majority of respondents do not apply customer's knowledge management, and that there is a statistically significant relationship between the usage of CKM and hotel's profit.*

**Keywords:** *Knowledge management, customer relationship management, customer knowledge management, hotels, competitiveness, profitability*

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## **WEATHER PATTERNS AS A FACTOR OF CONSUMER BEHAVIOUR**

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### **ABSTRACT**

*Unusual weather patterns were observed during last 10 years. Many scientists have disagreement what is the cause of unusual weather patterns. There are two main causes of unusual weather patterns: natural climate change and weather modification. Average temperature as characteristics of weather patterns is taken*

*into consideration. It is significant to research the influence of weather patterns in the countries, where it is relatively hot in winter and relatively cold and rainy in summer. How can different kinds of weather influence consumer spending? Consumers should spend more money on electricity, gas, oil as a result of such changes. They need to balance the temperature differences from weather changes. There is the tendency of price increase when talk about energy. Some countries as the USA and Russia have advanced technology to improve weather on their territory. As a result of such experiments could be weather worsening in the countries outside of their territory. The unusual weather patterns increase the demand on energy and push consumers to spend more on energy during bad weather. Also it helps to sell gas, oil, electricity to the countries with bad weather. If consumers are involved into agriculture, an unusual weather pattern could decrease their income and food production significantly. As a result of bad weather country must purchase food from abroad. Also consumers need to increase spending for house repair and insulation. Unusual weather patterns increase consumer spending and decrease saving. If the geoscientists are able to change weather then they are able to change consumer spending and GDP growth in the country. The use of sustainable energy and alternative energy sources can partially solve this problem. Also insulation grants for consumers are a good additional solution.*

**Keywords:** *Climate change, Unusual temperature changes, Weather patterns, Consumers, Factor, Consumer behaviour.*

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## **DEVELOPING AND VALIDATING A MEASURING INSTRUMENT FOR ASSESSING THE COMPANY'S MATURITY OF PROJECT MANAGEMENT FOR INTERNAL PROJECTS**

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### **ABSTRACT**

*Over the last three decades, project management as a discipline has undergone significant development is gaining visibility in all types of organizations. Today, companies are adopting approaches that can improve their practice of project management as a source of competitive strategy. In addition, an increasing number of different projects, programs and portfolios are professionally managed and more attention has been focused on the maturity models as means of quantifying the value of applied practices. Project management maturity models have appeared in the literature as a concrete, tangible way to assess aspects of project management maturity, and their purpose is to help companies to compare the explicit competence at the project or program level in relation to the standard. The maturity of project management can be explained as a part of the progressive model that develops*

*organizational approach, methodology, strategy and decision-making process of key areas, and given that companies demonstrate behaviors that reflect their level of maturity, it can help to define the gaps and take important steps toward improving important activities and enhancing the entire culture around project management. Also, by comparing the results of the maturity assessment with the descriptions in the project management maturity model, the company gets an insight into its strengths and weaknesses and is able to prioritize its activities to make improvements. In order to assess a company's project management maturity for internal projects, the author developed her own web model with eight dimensions, based on extensive study of secondary sources dealing with project management maturity models, as well as an appropriate instrument for assessing the maturity of each dimension and overall. The results of a pilot survey confirmed the possibility of using the instrument in companies regardless of their size, industry or type of ownership. Furthermore, the pilot study has proven the reliability and relevance of the measuring instrument; it showed that respondents understood all the questions, that there are no significant technical problems while completing the questionnaire and helped to determine approximate time required for its completion, as well as pointed out the necessary improvements before it can be implemented.*

**Keywords:** *internal projects, maturity models, measuring instrument for project management maturity assessment, project management*

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## **PRODUCTION ECONOMICS OF EGYPTIAN COTTON IN THE SALT-AFFECTED LAND**

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### **ABSTRACT**

*Water is the natural resource that exerts the greatest constraint on Egypt's agricultural production system. Most of Egypt's cultivated lands depend on irrigation from Nile. However, Egypt's agriculture is under pressure to justify its use of water resource, which is scarce due to increased competition for water resources. The water management problem is currently increasing in the context of the on-going national transition from a government-controlled market with government intervention in the management of all activities to a free-market economy. Furthermore, due to the ambitious programs of desert agricultural development, the shortage of water supplies is becoming more serious after El Nahdda dam. Issues of equitable distribution of dwindling water supplies are becoming more serious and more is needed to assure fair access to water and more efficient use and allocation of it. On the other hand, accumulation of excessive salt in irrigated soils of Egypt negatively affects crop yields, reduce the effectiveness of*

