



The 5th Jubilee International Scientific Congress



**GLOBAL TOURISM CHALLENGES
IN 21-st CENTURY**

СКОПЈЕ 2016

The 5th Jubilee International Scientific Congress
GLOBAL TOURISM CHALLENGES IN 21st CENTURY

Foreword by the Rector

It is my great satisfaction that I write this Foreword to the Proceedings of the special



5th International Scientific Congress ICON BEST 2016, for the occasion of the 10th Anniversary of the University of Tourism and Management in Skopje (UTMS).

Our University recently celebrated its tenth anniversary as a modern university in form, content, and level of the educational process organization. The educational concept of UTMS is dedicated to developing principles of open, universal, and innovative knowledge. The university activities greatly enhance prestige of the educational system in Macedonia and it justly ranks highly among higher education institutions in the country.

In line with the stated Endeavour's, ICON BEST continues a tradition of bringing together researchers, academics and professionals from all over the world providing a highly competitive forum for reporting the latest developments in the research and application of tourism, economics and social sciences in general. The conference particularly encouraged the interaction of research students and developing academics to present and to discuss new and current work. Their contributions helped to make the Conference as outstanding as it has been.

I do hope that everyone will benefit from this conference and will bring forth new perspectives in their academic and professional work. I also hope that the knowledge gained in this conference will be applied in everyday decision making process both at organizational as well as individual levels.

On behalf of the University of Tourism and Management in Skopje I would like to take this opportunity to thank the Organizing and Scientific committees, as well as the academic staff and everyone whether directly or indirectly, who have been dedicated to ensure the success of this conference.

I wish you all the best and hope your presence in Skopje has been be a memorable one.

Thank you.

Prof. Ace Milenkovski, PhD.

Rector

University of Tourism and Management in Skopje



The 5th International Scientific Congress ICON BEST 2016 organized by University of Tourism and Management in Skopje (UTMS) celebrated education as the most powerful instrument yet fashioned by society for its own conscious social evolution. But at the same time, it recognized that today the global educational system is struggling to keep pace with the increasingly rapid pace of social change. Bridging that gap by means of new teaching methods, new delivery systems and new content is an essential challenge for humanity in the coming years.

Garry Jacobs, Chairman and CEO, World University Consortium

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THE IMPORTANCE OF CORPORATE CULTURE IN GLOBAL HOTEL INDUSTRY

Amelia Tomašević¹

Abstract:

Corporate culture refers to beliefs, expectations and values recognized and adopted by majority of employees in a company. It is expressed in the language used by the organization, its stories, rituals, symbols, decor, iconography, and it makes the company recognizable, and consequently it becomes an important part of competitive advantage framework. Research done on global hotel corporations confirms that the corporate culture as essential element of differentiation is extremely important, representing the philosophy, vision and mission of the brand. In some global hotel corporations the national culture is present in various forms, but will not prevail over the adopted corporate culture. Corporate culture influences the management of human resources and the selection of employees, thus some hotel chains establish their own educational structures with the purpose to form their own personnel to maintain and improve the desired corporate culture and quality. Researching methodology involved analysis, synthesis, description and comparison.

Keywords: corporate culture, global hotel corporations, national culture, educational structure

1. Corporate culture as a part of the successful management

Corporate culture is an important element of the successful management in any economic area. It includes assumptions and beliefs about reality, truth, space, time, human nature, relations and activities. It is incorporated and evident in the organization's stories and rituals, even in a dress code. It is expressed through the system of values which represent philosophy, mission and vision of the company, using the language, symbols, scenography and iconography. Corporate culture makes visible the values of the company which might emphasize the competitive diversity, and in that sense it will influence the profitability. Corporate culture must be embraced and adopted by majority of employees; otherwise it will be prevailed by some other culture, sometimes not desirable by the management. Corporate culture is not a monolithic culture – is it a product of various subcultures. The strength of those cultures will determine the corporate culture as weak or strong. Therefore the corporate culture must be managed and not left to the unplanned coincidence. Corporate culture forms collective identity which enables the employees to be identified with the organizational mission and politics. The culture helps the employees to meet the clients' requests and face the pressures, it offers the structure within which they can safely move and perform without the authoritative managerial style which would limit their motivation and creativity. Corporate culture is based on the concept of learning organization; it has impact on the type of the organizational structure and management style. Therefore it should involve all employees and all new candidates should be chosen according to the corporate culture. Corporate culture is very important when the company decides to initiate an important organizational change because successful changes are not possible without the change of a corporate culture as well.

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Corporate culture is a result of the joint experience of the members of the organization. It goes through various stages:

1. "Childhood" – it is the initial period during which the organization creates its identity. The employees identify themselves with the company.
2. "Youth" - the identity has been created and the basic presumptions, beliefs and values have been adopted. The first different opinions will later develop into subcultures. The employees turn to subcultures.
3. "Maturity" – the company becomes slow, inflexible and bureaucratic. Corporate culture might become main obstacle to the further development of the company. In this period the organization must change, which means that the corporate culture must change as well. If not, the organization will not survive. The personal interest prevails over the interest of the company.

The corporate identity is the main communication strategy in the process of creation of the desired image of the company. It consists of:

1. Corporate design - refers to the visual presentation of the company. The elements are: company logo, name, color, font, printed documents, the design of the building, working space, uniforms etc.).
2. Corporate communication – specific promotional activities
3. Corporate culture – managerial style, communication with employees, specific style of behavior

The successful communication strategy is reached only when the company philosophy and image are harmonized (Vukonić 2011, 178).

Once that the culture is established, it should be implemented, maintained and developed. Three elements are crucial to maintain the culture –

1. Selection – the candidates must meet the requirements for the working position and must fit into the work environment
2. Top management – the way of talking, behaving etc. will be the model for employees' behavior
3. Methods of socialization – the process of initiation and adjustment to the new environment. Employee will learn the culture after a certain time, when the old members start to share it with the new members. In that sense the culture is a mechanism of social control (Schein 1992, 12)

2. Elements of corporative culture in the hotel industry

Organizational culture is present in all management functions and consequently it determines the areas of its influence.

1. Organizational culture influences the strategic decisions. The decisions are taken according to initial assumptions and beliefs. Who will be the guest of honor at the opening ceremony of a hotel depends on the corporate culture – for some hotels it will be a famous sportsman, for others a famous actress or politician. During the war almost all hotels in Zagreb hosted NATO officers. When they requested hamburgers at the Hotel Esplanade restaurant, the employees were shocked because such meals were not compatible with the image of the hotel.
2. Organizational culture influences the business results according to ability to adapt to changes. It is generally accepted opinion that some companies are more successful because their culture encourages flexibility and openness towards changes in the surroundings.
3. Organizational culture is the mechanism of coordination. Strong organizational culture makes easier the coordination among employees because the standard of

behavior is established in the entire company. Strong corporate culture sometimes replaces the written instructions. However subcultures which are mutually opposed might negatively influence the coordination. It happens sometimes in hotels – the food and beverage department and front office function according to general organizational culture, but at the same time they have their own strong cultures which might come into conflict.

4. Organizational culture efficiently controls the employees' behavior. The control is achieved through the established cultural values, beliefs, and standards of conduct. Sometimes it is more efficient than the direct manager's control, which employees might understand as limit to their creativity and freedom.
5. Organizational culture reduces the conflicts in the organization. Not only that with the strong organizational culture there is less need for direct control of the employees, but employees who are not able to embrace the culture, change the company.
6. Organizational culture is an excellent motivator. The employees' identification and the strong culture result with the strong commitment to the company.

Organizational culture might be strong or weak which depends on how much employees share organizational core values and basic philosophy, established by the founder of the company or actual CEO. The corporate culture is not created over night, but is being developed through years. Strong corporate culture will have to:

1. develop consciousness about the history of the company
2. create the sense of unity
3. promote the feeling of membership
4. increase the interaction among members

That could be achieved through the knowledge about the history of the hotel, through skillful ways of communication, creation of heroes, transmission of values and standards, way of employment and recruiting, human relations, democratic management style, career management etc. The employee turnover will be minor in strong cultures. Employees largely agree about crucial issues in strong cultures. The goals are reached even without written documents, although there are hotel corporations which function through the system of written rules which determines fully employees' behavior (The Ritz Carlton and Marriott). Those hotel corporations have created very strong corporate culture. It is considered that strong corporate culture is *conditio sine qua non* for efficiency and success. The impact of strong culture on productivity is enormous – the company with strong culture can save one to two hours of additional work per employee daily (Guerrier 1999, 89). In order to have successful and efficient strong culture it must be coordinated with the values and beliefs of the environment. Strong culture is not so flexible and opened to changes. The number of values and beliefs adopted by employees is correlated to the strength of culture: bigger number means stronger culture.

However in the global hotel corporations the dilemma is how a strong culture can be literally implemented on another continent where values and model of behavior are completely different. The organizations with strong culture will be less influenced by national culture.

Every company had developed a model of behavior in determined situations, even in small details like how the employees will address each other, and how they will address clients, or will the manager receive employees any time or on specific day of the week. Symbols are visible part of the organizational culture, and they represent everything that has some meaning for its members: from the entrance, doorman, stationary, way of communication, uniform to the strategies and goals of the company. Some symbols are more visible than the others.

There are three groups of symbols:

1. semantic symbols

Language is the most important symbol of culture. Nations develop their national culture through their national language. Some groups develop their own language (children, teenagers) and some professions develop their terminology which is not understandable to others. Common language is essential for communication. Many organizations use language for identification of culture or subculture. Professional language is determined by the profession, but there are still differences: a lawyer who starts to work in a hotel must first learn specific hotel terminology; otherwise he will not be able to work efficiently. Hotel industry all over the world uses a lot of English expressions, even abbreviations in everyday communication, which requires from any new staff member to adopt that style. It is well known that the Ritz-Carlton standard is to answer with the phrase “My pleasure” whenever guest thanks for service instead of “Never mind” or similar. The corporative culture is evident even in the way how hotel receptionist answers the phone. The rule in some global hotel corporations is to answer the phone in English and not in local language, in spite of dissatisfaction of local staff. It is very important how employees express themselves, because sometimes the wrong selection result with incompatible situation: no matter how beautiful new employee might be, but she will not be appropriate for a five star hotel if she speaks in slang.

2. behavioristic symbols

Refer to various models of behavior and attitude. Overall attitude of employees reflect their way of thinking. The behavior of staff is the result of corporate culture. Most important behavioristic symbols are the organizational rituals and ceremonies. It is well know that many hotel corporations hire staff for their attitude and not knowledge: “We can teach our staff technical things, but we cannot teach them attitude”.

3. material symbols

Are the most visible part of the corporate culture They express certain beliefs and values and transfer them to the members of the organization, but also to outside public. One of the material symbols are the offices - a lot of space with less furniture is the concept which has a specific message about the power, money and hierarchic position. Other material symbols can be the parking place, type of lap top, mobile phone, dress code. Many hotel companies (like The Ritz-Carlton) prescribe even the size and type of jewelry or socks which employees are allowed to wear. Companies use material symbols to send messages to their clients – through the design of building, company cars (The Peninsula Hotel Corporation from Hong Kong and Burj Al Arab have a fleet of Rolls Royce at disposal of their guests), uniforms etc. Sometimes hotel companies pay more attention to exclusivity and extravagance than to efficiency or functionality. Not only is the aspect of the building an important material symbol, but also the location. Hotel companies quite often use famous fashion designers to design uniforms for their employees (Pierre Cardin), but also to design bedclothes (Laura Ashley) or rooms (Christian Lacroix, Karl Lagerfeld, Missoni, etc) or entire hotels which resulted with trend of so called “fashion hotels” (Giorgio Armani, Versace, Bulgari), small chains of hotels which transferred the culture those fashion designers developed in fashion to hotel business. Many hotels use elements of national culture for design of interior, or for uniforms. Such concept is implemented even in the names of hotel areas (restaurants, lounges, rooms). Uniforms reflect not only the

corporate culture, but also the category of the hotel, and the national culture. It is more obvious in Asian hotels (India, Thailand, Indonesia, China). The problem appears when the staff does not accept the new uniform for some reason (the jacket too short, the uniform limits the movement and is not functional). Until they adopt it as a part of the change of culture, they will not deliver the best service.

Logo is also a material symbol which is very important for the identification of the company. Many hotels have lion in their logo (The Ritz-Carlton, Hotel Esplanade, Red Lion, MGM Grand) as a symbol of luxury.

Hotel stories are very important element of corporate culture. They can be used for promotion and to create the idea of uniqueness of the hotel. They are not always positive, but the negative stories should not go public. Stories will give examples of formal and informal models of behavior in certain situations, the consequences (awards or punishment) and will build the sense of pride and devotion among employees. In The Ritz-Carlton once a week employees are invited to share hotel stories during the staff meetings, and whenever necessary those events are analyzed, criticized or praised. Exceptional stories become legends and myths. A figure of hero appears in stories – a skillful employees who solves some difficult situation on several occasions – such person becomes a symbol of the company values, an example to follow and motivates other employees to act in the same manner. Grand hotels are full of such stories and very often they publish books listing them.

Case study 1.

George Kessler, champagne and finance businessman from the Wall Street organized a birthday party “Gondoliers’ Night” at Hotel Savoy in London in 1905. The hotel courtyard was converted into an artificial lake, lightened with 400 Venetian lanterns and decorated with 12000 carnations and roses. The water was colored, and gondolas were floating among mini replicas of Doge’s Palace, St. Mark’s church and other most beautiful Venetian buildings. Enrico Caruso was singing at the light of an artificial moon (Augustin, 2002, 106).

Case study 2.

Dragutin Tadijanović, a famous Croatian poet and Nobel prize candidate, was a young and very poor student in Zagreb in 1926. He was robbed, left completely without money and not knowing how to live until the end of the month, he came to the idea to ask for help from the Hotel Esplanade. The management approved the lunch and dinner without drinks for the whole year and then for another year. Tadijanović, who many years later became a very famous and beloved poet, remained a faithful guest of the Hotel during his whole life.

Case Study 3.

Grand Hotel et de Milan, built in 1863 as the most modern hotel of that time in Italy, linked its organizational culture to the biggest names of Italian opera. Giuseppe Verdi lived in the hotel from 1872 till his death in 1901. He composed some of his operas in the hotel. During his illness, the information on his health was displayed in the hotel lobby, and the hotel spread straw on the street so that the noise produced by horses and carriages would not disturb the maestro. The hotel hosted also Arturo Toscanini, Richard Wagner, Camille Saint-Saëns, Pietro Mascagni, Richard Strauss, Enrico Caruso, Maria Callas etc. and even manager’s daughter got married with Umberto Giordano (Ricci 1999, 7).

Mission expresses general business goals of the company, its philosophy and is an element of its organizational culture – which is very characteristic for hotel corporations. It

should not be too long or written in a complicated language and all employees should be familiar with it.

Example 1.

Hotel Burj Al Arab' s mission points out the desire and intention to be the most luxurious hotel in the world, but also expresses strong national feelings. This statement places the national identity before the internationalism although the guests and employees come from all over the world.

Mission Statement

To be the world's most luxurious hotel, with a team dedicated to outstanding personalized service, surpassing guests' expectations by providing the ultimate Arabian Hospitality experience. ²

Example 2.

Marriott' Vision & Mission

Vision – To become the premier provider and facilitator of leisure & vacation experiences in the world.

Mission – To enhance the lives of our customers by creating and enabling unsurpassed vacation and leisure experiences.

However as of 2014, Marriott does not have a formal mission statement, but it does have a vision statement which reads "To be the #1 hospitality company in the world."³

Marriott Culture is determined also in J.W.Marriott JR.'s statement: "Culture is the life thread and glue that links our past, present, and future. To provide good food & good service at a fair price. Take care of customers."⁴

Example 3.

The Ritz-Carlton summarized its mission, philosophy and culture in a system of statements called Gold Standards which are printed on the credo card. Employees have to carry that card with them as a part of the uniform. It consists of:

1. The Credo

The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission.

We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambience.

*The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.*⁵

2. The Motto

"We are Ladies and Gentlemen serving Ladies and Gentlemen".

The Ritz-Carlton culture implicates the importance of respect for the employees which is clearly expressed in this statement.

3. The Three Steps of Service

1. *A warm and sincere greeting. Use the guest's name.*

2. *Anticipation and fulfillment of each guest's needs.*

3. *Fond farewell. Give a warm good-by and use the guest's name.*

² <http://www.slideshare.net/peterhuy/burj-al-arab-the-worlds-most-luxurious-hotel>

³ <https://www.reference.com/business-finance/mission-statement-marriott-hotel-5dc829ecf8c6732c>

⁴ <https://prezi.com/9ylj8p4y2b-t/marriotts-vision-mission/>

⁵ <http://www.ritzcarlton.com/en/about/gold-standards>

These three short and very simple steps express the entire philosophy of customer service. (Michelli, 2008, 22-31).

Corporate culture is influenced by regional or national culture (Jafar, 2000, 128). In global companies the corporate culture and national culture might be sometimes in conflict, which will result with decline in quality of service. Employees of many different nationalities, of different religions, habits, values, languages etc. work together today in global hotel companies. Many multinational companies consider multicultural diversity a problem and not a competitive advantage. They spread their own culture in the management style, behavior, dress code etc. but for successful operations it is imperative that their culture harmonizes with the local culture. The national culture cannot be ignored because it is one of the basic elements of the corporate culture. If the foreign managers in hotel corporations do not take into consideration specific characteristics of national culture, the hotel will face a lot of problems which will have serious impact on efficiency and profitability of the hotel. The national culture will also influence the style of management. The cultures which have strong hierarchical system will not accept the manager with too democratic style because it will be understood as weakness. The language might be a serious problem – employee with poor knowledge of foreign language might not understand the commands, or might reproach to the foreign manager lack of warmth, humor or human relations.

While large international hotel companies initially insisted on unique design of their hotels all over the world, nowadays the trend is to have hotels with basic elements (logo, concept) of the corporation, but with design (interior, uniforms) which expresses local national values.

Some strong national cultures will prevail regardless the strong international hotel brand, like Thai culture – in Sheraton, Dusit Thani, Inter-Continental etc. the staff will always smile in a recognizable Thai way. Dusit Thani managed for a certain period hotels in USA, and their managers tried to transfer the same style, but American employees could not adopt Thai way of smiling to guests, because it was far from their own culture. It is also an important question which long-term impact will have branded hotel on local culture (Cerović, 2011).

International hotel corporations pay a lot of attention to appropriate selection of staff. The candidates with degrees from international Swiss hotel schools usually have priority, but many hotel corporations adopt principles of learning organization and plan additional education for their staff on yearly basis. The Ritz-Carlton is the best example – all of their employees (executives, supervisors, staff) attend courses and trainings every year per one month (120 hours). The idea is that only educated staff will provide desired service.

Large hotel corporations have special programs for their executives, like The Rezidor Hotel Group which organizes seminars for selected executives on several weekends per year, preparing them to take over the position of general manager within the corporation. The duration of that program is approximately three years.

There are important global hotel corporations which founded hotel schools basically with the purpose to create staff according to their needs and standards:

Jumeirah International from Dubai, founded in 2001 The Emirates Academy of Hospitality Management in cooperation with the Ecole Hôtelière de Lausanne.

The Ritz-Carlton inaugurated The Ritz-Carlton Leadership Center in 2000 with various programs for managers. The courses are attended by executives from different fields (banks, health industry, human resources, transportation etc.) not only from hotel industry. The corporation believes that The Ritz-Carlton Leadership Center preserves the corporate culture of excellence in spite of the fast growth of the company which sometimes might be a problem – too fast development weakens the culture.

Conrad N. Hilton College of Hotel and Restaurant Management was founded at the University of Houston in 1969 for philanthropic reasons. There are another two colleges, one in Lima, Peru, and the other in San Antonio. The College in Houston has Hospitality Industry Hall of Honor with more than 60 personalities from the hotel and restaurant industry.

Kemmons Wilson, the founder of Holiday Inn Corporation opened the Kemmons Wilson School of Hospitality&Resort Management at the University of Memphis in 2002.

Taj Hotels Resorts and Palaces - has been operating Institute of Hotel Management, in Aurangabad, India since 1993 with an affiliation to the University of Huddersfield in the United Kingdom.

Hotel brands are an example of very strong corporate culture which is stronger than the national cultures and subcultures. Marriott believes that the corporate culture is the driving force of the development of the corporation. The corporate culture determines the quality.

Conclusion

The company without a corporate culture does not exist. Every company has weak or strong, modern or conservative, innovative or old corporate culture. The corporate culture creates the identity which enables the employees to identify themselves with the politics and mission, prescribes the forms of acceptable or non-acceptable behavior, and helps the employees to meet guests' requirements. The corporate culture motivates the staff, influences the selection of employees. Corporate culture is one of crucial elements in client's decision about the choice of the hotel. National cultures influence the creation of corporate cultures. Corporate culture is related to the personality of a general manager – if there is discrepancy between his personal culture and corporate culture, he will have to resign.

Mission reflects the corporate culture and has positive impact on hotel operation. Countries with strong, conservative traditions have strong national cultures which will be stronger than the corporate culture. In such countries the customs and habits will not be changed, and the foreign expressions will not enter the local language.

Continuous education is needed in order to establish, develop and reinforce the corporate culture. Some of the hotel corporations established their own educational institutes mostly with goal to form staff according to their requirements and vision.

Further research might focus on the process of change of cultures, its difficulties and models how to improve the culture.

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TOURISM PORTO AND NORTH OF PORTUGAL – CASE STUDY CONCERNING PRIVATE ACCOMMODATION

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Almeida Luis

Abstract:

The tourism in Portugal has increased very significantly in the recent years. Apart from hotels, alternative types of accommodation offer, such as hostels and local private accommodations, have emerged and represent today a significant part of the offer of beds. In this paper, an overview of the recent phenomenon of local accommodation in Portugal is presented. The reasons for the emergence of local accommodation, the new Portuguese legislation and some statistical data are presented. The North of Portugal and especially Porto became recently a top tourist destination. Local accommodation in Porto is presented more in detail as a case study. The advantages and drawbacks of the local accommodation are also discussed.

Keywords: Tourism, Porto, Portugal, Local Accommodation, Hostel, Management.

1. Introduction

According to Claveria (2016), emerging destinations are playing an increasingly important role in the competitive tourism market. According to the UNWTO (2016), Tourism has had an enormous growth worldwide: 25 million of international tourists in 1950, 278 million in 1980, 674 million in 2000 and 1186 million in 2015, representing a turnover of 1260 billion US\$ in 2015. Arrivals in emerging destinations between 2010 and 2030 are expected to increase at twice the rate of those in advanced economies, reaching a 57% share of the market. Despite the growing interest in emerging markets, most tourism research still focus on the world's top tourist destinations (UNWTO, 2016). Tourism is one of the economic sectors in which a great degree of involvement is needed by the entrepreneurial sector: diversification of tourism products and services is needed to cope with increased demand for new types of tourism needs (Hjalager, 2002).

In the case of Portugal, tourism is very important for the economy. According to the report of the National Institute of Statistics in Portugal (INE, 2016), data from the World Tourism Organization shows that the number of international tourist arrivals in Portugal in 2015 has practically reached the population of Portugal, which is 10.4 Million inhabitants. More than half came from Europe, but the higher rate of increase (5.7%) refers to tourists coming from Asia and Pacific, followed by the American continent (5.0%). Only tourists coming from Africa decreased in 2015.

The yearly rate of increase has reached 9.7% from 2014 to 2015, more than the double of the average growth in Europe, which was 4.7%, and also higher than the 4.4% rate of

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growth worldwide in the same period (UNWTO, 2016). Table 1 shows the rate of annual growth in the recent years:

Table 1: International arrivals to Portugal (UNWTO, 2016)

| Year | International tourist arrivals | Yearly rate of growth |
|------|--------------------------------|-----------------------|
| 2010 | 6 832 000 | - |
| 2011 | 7 412 000 | 8.5% |
| 2012 | 7 685 000 | 3.7% |
| 2013 | 8 301 000 | 8.0% |
| 2014 | 9 277 000 | 11.7% |
| 2015 | 10 176 000 | 9.7% |

Data published by the Bank of Portugal shows that the revenue from “Travel and Tourism” reached in 2015 a total of 11.4 Billion Euro, representing 6.4% of the GDP and an increase of 9.3% respective to 2014. The number of beds increased 5.7% but the number of accommodated guests increased 13.4% in the same period (INE, 2016).

About a quarter of foreign investment in Portugal is motivated by tourism trade. These figures provide an overall picture of the importance of tourism for Portugal. Both the increasing number of tourists and the sector's strategic importance have led Portuguese economic and political agents to pay special attention to this sector by taking active measures towards its sustainability (Andraz and Rodrigues, 2016).

Traditionally tourism was directly related to accommodation in Hotels. But local private accommodation for tourists, also called “bed and breakfast”, has increased very significantly in the last years. In the present paper, the term private, local accommodation is used instead of the traditional English term bed and breakfast, as many of the local accommodations do not provide breakfast.

There has been a very quick expansion of web platforms for booking of accommodation: Booking (initially only for Hotels and Guest Houses but now with a big offer of local accommodation), AIRBNB (the most widespread platform, with about 2 million places everywhere in the word), Homeaway group (more than 1 million places), Trip Advisor group, etc.

2. Local accommodation in Portugal

As most of the private accommodations were not officially registered and the corresponding income was in the “parallel economy”, the Portuguese Government has decided to make the registration system much simpler. The Decree-Law No. 128/2014, approving the legal regime of exploitation of local accommodation establishments, entered into force in November 2014. This legislation has been updated in 2015 (Decree-Law No. 63/2015, published in April 2015). The registration is done on line. The taxes are relatively low, discouraging evasion of taxes: VAT tax is the same as for hotels (6%) and, for privates with simple accountancy, only 15% of the total income is subject to income tax, so 85% of the income is considered as expenses linked to the accommodation, without need for justification.

For accommodations of up to 9 persons, the safety rules are relatively simple. Above this limit, accommodations must meet more severe safety rules against fire hazards. After registration (mere prior notification), the local municipal council will make an inspection to verify compliance with the requirements of the legislation.

All the accommodation establishments have to have a complaint book and are surveyed by ASAE (Food and Economic Security Authority). Like in Hotels, all foreign guests must be reported to SEF (Foreigners and Borders Service).

The number of officially registered local accommodations has since the publication of the 2014 legislation increased exponentially. According to the Tourism of Portugal, the number of local accommodation establishments registered in Portugal was about 12000 in the end of 2014, 23000 in the end of 2015 and now there are almost 33000 registrations (September 2016). For instance, in Lisbon, local accommodation represents already one third of the capacity of accommodation (ALEP, 2016).

According to the survey made by ALEP – Association of Local Lodging in Portugal (ALEP, 2016), 92% of the owners have only one or two accommodations for rent. Only 16% of the accommodations are managed by companies. The very recent boom of local lodging is a result of the shared economy promoted by internet. The main reasons are the following:

- Low cost flights: for instance, the number of passengers in Porto airport was about 3 million in 2005 and reached more than 8 million in 2015. The rate of increase from 2014 to 2015 was 16.7%.
- Need to obtain extra income due to low wages. The rental of a room and the rental of secondary lodging or of houses bought by emigrants living abroad were the main source of offer but now more and more specific investments in apartments or houses for local lodging are becoming the main source of new local accommodations.
- The much higher potential income of private accommodation for tourists respective to traditional long term house rental.

AIRBNB has made in June 2016 a presentation about its activities in Portugal (AIRBNB, 2016). According to this study, in 2015 there have been about 15000 “active” AIRBNB hosts, accommodating 912 000 guests. Some data:

- Average host age: 42.
- 76% of listings correspond to complete houses or apartments.
- Monthly earning for a typical host: 290 Euro.
- Average stay per guest: 4.4 days.
- Nights hosted for a typical listing: 68 in one year.
- Average party size: 2.6
- 91% of guests stayed for tourism or leisure.

It should also be noted that 88% of the guests said that they have chosen AIRBNB instead of a hotel so that they can “live like a local”.

AIRBNB presents in more detail the case of Lisbon in 2015. In fact, almost half of the AIRBNB guests in Portugal have stayed in Lisbon: 433 000 guests, while the average monthly earning for a typical host is 530 Euro. The accommodations are highly concentrated in the more touristic areas in Lisbon.

These AIRBNB data can be considered as typical for all local accommodations in Portugal.

The official Portuguese statistics are not representative of the local accommodation reality. In fact, only accommodations above 9 beds are included (INE, 2016), while the great majority of the offer corresponds to smaller establishments. So the percentage of offer in terms of beds in 2015 must be much higher than 13.7% presented in the statistics.

3. Case study Porto

The city of Porto (in English often spelled as Oporto, “o Porto”, which means “the port”) dates well from before Christ. Located on the right margin of the estuary of river Douro, north of Portugal, it is one of the largest urban areas in the Iberian Peninsula. The surface of the town is only 41.4 km² and the number of inhabitants has recently continuously declined, being now less than 240 000. The name of Porto is known all over the world because of Port wine, although in fact all the Port wine cellars are not in Porto but in Gaia, on the other side of the river. The historical core of Porto was proclaimed a World Heritage Site by UNESCO in 1996.

20 selected towns competed for the prestigious title of Best European Destination 2014. After a three weeks’ period of online voting, Porto has been elected the Best European Destination 2014 and won the title ahead of 19 big European cities. Zagreb, Vienna, Nicosia, Budapest, Madeira Islands, Milan, Madrid, Berlin and Rome are the next best destinations for a holiday or city-trip in 2014 (European Best Destinations, 2014). Tourism of Porto and the North of Portugal (TPNP) has ended the year of 2015 with a turnover of 10.6 Million Euro, with a profit of over 1.2 Million Euro, representing an increase of 16.5% respective to 2014 (TPNP, 2016).

The accommodation offer in Porto has increased very significantly to answer this increase in demand. The increase of offer has corresponded to opening of several new hotels: only in 2016 there were 30 permit applications for new hotels inside the town of Porto.

New kinds of accommodation have increased exponentially. This is the case of “hostels”. Practically non-existent in 2010, there are today almost 100 hostels inside the town, registered in the website “hostelworld”. Note that only 20 out of these are officially registered as hostels in the Tourism of Portugal.

In fact, hostels are included in the local accommodation regulations, according to the Portuguese legislation mentioned in section 2. The term “hostel” can only be used for accommodation establishments in which the majority of the rooms have at least 4 beds; in Porto the typical number of beds is 10 in a bedroom. This allows to present prices from 10 Euro per night, attracting mainly “low cost” and young travellers. Most of the hostels also offer double rooms, at a price around 50 Euro.

There is still very few literature about this new phenomenon in Porto. Torres (2015) has recently presented a MSc thesis analysing the key points that determine the success of innovation observed in this sector and how they influence the hostels’ performance. Most of the hostels in Porto are situated in the historical part of the town and have been installed in restored historical buildings. The design of many of these hostels is one the innovations that make each one “unique”. In the study of Torres (2015), almost all the guests of Porto hostels are foreigners, mainly from European countries, and 78% of them are within the age range from 20 to 30 years old.

In terms of local accommodation offer in private houses or apartments, in all the Porto district, there are 6654 registrations, representing more than 20% of the total of the local accommodation offer in Portugal. Only inside the small area of the town of Porto (which is less than 2% of the total area of the Porto district) there are at present 2104 official registrations (September 2016).

It is difficult to make an estimation of the number of non-official local accommodation establishments. Although the number of officially registered establishments is continuously increasing at a high rate, the non-registered establishments is very likely higher than the number of those which are registered. For instance, according to AIRDNA

(2016), the number of active AIRBNB rentals in Porto was 3960 in September 2016. The number of AIRBNB accommodations in Porto has doubled in less than one year.

AIRDNA (2016) presents also some interesting statistics in the case of Porto: the majority of the offer corresponds to a studio or one bedroom apartment. The average price per night is 63 US\$. The yearly revenue of an apartment is 19 059 US\$ (90% percentile).

4. Discussion and conclusion

The Tourism in Portugal is increasing at a high rate, due to several phenomena: increasing promotion of cultural heritage, agreeable climate, low cost flights, living cost lower than European average, as well as the increasing risks of competitive tourist destinations, such as the North of Africa and Turkey.

This high increase of demand has had as a response on the side of offer not only the opening of several new Hotels but also the emergence of a new type of offer: hostels and private, local accommodation. Local accommodation has attracted not only families in search of an alternative or supplementary source of income but also many investors, due to the high profitability with a relatively low investment.

The very high increase of local accommodation for tourism is being considered by some stakeholders as a threat to traditional tourist accommodation (hotels) and also for the market of traditional rental in many touristic towns, such as San Francisco, Berlin and Barcelona, cities where the authorities are making many restrictions to private, local accommodation.

In the more touristic areas in Lisbon and Porto, the cost of long term rentals of apartments has significantly increased and the traditional inhabitants that rent apartments in old houses are being chased of their homes by investors. This represents a risk for the rich cultural tradition of the towns, as for example happened in Venice.

The Portuguese government is foreseeing new restrictions for local accommodation, to try to force a reasonable balance with traditional rental.

A good balance is needed and the city of Porto, with a very high increase of tourism, can be considered as an interesting case study.

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THE IMPACT OF THE RELATIONSHIP AMONG TOURISM AND ENVIRONMENT

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Dejan Nakovski

Abstract:

Modern tourism Travel & Tourism is characterized by the large and significant qualitative and quantitative changes which are manifested by the dynamic growth in the number of new tourist developments, growth of the tourism markets, creating and practicing new and flexible types of travel products. Tourism is a phenomenon of the modern world and modern living. As a consequence of modern features, tourism has grown into the leading and largest economic activity in the world. The authors In this paper want to make an effort to present the theoretical aspect of the relationship between tourism and the environment in order to better understand it, which is especially important thing to know in tourism development in the traditionally underdeveloped tourist destinations.

Introduction

The economic impact that tourism has in the world is enormous and it's manifested with more than 1.5 billion USA \$ income only from international tourism. Over 400 billion USA \$ of capital investment is aimed at large projects for tourism development, with more than 255 million employees in the Travel & Tourism sector and with more than 1 billion visitors a year which are included in the international tourist market.

The numbers indicate clearly of the size and the importance of tourism as the number one industry in the world, but they also point out the enormous impact and the effects of the consequences that tourism has on the world economy.

One of the reasons for the dynamic qualitative and quantitative changes in the modern Travel & Tourism sector can be found from the emergence of mass tourism which flourished in the eighties of the last century and they also continue grow today with undiminished intensity.

1. Metodology

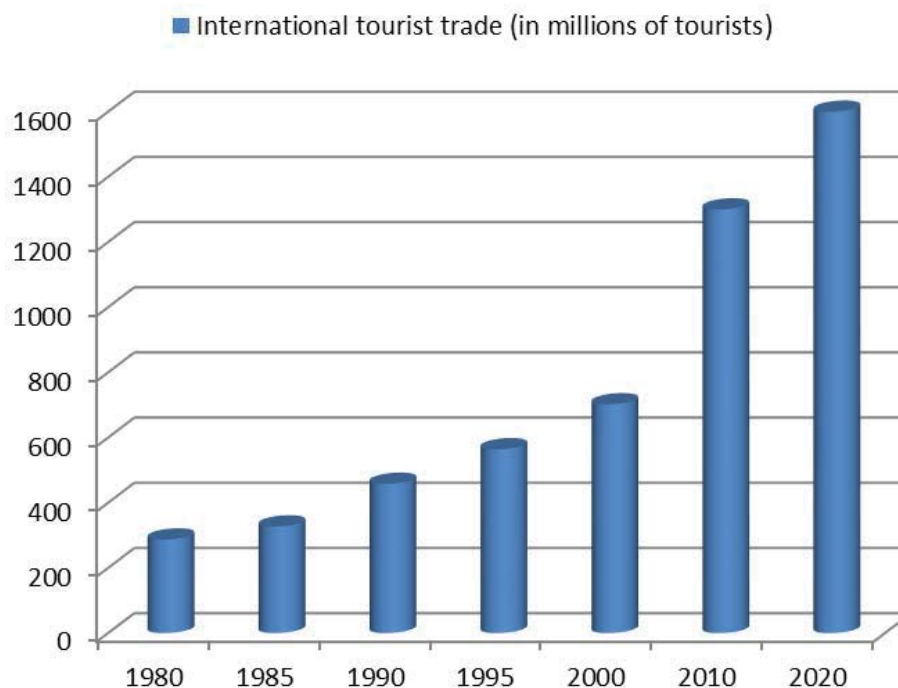
The methodology for data processing is particularly important for the further tourist development of the area, if they are used in the tourism planning, and in support of this is the Panov opinion, who says "*methods that are undertaken represent a very important and integral part on which depend the further proceedings in the implementation.*" (Panov

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2006). In the process of preparation of the paper, secondary collected data is used i.e. official data that are available in the statistical bulletins of the Statistical Office.

2. Results and discussion

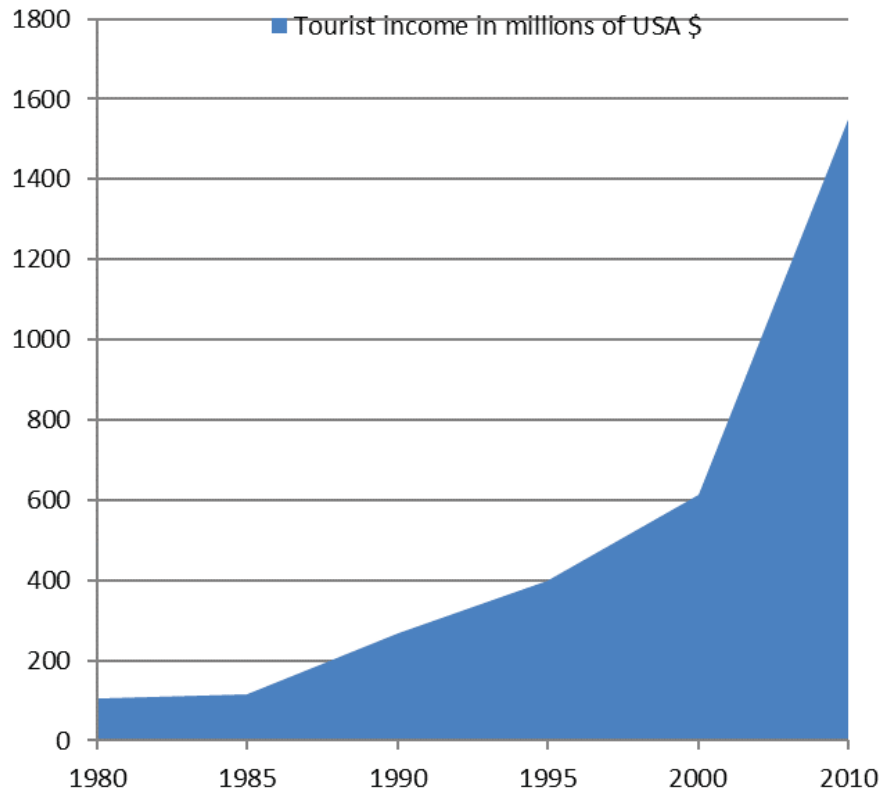
Graph 1. International tourist trade for the period 1980-2020, expressed in millions of tourists (source, WTO).



The data of the number of participants in the tourist movements and the earned income from tourism relate only from international travel trends. The domestic tourist movements⁸ are not included in the calculations and predictions, but they are several times larger than the international tourist movements. Regardless of the above, the total domestic and international tourists in the world tourism participate with more than 1 billion visitors and accomplish more than 1.5 billion USA \$ in tourism revenue

⁸ *domestic tourist movements include tourism developments that are taking place within the country, while those tourist developments that are taking place outside the boundaries of a single state are international tourist movements*

Graph 2. Income from international tourism trends in the period 1980-2010 expressed in millions USA \$, (source, WTO).



The mass of the tourist movements, turned the tourism sector not only as the most powerful economic factor but a factor that has a strong and profound effect on the physical and geographical space and the environment. The environmental impact is expected and it is normal, knowing that the tourism phenomenon and the occurrence that takes place in the geographical area. Today the environment is the basis of the modern tourism product. In the last three decades more attention and importance is given to environmental protection, preservation and restoration. Future projects in any business sector that will support environmental protection, despite their economic viability and profitability will be unsubstantiated and will remain unrealized, pre doomed to failure. Prospects and profitability in the travel and tourism industry will increasingly depend on the preservation and maintenance of the attractiveness of tourist destinations that tourists will want to visit, see and experience. Because of these modern subjects of all levels in the travel and tourism industry priority must be given to the environmental protection.

Tourism has the power to influence and change the environment, provide funds and conservation, maintain the culture, tradition, history and ethno-sociographic values to ensure sustainable use of resources and protect natural attractions. But tourism also has the power to destroy. If tourism is not properly planned and implemented the flora and fauna can be destroyed, the beaches can become polluted, it can cause and stimulate unplanned

construction, it can degrade and eliminate the space, create problems with wastewater, ignore and neglect the needs of the domicile population.

Tourism must enable the protection of the environment, preservation of natural resources and tourist attractions to meet the needs and motivations of tourists while also ensuring its sustainability.

The relation between Tourism and Environment, are not simple, on the contrary they are very complex and intricate. The relationship has evolved and changed over time, depending on the period and the dynamics of tourism development. The relationship between tourism and the environment can be characterized as a relationship of "co-existence", where tourism and the environment coexist separately.

Tourism activities were not always compatible with the needs of the environment, but it also did not lead to the destruction and endangering of the environment. This relationship between tourism and the environment was maintained until the emergence of mass tourism. During this period the relationship evolved and created other relationships between tourism and the environment which we can define as relationship of "conflict". At this stage tourism dynamically developed, drastically increasing the international tourism trends and new distant and non-traditional tourist destinations were established. All this resulted with direct and indirect, intentional and unintentional degradation of the environment which was impacted due to the fact that tourism and the environment are in conflict with one another. The evolution of the relationship between tourism and the environment is ongoing, so today the relationship can characterize as "symbiosis", which means that they are dependent on one another and are mutually close with a useful and lasting partnership, which is depended for the further development of tourism.

After these observations the question arises: does the world's largest industry, the Travel & Tourism industry have the greatest impact on the environment? The answer to this question is given previously where it was mentioned that there is positive and negative impact by tourism on the environment.

To reduce and eliminate the negative impact of tourism while initiating its positive effects on the environment, a new concepts is to be introduced for the development of tourism. Such is the concept of sustainable tourism development, ecotourism, natural tourism and other alternative forms of tourism, the concept of maximum load bearing capacity etc.

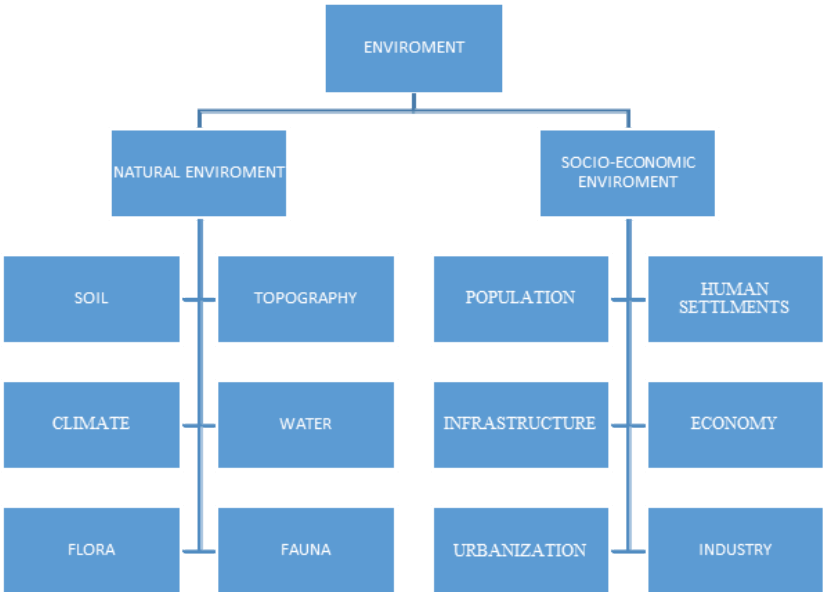
Today we are constantly talking about the environment and the impact that we have on it, so the environment is a pretty hot topic at all levels from local level up to the international institutions. We influence and pressure the environment every day by everyday business activities. If we already know that the N^o1 industry worldwide is the Travel & Tourism industry, it is more than clear and obvious that this branch has a major impact if not the greatest impact on the environment.

All the activities that are related to the Travel & Tourism sector take place in a geographical area, and in that area there are more than 1.3 billion annual participants. These facts only further confirm the previous conclusions about the pressure of tourism on the environment. Yet to be able to comprehend and understand this impact and interconnectedness between the Travel & Tourism industry and the environment we must be familiar with the term "environment" and the term "tourism environment" as part of the environment.

The term environment simply can be defined as a space in which people live, work, perform some economic activity and use the necessary funds for living and working. Thus

the environment occupies a very large part of the planet. The environmental as space is not simple, it's a very complex system, which is composed of subsystems belonging to all natural and anthropogenic elements in space and are located in mutual, causal relationship. According to this system the environment consists of two subsystems with the following elements and they are: 1. The subsystem of the natural environment consists of the following elements: (soil, topography, climate, water, flora and fauna) and 2. The subsystem of the socio-economic environment which consists of the following elements: (population, human settlements, infrastructure, economy, urbanization). The relationship between the elements of these two subsystems is very strong, respectively each and every activity natural or anthropogenic in one of the elements in either of the two subsystems which immediately is manifested and reflects certain consequences whether positive or negative on other elements, the same activities manifest the effects on the environment as a system.

Schematic display of the "Environment"

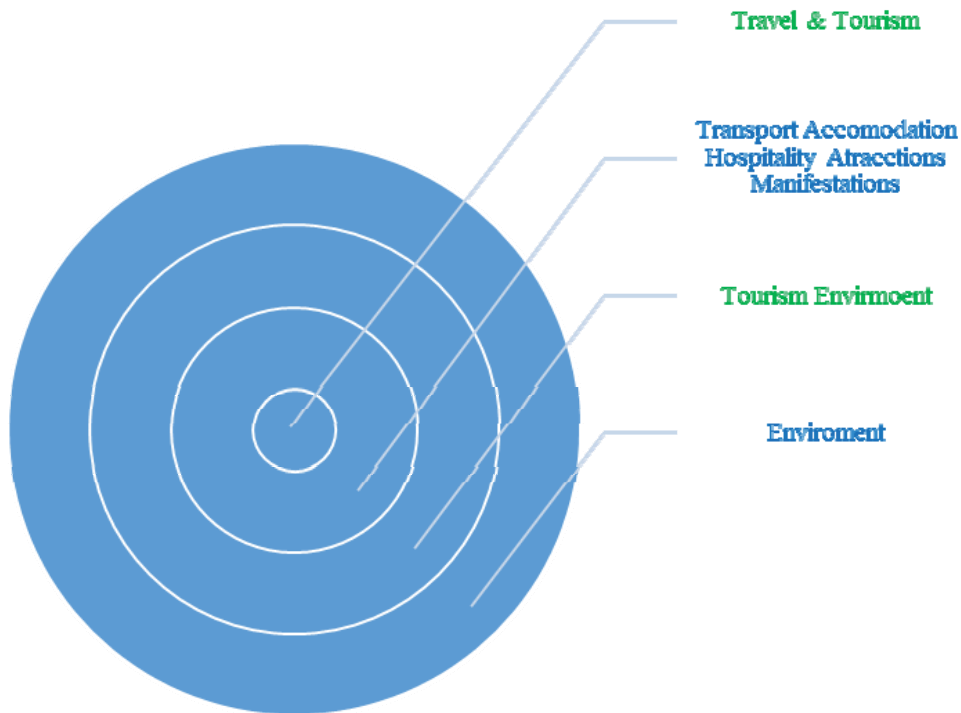


The Travel & Tourism sector as an economic sector belongs to the tertiary economic activities and is a part of the subsystem of socio-economic environments. This economic activity with its numerous activities which are taking place for its successful operation, has a huge impact on the environmental system.

The term tourism environment again refers to the part of the space which is part of the environment but it has its own specifications. The tourism environment is a part of the space where most of the activities which are related to the Travel & Tourism sector or an area in which tourism is the primary industry. The tourism industry also represents a feature of the area with which the area differs from other places. Because of these characteristics the pressure to perform and the impact it has on Travel & Tourism is mostly felt and has the greatest impact on the tourism environment. But because of its size the mass Travel & Tourism sector is expanding the diameter of its impact on a much larger

area of the tourism environment which extends its impact on the wider environment and space, but the fact remains that the impact is strongly felt and it's mostly pronounced in the tourism environment.

The impact of tourism on the environment



The impact on the tourism environment is performed directly through the activities of the tourists and the tourism workers at the tourist destinations, while environmental impacts are manifested through accompanying activities of tourism for example tranzit tourists which are part of tourist movements. However when considering the impact of Travel & Tourism on the space, it is necessary to consider the situation in the tourism and the environment, in order to get a complete picture. In addition to the various areas in which are influenced, there is a difference of the type of impact that tourism has on the space or the environment.

Conclusion

Undoubtedly, Travel & Tourism has a very positive effects on the environment, which are manifested by the development of space with all its segments, raising the living standards of the population, encouraging the development of transport and other infrastructure projects. Unfortunately very often, especially in cases of intense and unplanned tourism development, an array adverse effects on the environment and tourism environment

arise. Such side effects are: car pollution, increased noise, degradation of land quality, unplanned construction, uncontrolled human activities, deforestation, degradation of the grassland vegetation, endangering and destruction of flora and fauna, tourist saturation, damage to the cultural and historical monuments etc. These and similar adverse effects on the environment are caused by tourism and in the future they must be prevented, minimized by not allowing new types of environmental degradation by tourism. This is only possible by application of the principles and practices of the concept of sustainable tourism development, which must be the foundation of the future tourism development strategies.

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VALORIZATION OF THE GALICHNIK WEDDING FESTIVAL IN ORDER TO ENRICH MACEDONIA'S TOURIST OFFER

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Jovo Ratkovic

ABSTRACT

Cultural heritage is one of the most important values that can contribute to enrich the tourist offer in each state. In this regard, the manifestations as part of the cultural heritage are an important element as a tourist attraction that could be motive for selecting a destination. Tourist valorization is the starting point for planning the touristic product aimed at tourism development of a destination.

In the paper "Valorization of the Galichnik Wedding Festival in order to enrich Macedonia's tourist offer" was made a complete analysis of the manifestation, especially anthropogenic values, its potential and participation in the tourism market of the country, its impact on the economic development of the site, the impact of the inter-relationship between State Heritage-international standards - local community. This paper provides a foundation for further and more efficient valorization of this event as a unique tourist attraction of domestic and foreign tourism market. Arguments in the Paper argued thesis that the manifestation has the potential to become the most important element in choosing a tourist destination to potential tourists and competitive tourist offer of the country. The goal is to determine the reasons for the small participation of the tourism potential in the tourism market of the country, to determine its meaning and cultural and historical value, and to provide perspectives for greater inclusion of the event in the planning of tourist offer that will accomplish the competition precedence over the environment.

This paper presents an action research conducted on the manifestation of a representative sample of 500 respondents / visitors of the event.

Keywords: valorization, cultural tourism, events, Galichnik Wedding Festival, tourist potential, tourist attraction, event, competitive advantage

Introduction

Globalization of the tourist market has been moving in step with the overall global processes that implies the need for change and expanding the offer by inserting new updates of existing travel destinations. Modern tourists when choosing a destination are demanding personal experience, attractive and quality events to justify the time and money spent on travel which in the same time will meet their expectations. In the last two decades, cultural tourism as a form and niche market of tourism has received considerable attention. Richards (1994, 1996) perused national and regional government tourism policies in Europe in the past 15 years and found that heritage tourism (Vong 2013, 3).

On the other hand, globalization threatens the survival of cultural characteristics as values in one space. Through support and involvement at the events as organized events in the development of cultural tourism this danger is minimal and these unique values are

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protected from extinction. To attract domestic and foreign tourists are used the festivals as special events besides static cultural resources (Vrtiprah 2006, 285). Manifestations as events that contain authentic ethnic and social characteristics represent recognition of a destination and make the competitive market compared to other. Special events as part of event tourism has been described as specific rituals, presentations, performances or celebrations that well planned and carried out to mark special occasions or achieve particular social, cultural or corporate goals and objectives. These special events range from national days and celebrations, important civic occasions, unique cultural performances, major sporting fixtures, corporate functions, trade promotions and product launches. (Allen et al. 2011,11.) Galichnik Wedding Festival with its tradition and authenticity have all the prerequisites to become a tourist attraction and its exploitation in tourism purposes will lead to better regional development and greater recognition of Macedonia as an attractive travel destination.

The role of the state is indispensable in the process of creating a positive tourist image of the country in the international community as well as in the sphere of respect for market rules, consumer protection and sanctioning of unfair competition (Tuntev 2007, 159)

Tourism has become a development tool for many rural and more isolated areas to supplement traditional industries that are often in decline (MacDonald, Jolliffe 2003, 307). This kind of attraction within the cultural tourism, according to several of its experts, could be the main generator of bringing more economic activities in one area as an element of planning other forms of tourism. From there arises why most countries are dedicate to the festivals/ manifestations as a tourist events. Tourist events and their impact on competitiveness of tourist offer started to be analysed in more detail in the literature by the end of the 1980s, and most of the research were conducted in the first decade of the 21st century (Drpić, Milojica., Petrovska, 2014,2.). For placing the events as tourism product is not enough to have only a rich cultural heritage, but also requires him to manage (Vrtiprah 2006, 284.), which inevitably will achieve competitive advantage. Her organization, promotion, meaning, attendance, strengths, weaknesses and reasons for its insufficient affirmation and further evaluation is interest in this paper, trough using the method of tourist valorization Hilary du Cros.

1. Galichnik Wedding Festival as organized event and its history

Manifestations have always been an integral part of the tourist offer and tourist movement and tourism in general because they are presenting and follow the civilization society from the very beginning of its development. In ethnographic manifestations are represented almost all the elements that motivate tourist travel: desire for leisure, meeting new cultures, civilizations and space, recreation, leisure, hobby and pleasure (Bjeljac 2003, 106.). Macedonia can be among the countries representing trove for creating centers of manifestational tourism. The manifestation Galichnik Wedding Festival with its ethnographic, ethno social, cultural and historical monuments is the predominant manifestation of cultural significance, taking place within the Galichnik Cultural Summer. Unlike in the past when in Galichnik and in the Mijak area this type of weddings were commonplace around Saint Peter feast, the first tourist event Galichnik Wedding Festival was organized by the Steering Board in 1963 so this ritual event turned into a tourist attraction. Future events today are organized by the Local community of Galichnik with the help of many sponsors. In terms of tourist trade unlike other events cannot get a detailed picture due to lack of verified statistics. The only data are from the local community and the estimates of the Ministry of Interior according to the entry of visitors in the days of maintenance. Besides domestic tourists, this most guests of this event are

from the Netherlands, Belgium, Germany, Austria and the United States, Canada, Italy, Bulgaria, Japan and others.

Table 1.: Table of attendance of Galichnik Wedding Festival 1963-2016

| Year | Number of visitors |
|------|--------------------|
| 1963 | Over 4000 |
| 1964 | 5000 |
| 1973 | 5000 |
| 1974 | 4000 |
| 1977 | 6000 |
| 1980 | 5000 |
| 1983 | 5000 |
| 1990 | 6000 |
| 1991 | 3000 |
| 1993 | 5000 |
| 1995 | 7000 |
| 1996 | 10000 |
| 1997 | 5000 |
| 1998 | 10000 |
| 2007 | 10000 |
| 2008 | 7000 |
| 2010 | 5000 |
| 2011 | 4000 |
| 2012 | 4000 |
| 2013 | 5000 |
| 2014 | 5000 |
| 2015 | 5000 |
| 2016 | 4000 |

Galichnik Wedding Festival is an event which is held every year for 6 decades with a small break in the continuity due to organizational problems and omissions. To become a tourist offer with greater value within the program for this manifestation are required additional contents and organizational changes that will attract the attention of tourists. Although this event is the only event of this kind, weaknesses that appear in the organization, treatment by institutions, unused possibilities offered by modern marketing channels and strategies indifference by agencies and other invited entities, it still has not reached level of brand to achieve competitive advantage in the tourism market.

By comparison may indicate Festival "Gathering of trumpeters in Guca." During the five decades of existence, this festival became a sort of tourist attraction which is visited by tourists worldwide. This is due to the organizers, support by the institutions, marketing activities and accompanying contents that make this manifestation competitive on the tourism market. The festival takes 7 days from the first in 1961 which started as a local festival to become an attraction with 15 million tourists from 83 countries. Unfortunately, the event Galichnik Wedding Festival is not keeping accurate statistics and attendance varies from year to year.

2. Tourist valorization of the event Galichnik Wedding Festival

Because of objectivity and obtaining relevant data for the visitors of the event Galichnik Wedding Festival were conducted researches which have been involving the study 500 participants / visitors of the event in order to get a clear picture of the organization, attractiveness, motivation for attendance, its weaknesses and strengths. Besides using the method Hilary du Cros was made another special research in which such research techniques were used such as questionnaire of 16 questions. The practical aim of the research was to use the results to create a basis for creating better tourism offer and achieve competitive advantage in the tourism market.

3. Cultural goods and their market value

Ambience - traditional and widely known manifestation Galichnik Wedding Festival is held in the village of Galichnik which with its specifics, itself has ambient values. Galichnik is located in the center of Mijak area, in the western part of Macedonia. It lies at the foot of the southeast slopes of the Bistra Mountain, on rocky ridges with an altitude of 1270 to 1450 meters and placed in tiers towards the south-southeast to upland Krcin and Stogovo. This village with all its beauty and impressive setting represents one of the most attractive parts of the Balkans. Near Galichnik are more ambient villages and picturesque valley of the river Radika, as attractive as potential for development of various forms of tourism and regional tourism development planning. The first and earliest data for Galichnik dating from the X and XI century. More Turkish travelers wrote that in the XVIII and XIX century it was an important economic center, not only in the region but in the entire Ottoman Empire with continued population growth. At the end of the XIX century there were 500 houses with about 4000 inhabitants. Since the beginning of XX century the number of inhabitants has been decreasing steadily, and today the village has only 2 permanent residents. Galichnik village today is only a tourist destination, because the locals have long left the village as their permanent residence. Renovating the old family houses, today they are used for relaxation and to rent to a small number of tourists.

Table 2.: Numerically movement of population from 1948 to 2002, Galichnik

| Year | Residents | %± |
|------|-----------|---------|
| 1948 | 906 | - |
| 1953 | 948 | +4,6% |
| 1961 | 644 | -32,1% |
| 1971 | 17 | -97,4% |
| 1981 | 10 | -41,2% |
| 1991 | 1 | -90,0% |
| 1994 | 1 | +0,0% |
| 2002 | 3 | +200,0% |

Source: Data are from 1948-2002 according to official censuses of the State Statistical Office of the Republic Macedonia

Rural space as a place of harmony between natural and man-made tourist values between natural and created values of the site, giving the tourist a striking scenery and extraordinary experience of the event.

Identification - Galichnik Wedding Festival, with its 55 editions, is one of the most prestigious parades in the region, in the country and beyond. While it is only one of its

types, it is not sufficiently promoted as a tourism product. Good examples of marketing activities to promote the manifestation in the domestic and foreign markets, represent the filming of the first Hollywood documentary about Galichnik weddings in 1931 and the filming of the first Macedonian color film with scenes Galichnik in 1939, and the visit of Gustav Keepers - Sonnenberg which contributed to the promotion of music that are performed during the Galichnik wedding. On the other hand, this attractive tourism offer by world standards is still at the level of tourism potential. Galichnik wedding is an event where by attending this particular event, visitors will experience the experience and direct contact with the culture and tradition of the people and not accidentally says it is a spectacle that cannot be found anywhere in the world. Placed in unpolluted nature, architecture, food, drinks, customs, folklore and customs, represent an extraordinary experience that will remain in memory. The manifestation Galichnik wedding is the most important cultural event and tourist attraction in the region and state. In 1935 was published the first significant ethnographic analysis of wedding customs in Galichnik when they were organized even 16 weddings (Olive Lodge, 1935). In the middle of XX century, on the occasion of recording Galichnik wedding by the National Film Archive of Republic of Macedonia was committed ethnographic research by Vera Klickova, Marica Antonova and Milica Georgieva (wedding customs 1960: 95-195).

Cultural heritage as a national treasure - Galichnik Wedding Festival, with its unity and uniqueness is an important national symbol of the region and state. Although in 1996 a report and a study were prepared with which should come under the protection of UNESCO together with the film Galichnik wedding but until today that is not happened. The reasons lie in the strict rules of UNESCO under which this event should be alive to realize the many weddings throughout the year not only one as a unique and cultural manifestation. Galichnik Wedding is a unique cultural event of this type that abounds with specific wedding customs and rituals. In two days, present practices such as invitation of the wedding, the best man, mother in law dance, looking around the ring, carrying the bride of water, setting wedding banner, invitation of the dead, shaving the groom, taking the bride, kneading the bread and other customs that were part of the wedding celebrations of Miak residents and in the past have lasted up to 7 days. Starting with decorating the banner until sending drums, every moment of these days for visitors is a new experience and a memory that will return them again. In the village there are two churches: St. Petka from the end of XIX century, the central church of St. Peter and Paul, built in 1930 and consecrated in 1931 which are also an important part of the overall tourist ambience of the village and the manifestation. Church of the Nativity of Mary is a new village church, consecrated in 2012.

You can tell interesting stories - For Galichnik Wedding Festival is related a story that corresponds to events in everyday life not only for locals but also for the entire region and beyond. It is the emigration life and their families represented through song, dance and rituals during the holidays. Through the event are former revives, social, cultural and economic life of the population in these regions. The folk dances Heavy and The Bride and the sound of drums, the beauty of old clothes are customs, food and cheerful faces of the locals had its own story, meaning and symbolism.

Features characteristics that distinguish the event from other events - This event through the main program and additional content has features that stand out from the rest. Dances and songs that are performed in other places, the role of musical instruments and their contractors, ethno-social traits that are unique and cannot be found elsewhere, location and environment in general. They are certainly the most recognizable and most striking part with a distinctive rhythm, unique and exclusive in the world. Such as typical folk dances and songs are "Heavy" and "The Bride dance".