*irrigation, ruin soil structure, and affect other soil properties. High level of water table and shortage in irrigation supply in the salt-affected land doubles from the harmful effects of salinity problems. Consequently, the average productivity of the cultivated crops in salt-affected land is less than the half of corresponding averages at the national level. Cotton is the one of the main cultivated summer crops in the salt-affected land in Egypt. The main objective of the study is studying the production economics of cotton in the salt-affected land. The impacts of production factors used to produce cotton crop in salt-affected land will identify and measure. The various combinations of manure and irrigation water inputs which produce or yield equal production to cotton producers will derive and identify. The impacts of technical changes on the quantities produced of cotton and on the optimal and maximum-profit production levels will measure. The relationship between the quantity produced and the production costs of cotton crop will estimate and investigate. The levels of optimal and maximizing profits for the studied crop in the salt-affected land will identify and determine.*

**Keywords:** cotton, production, salt-affected land

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## **LEGAL MECHANISMS SYSTEM IMPROVING OF CURRENCY TURNOVER CONTROL IN RUSSIAN FEDERATION**

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### **ABSTRACT**

*This study is devoted to improvement of current mechanisms of a currency turnover control and legal regulation of foreign economic activity from the standpoint of the legislation of the Russian Federation, and also taking into account both accession of the Russian Federation to the WTO and according to the provision on the Customs union in frames of Eurasian economic community. Investigation is based on previously published researches concerned. Technologies and possible mechanisms of interaction of subjects of the Russian Federation with foreign arbitrators with a*

*view of attraction of direct investments and obtaining the income out of commercial activity are offered. In particular, the necessity of improvement of mechanisms of currency turnover control and monitoring of the foreign economic activity, interfering mass outflow of the capital abroad is indicated. Here is also proposed possible ways of corruption opportunities blockade in sphere of foreign economic activities.*

**Keywords:** *Currency turnover control, Foreign economic activity, Legal Regulation, Rotation of personnel and positions*

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## **ON-LINE BOOKING USE FOR TRAVEL AND HOLIDAY ACCOMMODATION AND DEVELOPMENT INDICATORS: CLUSTERING OF EUROPEAN COUNTRIES**

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### **ABSTRACT**

*The aim of this paper was to examine the relationships between on-line booking for travel and holiday accommodation, as the dependent variable, and selected economic, social and Information and Communication Technologies (ICT) development indicators in the European Union (EU) and three South-East European countries (SEECs), the EU official candidates. In the analysis data from the official sources for all development indicators were used. The percentage of individuals who booked travel and holiday accommodation over the Internet in the last 12 months in selected European countries is positively correlated with each of the four regressors: the Gross Domestic Product (GDP) per capita; the public expenditure on education as percentage of GDP; the Internet penetration rate; and the Individuals' level of Internet skills. After the exploratory data analysis, outliers are found and over- and under average countries data were recognised. The linear regression model that describe the impact of a statistically significant regressor*

*named Internet penetration rate on the percentage of individuals who booked travel and holiday accommodation over the Internet was developed as the only one not violating the model assumptions. The hierarchical cluster analysis gave the separate cluster for the same five SEECs: Bulgaria, Romania, Turkey, the Former Yugoslav Republic (FYR) of Macedonia and Serbia. Croatia, even though having an under-average percentage of on-line booking users, did not join the SEE countries' cluster, but the cluster of the EU countries' that are "developing" concerning the variables under study.*

**Keywords:** *Hierarchical cluster analysis; Internet penetration rate; Linear regression model; On-line booking; South-East European countries (SEECs)*

<p><b>Acknowledgment:</b> This work has been fully supported by Croatian Science Foundation under the project STRENGTHS (project no. 9402).</p>
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## Section 2

### Enterprise in Turbulent Environment

## **USING NETWORKS TO MANAGE COSTS OF FOOTWEAR AND LEATHER MANUFACTURING COMPANIES**

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### **ABSTRACT**

*Globalisation forces companies to improve financial performance and system coordination by acting together in some type of networks, with resources pooled and costs, information and experiences being aligned. The decision by companies to enter into a network relationship with other companies is influenced by the management's decision and assessment to give up from autonomy in order to decrease operating costs and investment requirements, and for spreading of risk between the two parties. The main objective of this paper is to investigate how networks can be used in leather manufacturing and processing industry in developing countries to create and to distribute products at less cost and better quality. Case studies of horizontal and vertical networks in the Croatian leather manufacturing and processing industry are reviewed. Moreover, a qualitative study among companies in the Croatian leather manufacturing and processing industry was conducted in order to get knowledge how the top management in Croatian companies understands the concept of horizontal binding / clustering, and to determine factors for successful cost effective network organisation.*

**Key words:** *alignment, network, Croatia, leather manufacturing and processing industry*

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## **MARKETING ORIENTATED ON SUPERIOR VALUE AND LONGTERM RELATIONSHIP WITH CONSUMERS**

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### **ABSTRACT**

*Nowadays, marketing performance criteria are beginning to be considered as more accurate indicators of strategic health of the company than just financial criteria. Corporations are becoming aware that transactional base of consumers is individually their most valuable and most important asset. Value of existing consumers is seen as vital value and is used as measurement of value. Therefore, marketing becomes strategy and strategy becomes a way to bring consumers into the company. Information technology is fundamental driver which affects the role of marketing and strategy of the corporation. These technologies are not only changing the nature of relationships between corporation and consumers, but also the content in which operates a business entity.*