Attractiveness - Besides the two-day program which displays seven-day customs of the event to suit different tastes, age and needs of the guests are invited famous groups and performers as additional tourist animations. Many world-famous cultural attractions have become the only symbol, an icon of the destination (Howie, 2003, 154). The Galichnik Wedding Festival has all the characteristics to become a symbol of cultural tourism in the country. Most ethnic and social characteristics are already leaving and dying, but their inclusion in the tourist offer is a possibility for their protection and survival. An important component of ethno-social traits of researched area is Miak-Debar attire that is diverse and unique, traditional instruments such as the snout and drum, numerous handicrafts, especially those made of wooden looms as bags, rugs and other with rich ornamentation and color. Architecture that represents the highest achievement in the construction of the rural house and architectural and rural development in Macedonia, with its old and traditional way of building (stone, wood and natural materials) reflects the space and the culture of living of the population. Traditional food typical for this area, primarily: Galichnik cheese, white cheese, polenta, lamb grilled, bread under the baking lid, game specialties and other recipes using domestic products can certainly find an important place in the tourist offer. Because of it can be said that in Galichnik there are many unused opportunities for popularizing various forms of alternative tourism.

Complementarities with other forms of tourism – In the last decade the manifestation has been enriched with additional contents and other forms of alternative tourism. Despite the two-day presentation of traditional rites and rituals, because of the clean environment, there are opportunities for the development of ecotourism, hiking, picnics and excursions, collecting herbs, teas and other fruits, riding horses tours, ethnographic workshops and ethno social elements, crafts etc. The position compared to other tourist motifs is also of great importance and in this case it should be highlighted the manifestations within Galichnik cultural summer, such as: Literary Colony, International Art Colony, and the relationship with Shepherd meetings and Reka Cultural Summer. Additional elements for planning sustainable tourism development of the region Galichnik are the possibilities of discovering the beauties of this region through the horses' tours. Through the Equestrian Club Bistra-Galichnik are organizing: adrenaline forest tours where you can see the tops of Krcin, Stogovo, mountain treasures of Bistra mountain, the surrounding villages with folk ambience of the old rural architecture, the canyon of the river Radika, visiting of dairies and tasting of cheeses.

Landscape tourism values as natural elements, coupled with anthropogenic forms gives Galichnik more motivational attribute properties and special complex attractive charm. Near Galichnik are important tourist attractions that enhance its attractiveness. In the last few years, there is an organized tours to Galichnik by several travel agencies that bring guests to Galichnik in the period from May to September at an informal agreement with the accommodation facilities and the Equestrian Club Galichnik so that it is estimated that the number of tourists every year is about 1500 foreign tourists, mostly from the Netherlands and Belgium residing in Ohrid. This trend is a good example of how to shape the tourist offer on the national level and how to popularize the event Galichnik Wedding Festival.

Regional tourist importance - Followed and transmitted through multiple electronic and print media, the presence of foreign delegations auspices of the President, the Ministry of Culture as a governmental institution, UTMS as a higher education institution that educates staff for tourism, other institutions and companies as the main sponsors, a reflection of its importance for the region and beyond. For the manifestation and the village are written several books and articles, filmed a movie and the information is transmitted through the official website of Galichnik. In 1991 the 21th Galichnik Wedding

Festival is entered in the World almanac of tourist attractions edition of "Columbus news" from London. In 2012, the Ministry of Economy counted this event as one of the top two events in the state, and in 2016, the organizers were presented with an award for the most successful event in the state.

Cultural activities during the event - During maintenance through the program and script of the organizers, the event is closely related to culture through improvisation of the wedding, the customs, handicraft products, souvenirs, production of homemade food and drinks, and the possibility of riding horses.

Table 3: Overview of ratings of the tourist attraction

| Sub indicators | range | Average grade |
|---|-------|---------------|
| Ambience | 0-5 | 5 |
| Recognisability | 0-5 | 5 |
| National symbol | 0-5 | 5 |
| Interesting story | 0-5 | 5 |
| Differentiation | 0-5 | 5 |
| Attraction for special needs | 0-5 | 4 |
| Complementarities with other forms of tourism | 0-5 | 3 |
| Regional tourist significance | 0-5 | 4 |
| Cultural significance | 0-5 | 5 |

4. Important factors when designing a tourist product

Accessibility - Attractiveness of a certain tourist product which affects to the level of tourism demand and the volume of tourist trade is dependent on communicative factors. The distance, the means by which it overcomes the comfort and safety while traveling, can increase or reduce tourism demand, or road connection significantly affects the quality and competitiveness of the tourist offer in which developed tourist countries are dedicating special attention. In this regard, the real problem for planning operations of this event organized in Galichnik is the traffic connection. The closest, or 7 km is Mavrovo, the third most important tourist region in the country, which is connected through narrow with many curves and bends asphalt road, while Debar is located 5 hours north-east. The distances from the two airports in Macedonia to Galichnik are about 2 hours. Skopje via Tetovo and Gostivar and Ohrid via Debar. Although there is a passage to the village Jance, it is not entirely paved and active for motor vehicles. Tourist value of Galichnik increases Mavrovo National Park, which at the same time represents an important tourist center with a relatively developed tourism. The attractiveness of a tourism product which affects the level of tourism demand and the volume of tourist trade is dependent on communicative factors.

Table 4: Proximity to other tourist attractions

| Landmarks | Distance |
|--------------------------------|----------|
| Monastery St. John the Baptist | 4.54 km |
| Mavrovo National Park | 7.69 km |
| Bridge Elenski skok | 5.74 km |
| Mavrovo National Park | 7.69 km |

| | |
|------------------------|----------|
| SRC Zare Lazarevski | 7.98 km |
| Debar SPA - Kosovrasti | 8.91 km |
| Debar SPA - Banjishte | 10,48 km |
| Cave Sharkova dupka | 9.74 km |
| Monastery complex | 11,91 km |
| Lake Shpilje | 15.09 km |
| Vrutok | 24,8 km |
| Peak Korab | 22,6 km |

Close proximity to other cultural attractions – The location compared to other tourist motifs is also of great importance. In this case should be highlighted the manifestations within Galichnik cultural summer such as: Literary Colony, International Art Colony, and the relationship with Shepherd meetings and Reka Cultural summer. Tourist value of a tourist area largely depends on the existence or nonexistence of tourist motifs found nearby.

Transport and other services - At the event can be arrived by cars, mini buses and vans while addressing the major tourist buses is possible but difficult and risky because of the local transportation network from the main road to the village. Besides shipping, the limited parking space available has made it harder to generate more visitors.

In the village of Galichnik the number of accommodation is rather small especially during the maintenance of the manifestation when the displaced people are present in the village. It can only stay overnight in several surrounding houses that rent rooms. During the summer the possibility of utilization of private houses in tourist purposes is small. Lack of accommodation is compensated by the proximity of Mavrovo where the number of these facilities is larger.

Table 5: Display of objects as material basis for the planning of tourism offer

| Facilities as a factor in defining the tourism product | Total number | Capacity |
|--|--------------|----------|
| Hotels and motels | 1 | 52 beds |
| Boarding house | 1 | 8 |
| Private houses | 245 | |
| Restaurants and cafeterias | 3 | |
| Convenience stores | 1 | |
| Souvenir | 0 | |
| Monuments, museums and places of worship | 6 | |
| Oven | 1 | |
| Public toilets | 0 | |

From the table above it is seen that the capacity of accommodation and catering services are dissatisfied or very low, while the absence of information in more languages except the program of the event, reduces its tourist value.

Table 6: Evaluation of the factors that determine the design of the tourism product

| Sub indicators | range | average grade |
|---|-------|---------------|
| Accessibility | 0-5 | 2 |
| Close proximity to other cultural attractions | 0-5 | 3 |
| Transport and other services | 0-5 | 1 |

5. Cultural value of the manifestation

Aesthetic value – The manifestation Galichnik Wedding Festival as organized tourist event no adverse effects on the maintenance of the environment and surroundings. Despite the huge attendance, Galichnik in these two days have not seen an alarming breach of hygiene and increased waste.

Historical value - Galichnik has its own tradition and recognition but it is not enough of turning the event into a tourist attraction with a large attendance, as long as lacking other elements to form a high-quality and competitive tourist offer.

Educational value - Is recognized through the program and content of the event. Through specially organized traditional and unusual parties it is interesting to both domestic and foreign tourists.

Social value - The event is a place where many people such as celebrities people of culture, politics and business sectors, as well as individual producers and service providers are gathered together. It directly and indirectly affect the improvement of the image of the event. It is noteworthy that the event was visited by different age groups. The event attracts a large number of people from other resorts that match the timing of the event.

Research value – The manifestation has no research value because it is quite a bit and visited mainly by students of ethnology, fine arts academy and other universities as well as students of the Faculty of Architecture.

Rarity – The manifestation Galichnik Wedding Festival is unique and the largest event in the state and beyond, through its authenticity and uniqueness.

Ethnosocial values of Galichnik – The ethnosocial values of Galichnik have an important place in the tourist offer not only for this region but also beyond. They represent a very important potential for development of tourism in this area especially if we take into account the mosaic of different traditions such a small area shown by the event Galichnik Wedding Festival.

Representativity - Through this event, the Republic of Macedonia may be recognizable in the world. The event is unique not only in content but by the event and by the characteristics of the ambient space. He can attract visitors of all ages, educational, social, cultural and other profiles of people from the different countries of the world. A large number of tourists are included in tourist movement to meet new places, people, cultures and customs. Through tourism valorization of all these values can be achieved positive financial and cultural effects.

Table 7: Evaluation of the cultural value of the event

| Sub indicators | range | average grade |
|-------------------|-------|---------------|
| Aesthetic value | 0-5 | 5 |
| Historical value | 0-5 | 4 |
| Social value | 0-5 | 5 |
| Research value | 0-5 | 1 |
| Educational value | 0-5 | 2 |
| Rarity | 0-5 | 5 |
| Representativity | 0-5 | 5 |

6. Robustness

Sensitivity - Sensitivity (robustness) of the event is medium because even though there are a lot of visitors, there is not seriously damaging of the environment. There are an insufficient number of a bins and rubbish bins but there is no enormous pollution from garbage. It is because of the high environmental awareness of visitors visiting this pure nature but also because of the poor supply of services that they can get. The major problem of the manifestation and the village is that there are not enough public toilets, showers and faucets. Investments in overcoming of these deficiencies are large and cannot be solved without major efforts.

Improvement of the conditions and the ambience - Although the event is one of the biggest tourist attractions in the country and the importance of preserving traditional values, the organizer does not seek to introduce new and additional contents. On the contrary, every year the number of supporting elements is smaller. In contrast, each year conditions are improving and the place is renovating, it is improving the infrastructure and institutions are included that gives weight of tourism aspect and the like. Establishing a strong brand competitive in the tourism market, it is necessary to work on its marketing, respectively, should increase the number of promotional films to design a website, TV spots, posters and brochures, as well as to work on its organization and promotion trough the whole year.

Management plan for cultural heritage - From the first manifestation to present, the event is organized by Initiative Board (a group of enthusiasts) and the local community of Galichnik. The event has no stable sources of funds that will fully meet the needs. The funds provided by the local community through donations, sponsorships and part of the grant of the Ministry of Culture. There are no others sources of finances.

Monitoring and maintenance – There is no professional monitoring of the manifestation except by the organizers and the data provided by the Interior Ministry. That is the reason for lack of data on many parameters of the event. Same is the situation in cooperation with agencies that would bring tourists organized and which will develop a program for full animation of guests. Only besides the Initiative Committee responsible for the organization of this event in 1963 was involved TA Putnik and other smaller agencies.

Potential for investment - Except the appearance of homeowners in Galichnik that are ready for receiving guests during the event and several small entrepreneurs, until now there are no serious investment although there are a number of conditions. In recent years

there is a trend of organized visits of Galichnik by foreign groups of tourists staying in another destination.

Possibility of negative impact on the physical condition of the cultural heritage – It does not exist because the number of visitors is small and the receptive factors are insufficient. In addition, there is no possibility of disrespect on the rules of conduct because of the law on movement in the protected areas and national parks. There is a large traffic jam due to lack of parking places and the nature of the terrain and because of that in those days in cooperation with the Interior Ministry, a limited number of vehicles are allowed.

The opportunity to change the life and cultural traditions of the population - has no negative impact, because the village has no permanent residents. In the days of the event those that are originally from Galichnik traditionally keep coming back to experience again the tradition or see a financial benefit from the event. It influences the preservation of traditional values and brings financial benefit from the sale of goods and services.

Table 8: Summary of assessments on the cultural value of the event

| Sup indicators | range | average grade |
|---|-------|---------------|
| Sensitivity | 0-5 | 3 |
| Improvement of the conditions and the environment | 0-5 | 2 |
| Management plan for cultural heritage | 0-5 | 1 |
| Monitoring and maintenance | | 2 |
| Potential investment | | 3 |
| The possibility of changing the physical condition of the cultural goods | 0-5 | 0 |
| The opportunity to change the life and cultural traditions of the local community | 0-5 | 0 |

In addition are given the results of research that was conducted in Galichnik in 2016, which covered 500 respondents on 12 questions. Relevant data that would have completed the picture are presented in this paper by the responds of 6 highlighted issues of research.

Table 9: Results of Survey on perception of visitors of the event

| POLL | yes | | no | | no response | |
|---|-----|-----|-----|-----|-------------|-----|
| Satisfaction from the overall organization of the event | 245 | 49% | 231 | 46% | 24 | 5% |
| Opinion about catering facilities | 0 | | 488 | 98% | 12 | 2% |
| Accommodation | 43 | 13% | 406 | 76% | 51 | 10% |
| Promotion | 92 | 18% | 11 | 2 % | 397 | 80% |
| Travel agencies offers | 4 | 1% | 465 | 93% | 31 | 6% |
| Recommendation | 389 | 97% | 1 | 93% | 1 | 3% |

According to the results, the opinion for the organization is divided, which gives the right to conclude that in the future the organizers need to work on improving the quality of organizing this types of events, the accommodations during the manifestation Galichnik Wedding Festival are totally insufficient, thus reduces its tourist value and affect its attendance, and the same is behaving on the catering facilities that do not meet the requirements as a prerequisite for creating a tourism product. The travel agencies are not

included in the promotion of the tourism market of the manifestation, unlike the countries that have a strategy for utilization of cultural heritage in tourism purposes, and the promotion as a tourist offer is not satisfactory. Despite all the shortcomings, the event Galichnik Wedding Festival arouses interest among visitors who would gladly recommend it to their friends, which speaks for its uniqueness and attractiveness.

Conclusion

The manifestation Galichnik Wedding Festival as an event contains authentic ethno-social characteristics and represents recognition of a destination that makes it the competitive on the tourism market. Its usage as a potential will lead to better regional development and greater recognition of Macedonia as an attractive tourist destination. The aim of this paper was to valorize the event using several methods of tourist valorization of which as the main method is Hilary du Cros, which has made a comprehensive analysis to obtain real knowledge. Major attractions such as the world famous festivals are generally professionally guided. In many countries there is professional management companies specialized in management attractions (Vrtiprah 2006 293). As for the comparison may indicate the UK where there is Association Event Management Education (AEME) founded in 2004 (Getz, 2008 405). Unfortunately for us, this concept has not been represented at an appropriate level so that the event is left to the local organizer. Through the results can be seen that Galichnik Wedding Festival has a high grade of attraction and an average degree of robustness. The biggest weakness of the event are poor road connectivity, insufficient capacity of the receptive factors, infrastructure, monitoring, marketing activities, lack of access to information and long-term strategy for the organization of the event as a tourist attraction that will contribute to the achievement of national competitive advantage in the market regarding the surrounding. Despite all the shortcomings, the assessment confirms the attractiveness and visibility of the event that with a serious approach can achieve the desired goal. The results obtained in this study suggest the following recommendations: need to work on improving infrastructure, should include institutions of the state in the organization of this prestigious event, as well as all stakeholders in the tourism movement, which will create tourist offer, should be involved specialized agencies for organizing such events, should be enriched with additional content that will keep visitors longer, to work on a marketing plan to promote as a tourist attraction for domestic and international market that will build a strong brand achieving a competitive edge in the example of the already renowned tourist events. To attract more foreign visitors, Macedonia should focus on cultural beside lake tourism, for which in the National Strategy for tourism development these potentials are rated with "very good" internationally and "good" at the national level (National Tourism strategy of the Republic of Macedonia 2014, 73).

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CONSTRUCTION OF THE MOUNTAIN HOMES IN FUNCTION OF THE MOUNTAIN TOURISM DEVELOPMENT OF THE REPUBLIC OF MACEDONIA

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Abstract:

Modern technological development and improving living standards, visibly affect the development of tourism and tourist movements globally. The latest developments indicate to significant permanent changes which in the future is expected to intensify proactively. Although the mass forms will be the dominant way of utilization of free time for a long time, prospectively the number of participants in alternative types of tourism will increase. The needs of the modern tourist create new tourism products for individuals and small groups. The disturbed conditions in everyday life environment are a growing motivation to stay in a natural environment, especially on the higher mountain areas. Worldwide, even in our immediate surroundings, the mountain tourism is largely developed. The purpose of this paper is to highlight the necessity of construction of mountain homes in the Republic of Macedonia as a basis for development of mountain tourism, especially taking into account the fact that, according to the relief features Macedonia is 43% mountainous country.

Key words: Mountain tourism, mountain hut, natural environment, altitude, Republic of Macedonia

Introduction

The tourism is one of the most important creators of work places from global economy. The speciality studies show that related to creating work places in the tourism domain, a dollar spent in this field is stronger than a dollar spent in other sectors, with some exceptions (Slusariuc, 2015).

Although tourism needs as part of the overall needs of man, belong to the group of secondary needs, which have been acquired and are intended to facilitate human life, recently occurring theorists who consider that tourist needs are primary needs. The demand for mountain tourism not only experienced an increasing trend worldwide but also major changes in terms of encouraging driving, influenced by various economical, socio-demographic, psychological, and political factors (Ungureanu, 2015.). The reason for that is explained by the thesis that through active recreation, realized during the stay in tourist areas, the energy is replenished, consumed during the day work, and it will lead to an overall improvement of the health condition, which is essential. This especially becomes important if recreation takes place in a clean natural environment. In this context lead higher mountain areas because they are far from urban areas, industrial facilities, and

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the access by motor vehicles is minimized. Therefore, theorists in recent decades increasingly linked mountain tourism to the green tourism or ecotourism. The importance of mountain areas in the holiday demand has raised concerns of experts who want to explore this touristic destination in the most efficient manner (Firoiu, 2002).

Mountainous tourism includes the assembly of tourist activities which take place in the mountain environment in close connection with the natural and human environment of the respective area. The mountain area is characterized by a great variety of tourist resources. The mountain relief impresses through altitude, spectacular cliffs, picturesque ridges and a variety of genetic types of relief: karsts (keys, valleys, caves, steepness, and defiles); volcanic (craters, cones, trays); on conglomerates (sphinxes, mushrooms, towers); massive relief of high mountains (ridges, steep peaks, impressive edges), glacial (glacial amphitheatres, glacial valleys, stony ridges). All the glacial relief is the one which offers a variety of ski areas, which can be arranged for practicing winter sports. Also, specific flora and fauna can cause specific forms of tourism (of knowledge, hunting, sportive fishing, scientific) and the creation of natural reservations increases its touristic attraction (SLUSARIUC, BÎCĂ, 2015.). Given the variety of touristic resources in the mountain, this is the space in which there can be carried out a wide range of touristic forms: of leisure and recreation, adventure, sportive, cultural or rural etc.

Apart from hotels that are commonly found in the winter-sports resorts and are mainly intended for the participants in the ski tourism, other accommodation facilities in mountainous areas outside the villages and resorts are mountain huts. According to their size, appearance, types of services, etc., they belong to the group of complementary accommodation facilities. Mostly built on two floors, the rooms are with more beds (even over 10 beds in the room). In the older mountain homes there is one toilet in the whole object, but rarely where homes have a toilet on every floor or room. Mostly there are no facilities for bathing. The restaurant area for which is used the term "dining room" is with collective tables for several persons. In some homes is provided free approach in the kitchen, where mountain climbers can use the kitchen equipment for self-preparation of food. In all homes can purchase freshly prepared meals. The mountain huts are used not only by climbers overnight at them, but by the participants of one-day tours too. They use as a vacation spot, supply of nutritional foods or drinks, usually water or tea, then a change of clothes, using the toilet and the like. During the winter period they are especially used as a place for warming. The mountain huts except mountain climbers are used and by mountain bikers and in winter by skiers. For these reasons, it is necessary mountain huts to be represented along mountain trails that lead to the mountain tops.

Unfortunately, there is no data on the total capacity of mountain huts in the Republic of Macedonia. According to the official data of the State Statistical Office of the Republic of Macedonia, the situation in mountain huts (mountain huts and houses) from 2008, since when the record exist is following:

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------|------|------|------|------|------|------|------|------|
| Rooms | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 |
| Beds | 60 | 60 | 60 | 60 | 44 | 41 | 45 | 45 |

Source: <http://www.stat.gov.mk/Publikacii/8.4.16.01.pdf>

<http://www.stat.gov.mk/Publikacii/8.4.12.01.pdf>

<http://www.stat.gov.mk/PrikaziPublikacija.aspx?id=18&rbr=169>

Actual situation is different. According to the Federation of Mountaineering Sports of Macedonia, in our country there are total 37 mountain homes. Data for individual mountain homes can be found on several web sites in the field of mountaineering, and they

are usually mountaineering companies or other business entities operating in mountain huts. However, information on the total number of mountain homes, rooms and beds for the whole territory of Macedonia still lacks.

In the Republic of Macedonia there are few examples of mountain homes on relatively small distance by significant mountain peaks. In Shar Planina Mountain only mountain home Ljuboten (1630 masl) is located approximately 3 hours walk to the peak Ljuboten (2499 masl). Other mountain homes, which are located about three hours' walk from the higher peaks, are: Cheples home, which is about 3 hours from the peak Solunska Glava (2540 masl), home Dimitar Ilievski - Murato, about 2-2.5 hours of peak Pelister (2601 masl). Last year about 3 hours under the peak Tumba (1881 masl) on the Mount Belasica was renovated mountain lodge Sharena chesma. To all other significant peaks where from the starting points of hiking it takes 4-5 hours walking along the way there are no mountain homes.

In Bulgaria at the Rila Mountain, there are several mountain lodges on the road from the resort of Borovets (1350 m above sea level) to the top of Musala (2925 masl). To the first home Jastrebec (2369 masl), can be reached by walking for about three hours and by funicular for 20 minutes. The next mountain hut on the way to the peak Musala (2389 masl) is the mountain home Musala which is distanced from the Jastrebec in less than an hour walking away. The next mountain hut, located at 2 km is the mountain home Ice Lake (2709 masl) and it is just 1 km below the top Musala. What inspires is that on the top of Musala is located a meteorological station, where there are accommodation facilities, and also, you can buy supplies, tea and even souvenirs. Mountain huts Jastrebec, Musala and Ice Lake have their own website. On the Pirin Mountain, the most remote homes from the highest peak Vihren (2914 masl) are Vihren and Banderitsa on 2.5 hour hike from the top, but on the 1.5 hour walk is the shelter Kazana that has accommodation facilities, but there are no electricity and water. From the two mountains to all peaks or other significant attractions as waterfalls or lakes are located mountain lodges or shelters at a distance of maximum 2.5 hours of walking. Because of that Bulgarian mountains are visited by visitors from all age generations and we can say that walking in the mountain become a lifestyle of the Bulgarian people.

In Greece climbing to the peak Mytikas (2918 masl) on the Mount Olympus can be made through two routes. The first path starts from the place Prionia (1400 masl) where is located the mountain lodge Spilios Agapitos at an altitude of 2100 meters or 2.5 hours from the peak Mytikas. Along the other path, however, which starts from the place Goritsia (1200 masl) are located the mountain huts Petrostrougka (1920 masl) on just 2 hours walk from Goritsia, while homes Kakalos (2650 masl) and Apostolides (2750 masl) are distanced only 1-1.5 hours hiking to the top Mytikas.

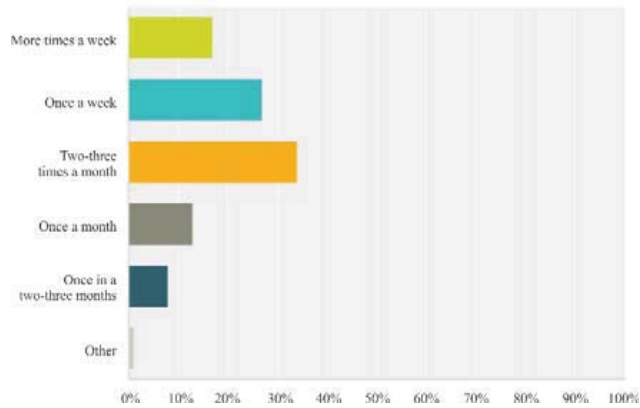
1. Quantitative and qualitative analysis of the research, a proof and the hypothesis

The purpose of the survey of these paper is to prove the thesis that for the mountain tourism development in Republic of Macedonia is necessary to increase the number of mountain huts. In the survey was used on-line questionnaire, which was publicly placed on fun pages and groups of 9 mountaineering associations and in the social network facebook. The questionnaire consists 19 questions, the first seven questions concerning the habits of the respondents who are going to the mountain and who are using mountain huts, while the remaining 12 questions treat opinions on the need for construction of mountain huts.

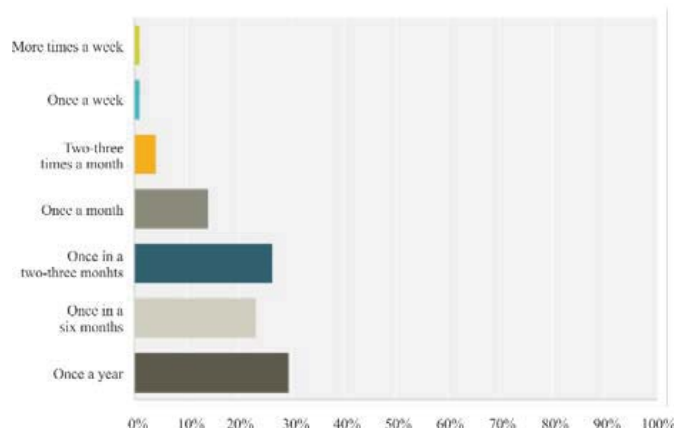
The questionnaire was answered by 212 persons. From them 79% are male respondents, while only 21% of the respondents are female. Of the total number of respondents, 9% are under the age of 25 years, 75% from 26 to 45 years and 16% over 46 years.

From the questions relating to the habits of respondents on going to mountains and use of mountain huts, it may be noted that many of the respondents often go to the mountain, but the mountain homes are used more on one-day tours, rather than overnight. It can be seen on the following graphs.

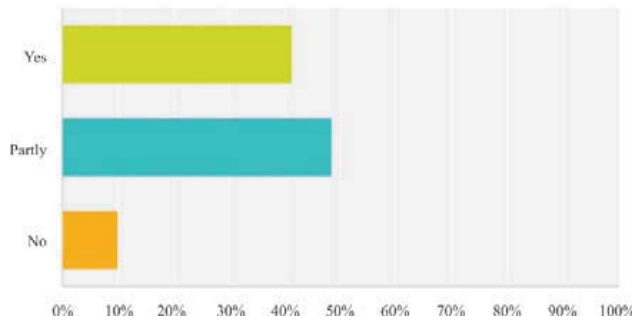
On the question "How often do you go to Mountain?" 17% said several times a week, while 27% once a week. This means that nearly half of the respondents each (probably) weekend are going to the mountain.



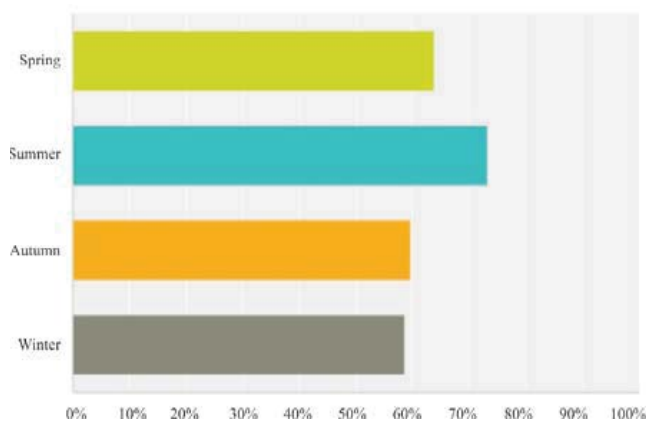
Unlike the previous question, where can be observed that the respondents quite often go to the mountain, on the question "How often do you spend the night in a mountain hut?" it is notable that respondents very rarely use mountain huts for overnight stay, which means that they usually participate in daily tours. Respectively, from the total number of respondents 1.02% answered that overnight several times a week and 1.02% once a week, 4.08% of respondents overnight two - three times a month, 14.29% once a month, 26.53% once in every three months, 23.47% once in six months and 29.59% once a year.



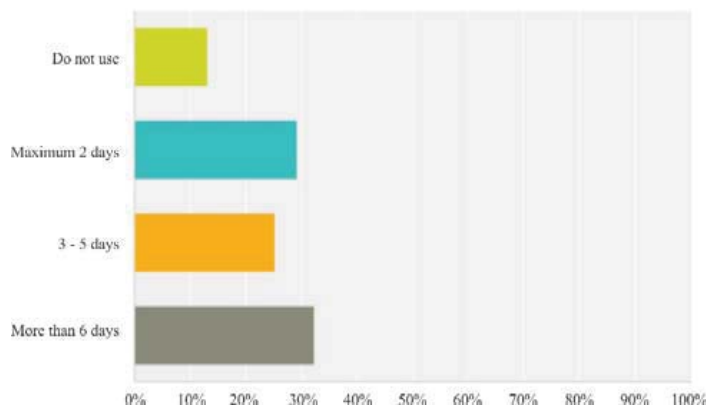
From the answers to the question "When you go on a one-day tour, do you use the services in mountain huts, which incidentally encounter?" affirmative answered 41.41%, partly answered 48.48% and said negative 10.10%. It can be concluded that the participants quite often used mountain huts and on one-day tours.



From the question "At what time of the year you use the mountain huts?" is evident that the need for mountain homes is present throughout the entire year.

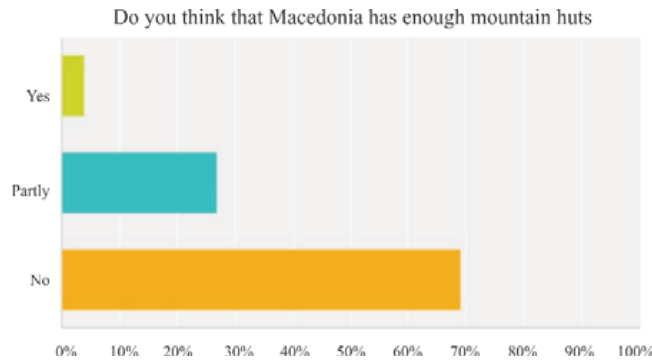


Especially delights the result of the question "Except for the weekend, how many days of your vacation you use to stay in the mountains in Macedonia". On this issue, only 13.13% do not use the days of their vacation to the mountains, while 29,29% use two days, three to five days using 25.25% of the respondents, while most, ie 32.32% use more than six days of their vacation for residence in the mountains, from which can be seen on the great interest of the respondents for a residence at the mountain.

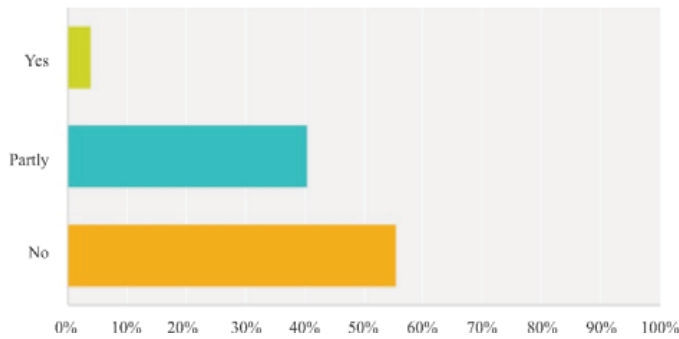


From the questions "Do you think that Macedonia has enough mountain homes?" and "Do you think the mountain huts in Macedonia with its contents meet the needs of visitors?" it can be concluded that respondents are not satisfied from the current state of

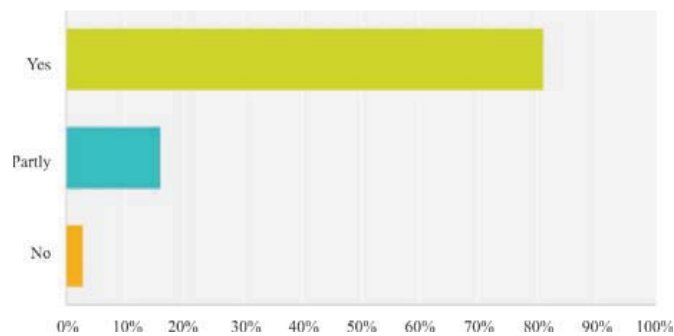
mountain huts, because on the first question, only 4% said yes, while on the second question only 4.04% answered affirmatively.



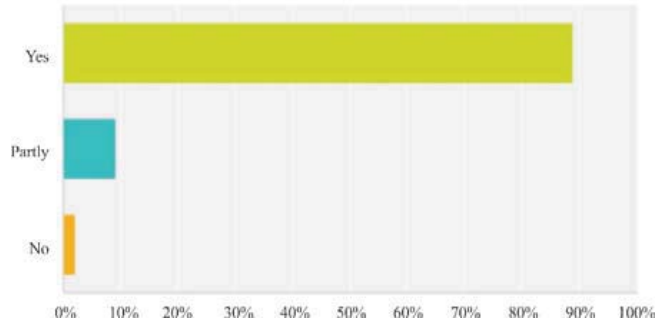
Do you think the mountain huts in Macedonia with its contents meet the needs of visitors?



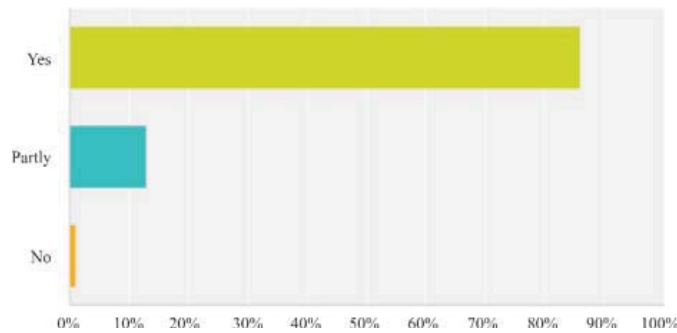
From the following five questions confirms the thesis that the construction of mountain huts will increase the number of visitors to the mountains. Thus, on the question "Do you believe that with the construction of mountain huts will be increased the number of visitors to the mountains of one-day tours?" 81% answered yes, 16% responded partially and only 3% negative.



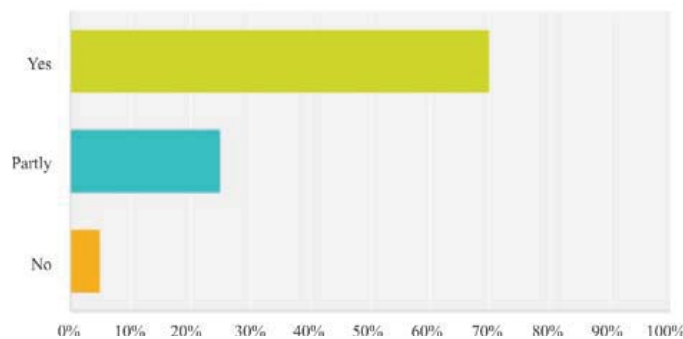
On the question "Do you believe that the construction of mountain huts will increase the number of visitors to the mountains of the multi day tours?" 88% answered affirmatively, partly answered 9%, and only 2% answered negatively.



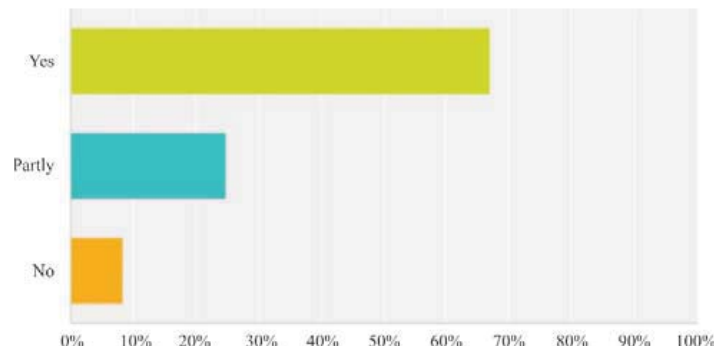
On the question "Do you believe that the construction of mountain huts will increase the number of visitors to the mountains in winter?" Positively answered 88% of respondents, 13% responded partially, and only 1% negative.



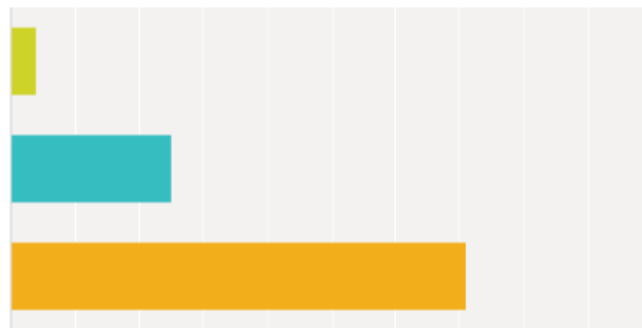
On the question "Do you believe that the construction of mountain huts will increase the number of visitors under the age of 18?" 70% believe it will increase the number, 25% think that partially will increase the number, while 5% believe it will not increase the number of visitors younger than 18 years.



On the question "Do you believe that the construction of mountain huts will increase the number of visitors aged over 55 years?", 65% of respondents agree to increase, 24% partially agree, while 8% believe that it will not increase the number of visitors older than 55 years.



Regarding the question "Do you think building a mountain homes will jeopardize the natural environment?" Only 4% think it will endanger, 25% believe partially, while 71% believe it will not endanger the environment.



Conclusion

From the conducted survey can be concluded that for the mountain tourism development, there is a great need for construction of mountain homes in the country. Benefits of their construction would be multiple. It would increase the number of visitors to the mountains, as of the one-day tours and for the multi day tours as well. Considering the fact that most mountain tours that are organized by mountaineering organizations are focused on climbing to a higher peak, which is located about five hours from the starting point of hiking, these tours without the presence of mountain homes along the path can be overcome only by experienced hikers. By constructing the mountain huts, it would allow connection to the tours and for the less experienced, even beginners' climbers, who would use the mountain huts as the ultimate goal of an excursion, if the climb to the top for them is elusive. Experienced climbers, however, would use the homes as a place to rest along the way on the multi day tours as casually lodging toward a distant peak, for supply of groceries to food, water, tea and for change of clothes. This especially would be allowed, if mountain homes would be proportionally spaced at a distance of not more than 10 km. In this case it would allow connecting more participants to the popular "transversal" and will activate new in the winter half of the year. The safety on the mountain would be increased so that, in case of an accident, would be more easily to locate the injured person and soon would be transferred to a safe place.

Decently arranged homes would be additional motive for a multi-day stay. With the exception of a small number of mountain homes, where can be observed some actions to improve the quality of housing, others unfortunately do not meet the minimal living

conditions. Providing clean bedding, improvement of sanitary conditions in the toilets, heating during the winter not only dining rooms, but the rooms too, despite the active hikers it would be a significant boost to stay in nature for other visitors from different age groups.

Of course, by constructing mountain homes and increasing the number of visitors to the mountain, the question arises about the degradation of the natural environment. Because of its intangibility, the evaluation of the quality in the lodging services is extremely complicated (Duglio, Stefano; Beltramo, Riccardo, 2004.). But with planned construction and respecting the concept of sustainable development, counseling and education of the participants in mountain tours for conscientious behavior in nature, the dangers of endangering can be minimized.

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DESIGN AND MARKETING COMUNICATION

Tomáš Koprda¹

Abstract:

Design is now a rich and varied field of human activity, which has a number of different forms. We use design products every day, whether in the form of manufactured goods or in the interactive digital environment, and thus it significantly influences our perception of the contemporary world. What we exactly mean by the concept of design is sometimes difficult to define. Each of us perceives design differently, depending on what products we use. Understanding design is different in different social and cultural places, and changes over time.

Key words: Design. Graphic design. Marketing communication. Product.

1. Introduction

The exact definition of the concept is still the subject of several disputes. This stems mainly from the hybrid nature of design, which uses information and procedures of scientific, technical and artistic disciplines (Kolesár, 2009). There are several meanings of the word design in the English language - design, plan, intention, idea or pattern. At the same time the English language distinguishes the meaning of the verb and noun design, while one of them means to design, to create, the other signifies a proposal, product. This design eclecticism is considered to be its characteristic element. Michael Erlhoff (Erlhoff and others, 2008) claims that design is not a classical discipline in the academic sense, because it goes beyond lines, it summarizes and transforms a number of findings in itself while synchronizing the final product. It refers to the practical side of design, the characteristics of which are functionality, reasonableness, objectivity and sociability. Z. Kolesár (2009) notes that the diversity of design causes problems not only from a historical perspective, but also in the interpretation of design works. We can assess them on the basis of artistic, technical and economic criteria.

2. Design in marketing communication

Design products include several features or qualities that can be evaluated according to various criteria. Included among the main criteria for assessing design are the following: (a) social criteria, (b) a functional criterion, (c) and ergonomic criterion (d) and an aesthetic criterion (Petraňský - Klivar 1981 Gero, 2012)

(A) A social criterion is defined as the social usefulness and effectiveness of a product, which is subject to the technical conditions for making it. It has impact on the

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development of personality and social groups, it is available according to the needs of social classes and meets the requirements of lifestyle,

(B) A functional criterion is defined as the practical usability and functionality in relation to the user and his environment, such as durability, easy maintainability and manoeuvrability. It is the innovative and rational solution of a product in relation to the needs of the user.

(C) An ergonomic criterion is defined as the interaction between a product and the user, which must be subject to the anthropometric, physiological and psychological requirements.

(D) An aesthetic criterion is defined as modernity of design solutions, functional shape expression, the harmonious integrity of compositional structure and perfection of final implementation, which refers to the quality of the product.

Design gives products characteristics that differentiate them from the competition. It makes them unique, easy-to-identify and usable.

Design is applied in marketing at the stage of execution, or rather implementation of advertising. It implements creative ideas into the concrete visual form of pictures and characters. In marketing communication mainly graphic design that works with two-dimensional means of expression is applied and its products are print advertising media. Production of graphic design is closely related to marketing communication, because almost all of its products are directed into advertising (Světlík, 2012, Machová et al. 2016).

3. Graphic design

A comprehensive historical and theoretical work dedicated to graphic design was made by Zdeno Kolesár - Chapters from the History of Graphic Design (Kolesár, 2006). Z. Kolesár defines graphic design as a specific utility-artistic discipline which, using visual means, transmits information. He says that this is a communication the purpose of which is something other than artistic expression. Stuart Bailey (Bailey, 2008) describes graphic design as a conscious combination of text and image, with the intention to communicate a specific message or mission. Bailey's definition refers primarily to the process itself - to design, and secondly on the product itself - design. Graphic design products are applied primarily in advertising. Maud Lavin in her publication Clean New World (2001) explores graphic design in historical, social and political contexts. She characterizes it as a comprehensive area which is generally perceived as a mass visual communication, and more specifically as a form of art that is dependent on the extent to which words and images communicate a coherent message (Lavin, 2001). A well-known design theorist focused primarily on graphic design, Steven Heller (2004), says that we can not understand graphic design only as a critical mass of forms and styles, which vary according to market demands. Understanding the work of graphic designers through objective criteria, can bring us to a better understanding of what features graphic design of a particular time and era has and what actually it expresses. Heller argues that graphic design has its own historical background, which records the technological, commercial and artistic successes of the given era, and which can be interpreted as certain streams or trends in art. Even though there's a seemingly unawareness of this visual literacy or designers simply underestimate it, it is implicitly included in every work created through graphic design.

According to Heller, graphic design is (Heller and others, 2001) understood in two ways. The first meaning oscillates between the concepts of craft - means of expression (language) and the second meaning between the concepts of commercial culture - art.

The concept of graphic design originated in the 1920s. According to some authors, the term was first used in 1922 by the American typographer W. A. Dwiggins (Aynsley, 2001, Byfield 2008, Heller and others, 2001). Dwiggins did not try to introduce a new concept, but rather distinguish several forms of design from printing. Furthermore Dwiggins was not a theoretician of design and it can even be said that he was rather conservative because he kept refusing any new procedures at that time promoted for example by the avant-garde (Heller, 2004).

J. Aynsley argues that at the end of the 19th century and the beginning of the 20th century, when advertisement production in the United States of America began to become more strongly established, it was necessary to define a new division of tasks between design and printing. New requirements for the profiling of workers in the printing industry were established. Requests to advertising companies came from clients, who wanted to have a proposal, advice and the eventual implementation of advertisements in the press. Since technically educated printing machine staff could not meet the above requirements successfully, a new group of workers began to shape; they are now referred to as graphic designers. They communicated with the client of the advertising company, created proposals and finally gave instructions to the printers. (Aynsley, 2001). S. Heller adds that American graphic design was clearly the product of a European "import". Development of typography and the modification of books from the 15th century created knowledge that graphic designers in the early 20th century used both in Europe and in the USA (Heller and others, 2001).

Z. Kolesár compares a graphic designer to a director, who controls the individual articles of the creative process. He implements print advertising from the selection of a font, image composition, analysis, the colour scheme determination to the actual printing (Kolesár, 2006). Ultimately, we see a graphic designer as the creator of visual communication who works with writing, images, colour and composition. The given definition describes the position of a graphic designer rather generally, but tends to capture all forms of today's graphic design.

Nowadays the result of the graphic design is not only printed products, such as posters, magazines, leaflets, brochures, but also includes interactive products, such as websites, presentations, animations or operating systems icons. If we wanted to find the origins of graphic design in one of the historical periods, it would be rather problematic. It is related to the fact that until 1983, when Phillip B. Meggs published his first edition of *A History of Graphic Design*, there had not been relevant publication that would comprehensively process the history of graphic design. Finally, the first conference on the history of graphic design was held at the Rochester Institute of Technology in 1983 (Heller, 2005). Also based on the fact that it is a relatively short period of time that did not give us enough space for defining the historic position of graphic design, we can say that it is difficult to look for the origins of graphic design. If we start from the fact that graphic design uses a combination of image and text, it would just be enough to focus on the history of typography and image.

The history of typography is very rich and if we leave out the actual development of writing, press writing originated in the 15th century. It is more complicated when it comes to the historical roots of the picture. The first pictures, if we understand them in terms of visual studies, were formed by characters and drawings in prehistoric times. It is rather problematic to link them with the history of graphic design successfully.

Some authors, for example Philip B. Meggs (Meggs and others, 2005), attempted to extend the timeline of graphic design history to the beginning of human history. Most authors, however, are inclined to a date, starting in the late 19th century (Aynsley, 2001, Burdek 2005, Kolesár 2006; Heller, and others, 2001), that is the period which we can find elements of graphic design as we perceive it today in, for example in the works of Jules Cheret or Henri Toulouse – Lautrec.

Previous periods, that is from the 15th century, as we have already mentioned above, provided the conditions for the establishment of graphic design. S. Heller (Heller, 2001) argues that graphic design in the United States was established on the basis of the two impulses. The first one of them was the technical development of printing technology and the second one the immigrant wave of European modernists like Herbert Bayer, Ladislav Sutnar, László Moholy-Nagy and others who brought not only the modernist thesis with them, but also the whole historical genesis of design knowledge.

4. Tendencies of the current graphic design

Graphic design is currently understood as an autonomous discipline that combines utility graphics and design rules (Gero, 2012). It began to develop its autonomy dynamically in the second half of the 20th century. It includes or combines areas such as typography, photography or advertising. After the first half of the 20th century, when avant-garde hit this area in the form of Dadaism, graphic design began to focus mainly on the area of communication, whether commercial or non-commercial. At the end of the 20th century graphic design was touched, according to S. Bailey (Bailey, 2008), by so-called. "Democratization" in the form of "desktop publishing", which related to using computers in the production chain in the printing industry. The result now is an uncertain identity, which can be seen mainly in common practice. Graphic design is today associated mainly with marketing and advertising, it has become synonymous with corporate identity, brand, or packaging or is representative of some digital forms such as web sites or online applications.

Š. Gero (2012) has identified several forms of graphic design, which we partially revised and supplemented. Nowadays we are familiar with these forms of graphic design:

- (1) typographic design and writing making,
- (2) design of books, magazines and calendars,
- (3) design posters,
- (4) digital design for interactive media,
- (5) television graphics,
- (6) exhibition design,
- (7) company design,
- (8) design of communication systems,
- (9) design of digital data - infographics,
- (10) packaging design.

(1) Typographic design works with writing, composes it on the surface of paper or a computer screen, combines writing with a picture, and can generate different types of structures. Font is changed to a character or abstract space that is dynamic and interactive. Typographic design in marketing communication creates corporate design elements such as a brand. Today, there are important questions about the readability of

fonts in digital space as it opens up new possibilities for the application of traditional forms of font,

(2) Design of books, magazines and calendars are among the oldest forms of graphic design. Creating books was related to the development of printing and the invention of the printing machine in the 15th century. It is strongly influenced by the digitization of graphic design today,

(3) Design of posters, like the design of books, is also included in the traditional forms of graphic design. A poster is a common mass communication media, which is used to convey image and text information. It is one of the oldest forms of advertising as it was already being used at the turn of the 18th and 19th centuries. The technological changes in the industry led to the development of posters as an advertising medium, which, in turn, led to the increased production of goods, and that prompted the development of advertising media. The first lithographic posters contained mainly writing completed with ornamentation and pictures, black and white colour and additive composition. At the end of the 19th century posters synthesizingly connected painting and writing, creating an effective medium for advertising. Gradually, with the development of polygraphic techniques the economic demands for poster production were reduced and they became more affordable for people interested in advertising. Today, a poster is used as an advertising medium, however it is not a dominant means, but it is an important part of advertising space. Its role within marketing communication is to inform consumers about new products or services fast, clearly, simply and attractively. Posters, whether in the form of billboards or city lights, work shortly and have limited ability to communicate more difficult information. It is therefore necessary while making them, to think about important aspects of the information they are supposed to relay and disseminate. Recipients pay short attention to a poster, usually only the amount of time they spend passing it.

(4) Digital design today is a dynamic field of graphic design. We understand it as different forms of websites - promotion, information or business websites (e-shops). Space for its application extends to new technological devices such as smartphones, tablets or PDAs. A characteristic element of the digital design is its interactivity, which is applied throughout all its means of expression,

(5) Television graphics is related to the identity of television media with its characteristic feature being animation. As in other areas of graphic design, the contemporary form of television graphics is generated by computer animation.

(6) Exhibition design combines elements of graphic design and spatial creation. It creates real space in the form of exposure using video, text, animation and music. We see it as a means of physical presentation of a company in a particular environment,

(7) Company design creates elements of a visual company identity. It is the most common way of using graphic design in marketing communication. We include here all advertising and promotional signs that companies use. Here is the list of some of them: graphic company trademark, mercantile printed matter (business cards, letterhead, envelopes, writing paper), commercial and advertising materials (brochures, catalogues, billboards).

(8) Communication systems design is applied in municipal or architectural space. We understand it as all information systems that define and identify the surrounding environment using non-verbal characters. Some communication systems are purpose-designed, as in sports, music and political events. In this case, the image and a symbol have an important communication function.

(9) Digital data (infographics) design is related to statistical data processing. Today, vast amounts of data is produced in the world, especially in the Internet environment, which researchers examine and analyze. Relevant data processing is done in a visual form. The correct and understandable form of projecting virtual data into image creates an important moment where infographics with the help of graphic design rules interprets complex systems.

(10) Packaging design forms an important part of marketing communications when it communicates with consumers using means of graphic expression. A designer creating a design for a package has to know the rules of design as well as the possibility of the material used in packaging and must also be able to communicate with the consumer. So he must have knowledge not only in his field, but also knowledge of other disciplines, in this case, printing and marketing. Technological requirements for packaging design are a simpler point of making the packaging design. It is much more difficult to create a package which has the ability of persuasion in communication with the consumer (Bloch, 1995). To influence a consumer through packaging and get his or her attention is a task that cannot be done based solely on knowing design. Package design must also accept a communication role, because the consumer can, through the packaging, create their beliefs about the value of the product.

Product appearance is understood as a visual whole composed of the basic elements of graphic design that is colour, shape, font and image to achieve a specific sensual effect. Designers select individual design elements, decide on their combination and the level of compliance to be achieved between them (Bloch, 1995, Orth and others, 2008). The resulting layout is often an integral part of the brand image, sometimes designed to convey the impression of high quality, or as a signal of an acceptable price (Orth, and others, 2010). Empirical research has shown that the level of prices and consumer expectations are based on visual stimuli stemming from its packaging (Dawar and others, 1994). Orth says that the impact of the packaging does not come from the individual design elements, but rather the superior general design factors (units), which are composed of more basic expressive elements (Orth and others, 2010 p. 24). Superior design factors are referred to as a holistic design that action comes from a holistic perception of all elements, which refers to the theory of Gestalt psychology (Orth and others, 2008 p. 64). The need to define the term holistic design stems from trying to precisely determine the categories that are necessary to understand the effects of the design / shape of the consumer. We believe that Orth pointed out the important fact needed to unite and accurately describe the action and effect of design that would be derived only based on subjective views of a designer or marketing department.

5. Visual perception in marketing communication

To determine how the visual whole of a product impacts the consumer, we need to focus on the issue of visual perception. The perception within the shopping behaviour can be specified as obtaining the consumer's attention through the means of graphic expression. Visual attention is often the only way consumers can obtain the necessary information about a brand or a product. Anchoring visual perception in theory comes from the field of behavioural psychology, namely from the theories by Hermann von Helmholtz and William James, who refer to the natural curiosity of human beings who use their sight to look for something new and interesting (Clement, 2007). Part of the

process of searching for impulses also includes the mechanism of attention. Generally we use sight to look for impulses, and if we find something interesting, we focus our attention on the given subject. If we transfer this principle to the visual perception of an image in a marketing environment, consumers look for visual impulses that are substitute symbols denoting a product they are looking for to satisfy their needs. Simply put, the role of the means of graphic expression is to attract the visual attention of a consumer (Zelinský, 2007, Košková, Koprda, 2015). J. Clement (Clement, 2007), based on knowledge of behavioural and cognitive sciences, found out that consumers, as part of their shopping behaviour, selectively use some of the principles of attention. When a consumer searches the site of the purchase with his or her eyes, he or she uses the so-called parallel search. S/He can process multiple impulses simultaneously. At the moment when s/he encounters a product that interests him or her, s/he shifts his or her perception to the so-called sequence search, that is s/he receives only a piece of information and at the moment s/he is focused on a specific visual impulse. Just getting the consumer's attention seems to be a key moment. Clement (2007, p. 920) argues that a visual impulse can get the attention of a consumer only if it contains significant and different basic elements, such as shape, colour, contrast or size. He adds that visual attention can influence the consumer regardless of his or her brand preference.

Using the eye-tracking method, Clement identified several stages which take place during the shopping process. The buying process begins with the so-called stage before attention, characterized by capturing the consumer's visual attention using the visual effects of a package. The subsequent phase is marked as the so-called successful attention acquiring phase, when the visual impulses from the package design move into a consumer's mind. Followed by the so-called "tipping point phase", what might be described as distinct proceedings, when the consumer reaches his or her hand and grabs the product which naturally leads to a phase of physical action which may result in a purchase. The process then continues with the semantic information process phase.

The buying process ends with the post-purchase phase (2007 p. 924-925). Based on his research, Clement argues that, during the purchase, consumers do not use a thorough visual search and receive different visual impulses from the surrounding area. This suggests that the visual perception is influenced by a number of suspended visual impulses until the moment of direct engagement, the so-called tipping point. Information that comes from visual elements of the packaging and induce consumers to grab the product and examine its other attributes closely, clearly appears to be important. If we were looking at it from the point of view of fluency perception theory (Reber, and others, 2004), we could predict that consumers will seek attractive objects, which they will be able to recognize and understand easily.

Colin Ware (2008) also dealt with the ability to understand the process of visual perception and gain attention. His work is interesting, inter alia, due to the fact, that he tries to implement the knowledge learned in the process of visual perception in graphic design. Ware says that visual thinking is based on attention as series of more operations, which are controlled by eye movement and so-called "tuning" as part of our cognitive abilities. During perception we use two types of processes: (A) the bottom-up process and (B) the top-down process.

(A) The bottom-up process (bottom-up) is the one in which we follow images captured on our retina. This process is characterized by filtering information from the least relevant to a specific image in our mind. At this level we react to basic shapes

that we can perceive and subsequently interpret. Ware argues that the real power of visual thinking is based on finding patterns and shapes that we can interpret.

(B) The top-down process (top down) is driven by our need to achieve a certain goal. We can understand it as an action, for example picking up an item or leaving a room, but also, for example, understanding an idea which is expressed by a graph. It is a constant that combines different visual and non-visual information. This process leads us to focus on a particular point in space, which we investigate and then it is followed up by a concrete action.

Both processes go very quickly. It follows that all visual stimuli will be processed and evaluated in our brain quickly. Ware submits that design must accept these processes by creating visual characters, the way it generates comprehensible forms which are quickly and unambiguously interpreted by the cognitive processes (Ware, 2008).

The ability to process visual images and understand these images seems to be a very important fact, which influences consumer behaviour (Polakevičová, 2015). Evidence suggests that individuals learn faster and more efficiently when information is transmitted by using an image, rather than by means of verbal information. This fact is also documented by the reality that our perception is now more focused on an image than on a text. In this respect, information presented by an image will have a greater impact on purchase decision making than the information presented by a text. Some authors claim that recipients prefer a more "realistic" image to abstract ones (Underwood, 1996, Košková, 2014, Novotný, 2015). Images provide more incentives to the consumer than a text, which can lead to activating other activities that compel the consumer to find more detailed product information. The image can function as an input pulse, which consumers use for their product purchasing decisions. If we accept Colin Ware's statement about the ability of visual reading, the image appears to be the most affordable impulse that presents the information sought by a consumer. Visual information attracts a customer's attention and creates expectations regarding the product. In a way, they are creating a kind of primary or support sensation that will encourage a consumer to search for more, detailed information that is usually presented in the form of text. Visual means of expression are used to communicate information towards the consumer and are active in his/her decision-making process (Lincényi, Polakevičová, 2015, Illieva, Dodovska, 2016). With regards to the issue of the attractiveness of the visual image let's have a closer look at Peter Bloch's (Bloch, 1995) theoretical model, which deals with research concerning consumer responses to the shape of the product and attractiveness versus unattractiveness, which was carried out in the field of advertising. Bloch (1995) recognizes two types of responses to a product's shape: (1) cognitive responses and (2) affective responses.

(1) Cognitive responses express the consumer's confidence about the product based on which they categorize the product. Product design can create or affect beliefs about product characteristics such as durability, price level, technical sophistication, ease of use and others. Designers deliberately choose some elements of shape to promote the creation of a desired vision for the product. Some consumer ideas derived from the shape can be completely unexpected. For example a product design that can get a prestigious award in a competition, can evoke the belief among consumers that it is expensive and unsuitable for them. Consumer responses stem from a misunderstanding of the proper use of the product. Distinguishing products is based on the perception of similar shapes among product categories.

(2) Affective responses are divided into: (a) positive aesthetic responses and (b) negative aesthetic responses. Aesthetic responses simply reflect a consumer's tastes. They are created on the basis of external stimuli and contain strongly activated attention and involvement. On the other hand, aesthetic responses are derived from responses to design and sensory characteristics more than from the functional and performance characteristics of a product. A negative affect or a negative reaction is a natural part of a possible consumer's response to the shape of a product. Naturally, the aim of the design is to evoke only positive reactions to the product among the end consumer. Negative reactions can be the answer to the overall (holistic) design, but also to its individual parts. The effort of a designer as well as a marketer should be to minimize the negative reactions.

The question is whether the conviction on the product stems from a holistic (whole) visual perception of a product's shape or of a linear reading of the individual elements. Bloch (1995 p. 19) argues that to support a holistic perception we can use shape psychology evidence that says that we perceive the objects as a whole rather than the individual features. On the other hand, J. F. Durgee (Durgee, 1988) suggests that the responses to the shape of the product are based purely on the individual features. He argues that consumers examine individual elements and look for a link between them, which tends to lead to a more sophisticated cognitive processing of visual impulses. Bloch resolved this dissonance by claiming that both, holistic and individual concepts simply work side by side. We initially perceive a product as a whole and if the form requires additional cognitive processing, then individual features come into play. Orth takes a similar approach to design by arguing that the impact of visual communication does not come from the individual design elements, but rather from the superior general of design factors (units), which are composed of more basic expressive elements (Orth and others, 2010 p. 24). Recently they have begun to use the methods of neuroscience in the field of advertising research. This process has become known as neuromarketing. Some works that examine consumer responses to visual stimuli have appeared here. The first work to deal with the above issues was by T. Ambler, A. Ioannides and S. Rose (Ambler and others, 2000). They explored different visual impulses in advertisements. Their interest focused on finding the effect of emotionally tuned ads comparing to argumentationally tuned ads. The findings confirmed a positive correlation between emotionally tuned ads and memory. They provided evidence that attractive visual images can act the same as affective stimuli and can be perceived like emotionally tuned advertising. Furthermore, Ambler et al. provided evidence that the brain processes various visual stimuli differently. A similar study was conducted by P. Kenning et al. (Kenning, and others, 2007), who investigated attractive and unattractive ads and their impact on how the ad was perceived by recipients. M. Stoll's, S. Baeck's and P. Kenning's (2008) research had the same focus on packaging design. Stoll researched the impulses of attractive and unattractive packaging on brain activity. He demonstrated that different visual stimuli induce significant cortical changes in the visual part of the occipital and parietal lobe (precuneus) - an area that is associated with the processing of visual impulses and attention. This means that consumers also create different responses to packaging other than what Bloch had predicted, and that their attention is influenced by visual stimuli. On the issue of attractiveness vs. unattractiveness we assume that only products that are attractive will attract consumers' attention at the sale point and will play a dominant role in the decision-making process of whether or not to purchase. Other functions, such as information will only have a secondary role.