*Piercy (2009) emphasizes the evolution of the marketing process from transaction to value, which some authors call the new marketing. The driving force of a new concepts are not managers, but consumers. This process has gone through four phases. The most important for this work is forth phase which talks about consumer's requests that require continuous improvement in things that they care about. That is how value-based marketing occurs. Innovation value is different from technical innovation. Innovation value is possible with technology but it is possible without it as well. Innovation value connects innovation with what the overwhelming majority of consumers are valuing. Competitive advantage on the market delivered through superior value is something that will last; some indication shows that companies are moving in this direction. It turned out that competition within the industry, in modern economy, loses its importance. That is not the best strategy as it leads to great conflict between partners and it does not create new value. The value is driver of all satisfaction of the companies. Those are new trends in marketing which are aimed to be better described in this work. Nowadays marketing is moving from the dominant viewpoint of tangible product to intangible services where establishment of customer relationships becomes a prerequisite to success.*

**Keywords:** *loyalty, relationship marketing, satisfaction, strategic marketing, superior value.*

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## **CORPORATE GOVERNANCE ISSUES IN GEORGIAN BANKS**

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### **ABSTRACT**

*Corporate Governance Issues are especially important in transition economies, since these countries do not have long-established financial institutions infrastructure to deal with corporate governance issues. Actually almost all countries, whether developed or developing face similar issues in corporate governance, however, transition economies face addition hurdles because their corporate boards lack the institutional memory and experience that boards in developed market economies have. Due to mentioned reason countries in transition may face additional challenges in corporate governance, such are establishing rule-based as opposed to a relation-based system of governance, protecting property and minority rights, de-politicizing decision-making procedure, etc. Nowadays Georgian banks try to obtain more foreign capital thought international financial markets. Good and well managed corporate governance helps banks to increase share price and makes easier to obtain foreign capital, as well as plays a positive role in risk reduction, improved transparency and accountability. The World Bank, IMF and the International Financial Corporation has popped up in recent years to help adopt and implement good corporate governance principles. With such a help in 2009 the Association of Bank of Georgia adopted Corporate Governance Code for Commercial Banks in purpose to raise the level of corporate governance and implement the best international practice, which itself will increase confidence in banks and contribute to the stability of the entire banking system. The present paper will focus on corporate governance issues in Georgian banks, namely will analyze rights and role of stakeholders, transparency and disclosure requirements and compliance with Basel Core principles. All mentioned issues are important for potential investors, bankers and for supervisors, since National Bank of Georgia declared to move towards risk-based supervision.*

**Keywords:** *Compliance, Corporate Governance, Transparency*

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## **FACTORS INFLUENCING THE DECISION ON THE MEASUREMENT OF CUSTOMER SATISFACTION**

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### **ABSTRACT**

*The emphasis in today's business, particularly regarding the income statement, is the attitude held by the buyer to the seller and vice versa, and the seller's awareness of customer needs and market requirements. Globalisation has, among other things, brought a strong competition and a large selection of different products. The customer no longer needs to wait in line to get the desired, as now sellers wait in line for a customer to come to them. Customer satisfaction is extremely important for each company. A company can obtain information on customer satisfaction in a variety of ways, while it has to listen to the needs and desires of its customers and satisfy them successfully. A company can obtain a competitive position in the market only if it carefully monitors and listens to customer needs and desires and meets them more efficiently and successfully than its competitors. One of the possible means of communication between customers and companies is the measurement of customer satisfaction. With such a measurement, the company receives direct and accurate information about the desires and needs of customers and also customers' opinion of the company. The purpose of this study is to determine whether and to what extent Slovenian companies use customer satisfaction surveys and to identify which of the tested factors have the greatest influence on the decisions on the measurement and the application of research results for better and easier business management. Those who use this research are aware of the importance of such knowledge and information, which is evident in the company's revenue. Customer satisfaction is a very important factor, as it is mostly the influence of customer satisfaction on the final profit of the enterprise, which is the goal of every company.*

**Keywords:** *company, customer (buyer), customer satisfaction, measuring, vendor (seller)*

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## **ANALYZING THE EFFICIENCY OF PAPER FIRMS IN INDIA: AN APPLICATION OF DEA AND TOBIT ANALYSIS**

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### **ABSTRACT**

*The objective of present study is to evaluate the relative efficiency of paper firms in India. Different data envelopment analysis (DEA) models are employed to study the extent of efficiency of paper firms. Major findings of the DEA analysis suggest that 35 percent firms are found to be technically efficient. Overall, the industry shows good performance with mean technical efficiency level of 0.86. The results relating to returns to scale indicate that nineteen firms are experiencing increasing returns to scale and fifty eight firms are operating at decreasing returns to scale. Our study reports that ownership and age have an insignificant impact on the performance of the paper firms whereas size of the firm has a positive and significant association with its efficiency.*