6. Conclusion

Consumer perception of the product design requires the setting of categories, which can be used for research in this area. These categories should be established so they can best identify the consumers' perception of design. A consumer is the one who will use the product, and therefore it is necessary to know how he or she perceives and evaluates the shape and form of the product (Blijlevens and others, 2009). Design affects a consumer in several ways: it can attract his or her attention, communicate product information and can affect the quality of a consumer's life (Bloch, 1995). The consumer does not create the shape or form of a product, this is a designer's task, but the designer must know how the consumer will perceive and interpret that shape or form.

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THE SOCIAL NETWORKS A POWERFUL MARKETING TOOL FOR EFFECTIVE COMMUNICATION WITH THE CONSUMER

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Abstract:

The time of the one-way marketing communication slowly passes and the techniques of the traditional marketing have changed with modern techniques that have two-way communication with the target group. The task of the marketing is to be located where are located its customers, and in that regard, special emphasis is placed on the marketing on the social networks. This paper aims to point out the importance of the global social networks in order to ensure efficient and effective communication with the consumers.

The paper shows the state of the social networks in the country and their application by the companies in the communication with the consumers. For this purpose it is used test method with a questionnaire, and the research is conducted at leading companies in its industry. The sample included 83 companies. The questionnaire was distributed to the business owners, company directors, marketing directors and PR directors. This questionnaire consists of three parts, the first part of the questionnaire concerned the questions on the use of the social networks, the second part of the questionnaire concerned the issues which social networks are mostly used by the companies, and the third part of the questionnaire concerned about the future plans regarding the social networks. From the provided answers is given a basis for further analysis and consideration of the future possibilities regarding the communication of the companies through the social networks.

Keywords: social networks, communication, on line tools, effects

1. Introduction

The communication is very important in the operation of each business entity (Kotler 2003). With successful communication can be avoided and solved many problems. On the other hand as a result of poor communication can be questioned the work and the reputation of the company. The social networks facilitate the communication process using a large number of channels and opportunities to respond to the contents. With the apparition of these media it becomes possible to remove the geographical barriers and boundaries. The social networks offer powerful communication tools for marketing and PR experts. There is almost no company or person who does not have a personal or corporate block. With good communication we improve the on-line reputation or the reputation between users of the web. The creation of reputation is a lasting process that is created in hard way, and can be lost in a moment. The main task of every marketing expert is to create a positive image for their own company, and that can be made through the social networks.

The relationship of the social networking and the marketing is very interesting and tempting, but often the question is how effective it is and whether it can be measured.

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Everybody would like to know the benefits of something. ROI or return on invested funds is one of the most important parameters in which are interested the employers and the clients (Connelly, Crook, Combs, Ketchen, and Aguinis 2015). In general almost all employers believe that the social networks are a waste of time and they almost forbid their employees to use them during working hours. But lately this starts to be changing and the value of the new media becomes more accepted. It should be taken into consideration that the positive effects of the use of social media come later. It is first necessary the public and the users of social networks to accept you, then those users to share the content, and from them you will get the information and the emerging trends. For proper use of the social media are required people, technology and time. We will determine the effects of the use of social networks through: the visit on the site, both positive and negative reports on us, YouTube views, the number of Facebook and Twitter friends.

The social networks allow us to focus on a specific target group of consumers and fully direct the marketing actions towards this target group. By listening to customers and their feedback on products, companies can save money for large and expensive research. That means they have insight what the customers want, and where there should be improvements.

2. Social network

Social networks are one of the most common forms of communication; they represent on-line communities based on membership which allows users to mutually connect based on common interests. Social networks today are used by hundreds of millions of people. With the emergence and development of social networks has changed the way of communicating with the target markets where the advantage of marketing through social networks is that companies in a very short time receive information about their products and services. Social networks are a perfect example of the lack of distance barriers. The user of any social network communicates equally with anyone whether located on another continent or in the same city. The biggest advantage is in the communication with people who do not know each other, but despite that they share many messages with each other (Chi 2011). This phenomenon proves that if the message is effective, the users of social networks are globally talking about it. Although the marketing tools are quite changed yet the principle remains the same, it refers to the creation of the message and the manner of advertising.

Social networks provide numerous activities of marketing (Singh, Saini, and Majumdar 2015):

- Application of word-of-mouth marketing (giving recommendations)
- Market research
- Creation and verification of the idea
- Development of new products
- Customer relationship management (CRM)
- Types of promotion and communication

Through the social networks is enabled B2C (Business to Consumer) operating, and it is suitable for creating and maintaining the brand. This means that through the social networks are accomplished: increase of the acknowledgement of the product or the brand, increase of the web sales on their own sites and e-trade, strengthening of the

loyalty and confidence of the customers and successfully launching of the new products.

3. Types of social networks

Facebook is the dominant social network and it is an operating system for social networking. Facebook except for its users it is of great importance for the marketing departments. The extraordinary and rapid development of this social network is due to its clean design with little advertising. The design is very well organized, simple and easy to use and based on this is very attractive to many people. Also Facebook is a combination of a number of activities, at the same time it is LinkedIn, YouTube, Twitter all in one. It is free media coverage. Many companies take advantage of the Facebook fan pages. Every company is trying to make its fan page more interesting, offering exclusive content that cannot be found elsewhere. While creating a fan page every company should consider to which target group is addressed, and depending on what is offered it must be adapted to the targeted population. Often the question arises whether the number of fans is a measure of the value of a company and how to measure the value of a fan? In terms of the number of fans, it should be an important factor in assessing the value of a fan page, but it also may mislead the assessor, and on the other hand a large number of fans can be static with very poor communication, and based on that their number is insignificant. That's why so many authors (Di Pietro and Pantano 2012) emphasize that an important factor to assess the marketing importance of fan pages on Facebook is the growth rate. On the other hand the value of a fan is more difficult to measure and it depends on the value of sales to any fan of the company. Facebook is a good target for companies that have decided on advertising, because it allows precise targeting (Curran, Graham, and Temple 2011).

Twitter is a social network similar to Facebook, but with more simple view. Twitter is often described as an Internet SMS site that allows users to send and receive new messages with various tools so you do not need to use the original site. This flexibility allows the site growing in popularity. Twitter is ideal for promoting a site; at this service are present very important and influential people so it is necessary to use it rationally and thoughtfully. Worldwide Twitter is a popular and established network with a large number of registered users, but in Macedonia and the Balkan countries is now starting to become more popular. Many of the users are influential and business people, managers of public relations and the like. This service can be used in different ways, but is most useful for promotion of the work and communication with customers. Some people are using it for fun and socializing. When using Twitter you need to be balanced with the post and the statuses. We should arouse the user interest in the content, and not to send him/her away. Also we could not constantly post tweets for our products. It is better to post some interesting video and the advertising should be made in a subtle and interesting way through a number of actions, competitions and so on.

YouTube is one of the first social networks that appear together with Facebook. This social network allows the small companies with a camera and a computer to record interesting video and addressed it to a number of people. It is estimated that every minute are posted videos on YouTube. All this is important information for those dealing with marketing. Unlike the ads that are broadcast on the TV medium, and which are watched also by the uninterested viewers, the videos of YouTube are

watched only by those who are interested in the product and who are at the stage of deciding to purchase. However what is important when making a campaign on YouTube is that the video should be short and effective, and whenever accessing to advertising through YouTube to use other promotional tools through other media so that the advertising will not remain unnoticed.

LinkedIn is a business oriented social network that is used for business connections.

MySpace is a network that is similar to Facebook and is its biggest competitor. At the beginning of its emerging it quickly became a leader among social networks, but today is in stagnation. Unlike Facebook, MySpace has the advantage that makes no distinction between the personal and the company's brands and thus is allowing the brands to have unlimited access to a greater number of friends. MySpace has a platform that is simple for sending public messages to the friends, which is very important for the marketing people. The public messages have only one disadvantage; everyone can see them so we must not exaggerate to not achieve contra effect.

Flickr is a social network that is designed for those who show their photos. Flickr is an optimal place where companies show their products, sales, customers who use their products, and they build close relationships with the customers. Flickr is suitable especially for those companies that have frequent visual interesting novelties in their offer, such as fashion houses or companies whose products are very attractive.

Last.fm is an internet radio music network.

Google+ 9 is a social network for revealing the identity of the company. Google allowed everyone that has more than 18 years to participate in this social network where they can share photos, videos, links and location with friends, but only to a certain group of people. Google's key is to create a circle, for example circle of family, work, friends and accordingly to send messages to that particular group.

According to the data for the actuality of the social networks it can be pointed out that the most used social network is Facebook with 900 million users worldwide, then Twitter with 500 million users, YouTube with 490 monthly visitors, LinkedIn with 150 million users, Google+ with 100 million users, Flickr 51 million users, Instagram with 40 million users.

4. Effective marketing communication with consumers

In order to achieve successful and effective marketing communication it is necessary to approach to successively carrying out of the following phases:

- **Identification of the entire audience** – i.e. determination to who are intended the marketing messages. Audience can be the users of the products and the services, the customers, the wholesalers and retailers, suppliers etc. For different audience should be applied different marketing communication.
- **Defining the purposes of communication**– in this phase is determined the purpose of the communication, i.e. whether the entire audience through the message should be informed, convinced or reminded for certain product or service. From this point there are different types of communication, such as the model AIDA, the model of hierarchy of effects, the model of accepting innovations etc.
- **Creation of the message for communication**– at this phase should be determined the content, the structure, the form and the source of the message.

- **Choice of communication channel** – in this phase the company should determine the type of the communication channel through which will deliver the message to the entire audience (Brodie and Chernatony 2009). The choice can be made from the one of the following types of channels:
 - ✓ personal communication channels (direct, personal communication) and
 - ✓ impersonal communication channels (communication through media for mass communication)
- **Determination of the total budget for the marketing communication**
- **Making decision for the promotional mix**– at this phase particularly important are the push strategy and the pull strategy, but which of them is going to be used depends on many factors.
- **Measuring the results of the marketing communication**

The company in order to communicate successfully with the audience should know the same very well. First the company should be informed what image, what picture has the audience for the company and/or its products. Before beginning to communicate with the public in any way, the company must measure the image it has on the market, i.e. to analyze the opinion of the audience for the company and its products (Conejo, and Wooliscroft 2015). This is done on the basis of general analysis. Once it is perceived the image of the company, next step is to create a message (on the basis of the purpose) that will be delivered through the appropriate media which will achieve the best communication with the targeted group. If the consumers are accepting the products it means that they enable the company to maintain the competitive advantage (Gambetti and Graffigna 2015). In few words the integrated marketing communications is just one of the ways to achieve this competitive advantage but also very successful if is applied properly by the company.

5. Research – trends and perspectives for th use of the social networks in the republic of macedonia

To learn more about the situation regarding the use of the social networks by the companies and the individuals in Republic of Macedonia as a communication tool, it was made survey of 83 companies from different areas, and the choice of companies is according to their size and who is a leader in its field. The data collection is made based on questionnaire composed of three parts. The questionnaire was given to the company owners, the company directors, the marketing directors and PR directors. This questionnaire consists of three parts, the first part refers to questions for the use of the social networks, the second part refers to questions which social networks are mostly used by the companies, and the third part refers to the future plans regarding the social networks.

From the survey are set apart only the questions that are important to this research. One of the key issues was how much time is spent on social networks? From the responses were obtained the following information:

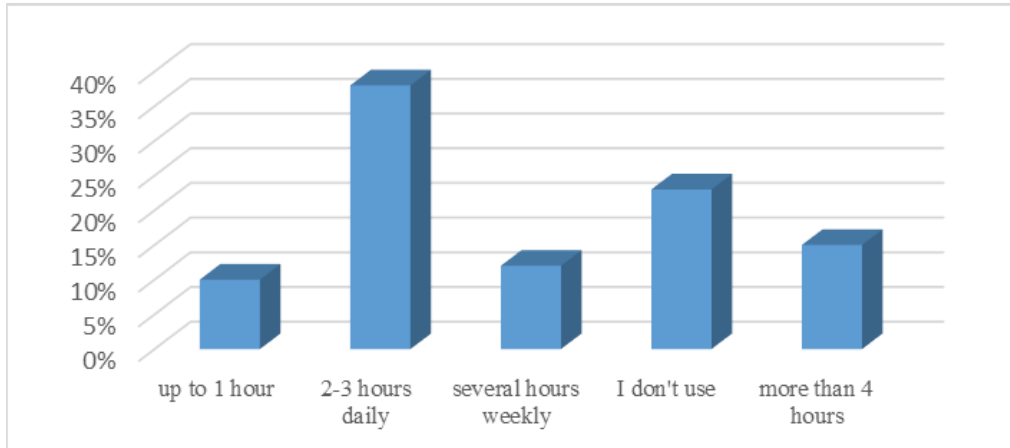


Figure 1. Percentage display for the time spent on the social networks

According to the obtained data 10% of the respondents spend 1 hour on the social networks, 38% of the respondents spend 2-3 hours a day, 15% of the respondents spend more than four hours during the day, 12% of the respondents spend several hours a week, 25% of respondents use the social networks monthly, and 23% of respondents do not use social networks. This shows that many of the respondents actively use social networks, but there is a certain percentage that needs to start using the social networks in future.

To the question for the presence of the company on the social networks, were obtained the following data:

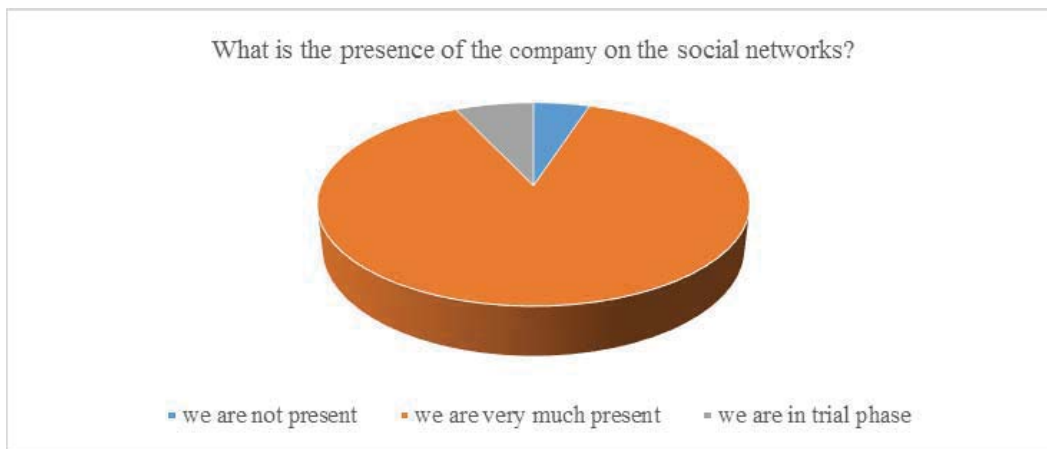


Figure 2. What is the presence of the company on the social network

According to the obtained data 5% of the companies respond that they are not present on the social networks, 7% of them are in trial phase of presence on the social networks and 88% of the companies are present on the social networks to a great extent.

To the question which on-line tools do you use the most, were obtained the following data:

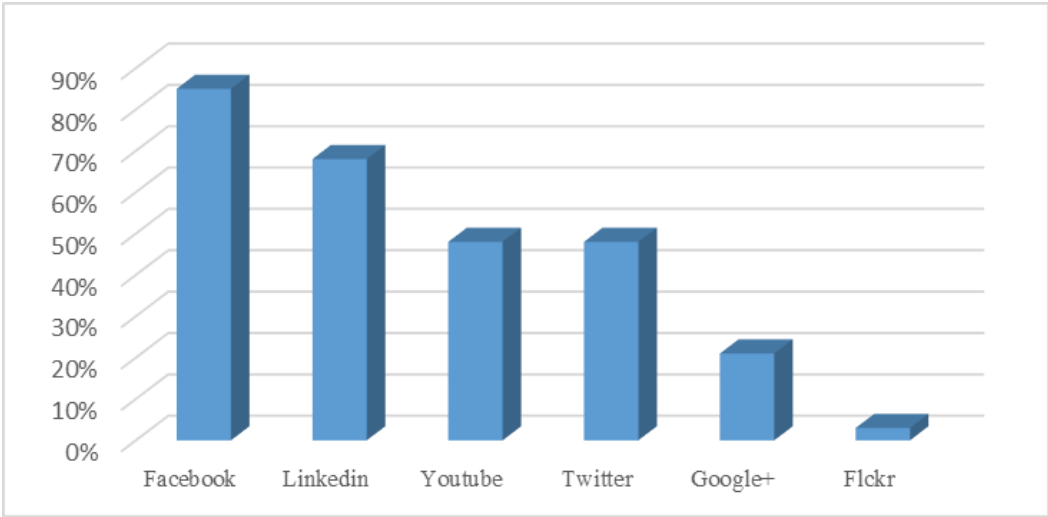


Figure 3. Which on-line tools do you use most

According to the obtained data the most used on-line tool by the companies is Facebook 85%, then LinkedIn 68%, YouTube 48% and Twitter 48%, Google+ 21%, and with smallest percentage is Flickr 3%.

Based on the data can be noticed that Facebook is very important for the professionals who deal with communication in Republic of Macedonia. Also very important data is that the corporate company site attracts less attention than a brand Facebook page with great number of fans.

To the question who is in charge for the use of the social networks, were obtained the following data:

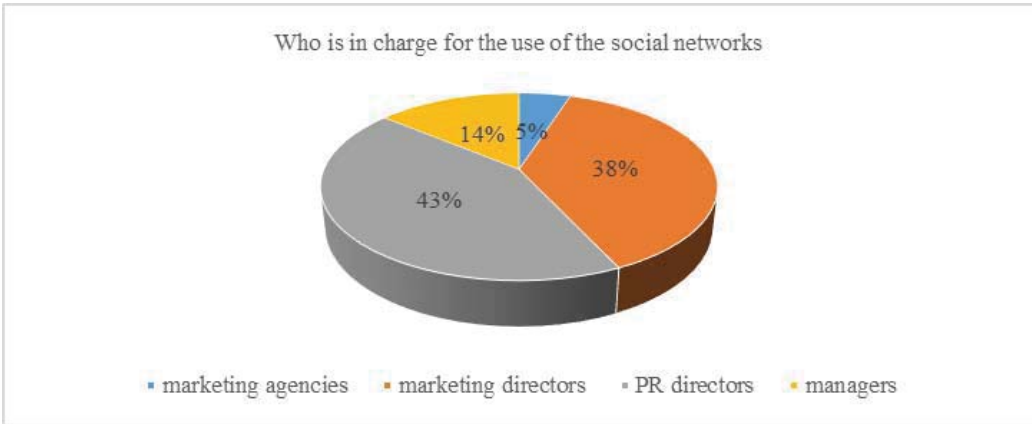


Figure 3. Who is in charge for the use of the social networks

Based on the obtained data can be noticed that the social networks are mostly used by the PR directors 43%, than the marketing directors 38%, managers 14% and marketing agencies 5%. This indicates that most of the companies assign the work on the social networks to only one person, like the PR directors and the marketing directors. According to the obtained data can be established that very small number of companies are using the services of the marketing agencies for the use of the social networks. Mostly the marketing agencies are used for the design of the web sites.

To the question for what purposes are used the social networks, were obtained the following data:

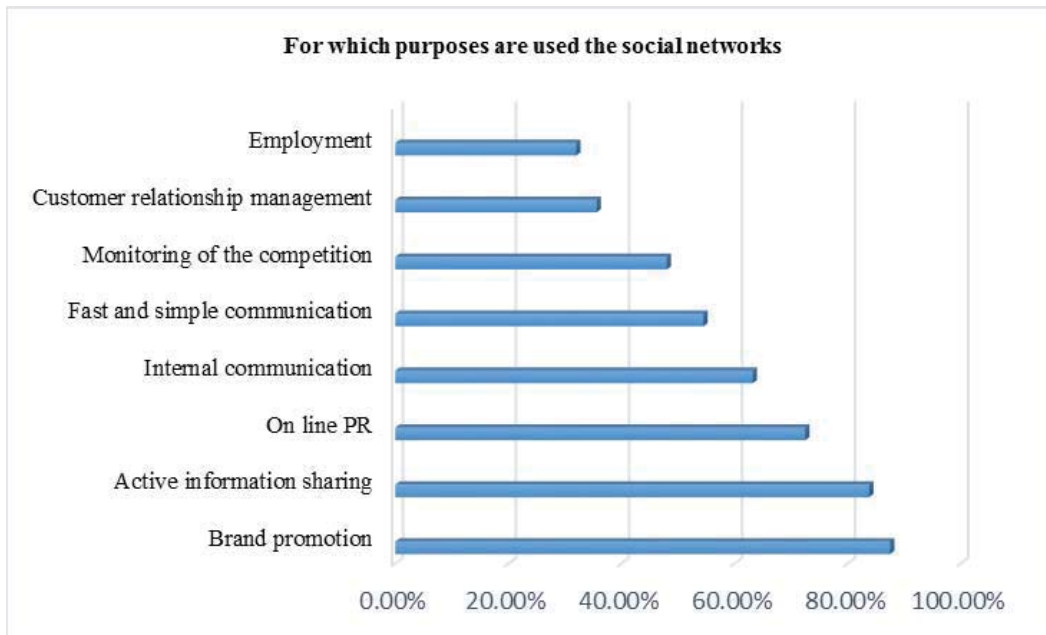


Figure 4. For which purposes are used the social network

Based on the obtained data can be noticed that most of the social networks are used for brand promotion 87,5%, for active information sharing 83,8%, for on-line PR 72,5%, for internal communication 63,2%. Also the companies use the social networks for fast and simple communication 54,5%, and also for monitoring the competition 48%. It is smaller the percentage of using the social networks for customer relationship management 35,6% and for employment 32%.

To the question for the effects of the use of the social networks, were obtained the following data:

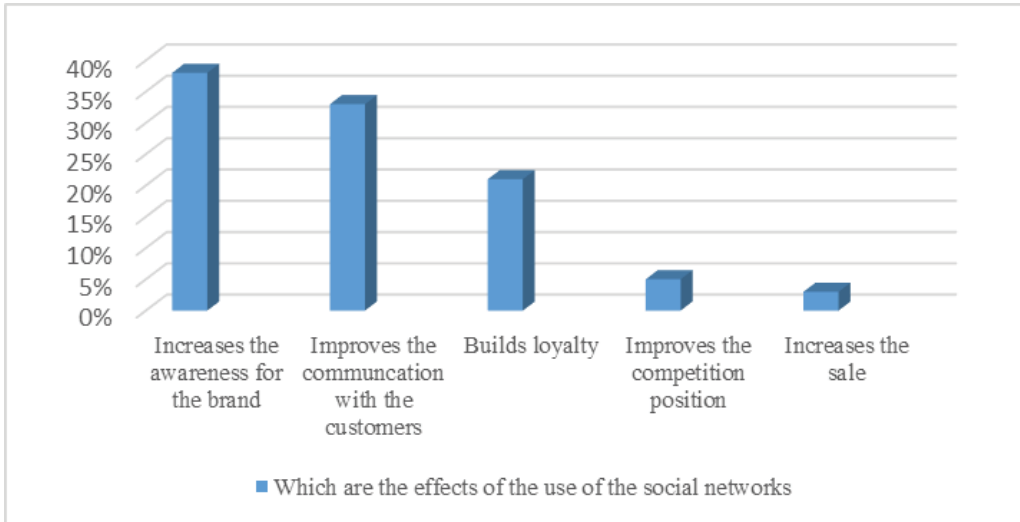


Figure 5. Which are the effects of the use the social networks

Based on the obtained data can be noticed that the greatest effect of the use of the social networks is to be increased the awareness for the brand 38%, than 33% of the respondents consider that the social networks improve the communication with the customers, 21% consider that through the social networks is build the loyalty to the customers, 5% consider that through the social networks is improved the competition position, and 3% consider that through the social networks is increased the sale. To the question what is the confidence in the social networks, were obtained the following data:

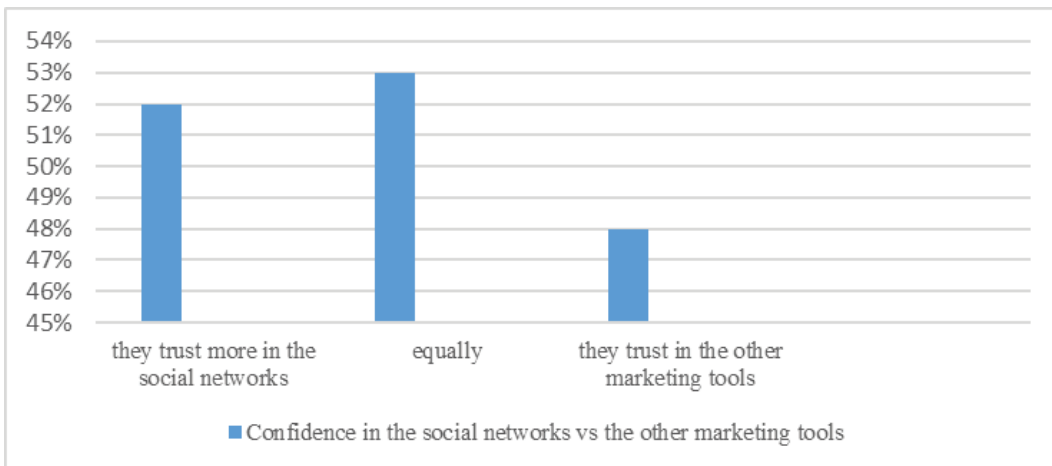


Figure 6. Confidence in the social networks vs. the other marketing tools

Based on the obtained data, 52% of the respondents trust in the social networks more than in the other marketing tools, 53% trust equally in the social networks and in the marketing tools, and 48% trust in the other marketing tools.

To the question do you plan to increase the investments in the social networks in future, were obtained the following data:

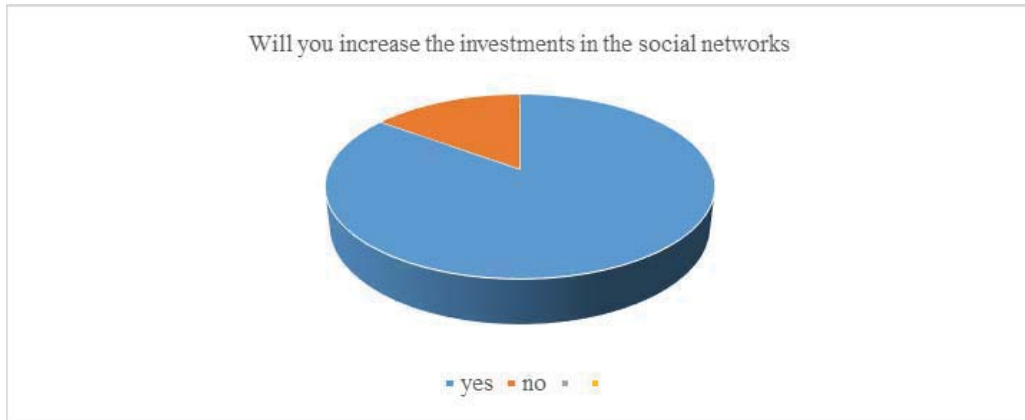


Figure 7. Will you increase the investments in the social networks

Based on the obtained data 85% of the respondents are planning to increase the investments in the social networks, and 15% of them do not plan to increase the investments.

6. Results of the research

Social networks represent a very useful marketing and PR tool for effective communication of the companies with the target groups. They have lately been one of the most important marketing tools, but also they did not dispute the use of traditional media. With the social networks are mostly concerned persons responsible for marketing and public relations. Mostly in companies this work is entrusted to one or several persons. Very rarely the companies entrusts this activity to the marketing agencies. If they hire a marketing agency it is mostly for services on the design of web pages or about conceiving a marketing campaign. In the majority of companies in the Republic of Macedonia is already recognized the importance of the social networks and great number of the companies allow anytime access to social networks. In very few companies about 18% of the surveyed, accesses to the social networks have only those persons dealing with business objectives. The most used tool of the social networks is Facebook. The effects of social networks are related to the promotion of the brand, and with that providing information that allows direct communication with customers. Based on the results can be noticed that the companies in Republic of Macedonia are mostly using the social networks to promote the brand, placing news and information as well as for online public relations. On the other hand, unlike the European countries in our country is paid less attention to the customer relationship management and employment through social networks. Most companies have a strategy in performance on social networks, which means that they also measure the effects of using these social networks. The most important thing for measurement of the effects is keeping track of the number of fans, connect and interact with them. In

terms of investments in social networks, many companies allocate only 5% of its budget. A number of companies plan to increase the use of the social networks, but that does not mean that it will reduce the use of the traditional media that they believe are still trusted by many consumers.

Conclusion

Modern consumers live in a time when there is a plethora of information coming from different media. In this informative chaos, it is too difficult to reach the consumers, and even more difficult to communicate with them and create loyal relationships. However the use of social networks enables efficient communication with customers and most importantly did not oppose to the use of traditional media. In the majority of companies in the Republic of Macedonia is already recognized the importance of the social networks, and they have already approached to such communication. It is time for those companies that have not already applied such communication to approach to it. What is important is that social networks are changing daily; the disadvantages are surpassed and the interaction among the users is increased. The development of the mobile Internet will greatly increase the presence of social media and significantly increase the e-commerce and a number of works will be done through the web and electronic form. It is only necessary to recognize ourselves in this whole situation and to take the opportunity in the right way. We all know that the direct communication with customers and brands creates emotion and confidence. The public wants honesty, transparency, quality, support and interaction, and it can all be done with the social media. Be ready at present to create the future.

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DIGITAL ADVERTISING TO CHILDREN

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Meri Nickova

Abstract:

Children younger than eight lack the cognitive skills to understand the persuasive intent of marketing messages. All integrated marketing strategies, campaigns and messages are channeled to traditional and digital media that increases the scope of media mix and hence the exposure span for children audience increases. The lack of cognitive skills and doubtful recognition of the real story of the advertising message, makes this customer's category - children (in multigenerational marketing referred as Generation Z especially vulnerable. Though, the exposure children have on digital and electronic media is increasing the necessity proper marketing communications model that will involve ethical and affirmative content is obvious.

The comparative theoretical analyses of all 4 generations in marketing segmentation obtain to determine key differences and unique consumer behavior of customers. A special emphasis is given to Generation Z in order to understand the sensitivity of children's exposure to media and possible consequences. This paper gives and model for marketing communication and media mix for targeting Generation Z and children by which both parties will benefit: the audience will be protected from possible consequences by inconvenient messaging and the marketers will message a content for better addressing to children customers by means of media mix and content.

Keywords: Children, generation Z, integrated marketing mix, communication, media, digital, social.

Introduction

What do you call a consumer who wants to buy everything you have, doesn't care what it costs and is less than five feet tall? A marketer's dream? Nope. You call them kids. -AdRelevance Intelligence Report, 2000.

Regarded as customers, children until age of 8-9 years have underdeveloped cognitive decision-making abilities, hence can not be fully defined as consumers and are unqualified to make far-sighted purchase decision as adults. This situation needs to be alarmed among all marketing and media related parties due to the fact that the exposure of children to marketing messages is increasing, on both traditional and digital media, which may create a situation that has serious implications.