**Keywords:** *Data envelopment analysis, Indian paper industry, Super efficiency, Technical efficiency, Tobit.*

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## **REALIZING THE BIG PICTURE OF COMPETITIVE ADVANTAGE: THE STAKEHOLDER APPROACH**

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### **ABSTRACT**

*For years, strategy researchers and practitioners are trying to answer the question "Why do some firms perform better than others?" This paper provides an in depth literature review on the best known theories of competitive advantage and, to find a holistic approach to the phenomena of competitive advantage, offers a theoretical framework based on the stakeholder perspective as a reemerging concept in the*

*academia as well as amongst practitioners. The starting point of this paper were the three distinctive views on competitive advantage, namely the SCP view, the Resource-based view, and the Relational view, each one uniquely contributing to the stakeholder perspective. This extant literature review shows that integration does not merely imply combining them together. The reconciliation of different views calls for taking the different underlying assumptions into account. Nevertheless, the stakeholder perspective on competitive advantage is not meant to replace any of them. It is complementary to the three views, but also sheds light on the incomplete picture of competitive advantage.*

**Keywords:** *Competitive advantage, RBV, relational view, SCP, strategy, stakeholder perspective*

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## **CLUSTERS AND ASSOCIATIONS AS THE WAY OF SURVIVAL FOR SMALL AND MEDIUM ENTERPRISES IN A GLOBAL MARKET**

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### **ABSTRACT**

*Globalization refers to every sphere of life of the people. It shows that the events, conflicts or decisions taken in one part of the world result in consequences in other areas and parts of the world. Areas of globalization in the contemporary world are: finance, markets, technologies, strategies, research and development knowledge, consumption and lifestyle, law, etc. Then the globalization is a bond of connecting businesses, consumers and the state. Global companies have access to research facilities, technology, have more resources available for advertising, promotion, marketing, production, changing the assortment. Does the trend of globalization, small and medium-sized enterprises have a chance of survival? This article presents effects of globalization in Poland - in context of ten years after entry into the European Union; discusses how survival of small and medium-sized enterprises, shows strength of regional cooperation in the global market.*

**Keywords:** *associations, clusters, UE globalization.*

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## **SOCIAL RESPONSIBILITY OF COMPANIES**

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*In recent years, a lot of attention has been put on corporate social responsibility (CSR). If the social responsibility is not built-in in every decision making process, companies should take into account its responsibility towards society and incorporate CSR into every segment of its business. Most people think that in order to be social responsible means to give money to charity or take care of the environment, but the term is much wider and deeper. This paper presents the description of the social responsibility in its full significance and includes a wide research on the implementation and perception of CSR in Croatian companies. The research proves that it is necessary to include CSR in daily business. Paper highlights concrete benefits that companies have from implementation of CSR approach.*

**Keywords:** *Corporate social responsibility, enterprises, sustainability, development, community*

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## **REGULATION OF NON-FINANCIAL REPORTING – CORPORATE GOVERNANCE NEW DEVELOPMENTS OR OLD REQUIREMENTS?**

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### **ABSTRACT**

*The principle of transparency has been recognized as one of the main instrument of European company law while building an integrated capital market. Its importance is recognized by its application, which includes both financial and non-financial information about the company whose securities are traded on the Regulated Market. The affirmation of the principle of transparency contributes to build investors confidence in the capital market and ultimately affect all other stakeholders. There is a need to establish a balance between the protection of investors, on one hand, and the protection of confidentiality of information, on the other hand. The practice of European Court of Justice also follows this direction. Beside financial information, companies have also interest to voluntarily disclose certain non-financial information, particularly if it is designed as part of a package to improve their credibility and acceptance in key markets or if it enables them to undertake business more successfully. Within the EU, company reporting is covered by the 4th and 7th Company Law Directives. These Directives provide a set of minimum disclosures, supplemented in each Member State by national requirements. Authors in the paper will analyze requirements and newest trends regarding non-financial reporting within European company law. European Commission launched proposal for Directive on disclosure of non-financial and diversity information in April 2013. This proposal led to the ratification of the Directive on non-financial reporting by the European Parliament in April 2014 which final adoption is expected before September 2014.*

**Keywords:** *Company law, EU, Non-financial Reporting*

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## **DECISION MAKING ON ACCESSION TO THE INDUSTRY CLUSTER ON THE EXAMPLE OF A FAMILY BUSINESS**

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### **ABSTRACT**

*The aim of the article is to determine the role of the decision on entering a cluster in the process of family business development. The authors characterize cluster as an external way of the development of various kinds of business entities, with particular regard to family enterprises. They indicate that using the resources and skills accessible within a cluster might be an effective way serving the strengthening of competitiveness of family businesses in the conditions of a turbulent environment. Clusters, as contemporary forms of organizations created as a result of mutual, permanent cooperation as well as competition between representatives of various sectors: business, science, public authorities (local, regional, national) and also business environment institutions, achieve synergy through operating in a certain, specific entrepreneurial ecosystem.*

*A strategic decision on entering this type of cooperation network poses a range of new challenges. In the article, selected examples of the benefits that ensue from functioning in a cluster were presented, not only the hard ones, which produce relatively quick, measurable effects but also soft ones, more difficult to analyze and measure, which are visible after a longer period. Basing on literature review and the selected empirical research there were identified the key determinants of family business development. It was emphasized that in contemporary, unstable, competitive environment, those firms encounter a range of new difficulties, but also possibilities.*

*The decision-making on entering a cluster can create additional, so far not encountered chances, constitute a key factor of development and contribute to a significant improvement of their situation in the market. However, it is a difficult step owing to the fact that family businesses are perceived as entities avoiding changes, unwilling to take risk, orientated towards stable, peaceful functioning with respect for tradition and family values, not towards aggressive, expansive strategies. The entry of a family business to a cluster and the development of the activity in this type of a network are the actions requiring strategic thinking and making a number of transgressive decisions. The paper presents the main problems and the areas of*



*such decisions, their potential results as well as the role of manager's decisiveness in this kind of undertakings.*

**Keywords:** *cluster, decision-making, decisiveness, entrepreneurship, family business*

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## **THE MOTIVATION MANAGEMENT MECHANISM THROUGH THE PRISM OF THE CORPORATE CULTURE AND THE CORPORATE SOCIAL CAPITAL**

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### **ABSTRACT**

*The successful functioning of the organizational unit through optimization of the correlation between its strategy and its operational activities presupposes the introduction of a dynamic motivational mechanism which relevance depends on the expression of social capital (SC) in the company, meaning the corporate social capital (CSC).*

*The actuality of the problem lies in highlighting the role of the social capital, determined by the specific corporate culture, when devising the motivational techniques such as specific guidelines for successful corporate management.*

*Complying with this fact provokes an encouraging of good practices in change management for inspiring creativity and decision making in various fields of company activities to form and to maintain an atmosphere that combines business interests, priorities and opportunities. Sometimes empirical studies show certain difficulties in adopting and enforcing new, not very popular practice trends, as well as the establishment of conditions for their approval.*

*The main thesis is that the specific characteristics of social capital within an organizational unit are directly related to the operational processes in the company, thus the compliance with the CSC would enhance the effect of motivation as a function of the company management. That assumption can be specified in the operational management model aimed at creating an adequate motivational mechanism in the context of the expression of social capital in the company.*

*The paper will present this complex interdependence with all the various options for interpretation and perception about.*

**Key words:** *corporate culture; corporate management; corporate social capital; motivation.*

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## **RESOURCE DEPENDENCE AS THE FOUNDATION FOR INTER-FIRM RELATIONSHIPS DEVELOPMENT AND COLLABORATIVE ADVANTAGE**

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### **ABSTRACT**

*Nowadays companies have limited discretion to build independent strategy. It is indisputable that the outcomes of their actions are strongly influenced by the inter-firm relationships in which they are embedded. Modern companies are motivated to form inter-firm relationships for a wide variety of reasons but most come under the heading of perceived resource deficiency. The desire to remain their competitiveness makes firms to look for new ways to fill in the gaps in their resource bases. Frequently the potential of each partner alone, consisting of tangible and intangible assets, core competencies and skills, is inadequate to achieve its strategic objectives. But through entering into business partnerships, it becomes possible for a firm to gain the requisite resources needed to respond to market challenge or opportunity of some sort. In other words, common motive for formation inter-firm relationships is the desire to gain collaborative advantage which refers to the synergy that can be achieved by integrating the resources of one firm with that of others. The paper addresses two following tasks. The first part of the paper provides an theoretical overview of the idea of inter-firm relationships with particular focus on resource dependence as the motive for entering such relationships. Moreover, it points out main indicators of such relationships development. The second, empirical part of the paper is an attempt to explore the dependence between relationship partners' resource dependence and the most important indications of inter-firm relationship development. This part also exemplifies the synergistic outcomes obtained by Polish companies, resulting from pooling of partnering firms' resources.*

**Keywords:** *collaborative advantage, inter-firm relationships, resources, resource dependence*

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## **POSITIVE RELATIONSHIPS AT WORK – WHAT DO THEY CAUSE AND WHAT DO THEY STAND FOR IN POLISH COMPANIES**