Within generational development, the Generation Z is tech savvy, more independent and much individualistic in psycho-behavioral aspect. Since children, as well as all individuals of Generation Z are active customers, directly or indirectly, the brand referring to them need to take into account this fragile state.

1. The concept of multigenerational marketing

Customers belonging to one of the existing age groups have similar interests, observations, standards and lifestyles that influence their consumer behavior and

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define their characteristics as consumers. The understanding of unique characteristics of different age groups ensures solid base for marketers aiming to create applicable marketing communications strategies (Howell, 2012).

The Baby Boomers were born during 1946-1964 during the dramatic increase of births between the end of World War II and 1964. (Williams and Page, 2010). Boomers largely identify themselves with their professional vocations and many are recognizing themselves as workaholics. (Koco, 2006) Beside professional achievements, also, family bonds are important to Boomers. (Dietz, 2003) Health, vitality, and wellness are major goals for them, hence, Baby Boomers are good customers for traveling, expensive restaurant meals, maintenance-free homes, personal trainers, motorcycles, and financial advisors.

Generation X was born during 1965-1980 and reached maturity during difficult economic times; hence, professional rise for this generation has been much more challenging. They are likely to be self-employed professionals who embrace freelancing over company loyalty (Cranston, 2008). In terms of social life, they grew up rapidly, experiencing rising divorce rates and domestic violence, but still they value family first. They are highly educated, but pessimistic, skeptical, even sarcastic for most of things (Moore and Carpenter, 2008). Generation X as customers is much insecure and hesitant. Marketers should mind their low level of loyalty toward brands (Williams and Page, 2010).

Generation Y was born between years 1980 – 2000. They are children of the Baby Boomers and grew up in a time of constant economic and global change such as rise of woman leaders, major ethnic and cultural mixture, social awareness, technological and digital expansion, and globalization. Eight key values have been described for Gen Y: choice, customization, scrutiny, integrity, collaboration, speed, entertainment, and innovation (Donnelly, 2008). Millennials are known as the hyper-connected and technology-savvy crowds that interact on social media or the Boomerang generation that go back to live with their parents.

Generation Z is the youngest living generation and these individuals are born after 2001. They have witnessed economic downturn, global crisis and parallel negative trends that lead to their loss of childhood (Bashford, 2010). However, Generation Z individuals are self-controlled, conscious and responsible. They are contented to high-tech and multimedia devices, and never lived without the Internet. They are opportunists, and tend to use fantasy and illusions. They are least loyal to employers and brands. The basic three key characteristics of Generation Z are: instant gratification, success, and liberal social values (Williams and Page, 2010). Fashionable wardrobe, music, fashion, cosmetics, and on line games are very important products for Generation Z. As a major part of Generation Z - children are able to recognize brands from the age of about 18 months; which arouses attention concerning moral and ethical issues when creating a messages (Calvet, 2008). According to Calvet, children younger than eight are especially vulnerable to mass media marketing messages because they lack the cognitive skills to understand the persuasive intent of television and online advertisements. Marketers should be aware that Generation Z is easy dealing and manipulating with technological devices and hence easily exposed to digital and social media.

1.1 Cognitive Development and Advertising

Two important information-processing tasks are required for any person to achieve a mature understanding of advertising messages. First, the individual must be able to distinguish between commercial and noncommercial content (programs). Research shows indicate that those below the ages of 8 years do not consistently distinguish program from commercial content, even when program/commercial separation devices are used.

The second essential cognitive task involved in a mature comprehension of advertising is the ability to recognize the persuasive intent of advertising and to apply that knowledge in the child's understanding of the advertising message.

1.2 The buying behavior of children

Children and teens (Generation Z) have many unique features when observed as customers. In general, children have higher sensitivity on graphics and visuals in packaging and design than adults. Children audience is particularly sensitive to bright colors, loud music, and rapid changes in stimulus. On youngest age, children (0-2 years old) show interest in sounds, effects, animation, humor, female and children voices (Lemish, 2007). Similarly, a child is able to briefly remember a presented message especially of those advertisements where personification and animation, symbols and mascots are applied. It means when you give an inanimate object some human characteristic or there are speaking animals in the ad, children on age 1 and 2 are highly interested. Pre-school children (3-6 years old) are attracted by messages with marionettes, animation in logical narratives (Lemish, 2007) as well as with fantasy elements (Šramová, 2007). In sales promotion, a bonus, i.e. added value to purchased goods, is often attached. School-age children (7-12 years old) are fond of messages, educational programs, sci-fi, as well as stories with heroes. Popular TV series characters become their idols and those who recommend certain products, as well as celebrities influence largely on brands and products preferences. Addiction on a reference from a popular star or sports person may be observed even more in teenagers (12+) who appreciate practical values while shopping on-line. Playing computer games and chatting on the Internet are the most preferred leisure activities of all members of Generation Z, and by this fact they become an easily accessible group for viral marketing and on line product post (Šramová, Džupina & Jurášková, 2013).

The core problem when targeting children is mainly psychological and strongly related with cognitive skill development. Two important information processing tasks are required for any person to achieve a mature understanding of advertising messages. First, the individual must be able to distinguish between commercial and noncommercial content. In other words, an individual must be able to differentiate the ads from the programs (Calvet, 2008). Studies of children indicate that those below the ages of 4-5 years do not consistently distinguish program from commercial content. As children reach the age of 4-5 years, they typically perceive a categorical distinction between commercials and programming, but primarily on the basis of affective ("commercials are funnier") or perceptual ("commercials are shorter") cues only.

The second essential cognitive task involved in a mature understanding of advertising is the ability to recognize the influential intent of advertising message.

Namely, mature persuasive intent comprehension involves the acknowledgement that the advertiser has aim to persuade their audience to want to buy their products.

Basic developmental research on egocentrism and perspective taking, along with a great deal of evidence specifically examining developmental differences in the comprehension of persuasive intent within advertisements, establishes clearly that most children younger than 7–8 years of age do not recognize the persuasive intent of commercial appeals.

2. The children and the media today

The set of application of digital media are profoundly different from traditional media, including elements such as interactivity, engagement, viral messaging, user-generated content, and location-based targeting.

Children and teens still spend more time watching TV than they do using any other type of media, an average of approximately one hour a day among 2- to 8-year-olds and more than two-and-a-half hours a day of live TV among those 8 and older (Rideout et al., 2010).

At this media, many legal and ethical measures are being taken over the years aiming to decrease the negative implications. However, the core reason for concern is the branded program and embedded brands, logos and messages. Research indicates children have a harder time identifying “embedded” content as advertising and understanding the persuasive intent behind it (Owen et al., 2013). At this point, there simply are no accurate measures of the extent or impact of young people’s exposure to product placements and other types of embedded advertising.

Advertising to children and teens continues to be conducted on cross-promotional associations with popular cartoon characters, sports stars, and movie and music celebrities. However, there is no available set of instruments within the research community for tracking children’s exposure to such campaigns.

Online advertising includes banners, reviews and editorials on web sites, platforms, and social media. Also, involves games, apps, online videos, virtual worlds, and social marketing (Rideout, 2014).

Today’s online advertising represents a “fundamentally different” type of exposure from that of TV or print (Moore & Rideout, 2007; Montgomery, 2012) for several reasons:

- It is interactive, meaning the child actively engages with the brand
- It is also often “immersive,” meaning that the child or adolescent is in a fully branded “environment” for an extended period of time
- And most importantly, online advertising is essentially different from other media because it can be built on data about the child or teenager that allows it to be targeted to them based on their interests, locations, and demographic characteristics.

3. The major concerns for advertiser targeting children

At this point marketing industry lack even the most basic research needed for policymakers to determine whether certain types of practices of marketing to children are fair or cause certain misconceptions. The core question is how does a child evaluate and distinguish an information received by visiting food company’s website and by playing a branded advergaming on his or hers parents mobile phone? How does he or she process the brand cues in a mobile game? How does a teen perceives a tweet

from a celebrity inviting him or her to view a new YouTube video sponsored by a soda company? (Rideout, 2014). And even more, how does a child evaluate a candy brand sponsored ad on social media? Are there methods and instruments to label sponsored content that would have a meaningful impact on young people's ability to distinguish advertising messages from entertainment content, as ad "bumpers" do on TV? And even more, are there global policies for involving a child psychologist in creative marketing team when concerting the message whenever there is a possibility to be aired on wide audience, regardless if the campaign targets the kids directly or indirectly?

In sum, there has been a revolution in the world of advertising and marketing to children and teens, and the research we need to fully understand its effects is lacking. (Rideout, 2014). Still, there are many reasons to be concerned about advertising's impact on young people: it often promotes products with health implications, such as fast food, soda, and candy; there are public-policy implications on issues such as privacy and fairness; some parents and promoters are concerned about the over-commercialization of childhood; children can be exposed to advertising for adult-oriented products such as alcohol, tobacco, and violent media; and children's advocates and public health experts need to stay current on the most effective techniques for reaching young people with messages that will benefit their healthful growth.

The growth in media channels for advertising targeting children has been development trend of many alarms. Many children nowadays have unsupervised access to computers, cell phones and other that directly expose them to content absent parental monitoring and supervision.

These two trends—the growth in advertising channels reaching children and the increase of children's media use—have resulted in a dramatic increase in advertising directly intended for the eyes and ears of children.

Hypothesis:

Regarding the question of children's increased exposure to technological and digital devices hypothesis 1 is formed:

H1: Generation Z is predominantly exposed to digital media and mobile advertising including apps and games.

Regarding the problem with cognitive decision-making hypothesis 2 is formed

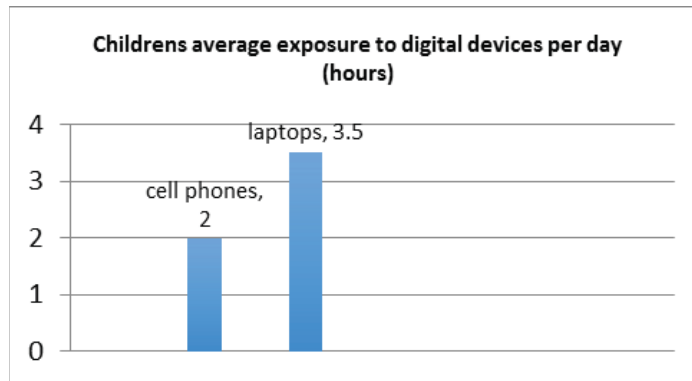
H2: The children have no clear idea weather the message via social media is advertising or information

H3: Generation Z and children preferred recognized products, already advertised on social media more in comparison with unrecognized.

4. Research and discussion:

For the purpose of this research a survey was conducted of 57 individuals of Generation Y structured in 2 age based subcategories. Group 1 consisted of 29 children age 2-9. Group 2 consisted of 28 children age 10-15. Males accounted for 45% of the respondents, while females accounted for 55%. Additionally, for the H1, 51 parents of the surveyed children were involved in the research.

Regarding H1, related to the children's exposure to digital devices, the surveyed parents gave clear answer that their children's exposure on computer, laptop or personal mobile phone is not monitored. The average exposure per day, as they assumed is around 5,5 hours In total.



In addition of this question, the responses about the strength of monitoring while exposing the children to digital devices, were that mostly they are not monitored (89%).

Regarding H2, the surveyed children of all ages were shown two posters: one of a healthy meal infographic and second of pizza delivery advertisement. 91% of the children of subgroup 1 showed confusion being asked to tell the difference of the nutritions infographic and the pizza ad, claiming both are food information, while children of second subcategory in 100% without hesitation made clear distinction between the advertisement and recipe tutorial.

As of H3, the survived children of all 3 subgroups were asked to choose cotton shirts, 1 out of 5. One was with Batman symbol, one was Nike, one was with random dog, and the rest were pink, yellow and green. The response of this question was not confirming fully the hypothesis that children are attracted to superheroes or brands. The dominant male children chose the green bag (70%) and the female children choose the pink one (89%). Batman bag (although all of them were aware of this icon) was chosen also, but in a fewer scale than expected. This situation-supported idea that children are sensitive to colors more than superheroes or brands.

Overall, children show completely different consumer behavior than adults. The high sensitivity to colors and medium ignorance of popular mascots created necessity of taking step further in observing marketing to children as sensitive and serious matter.

Conclusion

Regardless of age, all individuals of Generation Z – children and teens are over exposed to a digital devices and social media. The marketing communication happening there is already step ahead of control and by researching it we come to realize how much the industry and academy is not updated. Meanwhile, the Generation Z individuals are developing in specific and unique segment, having strong relations with technology and internet. This two trend alert for policy makers and advertisers to take measures for controlling this process in favor of developing healthy generations and setting a fair economic standards for targeting this customers.

Following the trend of some countries that are taking steps towards protecting children from ads, many European governments have placed restrictions on television commercials targeting kids. But in most of the countries in the world do not seem to understand the problem. This should become a matter of global policy for marketing to children applied in every country, especially applicable in digital media.

Other set of instruments would predict involving psychologist when creating advertisement that would address to children directly or indirectly. And finally, educating marketers, advertisers and everybody involved in brand and marketing industry about this concern.

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THE INFLUENCE OF CREATIVITY AND INNOVATION ON THE SUCCESS AND THE SURVIVAL OF THE MARKET ORGANIZATION

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Branko Cvetanovski

Abstract:

The terms creativity and innovation are mutually connected, which entails that they are also causally connected. Creativity should primarily be understood as generation of new ideas, of new, better and more ideal solutions to problems, whereas innovation is to be understood as utilization of the new ideas in the initiation of a new or in the improvement of a preexisting product, service, process or production method. In order to understand and utilize it more successfully, one has to take into consideration the existence of an individual creativity and of an organizational creativity. The creativity of each and every individual is characterized with their ability to synthesize the then unconnected information in a new radical way. On the other hand, the organization will rise creatively, if the creative development of its employees is made possible.

The importance of creativity and innovation stems from the today's inconsistent surroundings and the great competition within them. Therefore, there is a possibility that an organization that is neither creative nor innovative will not survive. That is the reason why there is an ever increasing number of organizations whose managers try to find a way to encourage both individual and organizational creativity.

Key words: creativity, innovation, organization, managers

1. Introduction

Every organization is in need of creative people in order to survive. In the today's competitive and turbulent economy, creativity is not only a source of competition, but also a basic survival need. Ideas, talent, knowledge and risk create competent people, and innovation is merely a product of a creative mind. In the today's turbulent times, competition appears, at once, as a factor instrumental for the success of a functional organization, and as the organization's biggest pressure to innovate. Taking into account the fact that only organizations whose products always capture the consumers' attention succeed in the market, that is, products that completely satisfy their needs, one inevitably comes to the conclusion that the success of organizations is a direct product of innovations.

Innovation is a process that starts from the moment of generation of ideas, goes through the selection filter, and ends with the realization of the best ones. The power of the organization is in its ability to choose an innovation that has the best chance to increase its profit. Although in the colloquial language the terms creativity and innovation are mutually exclusive, there is a difference between them, which is why their meanings need to be explained more thoroughly.

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Creativity is a significant characteristic of a modern manager, which is realized through the creative process. Creativity is, above all, related to the skill to combine ideas in a unique way. This means that organizations that encourage creativity develop unique methods of operation or find new solutions to the problems. Calvin (2002) in his *Entrepreneurial Management* asserts that “creativity is a generation of a new idea, regardless of its potential applicability”, whereas he defines innovation as “transformation of new ideas into (useful) products or services.” This, in fact, means that creativity represents base of innovations, which are in turn products of the applied creativities. So, on the one hand, all creativities do not necessarily become innovations, but, on the other hand, innovations cannot be generated without creativity. Creativity in and on itself is not enough, in order to generate innovation it is required that the results from the creative processes are transformed into new, useful products, services and working models, which represent innovations.

Therefore, innovation can be defined as a system for development and production of innovative products and services that we call innovations, in that when we talk about development of innovation, we refer to the process of collecting, assessing and selecting innovations, until the moment of their commercialization. To further clarify this, I will support the above-mentioned statement with the famous saying “genius is one percent inspiration, and ninety nine percent perspiration.” From this we can clearly conclude that in order to create innovation, we need a lot of preparation and even more hard work.

Paul Trot in his work *Innovation Management and New Product Development* gives the simplest, but most famous definition of innovation, which says: “innovation is a process of transforming of an idea into a practical application – a realization.” Here, he perceives innovation as a product or a service that acquire market verification, but also as a process that starts from the creation of an innovation and ends with its implementation.

When defining inventions, beside the difference between creativity and innovation, a distinction has to be made between the terms invention and innovation. To that end, we assert that invention represents a new idea, and innovation represents the transformation of the idea into practical application. Invention, in fact, is merely the first step leading to an efficient application of a good idea, and to become innovation, the invention needs to be transformed into a (useful) product or service desired by the consumers

2. Types of innovation

When we talk about the types of innovation, the first distinction that comes into our minds is the product innovation and process innovation. Thus, as the name itself suggests, product innovation involves changes in the very products and services offered by the organization, while process innovation signifies the manner in which products are produced and services delivered. Furthermore, based on the extent of the novelties included in them, the product and service innovations are divided into incremental innovations and radical innovations.

Incremental innovations signify smaller or simple changes of the already existing products aimed at satisfying the need of a large number of consumers, or at minimizing expenses and maximizing productivity and flexibility. These innovations also include both insignificant changes in the way things are done, and corrections of the existing technology. Incremental innovations are most common in large systems

where they generally refer to the modification of the products services, whereas in the small systems they refer to the quick implementation of the consumers' needs into the concept of the product or the service. The simplest example of incremental innovation is the creation and the implementation of a new packaging for an existing product.

Radical innovations are considered those innovations with which revolutionary changes are made, that is, innovations that change and depart from the existing practice, process and technology. Radical or disruptive innovations in small enterprises are the product of the entrepreneurial spirit of their founders, while in big organizations they are the result of the investment in the entire innovation space of the product. Ideas that generate radical innovations can arise from the ideas of the consumers, coworkers, competition, evolution of the technology, cooperation with other companies, universities etc.

It is commonly believed that radical innovations can provide the organization with considerable financial gain, but it is the incremental innovation that account for the biggest percent of the revenue. Incremental innovations require that employees have skills and specialized knowledge from one area, while for radical innovations, general and broad knowledge from different areas are required from the employees. Thereby, an attempt at balance would be wise, in order to make full use of the advantages of both innovations. Still, it is a fact that the market is shaped by organizations which generate radical innovations.

3. Creative and innovation activities

Successful managers never rest, but always move towards what is coming next. They are initiators, instigators and architects of changes, in other words, they are bearers of innovations. Managers are not necessarily innovators; however their success depends greatly on their ability to exploit the innovation and accomplish its goal – to increase competitiveness, reduce risk, and discover and take advantage of economic potentials.

Pulić in his Information Society and Economy lists the following most important characteristics of the entrepreneurial management:

1. Ability to recognize creative people and innovators in the organization and the immediate surroundings, as well as readiness to attract, stimulate and motivate them;
2. Readiness to provide the employees in the organization, especially the innovators and the creators, with a permanent education and specialization, so that the creative and innovation activities cover, directly or otherwise, all levels of employees;
3. Ability to act towards creating as favorable a climate as possible, for the benefit of the development and the success of the creative and innovation activities;
4. Ability to organize on a large scale, and to give directions and lead, that is to coordinate the creative and innovation activities by establishing collaborative relationships;
5. Ability to make correct judgments about the results of the creative and innovation activities within the confines of their rights and responsibilities;
6. Ability to allow application of an innovation in the right moment;
7. Systematic following of the innovation trends in the world, and assessing the extent of exhaustion of a product or other commodity;
8. Unfailing commitment to meet the goals of the creative and innovation activities in the organization, and to meet the goal of the whole organization to become creative and innovative;

An applied innovation will meet its goal, which is, in fact, the reason why it was created, until it gets repressed by a new innovation, which will assume the use-value of the old one, that is, until the moment when the new innovation becomes more competitive. This, in fact, introduces the need of sustained creative and innovation activities and innovation, as the basic requirement for permanent success and development of the organization.

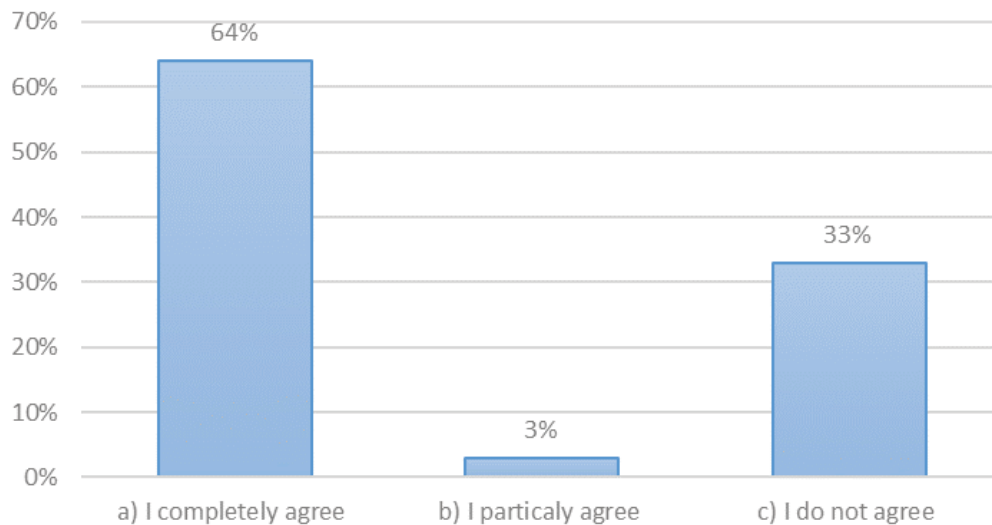
Today, all successful organizations focus on expansion and improvement of the innovations, that is to say, on sustained creation of innovation that will attract all relevant factors of the market. That is the best way to gain competitive advantage and “destroy” the uninventive competition.

The entrepreneurial spirit and innovations based on scientific knowledge guarantee the success of the organization. This requires forming a serious and responsible team, founded by creators and experts in different fields. Also, it is of utmost importance that team members are properly selected, and the goals as well as the existing relations, that is, relations which are formed between team members, are clearly defined. If all members are well motivated, and rewarded according to their contribution, then they will fully commit to accomplishing the goal of the competition, and will focus on the changes, in the sense that they will discover new ideas, and as a result, the organization will always be one step ahead of the competition.

We consider inventive every organization which never rests, despite of its success, and always seeks new ways of becoming even more successful. From the above statement we can conclude that innovation potential is one of the fundamental sources of competitiveness. Thanks to the modern processes, which include the increase in the global competitiveness, the decrease in the product life cycle, the rise of the technological possibilities and the ever changing demands of the consumers, innovations become more and more important, and are considered as key factor in the competitiveness of the organizations.

4. Research and results analysis

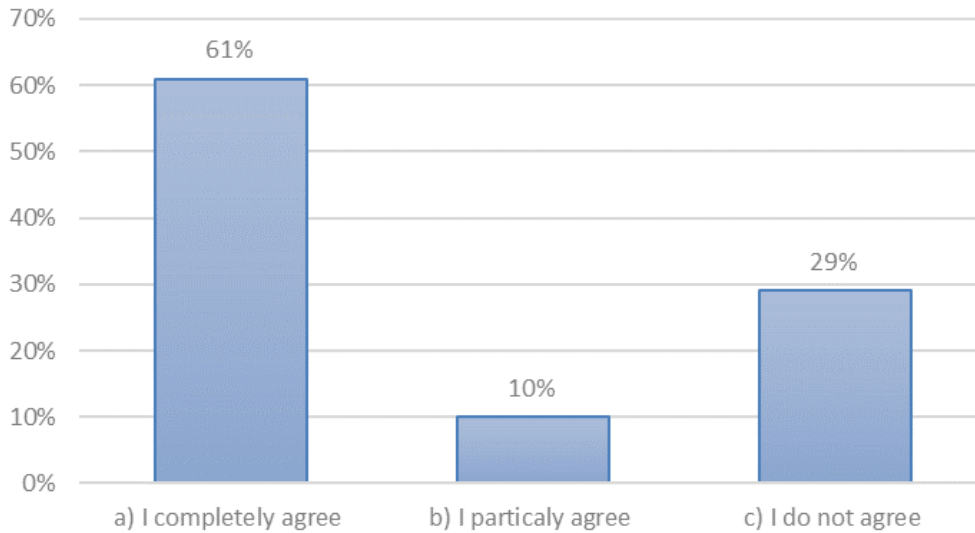
Statement No.1 The organization where I work at continuously follows the inovations in the labor market:



- I completely agree – 64% percent of the surveyees
- I particaly agree – 3% percent of the surveyees
- I do not agree – 33% percent of the surveyees

As an answer to Statement No.1 The organization where I work at continuously follows the inovations of the labor market: 64% of the employees think that the organization where they work at continuously follows the inovations in the labor market; 3% of the the employees think that the organization where they work at sometimes follows the inovations in the labor market and 33 %of the the employees think that the organization where they work at does not follow the inovations in the labor market. That indicates that the awariness of the organization regarding the inovations is at satisfactory level.

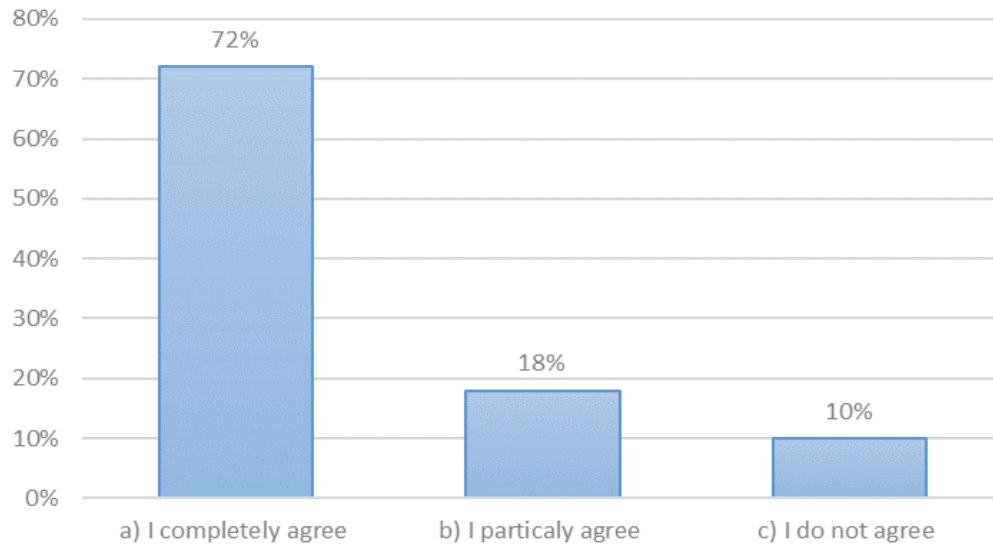
Statement No.2 The organization where I work at allocates funds to follow the inovations:



- I completely agree – 61% percent of the surveyees
- I particaly agree – 10% percent of the surveyees
- I do not agree – 29% percent of the surveyees

As an answer to Statement No.2 The organization where I work at allocates funds to follow the inovations: 61% of the employees think that the organization where they work at allocates funds to follow the inovations, 10% of the employees think that the organization where they work at sometimes allocates funds to follow the inovations, and 29% of the employees think that the organization where they work at does not allocates funds to follow inovations. That indicates that the organisations need to allocate a larger funds in order to follow the inovations continuously.

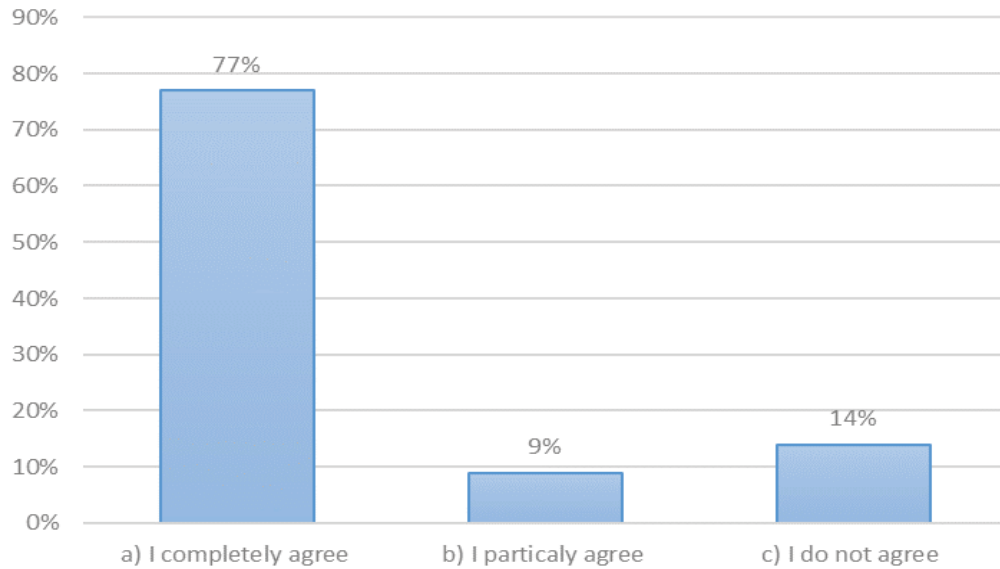
Statement No.3 The organization where I work at encourages creativity and innovation among its employees:



- I completely agree – 72% percent of the surveyees
- I particaly agree – 18% percent of the surveyees
- I do not agree – 10% percent of the surveyees

As an answer to Statement No.3 The organization where I work at encourages creativity and innovation among its employees: 72% of the employees think that the organization where they work atencourages creativity and innovation among its employees, 18% of the employees think that the organization where they work at sometimes encourages creativity and innovation among its employees and 10% % of the employees think that the organization where they work at does not encourages creativity and innovation among its employees. That indicates that the organisation values creativity and innovation.