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### **ABSTRACT**

*Positive relationships at work (PRW) are receiving an increasing attention in business studies. Most of the analyses are conducted under an umbrella approach of Positive Organizational Scholarship (POS) that concerns various organizational phenomena and processes responsible for 'the positive deviations' in organizations. The main aim of this paper is to present specificity of the positive relationships in Polish companies and their consequences on the organizational development. The analyses are based on the results of a research project carried out within the POS approach. In the course of the project both the quantitative and qualitative research methods were applied. The project concerned the key areas of organizational resources that trigger positive processes and phenomena such as development supporting employee behaviours. Positive relationships at work were analysed among those areas. As the nature of PRW is complex and ambiguous the paper begins with the presentation of the idea together with PRW manifestations examples grasped in the studied companies. Then the impact of the positive relationships on the company development is presented. Particularly, the analyses are focused on the correlation coefficients and regression analysis showing the links between PRW variables and company performance indicators such as work efficiency, innovativeness, company reputation, customer and employee satisfaction. Generally, the study proves the crucial role played by the PRW in contemporary organizations. In the conclusion the research results are discussed in a context of other contributions and the further research ideas arising from this one are presented.*

**Keywords:** *positive organizational potential, Positive Organizational Scholarship, positive relationships at work*

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**Section 3**  
**Entrepreneurship Caught Between**  
**Creativity and Bureaucracy**

## **DETERMINANTS OF SME PERFORMANCE: THE IMPACT OF ENTREPRENEURIAL OPENNESS AND GOALS**

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### **ABSTRACT**

*Entrepreneur's openness seems an important personality characteristic to have in the entrepreneurial process. It refers to a positive personal cognitive strength that has three sub-dimensions: learning, novelty, and feedback. Despite an increasing research on openness in entrepreneurship, significant questions still remain unanswered, both theoretically and empirically, about how entrepreneurial openness relates to specific determinants in the entrepreneurial process and outcomes.*

*This paper aims to uncover the relationships between entrepreneurial openness, goals and firm performance by proposing direct and mediation effects among studied variables. Given that entrepreneurial openness contains the notion of an entrepreneur's engagement in proactive behaviors, such as learning, novelty, and feedback seeking, and also an improvement orientation and the encouragement of exploration and involvement, we hypothesize that open entrepreneurs more often engage in setting growth-related goals that are at a higher level which in turn has a positive effect on firm performance.*

*Using a large database and applying structural equation modelling the results show that entrepreneurial openness has a positive impact on firm performance and that this relationship is mediated by goals. This results offer several theoretical and practical implications that are discussed in the paper.*

**Keywords:** *Entrepreneurial openness, Firm performance, Structural equation modeling*

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## **SMALL AND MEDIUM ENTERPRISES (SMEs) INNOVATING IN THE LOW-TECH SECTOR**

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### **ABSTRACT**

*With Small and Medium Sized Enterprises (SMEs) playing a key role in European work force and economic activity (Hansen & Winther, 2011), they are increasingly being explored across various research fields. SMEs are generally considered an important contribution to the dynamism and innovative performance of the*

*economy. However, SMEs face challenges during the innovation process, which can be related to their size, resource scarcity, weak formal network contacts, lack of knowledgeable personnel and reluctance to delegate (Massa & Testa, 2008). Most of these challenges relate to creating and sustaining large and varied resources in-house (Kaufmann and Tödting, 2003) but this is just one way of evaluating innovativeness. The link between R&D and innovation has been influenced by the use of OECD's categorization of low, medium and high tech industries by technology intensity/R&D intensity (see Table 1). However, the correlation of R&D to the ability of SMEs to innovate is increasingly being questioned (Bougrain and Haudeville, 2002, Keizer et al., 2002). Past studies have mostly been derived from high-tech industries such as the electronics (Keizer et al., 2002), software and manufacturing (Larsen & Lewis, 2007), which inadvertently supports the use of R&D as the way for innovativeness in SMEs. This produces the phenomenon of innovation policies aimed at stimulating R&D. This has been criticized as ineffective for stimulating growth (Robson & Bennett, 2000) and more suitable for the needs of larger companies (Rothwell & Dodgson, 1991). More recent research has shown SMEs traditionally associated with no or little levels of R&D producing innovative products and processes (Hirsch-Kreinsen et al., 2006). This phenomenon is observed especially for SMEs in the low-tech sectors. In this paper, we examined how SMEs can innovate in other ways other than the use of formal R&D such as through collaborations or co-competition as mentioned in Raza-Ullah et al. (2013) in the LMT industries. From preliminary results, we find that SMEs innovate via mechanisms such as distributed knowledge bases with the employment of capabilities embedded within the organization.*

**Keywords:** Innovation Process, Low-Tech, SMEs

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## **THE INTELLECTUAL CAPITAL IMPACT ON THE BUSINESS ENTITY PERFORMANCE**

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*The accounting profession today has to be creative more than ever and balance between exact principles on one, and requirements of modern economics and business on the other side. Current accounting and financial reporting practice does*