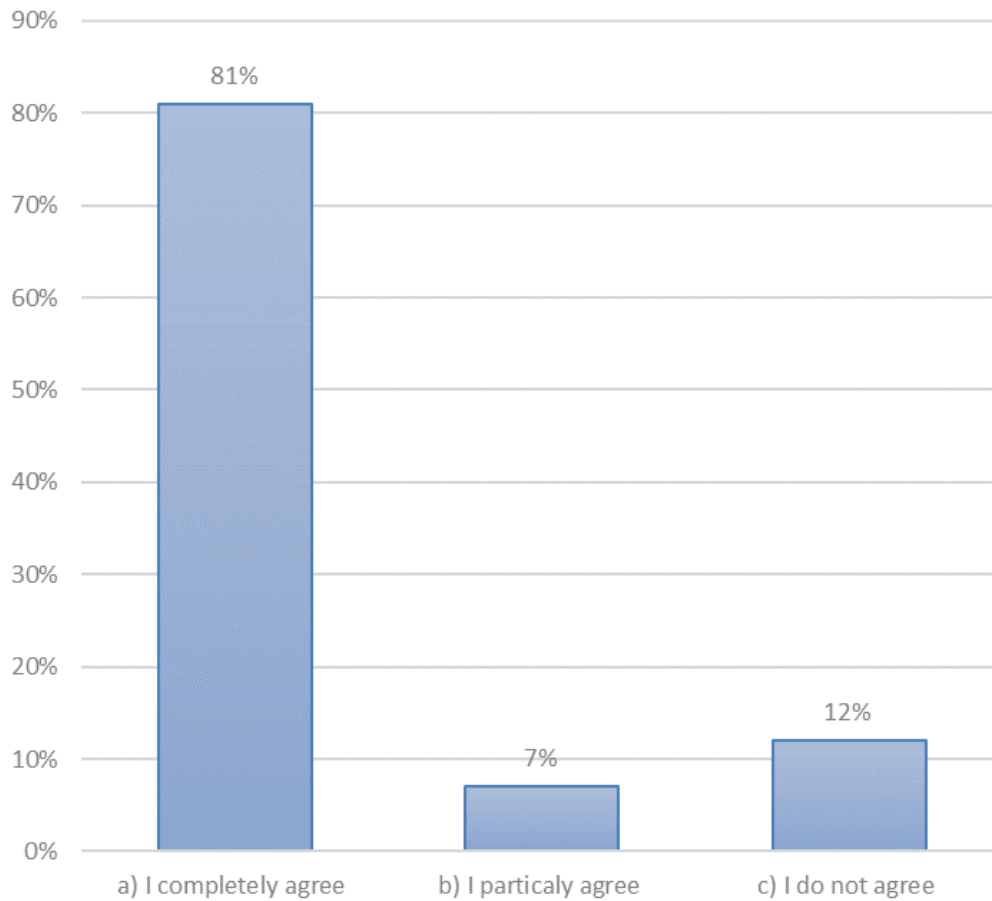
Statement No.4 My job description at the organization where I work requires for me to continuously follow world trends and innovations:



- I completely agree – 77% percent of the surveyees
- I partially agree – 9% percent of the surveyees
- I do not agree – 14% percent of the surveyees

As an answer to Statement No.4 My job description at the organization where I work requires for me to continuously follow world trends and innovations: , 77% of the employees think that the organization where they work at requires to continuously follow world trends and innovations, 9% of the employees think that the organization where they work at requires to sometimes follow world trends and innovations and 14% of the employees disagree with this statement. That indicates that the awareness of the organization regarding continuously following world trends and innovations is at high level and that work obligations are designed to be in constant correlation with global trends.

Statement No.5 I believe that innovation and creativity correlate with success and sustainability of the organization on the market.



- I completely agree – 81% percent of the surveyees
- I partially agree – 7% percent of the surveyees
- I do not agree – 12% percent of the surveyees

As an answer to Statement No.5 I believe that innovation and creativity correlate with success and sustainability of the organization on the market., 81% of the employees agree with the statement No.5,7% of the employees partially agree with the statement No.5,and 12% of the employees do not agree with the statement No.5.That indicates that the organization pays attention to the innovativeness and creativity in order to remain on the market.

Conclusion

In order for the organizations to be successful and to provide a development that would be considered as satisfactory, they should be informed at all times about the surroundings that incorporate changes and competitors. It is necessary for innovations to be accepted and implemented because they are exactly the ones that can contribute to a new way of operating, a way that implements the newest technology and new products.

Therefore, we can conclude that the organizations and managers should be aware of the positive effects and benefits that can arise from organizational changes because that is the only way they can be successfully implemented and we can see positive results. The organizations must accept and understand that the „status quo” will not help them expand to new markets and new technologies and that is precisely what they need to do in order to prosper and be better than their competitors. Even though the awareness of the organizations to continuously follow the innovations and trends is at satisfactory level, the managers in the organizations need to focus their attention to fully implement the innovations and trends in every-day operations.

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STRATEGIC MARKETING IN FUNCTION OF DEVELOPMENT OF FAMILY BUSINESS

Todor Badarovski⁵
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Abstract:

This paper is an action research conducted in order to prove the role of strategic management in the development of family businesses.

The general hypothesis on which the survey is based is set on the assumption that the success and development of family businesses is directly related to strategic marketing.

Today's markets where the pressure of global competition is huge, small family businesses need to utilize all their resources optimally and appropriately. This is where the importance of marketing strategy and all its accompanying elements comes from and it is one of the main tools to increase the competitive advantage of the company.

The purpose of this paper is to show the direct connection between well-planned marketing strategy and success of the family business and increased competitive advantage.

Keywords: strategic marketing, marketing mix, organizational development strategy, competitive advantage.

1. Marketing

Today technological development, became the main impact in business environment that contributes increased competitiveness through the process of globalization and centralization of large and small markets.

Every company, large or small, must to use every resource they have and must to follow the technology if they want to be attractive for customers and make good results which will create maximum economic growth.

Appropriate allocation of resources should be mainly aimed at small family companies businesses, which should aim at optimal and appropriate use of resources if they want to remain on the market and fight for position with larger corporations that are financially stronger.

Strategic marketing is a tool with which companies can place their products on the market making them attractive to buyers.

Managers of a company through marketing should assess the needs of consumers, to determine their size and intensity, as well as the possibility of profit. (Ristevska, 2010).

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Marketing represents all activities undertaken by the company in order to increase the visibility of their products and to raise awareness among consumers and using products.

Marketing is defined as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (Keelson, 2012)

1.1. Marketing concepts

The marketing concept was first defined as “philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition.(NetMBA, 2010). There are two main academic views of marketing, where marketing is viewed as either a philosophy or as a function.

The marketing concept considers marketing as a philosophy rather than a function (Keelson, 2012).

There are four main marketing concepts:

- *Production philosophy*- The production philosophy is premised on the assumption that consumers will favour product that are available and highly affordable. Today, such a business orientation may only make sense when the objective of the company is to expand the market (Keelson, 2012).

- *Product philosophy*-The production orientation assumes that consumers will prefer product based on its quality, performance and innovative features. Thus, the company knows what will work in designing and producing the product and what will not work. Since the company has the great knowledge and skill in making the product, it also assumes it knows what is best for the consumer (Keelson, 2012).

- *Selling philosophy*-The emphasis of selling philosophy was to create a department to solely be responsible for the sale of the company’s product; while the rest of the company could be left to concentrate on producing the goods (Keelson, 2012). This concept means that the marketing for the company is main tool for selling, and on the performance of the products and service, comes as secondary attribut.

- *Marketing philosophy*-This concept assumes that the starting point for any marketing process is the customer needs and wants, and no longer the aggressive selling.” The marketing concept focuses on the needs and wants of the buyer rather than the needs of the seller and the produc (Keelson, 2012).

- *Holistic marketing concept* - The holistic marketing concept is a 21st century business thinking. The concept is based on the “development, design, and implementation of marketing programmes, processes and activities that recognizes their breadth and interdependencies” (Keelson, 2012).

1.2. Strategic marketing

The role of strategic marketing is to lead the firm towards attractive economic opportunities, that is, opportunities that are adapted to its resources and know how and offer a potential for growth and profitability (Mongay, 2006).

The strategy planning is the process of definite the priorities - the futures company goals. Strategy planning is leading the company to locate the resources on right place and motivated all the employees by involving them to the planning. The strategy

planning, allows the company and her organisation parts and individuals to targets the major goal and take activities to realize them.

2. Family business

Today family businesses play a dominant role in many industries. They represent about 75% to 90% of all the enterprises in the world.¹ In Europe, more than 70% of businesses are family-owned or controlled. (Leenders and Waarts, 2001). Because of this attitude, we can say that today family business became leading force on the markets all around the world.

Company od business firm is considered a family business when its ownership and/or management are concentrated within a family(Leenders and Waarts, 2001)

Family business became leading force in today's economy but on the other side, this kind of companies are face difficulties in their work because of the close family ties between employees and managers.

With other words "Success, we came to recognize, depends on being able to combine and balance businesslike thinking and family like thinking."

Success is based on several important aspects which are: trust, social control, employee motivation, management control, conflict resolution, continuity, private life, and atmosphere. (Leenders and Waarts, 2001)

Stability of the company can be compromised if any of the attributes are missing.

3. Research

This research was conducted in the Republic of Macedonia in 25 family companies, where there were questioned 100 employees,4 employees from each company.

The research was based on interview technique, where the main tool was closed type questions with 4 alternative answers and 31 questions.

The research has been conducted from june to july 2016 year.

As a main hypothesis was taken claim that *If all the members of the family take active participation in business, they can create and insert proper marketing strategy,than marketing activities will be organize and coordinate on the right way and this will result with bigger progress for the company, present from the marketing mix of the company.*

On the first question which states *my company have create strategy for development of the company*, all employees answered with the following answer : 1) NEVER answered 5 employes which present 5%, 2)MAYBE answered 15 employees which present 15%, 3)YES answered 51 employees which present 51% 4) DEFINITELY YES answered 29 employees which present 29%. The results are graphically displayed in the following histogram.

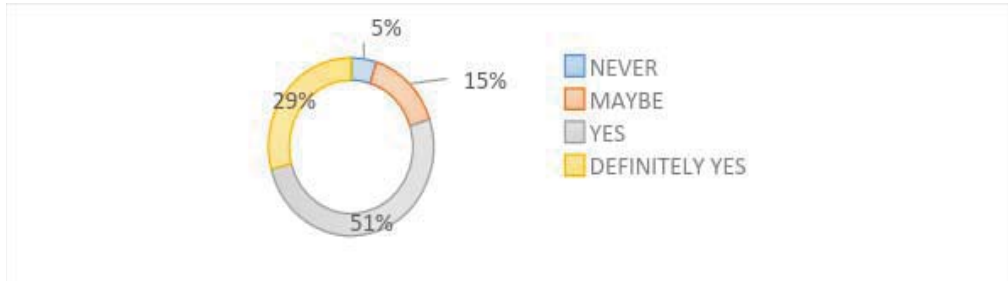


Figure 1

On the second question which states *family employees participate in creation of strategy for development for the company*, all employees answered with the following answer : 1) NEVER answered 6 employees which present 6%, 2)MAYBE answered 13 employees which present 13%, 3)YES answered 48 employees which present 48% 4) DEFINITELY YES answered 33 employees which present 33%. The results are graphically displayed in the following histogram

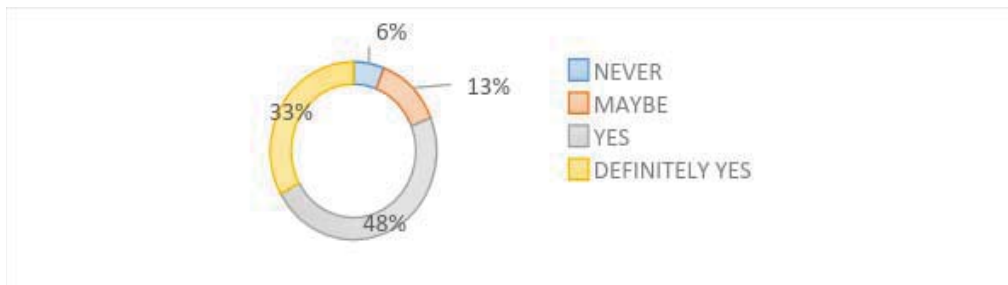


Figure 2

On the third question which states *my companies have create marketing strategy for the company*, all employees answered with the following answer : 1) NEVER answered 9 employees which present 9%, 2)MAYBE answered 13 employees which present 13%, 3)YES answered 48 employees which present 48% 4) DEFINITELY YES answered 30 employees which present 30%. The results are graphically displayed in the following histogram.

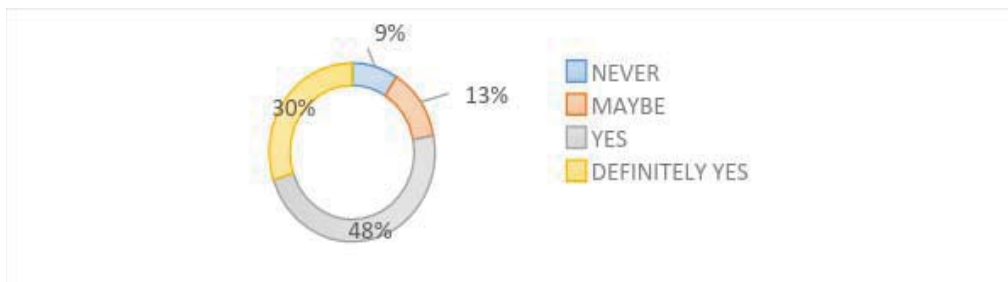


Figure 3

On the fourth question which states *family employees participate in creation of marketing for the company* all employees answered with the following answer : 1) NEVER answered 6 employees which present 6%, 2)MAYBE answered 12 employees which present 12%, 3)YES answered 36 employees which present 36% 4)

DEFINITELY YES answered 46 employees which present 43%. The results are graphically displayed in the following histogram.

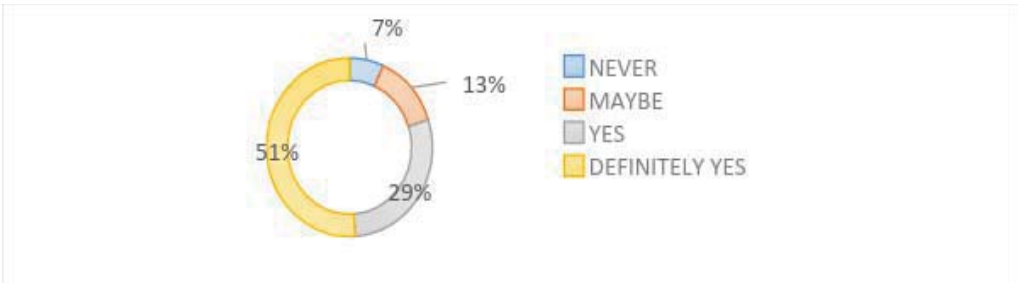


Figure 4

On the fifth question which states *my company is implementing the marketing strategy of the company* all employees answered with the following answer : 1) NEVER answered 4 employees which present 4%, 2)MAYBE answered 18 employees which present 18%, 3)YES answered 50 employees which present 50% 4) DEFINITELY YES answered 28 employees which present 28%. The results are graphically displayed in the following histogram.

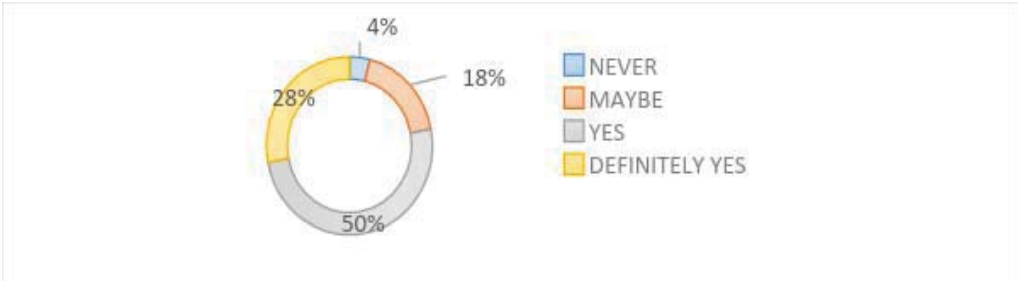


Figure 5

On the sixth question which states *family employees participate in implementation of marketing strategy of the company* all employees answered with the following answer : 1) NEVER answered 4 employees which present 4%, 2)MAYBE answered 18 employees which present 18%, 3)YES answered 53 employees which present 53% 4) DEFINITELY YES answered 25 employees which present 25%. The results are graphically displayed in the following histogram.

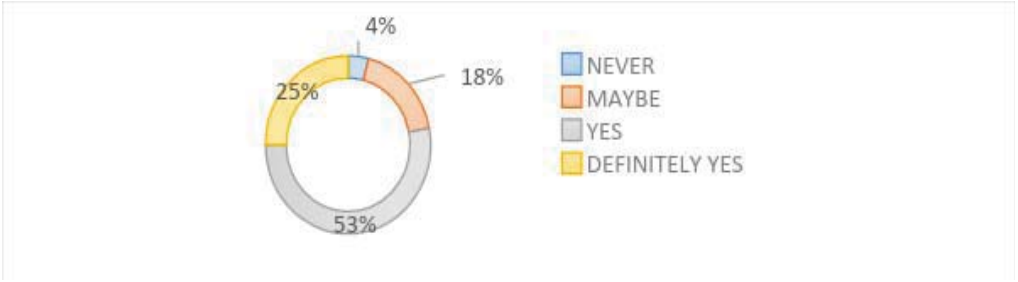


Figure 6

On the seventh question which states *my company has defined price for the products and service that are selling at the market*, all employees answered with the

following answer : 1) NEVER answered 4 employees which present 4%, 2)MAYBE answered 18 employees which present 18%, 3)YES answered 44 employees which present 44% 4) DEFINITELY YES answered 34 employees which present 34%. The results are graphically displayed in the following histogram.

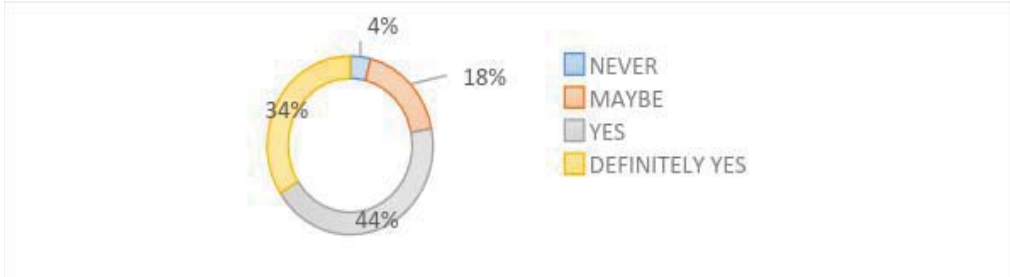


Figure 7

On the eighth question which states *family employees participate in planning of the products and service price*, all employees answered with the following answer : 1) NEVER answered 0 employees which present 0%, 2)MAYBE answered 2 employees which present 2%, 3)YES answered 16 employees which present 16% 4) DEFINITELY YES answered 82 employees which present 82%. The results are graphically displayed in the following histogram.

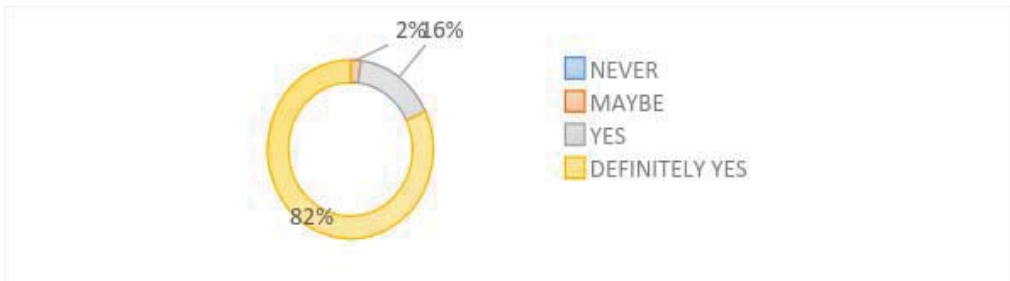


Figure 8

On the ninth question which states *my company planned promotion for the products and service*, all employees answered with the following answer : 1) NEVER answered 2 employees which present 2%, 2) MAYBE answered 2 employees which present 2%, 3)YES answered 22 employees which present 22% 4) DEFINITELY YES answered 74 employees which present 74%. The results are graphically displayed in the following histogram.

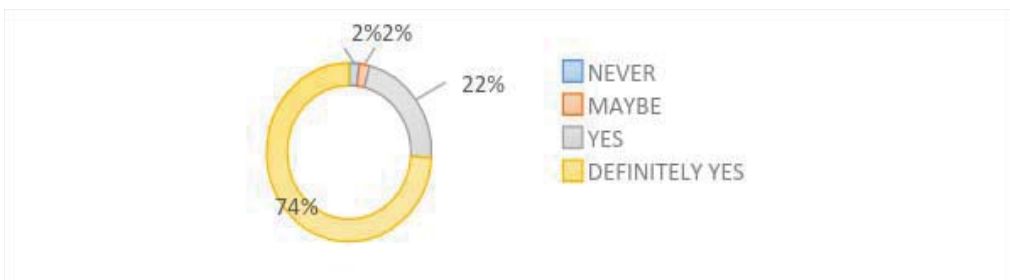


Figure 9

On the eighth question which states *family employees participate in planning the promotion of the products and service of our company*, all employees answered with the following answer : 1) NEVER answered 0 employees which present 0%, 2)MAYBE answered 28 employees which present 28%, 3)YES answered 28 employees which present 28% 4) DEFINITELY YES answered 44 employees which present 44%. The results are graphically displayed in the following histogram.

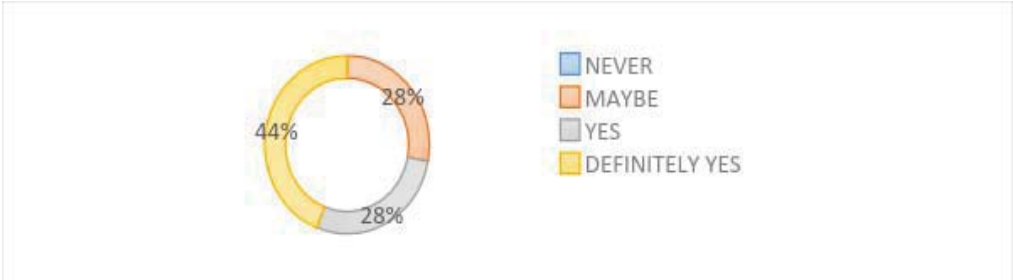


Figure 10

Conclusion

The research was conducted to family business and the results show that companies how can make marketing plan and use marketing strategy activity, realize greater competitive benefits.

Also from results we can see that if members of the family take active participation in the company, especially with the marketing plans and marketing strategy, the company will became with bigger success.

So when all members will be part of creation and implementation of marketing strategy then they're motivation will increase, coordination will be better, and this will make greater competitive benefits.

The conclusion from the research is that if the members of the family take active participation implementation, organisation and coordination the marketing strategy, they're company will make successful results in business environment . On the other side, companies how do not invest in new technology and marketing strategy will face to bankrupt. So implementation and insert of marketing strategy is more important thing for the companies, because if the companies doesn't care about successful introducing, they can not expect good results.

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COMMUNICATION STRATEGIES

Gordana Petrussevska⁶

Abstract:

To be successful, companies have to be focused on consumers, but it is not enough to be obsessed with consumers in a vacuum. People don't live in isolation. Everything they see, feel, do, and think affects how they buy. Most companies don't pay enough attention to what is going on in the world and how it is affecting consumers. Most marketers would say, sure, I know what is going on in the world. I'm well connected, I watch TV every day, and I read the newspaper every day. Well, that may be so, but most of them don't spend five minutes per week thinking about how the merger of some company or the change in one of the party leadership is going to affect their customers' behaviors.

Consumers live in an ocean of information where the movement of each molecule affects all the others, and a good marketer should be like a whale swimming through the ocean, filtering for food in the water around it.

In this work it is explained that people do things for reasons. It is marketers job to figure out what those reasons are and how to apply them in the businesses. All of their actions rise out of and reflect their emotions, opinions, and circumstances. Watching TV is to find out what other good marketing and business people are doing.

Finally, this paper concludes that there is a lot more competition, so marketers have to work harder to make sure that consumers choose their products. The opportunity is in the fact that when consumers have choices, they have to make decisions. And in order to make those decisions, they need information.

Keywords: Marketing, Strategy, Consumers, Behavior, communication.

Introduction

The notion and the need to study consumer behavior is not revolutionary. Marketers have always watched consumers and asked questions, but what most marketers don't do, is watch consumers closely enough and then think about the implications of what they have observed. Consumers are not just link in a value chain that also includes manufacturing, distribution, planning, purchasing and sales. They are not just - one thing that marketers think about. They are not even the first among equals on the list that marketers have to think about. They are, quite possibly, the only thing worth thinking about. Everything else, including the important strategies come second to consumers.

1. Structure of the market

If the company is in business and own goal is to maximize profits, as it should be, the only way can succeed is by focusing on, understanding, and pleasing consumers. If the company doesn't do that, will never be able to succeed. Marketers have to think about

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other things, too. They have to have salespeople, and a distribution system, to have efficient manufacturing, cost - effective purchasing, and good relations with the middle people who get the product into consumers' hands. "At the heart of marketing, at the heart of business, are the people who actually sell out the money to buy the product or service. Marketers have constantly to think about them and study them and build everything they do around them. Everything that happens to consumers and everything that consumers do should affect marketing decisions"(1).

When I say that marketers have to study and think about consumers, I don't mean in the old- fashioned way that most marketers think about consumers. Sure, it is important to look at buying patterns and how consumers relate to products and to the ones that they compete with. Marketers really have to connect with them, to get them to stop buying something else and to start buying the product, need to look a lot deeper and a lot more broadly. Anything that happens in that environment is going to change what consumers do and don't do. Economic conditions will change peoples' mindset. Climate changes, a hurricane, a major event, the death of a public figure, an election- whatever it is, it is going to change how consumers think and will have an influence on how they think about the product. This means that marketers have to look at politics, economics, history, social trends, fads, fears, and entertainment. And they have to think about it real hard. Just as buying behavior doesn't happen in isolation, neither does consumer behavior.

From time to time, marketers need to change the advertising and promotions, and it will work for them. They don't need to reposition the product or really change any of the promises. They just need to start doing different things. They need to begin to speak more directly to the customers through things such as sponsorships, and a barrage of consumer promotions. To outside observers, it may have appeared that marketers just behaving like old- style marketers and changing for the sake of re-explaining the products, but they were doing it because the public had indicated that that is what it wanted. This is a key difference between old- style marketing and marketing that emphasizes the point. Marketing is not a mysterious art based on intuition and whim. It is a science based on research and information. The changes marketers need to make should be subtle, but the important thing is the need to look, to listen, and learn and than finally act. That is how it will work.

There has been a seismic change in consumer markets in the past two decades that marketers think many people have missed. This is the rise of what is called, Consumer Democracy. What I mean by this is that suddenly, thanks to variety of factors, most notably technology and the development of global markets, consumers have more choices than ever before.

At the same time, great change has also occurred in more democratic and industrialized economies. In part, this is the result of technology and what the economists call commoditization. As one company comes up with a unique product, all of its competitors have the ability to very quickly imitate it. So consumers end up with a huge array of basically identical products, or interchangeable commodities.

"Marketers think that when people don't have enough information for products, they don't know which one to choose. Consumers understand that they have a choice. They understand that there are many things out there that they can choose from in each category, but they have no idea how to decide. How do customers buy gas in today's environment? Do they really understand octane and how much detergent the gasoline has to have in order to clean the engine? How do the customers buy car-based on size (small, medium, large)? Almost all cars now offer front- wheel drive,

automatic braking systems, cruise control, tinted windows, power windows and locks, and on and on. So which one to buy? Somebody has to tell them, and that somebody are the marketers. If they don't tell consumers how to choose, they are either not going to choose, or they are going to choose based on the one thing they do understand: price. Of course, if the price is predominant element in the choices that the customers make, the profitability and the health of the business will go into the tank pretty quickly". (2)

Marketers need to give to customers basis for deciding to buy the product. In a free- market society, consumers sit around looking at one another with glassy eyes, listening to the things marketers say as manufactures or purveyors of services and goods, and they ask them, why should I buy that product?" The challenge and opportunity for marketers is to tell them.

The car companies actually do this very well. Price and styling don't really narrow the field very much, so they tell about all sorts of other things. They teach about rack – and – opinion steering, twenty - five inch wheels, ABS brakes, and all kinds of other things. Again, most of these things don't matter much to consumers, like the width of the wheels, the mileage per gallon, and the speed at which they can go from zero to sixty- especially today, when most of the time they spend in their car in the traffic where speed is limited up to twenty- five miles per hour. Nevertheless, car companies are trying to give concrete reasons to buy their cars. The company that gives the consumers the most appealing reasons is the one that will get the sales.

In the old days, marketers didn't need to explain this much because there were not that many choices. Today, and in the future, they need to tell consumers why they should buy stuff- every day. This means that marketers need to sell to them in own packaging, own shelf talkers, own point of sale, own advertising. They need to tell customers more and more why the product is different. Even if the product isn't that different, better or special, it's the job of the marketers to make people think that it's different, better, and special.

Consumer communism is pretty scary stuff and very bad news for marketers because it means consumers are listening to somebody else, and not to them. Sometimes, consumer do even more dangerous things, which is that are coming up with own criteria. Because the companies didn't give them any way to choose, consumers can develop own list of desirable attributes without their input. This is the result when companies are thinking about themselves and their product and not thinking about customers.

"As products become more global, marketers will increasingly have to take into account cultures and values that may be different from their own. Marketers job is to recognize the habits of people in different regions in the world and it is needed, to change the advertising, the way they run promotions and activities that would allow them to sell more products". (3)

The fundamental thing that marketers should remember is that when the environment changes, consumers change. Marketers all over the world don't factor political movements or social changes into their plans. It is not that consumers necessarily have faith in the economy or the government, but the world is made up of molecules, and when there is a significant change in the arrangement of those molecules, all of them get jolted.

Lets think about a glass of water that is already three- quarters full, and we fill it up to the top. The quarter that is just put in doesn't sit on the top, actually blends and mixes with the rest of the molecules of the glass. The same thing happens to an

environment as a whole, as well as to a specific marketplace. Anytime something new gets thrown in, it changes how each one of the molecules sits, how one relates to another. It is critically important to remember this to stay ahead of the curve.

I am believer that the events of the last five years relating to the Macedonian approach toward European Union and NATO have a deep effect on how Macedonians feel about everything. I believe that it has affected the consumers' psyche with regard to their purchases and with regard to how they view their future, and how they relate to self-indulgence, savings, going to see someone they haven't seen in a long time, or having a family reunion. My own personal belief is that the political upheavals and uncertainty in Macedonia have made people more cautious and economically conservative and more aware of the things they have in their lives that they value. I think that this is having an effect on everything from their willingness to buy, a new house or a car, to an increased desire to stay home, visit friends, and hold family reunions. I understand the premise that politics are affecting behavior, but how can marketer predict what that effect is going to be? Couldn't they just as easily conclude that the economy is good now, people are unhappy with the insanity around them, so they are going to divert themselves by buying things and running away on vacation? That is a good question? Marketers can't necessarily predict how people are going to react to a particular change. They have to watch and test and measure to see how they respond. But the important thing is that they need to be aware that a change, some change, is going to happen and be prepared to come up with own response.

"Another important way of focusing on consumers is that marketers don't pay enough attention on building relationships with customers. I absolutely don't believe in the premise "Get them young and they will be ours forever". (4) But, that doesn't mean that marketers should view every sale as a one-time event. In fact, the easiest people in the world to market to, and the best customers who buy the most stuff at the highest prices, are the people who have already used our products or service and are pleased with it.

"Repeat sales are very effective, and very few companies actually work on getting them. Frequent-flyer and frequent-buyer programs are one way to go after repeat sales, but they can be very expensive, and they only work in business where the customers have a fairly steady continuing need for the product. There are a lot of other, simpler things that companies could do to make customers repeat their purchase, without spending a lot". (5)

Eyeglass stores are great example of places the salespeople are so focused on selling expensive options today that they miss the chance to get customers to come back. People are always breaking, losing, or deciding not to like own glasses, so they are a good consumers for eyeglasses stores. Or at least they could be. But every time they go into one, they get the hard sell about picking more expensive frames and photo sensitive, lightweight lenses and getting coatings and ultraviolet protection and all kinds of other stuff. When they walk out, the clerks are doing high fives because they have sold them all of this big-ticket stuff, but they are feeling like they have been had. What salespeople don't seem to think about is that customers are going to buy another pair of glasses in just a few months and more pairs after that. And when they do, are they going to go back there? No. Salespeople have done nothing to build a relationship with customers.