*not fully meet the information needs because the investments in intellectual capital as well as any contribution that comes from it are not shown. Relying only on the financial information may result in wrong decisions when allocating resources or setting long term objectives and strategies. The business processes and results should also be observed through flows of intellectual capital and its impact on business performance. Despite interesting proposals from accounting theorists and practitioners, referring to different systems and models of evaluation and presentation of intellectual capital, the fact is that we still don't have a systematic and detailed form of recognition, evaluation, disclosure and determination of the accounting value of intellectual capital which would be accepted as a standard. That is why the central question of this paper is how to measure its impact if it is not financial statement category? In this paper we adhered to assumption that intellectual capital is a complex whole consisting of three main components, and that its value is generated by its usage. Proposing qualitative and quantitative indicators for each component and using accounting financial and nonfinancial information, we present model of relationships between intellectual capital components and their impact on business performance. Model of the intellectual capital impact on business performance is obtained as a result of study conducted on a random sample of 80 Croatian business entities, with a 95% confidence level and 11% margin of error, and application of Principal Component Analysis and Structural Equation Modeling.*

**Keywords:** *accounting, intellectual capital, business performance*

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## **THE ROLE OF KNOWLEDGE PROCESSING MANAGEMENT IN SME DEVELOPMENT AND ECONOMIC GROWTH**

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### **ABSTRACT**

*Small and medium enterprises (SMEs) contribute to economic development by virtue of their employers numbers and increasing share in Gross National Product(GNP). SMEs strenghten the resilience of the countries to face a competetive and challenging global enviroment. A large body of investigations has been done on the*

*identification of factors which facilitate the creation or development of SMEs. One of the most important factors which affect the creation and development of SMEs is individuals' information processing. In this study, by using a theoretical model, we tried to determine the role of knowledge processing in recognizing those opportunities which lead to SME creation and development. Based on Olson's theory (1985) we considered two moods for cognitions styles which affect knowledge processing in entrepreneurs and lead to SME creation: intuition versus analysis and The result of factor analysis showed that opportunities are both born and create but not by accident, we found those entrepreneurs who develop and create SMEs have special characteristics in recognizing and processing the information. They can process the business related information much faster than typical people. This ability allows them to turn their knowledge into a large endowment of assets which form a new SME or extend an existing one.*

**Keywords:** *economic growth, knowledge process, SMEs*

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## **ENTREPRENEURIAL ORIENTATION AND BUSINESS STRATEGY – ANALYSIS OF ENTREPRENEURIAL OPINIONS IN SERBIA**

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### **ABSTRACT**

*This paper resulted from a doctoral dissertation, which had one of the goals to analyze empirical research and to determine which strategic objectives entrepreneurs and managers consider most important for the success of the business. Moreover, the paper analyses strategic issues that entrepreneurs and managers are facing with each day; problem of creating long-term relationships with customers, concern of improving the quality of products and services, dispute how to increase consumer satisfaction etc. In the current, difficult economic conditions entrepreneurs and managers are forced to re-examine how they operate and to determine its strategic objectives and their importance to the survival of the business. Therefore, the aim of the paper is to analyze empirical research and to determine which strategic objectives entrepreneurs and managers consider most*



*important for the success of the business. The research for this paper was conducted using a questionnaire on a sample of companies from Serbia.*

**Keywords:** *business strategy, entrepreneurship, entrepreneurial orientation, management*

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## **BENEFITS AND PERSPECTIVES OF SMALL AND MEDIUM-SIZED ENTERPRISES IN ALBANIA AND KOSOVO**

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### **ABSTRACT**

*Small and medium enterprises represent a significant portion of GDP and are recognized as pillars of Economy in Albania and Kosovo. They are the first generators of employment and have a positive impact on revenue from taxes and fees. SMEs are the main bearer of new technology and innovation in the field of economics and the development and exchange of experiences between countries and cultures.*

*The main problems facing the SMEs are administrative barriers, project financing, lack of specialists in specific profiles and the fact that Albania and Kosovo are places where there is still much work to be done to improve the high degree of informality. Both countries are undergoing a transition as post-communist countries after receipt of independence from Serbia. Another important aspect is international competition from neighboring countries. This competition should be considered in light of coverage of domestic needs of goods and services as well as opportunities to supply foreign markets.*

*Despite the difficulties, benefits for these countries SMEs have a very positive impact, both in terms of macro and microeconomics as main drivers of economic growth. SME perspective is also conditioned by the political situation in the country. Granting of candidate status for access to the European Union will have a very positive impact and create facilities for SMEs to facilitate financing procedures as well as benefiting funds financed by the EU, facilitating the administrative bureaucracies, movement of human capital for training and exchange of experiences in other countries in the EU.*

**Keywords:** *Employment, Transition, Informality, Development, GDP*

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**ROLE OF SMEs IN THE ECONOMIC AND SOCIAL  
DEVELOPMENT: CASE OF TERROIR PRODUCTS IN SOUSS  
MASSA DRAA REGION (MOROCCO)**

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**ABSTRACT**

*The study of entrepreneurship as well as Small and Medium-sized Enterprises (SMEs) interests more and more the practitioners, politicians and academics around the world seen their weight in the global economy. Small and Medium-sized Enterprises have no universal definition but are rather defined by their size based on their number of employees, Balance sheet total and Turnover whose boundaries differ from one country to another. Driven by entrepreneurship, SMEs represent a real lever for economic and social growth especially in emerging economies level. Now, it is generally accepted that Small and Medium-sized Enterprises are endowed with a potential of innovation, job creation and income growth. Thus, in a global context, SMEs in developing countries try to survive and to expand their activities on other markets which is not an easy task. So, the difficulty of the context in which they operate makes it a model worth studying. Thus, our paper aims to draw up the profile of SME entrepreneurs in the field of terroir products in Souss Massa Draa (Morocco) region in order to understand their main motivations and aspirations. So we shall clarify the main obstacles facing these entrepreneurs on one hand and the important role they play in Moroccan economy on the other hand. Our study suggests adopting a strategy based on network weaving to better promote terroir products and contribute to the sustainable development of the region. This strategy must be accompanied with the independence from financing to allow these SMEs to grow up and reach an international dimension.*

**Keywords:** *Developing countries, Economic, Entrepreneurship, SME, Social*

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## **COOPERATION OF SMEs AND INSURANCE COMPANIES IN CREATION OF MARKETING VALUE OF INSURANCE PREMIUMS**

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*Small and medium enterprises (SMEs) are the backbone of the development of countries in transition. They contribute to an increase in GDP, exports, market economy and its competitiveness, since they have the largest capacity of rapid adaptation to market changes. Insurance market is certainly one of the most perspective ones in transition countries like Serbia, but also one that is strengthening each year. Although the sum of overall insurance premium is increasing, there is still a lack of public awareness of the necessity and significance of possessing various kinds of insurance policies. One of the opportunities lies in establishing cooperation between SMEs and insurance companies in order to create more attractive and, from consumers' point of view, valuable offer. This cooperation is based on the fact that SMEs are primarily engaged in certain forms of service activities and, therefore, can be an effective insurance distribution channel. Secondly, SMEs are tending to be the most profitable segment of insurance market if they overcome the legally imposed framework of obligatory insurance and accept it as a voluntary action. SMEs are in a position to contribute the creation of marketing value of insurance premiums, which can bring significant benefits to enterprises, insurance companies, employees and general public. Therefore, this paper examines the degree of existing cooperation of small and medium-sized businesses and insurance companies in Serbia and the current role that SMEs have in this cooperation. The aim of this paper is to highlight the importance of such cooperation and suggest ways of its further improvement.*

**Keywords:** *Cooperation, Insurance companies, Insurance premiums, Marketing value, Small and medium enterprises*

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## EDUCATION FOR CREATIVITY

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### ABSTRACT

*Creativity is a process, of having original idea that has values or an intelligence of having fun or joy not knowing it all. A big part of being creative is looking for a new ways of doing things within whatever activity you're involved in. Creativity isn't just about coming up with new ideas; some ideas might be completely crazy and impractical. An essential bit of every creative process is evaluation of imagination, creativity and innovation. The creative process depends on generating ideas, making unusual connections evaluating ideas, and making judgement about ideas. A major problem with education system, in many of the old, industrialized countries is uncreative education. With that amount of waste of time, there's something wrong with the system— with impersonal forms of education, with people sitting in rows and not discovering the things that impassion them or invigorate them or turn them on. That's increasingly the case with the culture of standardized testing. It's totally counterproductive. Looking back, there were certain sorts of lessons with certain teachers when they give an opportunity to do things that invigorated people. When found things you're good at, and then tend to get better at everything because your confidence is up and your attitude is different than people can be creative. Human culture is so diverse and rich—and education system is becoming increasingly dreary and monotonous. Collaboration, diversity, the exchange of ideas, and building on other people's achievements are at the heart of the creative process. An education that focuses only on the individual in isolation is bound to frustrate the old educational system.*

**Keywords:** *creativity, education, education system, ideas,*

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## THE SIGNIFICANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES FOR CROATIAN EXPORT

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### ABSTRACT

*Until the end of the 20<sup>th</sup> century, the prerequisite for the presence on the global corporate scene was the size of the company. Technological changes, above all the development of online business and lower costs of telecommunication and transport services in the last 20 years have also enabled medium and small sized companies to*

*organize their business on the global scale. Many small and medium-sized enterprises mostly from the developed countries have succeeded in internationalizing a considerable part of their business, aided by various measures of economic policies of their governments. The governments do this both for the importance of export and for the significant contribution of small and medium-sized companies in employment and GDP. Croatian small and medium-sized enterprises also contribute significantly to employment and GDP and are becoming active on the international market, however without sufficient support from the government for now. The paper points to the possibilities of medium and small sized companies in the Republic of Croatia to use the experiences of small and medium sized companies of the developed countries in order to further expand their corporate activities onto the international market.*

**Keywords:** *medium and small sized companies, internationalization, export, international trade*

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