Instead of trying to wring the last euro out of them today, the salespeople in the eyeglass store should be working to make sure that customers are coming back. The fact that they have come to the store means that they probably have already got their

sale today, so what they need to concentrate on is the next sale. They have to be figuring out how to sell the second pair before the consumer walks out of their store. How hard would it have been to have the clerk make a note to call customers the next day and ask them if they liked the glasses? If they do this, they will be able to fix whatever was wrong, maybe establish a relationship with the customer and make sure that they will come to see them again.

There is another, and more important, reason for building customer relationships. That is because, if marketer has a relationship with own customers, they are more likely to stick with them when product comes under attack by another brand". (6)

Consumers have to have a clear idea in their minds about what a product stand for- quality, speed, low price, high price, variety, whatever it is- before they will even consider actually buying it. But creating an image is only the first step. The goal is to get people to pull out their wallets and pay for the product. And the best way to do this is to give them reasons to buy it, and then the need to actually ask them to buy it.

"Marketing is not the same thing as sales or advertising, but it has to include both. It has to have a setup, a delivery, and a punch line. It must have a setup, the reason for the product, a delivery, the reason to buy, and the punch line- buy it please". (7)

Advertising awareness and product awareness are pretty easy things to create. Marketers can generate advertising awareness with no problem. All they need to do is get on television and take the shirt off, and people will remember the advertising. Marketers can generate product awareness by naming the product with a strange name or something like that, and people will remember it. They can actually even generate favorite product status by creating an image of luxury or by running charming and endearing. But even being the favorite product doesn't get them to where they need to be, because being consumers' favorite doesn't necessarily mean that marketers are going to make the sale. It is not rear situation when the status as favorite product is going up, and in the same time product consumption to go down. That is when marketers are dealing with the phenomenon that is called virtual consumption. Virtual consumption is what a lot of luxury goods like sports cars have. Everybody says there are great, they love them, but when we ask when or if they are going to buy one, they say no they cannot afford it, or it doesn't suit their needs or lifestyle, or they can get a better deal with something else, or, it doesn't come in the color they want.

The old conventional thinking that if marketers grab people's hearts, their wallets will follow is dead, finished. Let's think about political race. Do people vote for the candidate they think is a nice guy? Or do they vote for the one who takes a stand on the issues and tells them what he is going to do for them and their favorite causes? It's the same with products. If the goal is to sell mote stuff, marketers need to give people reasons to buy. Simply knowing about the product isn't enough. Essentially, marketers need to say: So go buy it. Again and again.

What marketers find suprising are the radical differences among the light, medium, and heavy users regarding the specifics that they will think are foundational attributes of the product. Further, there are big differences not only between the people who consume lots of the products and people who only buy it occasionally,

There are vast differences between people who frequently buy the product and those who regularly support the competitors. This information is valuable for two very important reasons. One is that heavy users are obviously more profitable for than light users. So once marketers recognize them as a specific segment, they can then tailor own marketing to maintain and increase the usage of those heavy consumers and to win competitors' heavy consumers. The other is when marketers figure out what is

that is appealing to heavy users of the product, they can use that information to help convert some of the light users. Heavy users generally can give more reasons for buying the product than light users. So what marketers need to figure out is how to get the light users to relate to more reasons the same way the heavy users did.

Conclusion

The strategy, however, is never going to work with people who oppose. But, generally shouldn't bother with them because to sell to them marketers are probably going to have to spend a lot of money for not much return. The soft opposition is gettable, but big packages are just going to turn them off.

“No matter how economical marketers make them, people who think that don't like the products are not going to go out and buy a ton of it. For the soft opposition, there is a need to do more things like trial- size giveaways and incentives to make a second purchase. And for all categories, marketers have to keep trying out new dimensions and giving people more reasons to try to decide that they prefer the brand”. (8)

The tactics that marketers choose are going to have impact on lot of other variables in addition to support or opposition levels. Marketers have to look further to figure out why people are supporting or not supporting them. Sometimes people oppose because they think they don't like something about, and sometimes because they just like the competition better. Most often, people are undecided because they just don't know enough about any of the products in the market. They just need a lot more information.

“There is no single strategy or group of strategies that is going to work with everyone in a specific category. And most of the strategies that marketers use will work to some degree in more than one category. So, knowing where someone falls in loyalty spectrum is not going to give an instant, surefire sales pitch. Marketers still have to test and measure and keep giving people new reasons to buy and use the product”. (9)

One way to keep focused on finding things that really sell stuff is to make conversion rates one of the key measurements that are tracked. Retailers do this by counting how many of the people who come into the store actually buy something. Marketers figure that it cost a lot of money to run advertising and promotions to get people into the store, so how well they are doing in selling them stuff once they come in? Marketers know that they are already interested or they wouldn't be there.

I know that the most purchases today are not made over the telephone or in situation where a salesperson has access to individual buying history. But this will happen more and more in the future, as more purchases are made on-line and customer data is tracked and stored accordingly. Even if marketers do not have access to that kind of information right now, it is the direction they need to be thinking about.

“In the future, the way to sell products more efficiently and successfully is to focus on smaller and smaller segments and then tailor own offering to meet their needs”. (10)

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BUSINESS RELATIONS WITH THE FRANCHISOR - A SIGNIFICANT FACTOR IN THE IMPLEMENTATION AND DEVELOPMENT OF THE FRANCHISED BUSINESS

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Abstract:

Data related to the growth of the franchise in the world show great speed in the expansion of the franchised business. The main reason for this is of course the recognized benefits of using this business model by all participants in franchising. Notably, benefit of franchising have the service franchise - franchisor who expands his business on either the local or international market or customer franchise - the franchisee, who gets an ideal opportunity to open his own business according proven and successful business concept.

For all its advantages, franchising is becoming quite attractive way of starting and running a business. Because of the great potential it has, one can expect even greater expansion. The advantages of working with this business model, from the perspective of the issuer of the franchise – the franchisor and especially the user - the franchisee will enable determination of the basic guidelines of how an entrepreneur can start a small business with a franchising model. Seeing the advantages and disadvantages of the franchise business and assessing the actual condition of the objective circumstances in which it should function, both from legal and financial aspect, the potential franchisee can make a right decision to start his own business franchise. An important factor in this decision, especially later in the business development, are the business relationships that will be established and built steadily between franchisor and franchisee. Research conducted by surveying and interviewing of thirty franchisee in the Republic of Macedonia aimed at scanning the real situation of this kind of business relations of the franchisor and franchisee.

Keywords: franchise, small business, franchisor, franchisee, advantages and disadvantages.

1. Introduction

The choice of form for starting a small business is the real first challenge to the owner after making the decision of starting his own business. Whether to launch the development of a completely new concept or to "clone" a successful business is the dilemma that the entrepreneur has to solve before starting the business activities.

Franchising as a form of starting a small business has two elements in its base:

- Replication of already developed and successful business system
- Launching a "foreign" business idea of "one's own" (predetermined) territory

The future owner of the small business should use all the advantages arising from the choice of territory for work (where all his business activities shall be implemented) and through his motivation, creativity, innovation and talent to create "added value" of the already developed business model.

The best way for making the right decision ("pros" or "cons" starting a small business by buying a franchise) is creating a list of advantages and disadvantages of this business model.

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Future small business should be informed with all relevant information more thoroughly and more precisely and to receive confirmation of all its dilemmas. Franchisors often (especially the younger and newer ones) know how to "keep silent" some of the disadvantages of their business model in order to create a more successful picture of the "product" they offer. However, one should take into account, the solution of the law and financial dilemmas related to the franchise.

Due to resolving the business challenges the future franchisee should:

- Analyze the market in order to determine the need for the product,
- Ensure sufficient funding for smooth application of the chosen model,
- Contacting current and former users of the franchise that is planned as a model for starting a business in order to create and confirm a list of advantages and disadvantages of the respective business model,
 - The list of advantages and disadvantages should be compared with other possible business models so as to get a picture of the ultimate benefits of using franchising as a business model for starting a new business,
 - Obtain relevant statistical information from the franchisor on the percentage of success of new businesses that use this business model,
 - Ensure a sufficient number of contacts and meetings with key persons in the management team of the franchisor and his field representatives.

2. Establishing contacts with the franchisor

When the entrepreneur will find a franchise, he would like to work with, he contacts the franchisor of the particular franchise owner in which he is interested in and starts negotiations about the franchised business. First contacts actually are information exchange between contractors.

When the franchisor receives a request from an entrepreneur for admission to the franchise, he would like to receive information on the potential franchisee. The information would consist the following data:

- Whether the applicant has had former experience with the same or similar business and the success or failure of the same business field;
- Which are the motives to request for franchise receiving and is the applicant informed about the way things are franchised;
- It would be necessary for the franchisor to realize the seriousness of the interest of the applicant to enter the business, whether this is a long-term investment or expect a rapid return on investment;
- Questions about the willingness for further education and training;
- Whether the applicant is enthusiastic and capable of success because by giving the franchise, the franchisor shall invest in the entrepreneur, and if he perceives that they wouldn't be successful together, he might not give him a chance;
- Information on the financial situation of the applicant, as well as the whole family, and it is possible that he might want to talk with the spouse;
- Request to inspect bank statements to verify the financial position;
- Requesting references from banking institutions;
- To see whether the applicant is a member of any franchise organization and at what level.

Also, the prospective franchisee by the franchisor will require information and data on the franchised system which he is interested in, such as:

- The franchised system, existing open and closed units, existing franchise units and information on their operation;

- Insight in the contract that is supposed to be signed;

In broader terms, one can say that the franchisee shall receive information on:

- The management and experience of the franchisor;

- The history of operations;

- The legal and business bankruptcies;

- Information on fees that should be paid and the amount of initial investment and its further operation, information on territorial rights and legal duties of both parties.

The North American Securities Administration Association (NASAA) prefers a written form for franchises operating in the United States and especially in negotiations for starting a business called Uniform Circular to offer franchise, UFOC. This form contains all the necessary information to the prospective franchisee so he can make a decision on accepting the franchise and starting a business, and he could also realistically perceive the facts important in his work.

Also, the Federal Trade Commission (FTC) recommends the UFOC form as a basis for starting negotiations. This circular has been accepted and applied in all US states. Its 23 members are very useful as pre-information that the franchisee would get. All serious franchisors in the US, release this form at the first meeting with the franchise applicant or 10 days before signing any contract or paying a franchise fee.

Although it is not about legislation on its use, it is recommendable to be prepared by a franchisor (it is his moral obligation to publish true data and to represent the real situation of the business) because it contains a lot of information needed to the potential franchisee, which will provide better analysis and decision making for acceptance or rejection of the franchise.²

3. General advantages for small businesses while using the franchise

Starting a small business through a franchise has its advantages that make this business model attractive to the new entrepreneurs and is often seen as their choice when starting a new business adventure. What are the general advantages of using the franchise in starting a new business?

In theory, there are several different divisions, but for the purposes of this paper the same have been classified in the same groups of advantages in order to show the wide influence of the franchise in starting a small business.

Developed and tested business plan. One of the main advantages of franchising as a business model is to facilitate the use of previously developed practice-proven business plan. This business plan is operative and already has some results. The franchise system that developed this business plan has gone through the initial issues, such as starting and running a business. This business system had learnt its errors, found their answers and continuously promoted. Now, all that knowledge and "know how" experience becomes part of the franchised package and enables the small business to reduce the learning line and begin its business from an advantageous

² Norman M. Scarborough, Thomas W. Zimmerer, Doug Wilson: Effective Small Business Management , Prentice Hall, New Jersey, 2006,p.113

starting position. This again starting position allows reducing the time to create a profit.

In technical terms, small business receives operative manual which is a detailed action plan which mainly covers part of the daily operations of the business.

In close relation to the development of the business plan is monitored evaluation of the business plan and business planning. Franchising will be directly involved in the examination of the means of implementing "its" business plan, primarily to evaluate the results. Apart from analyzing the present, the franchisor will be involved in shaping the future of business by planning the priorities for further development and growth of franchisee's small business. While franchised system will try to incorporate the projected aims of the small business into its development program in order to get as greater support as possible.

3.1. Constant support from the franchisor.

The constant support that the small business receives before, during and after starting the business is related to a complex package of interrelated business services aimed at providing successful management of initiating business and profit realization with the acquired franchise model.

Permanent support includes basic and continuous training, constant promotion and improvement of the quality of products, advisory system (daily and monthly meetings with franchisor's experts), research and development, marketing and sales, accounting systems, financial support, etc.

The type of support is largely related to the phase in which the small business is in, that is its development. Initially, support is mostly associated with providing training (for the product), business system, marketing and establishment of the accounting system. While the small business grows and flourishes, the focus of the support changes too. At a later stage of development of small business, franchising enables support in the training of other employees in the promotion of the accounting system, in the area of cooperation and networking with other franchisee while realizing broader scopes of the franchise and experience exchange. The most common forms of support known by the modern franchise are:

a) Training. All (or almost all) franchise companies provide training for the business they offer. The training has a quite simple goal, to provide business success of the new business and reduce the possibilities of failures, particularly through eliminating the mistakes typical for initiation of a business. Providing training, mainly as part of the franchised package, has its own economic logic because the new business has to be profitable, which leads to franchisee's success on the one hand, and franchisor's success and of course increased profits on the other.

b) Marketing and sales. Franchise company pay special attention to the support in marketing and sales and help their franchisees through the creation and implementation of local and national advertisements and promotional campaigns in order to improve sales. This support enables saving significant funds for the small business in the creation, development and distribution of advertisements and promotional activities. The franchisee becomes part of the franchisor's campaign and there is no need to engage additional financial and human resources for this purpose. At the same time, this support eliminates the possibility of inflicting a damage to the franchised brand via inappropriate and uncoordinated commercial and promotional campaign, especially at national level.

Small business gets support for the advertising campaigns at the local level too (where there is greater autonomy in creating its promotional activities) through direct advices from the franchisor on how to design promotional materials and their distribution.

c) Getting developed brand. Developing a brand is a long-term and complex process that requires the engagement of large financial resources, human resources and plenty of time. The entire process is burdened with a high percentage of business risk and quite often doesn't realize the desired results. This is particularly evident in small businesses that need great amount of time to set up their "brand position" in the market and build competitive advantage through a recognizable brand. Investing in a franchise greatly reduces risks in this part of business development because the franchise means a developed brand which provides an excellent starting point for the new business while attracting customers and making profit.

d) Purchasing power. Due to its size, i.e. the size of their orders, franchise companies have the power to procure all the necessary means of production and work (raw materials, operating supplies, machinery, tools, services, etc.) at the best possible price. The small business, as part of the franchise system, utilizes these advantages and has the opportunity to receive these discounts from suppliers. This is especially important for the new small business because of the direct benefits, such as the competitive advantage over others in terms of price, financial savings and less engaged finances that are particularly "valuable" for the beginning of the business and are always lacking.

Closely related to the power of the favorable supply is the support to which the small business gets into the area of business that is associated with inventory management. The small business gets a sophisticated system to scrutinize its inventory from their entry to getting the final product. This system provides a clear image of the material situation of the business and is the basis for planning of short- and long-term procurement.

e) Easier access to finance. Without exception, all small businesses have difficulty with securing sufficient financial resources under favorable conditions. Banks are usually very cautious in terms of support to small businesses and have created conditions and criteria that many small businesses hardly meet. Becoming part of the franchised system, small business (franchisee) receives the bank portfolio of the franchisor which in turn enables the bank to get the picture for the small business' future. Knowing the portfolio of the successful franchise system, the bank easily approves a credit line for the small business which is part of that business model.

Some franchise systems allow financing of the initial investment that is an additional opportunity for financial savings for smaller businesses. Also, the small business gets "know how" in the area of financing through the transfer and application of proven systems for running finances and accounting.

4. General disadvantages of small enterprises while using the franchise

The franchised business has certain disadvantages and one could say that it is not a solution to all issues that arise when starting a new business. Here are some of the recognized common disadvantages that can influence the decision of the small business to choose franchising as a business model for starting a small business:

a) Cost of franchise. Investing in a franchise is a relatively expensive business model. Economic logic says that a successful product cannot be cheap, but in terms of long-term effects, it is a relatively inexpensive business model. However, the absolutely high starting price could be an obstacle in starting a small business with franchising business model. Franchising has a large and intensive start-up cost and they could financially drain the new business. The small business must have sufficient financial resources to fully implement the franchised model, i.e. to pay all fees that would ensure smooth application of all franchised services and goods.

b) Dependence on the system. The choice of franchising as a form of a business model and the voluntary accession to the pre-established organizational system also means acceptance of the pre-established rules. In a word, small business shares the fate of the chosen franchised business model. The dependence of the small business in particular is reflected in the following elements:

- Lack of full control of the own business;
- Limited opportunities to express creativity and innovation,
- Success (failure) of the franchised system directly affects the success (failure) of the small business;
- Enterprise policy can affect the profitability of the small business, and
- Franchised relationship is time-limited.

5. Advantages and disadvantages in terms of franchisee

Advantages for the franchisee are the following:

1. The franchisee has his own business with its own inner identity, although it is continuously supported by the franchisor and represents a part of a large business system.

2. The franchisee has a system of specialized and highly-trained team of experts by the franchisor, which virtually is at his disposal in every stage of business development. This means that the franchisee does not have to engage additional labor from that profile.

3. The franchisee receives assistance in:

- Site selection,
- Obtaining the necessary documentation for opening the business area,
- Planning and designing the space,
- Legal aid,
- Renovation and interior design of the space,
- Planning of the initial mix of products, etc.

4. The franchisee gets a wider package of support (in addition to those services previously mentioned in the general advantages) that encompasses the following rights of:

- The use of previously developed patents,
- The use of trademarks,
- The use of trade secrets,
- The use of copyright,
- The use of secret recipes and formulas.

5. The franchisee has the rare opportunity to consult their relatively speaking "competition", i.e. with any franchisee in the common franchise system in order to

obtain relevant business information and experience exchange, which is almost unthinkable in any other "non-franchise" business model.³

6. Reduced risk of failure of any new business because of the previous experience of the franchisor with other franchise units or pilot projects, as well as the support of the same franchisee.

The disadvantages of the franchisee are the following:

1. The franchise relationship is not for every type of entrepreneur because this relationship could be difficult, especially for those with more expressed entrepreneurial spirit. Investing in proven and tested business concept could make the entrepreneur feel like a manager of a foreign business. That is why this type of entrepreneurs find it difficult to adapt and engage in one's system.⁴

2. The franchise relationship assumes permanent control of the business run by the franchisee. It's a result from the need for maintaining constant high-quality level product (service or item). Permanent quality control should make franchisees understand their obligation to keep the required level of product quality. The franchisee must accept this permanent control as a kind of compensation for the benefits obtained by entering into the franchised relation and to accept that the qualities and standards are essential for the franchisor.

3. The franchise agreement is binding and can be quite restrictive. The franchisee will be limited in:

- The implementation of certain business practices and systems (franchisee must use practices and systems designed and developed by the franchisor).
- The transfer or sale of a business (franchisee must obtain an approval by the franchisor in case you want to sell his business. Selling the right to use of the franchise to another can happen only with permission by the franchisor, i.e. after the franchisor gets enough guarantees that the future franchisee will fully meet the criteria stipulated in the franchise agreement).
- The appearance of the business itself (franchisee must standardize his business' appearance according the standards for franchisee's appearance with small chances of creativity).

The franchisee must respect and implement instructions and objectively there is not much room for improvisation and creativity.

4. The franchisee is part of the franchised system and as such shares all the good and bad influences to which the parent company is exposed. As the good reputation of the franchised brand positively affects the franchisee, the franchisor's eventual issues become franchisee's issues too. If the parent franchise company faces with difficult problems, it is more than obvious that the franchisee will suffer because of the close connection.

Besides objective factors affecting the operation of the parent company, which endanger the operations of the franchisee, the work of the franchisee could be jeopardized by subjective (company) factors. For example, the policy of prices and

³ Dave Thomas and Seid Michael: Franchising for Dummies, Wiley Publishing Inc, Hoboken, 2000, p.56

⁴ Shivell Kirk, Banning Kent: The Franchise Kit, McGraw-Hill Inc, New York, 1995, p.36

profits of the parent company might directly affect the level of profitability of the franchisee. (Quantity v.s. quality.)

Furthermore, the franchisee can make a mistake in creating his business policy. For example, application of innovative systems that will prove inadequate in practice.

The other extreme is complete identification of the franchisee to the franchisor to such an extent that the franchisee entirely relies on franchise company and expects to have done his part of the job. (Finding customers, covering the daily operational activities, etc.). This approach is contrary to the concept of the franchise, which is basically based on developing "custom" business on one's "own" territory, "suite" creativity with "foreign" idea, with "strange" business model.

5. Another disadvantage is the time limitation of the franchise use and the possibility of not extending it after the contract expires.

6. Advantages and disadvantages in terms of franchisor

The literature investigated and systematized different **advantages and disadvantages in terms of the franchisor**.

The advantages that the franchisor receives in derogation of its franchising model to the franchisee, are basically the driving force behind the franchisor. These advantages tend to be quite significant and can produce multiple economic benefits for the franchisee. They are:

Using of one's capital. Due to the fact that the franchisee uses his own capital to start a business, the franchisor doesn't have any costs on the franchise unit level. This in turn enables efficient use of funds and their diverting for other business activities.⁵

Return of investment. The relatively low investment level per franchise shall enable the franchisor to have a high and quick return on investment (ROI).

Reduced risk. The use of a foreign capital greatly reduces the risk of the operation of the franchisor because in case of poor performance of franchise unit, will directly endanger the invested capital of the franchisee.

Limited/diminished responsibility. Technical details about the organization of the franchise unit are mainly the responsibility and duty of the franchisee. This means reduced responsibility of the franchisor in that part of the business organization. He does not care about renting office space, organization of accounting and finance etc., which allows him to expand his business with a reduced degree of responsibility.

The franchisee primarily ensures maintenance of high profit performance of the franchisor and is almost not involved in the daily operational activities around the management franchise unit. It is the responsibility of the franchisee and thus the efficiency of the franchisor is being increased by focusing on essential elements of the business. Furthermore, this business model allows the franchisor not to be drawn into any possible problems and conflicts associated with human resources management.

Faster growth. By using the time and efforts of the franchisee, the franchisor can increase the speed of his growth without engaging new people and additional labor.

⁵ Spasic, Ivanka: Franchising business, Institut za uporebno pravo, Beograd, 1996, p.26

Improved performance of the franchise unit and quality control.

According to the practice, franchisees are mainly worried about the operative condition of the franchise units take much more and also better care than franchisor's employed managers. The general reason is the sense of ownership of the business on the franchise unit, and not just administrative management of the business. This directly affects the quality level of products and services generally offered by the franchised business.

Consistency of management. As a result of constant investment in training the franchisee and the required staff, the result is getting management with greater degree of consistency due to the feeling of ownership prevailing the franchisee. He considers the franchised business as his own and he would probably run it for longer time period and would not leave the franchise company. Therefore, one gets permanent management team that makes investment franchisee highly effective.

Effective brand building. Because of the lower costs in terms of franchise units development, the franchisor expands, develops and strengthens the brand much easier. The presence in the market is increased (eg. retail) and the positioning of the brand is much easier too.

Advertising. The franchisor shall get support and contribution in advertising by the franchisee. This relation is quite expressed in the local promotional campaigns when the franchisor is ready to invest his money in further franchise brand improvement. Of course these local campaigns are designed, managed and controlled by the franchisor.

Internationalization. Internationalization is a very complex, expensive and above all risky process in terms of endangering the financial stability of the business. Franchised business allows the franchisor to begin the process of internationalization with significantly less risk. Franchised concept, with the involvement of a local partner greatly simplifies this process. The local partner, with his knowledge of economic, legal, sociological, political and other conditions, shall provide easier dealing with the challenges of internationalization and easier adjustment of the franchisor to the local working conditions.

The literature elaborates **numerous franchisor disadvantages.**

The main disadvantage of the franchisor is the permanent possibility of wrong assessment of the business capacity of the future franchisee while realizing contractual conditions. Namely, despite the in-depth evaluation of the franchisor, he might not fulfill the required working standards in his future operation.

This may produce so-called "domino effect" and cause disadvantage at the franchisor. This disadvantage of the franchisor, resulting from the direct connection between franchisor and franchisee, is a reflection of the poor performance of the franchisee on the operation of the franchisor. Generally, such poor performance of the franchisee (lack of an agreed level of quality of services and goods) indirectly concerns other franchisees that are part of the franchised system.

Franchisor has disadvantages in terms of control over the operation of the franchisee.⁶ The franchisee always has certain independence (related to the need for initiative and creativity) in his work which is not controlled by the franchisor. The

⁶ Parivodic Milan. The International "Franchising Law, Sluzbeni glasnik, Beograd, 2003, p.54

franchisee can take actions that do not correspond to the franchised brand and that "destroys" the business reputation of the franchisor.

7. Methodology

The subject of research in the thesis is the importance of the franchise, as well as analysis of the conditions of application of the franchise as a way of starting a business in general and its development.

Problem of the research is:

- underrepresentation of franchising as a way to establish a new business or developing existing businesses,
- low level of successfully organized access to information for potential buyers of franchise (franchisees) available for companies - sellers of franchise (franchisors), information about establishing contacts and method of starting the opening business.

Occurrence of this research represents access to information and finding ways to establish business relations or business development with franchise.

7.1. Sample survey, techniques and measuring instruments

The survey covered 30 franchise systems from around the country and owners of the same were surveyed. The questionnaires were designed according the abovementioned requirements for this paper and consisted of closed questions, open questions and questions with graded answers.

Target groups: managers and employees.

Techniques used in this study: surveying; scaling.

Methods used in this research are the following: method of survey; method of analysis and synthesis; method of abstraction and concretization; comparative method; descriptive method.

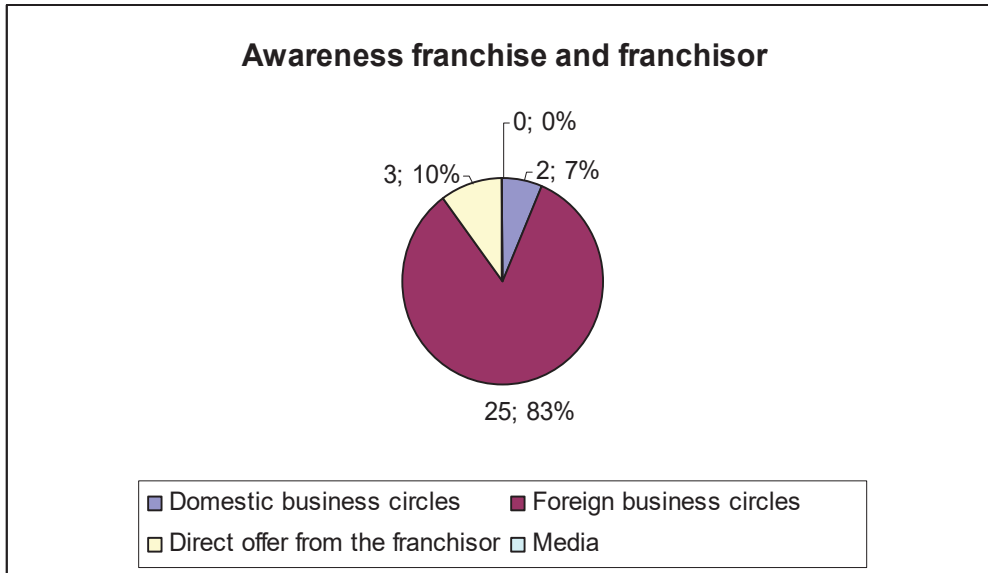
Measuring instruments used in this research: questionnaires (for each target group of respondents); Scale views.

8. Results

The questionnaire consisted of 25 questions, 5 of which were the focus of the subject matter of this paper - the business relations with the franchisor and information on franchise and franchisor. In the following text we will review the results of the answers in the questionnaire.

The results of the question how did you inform on the franchise and franchisor are represented in Fig. 1.

Fig.1 Awareness franchisee and franchisor



Source: Zoran Jovevski, Meaning the franchise in the establishment and development of small business, Master's thesis, Skopje, 2014

From the data one can see that the highest percentage of respondents, that is 82%, found the necessary information in the foreign business circles. They mostly used their already established business relations with foreign partners and these contacts result mainly from long-term relationships with foreign business partners. This kind of information retrieval is very useful because it increases the level of security due to the knowledge of the source of information. Moreover, 13% of respondents received information through direct offers from franchisors, but these were mediated by established foreign business contacts. It is indicative that all respondents related the decision to start a business to the previous market analysis. They needed the analysis to evaluate how the business will be financially successful and for making a final decision on whether to start it.

The results from the questions, which are directly related to the subject of research - business relations with the franchisor, are presented in the following table No.1.

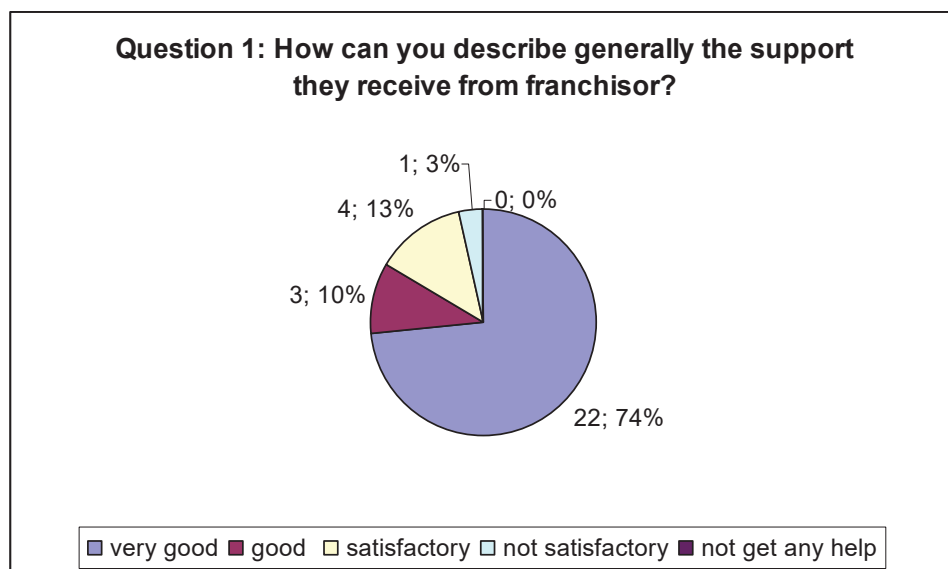
The question on the support that the franchisee gets from the franchisor, 75% of respondents said that the support they receive from the franchisee is very good, 6% of respondents said that the support is good and 15% as satisfactorily. Only 4% of respondents believe that the support is unsatisfactorily, which is a negligible percentage. Also a very important data obtained from this survey is that the percentage who doesn't get support is 0%, data that confirms that support is one of the basic elements and advantages of the franchisee operation (Fig. 2).

Table 1:

| | QUESTION | very good | good | satisfactory | not satisfactory | not get any help | Total |
|---|--|-----------|-------|--------------|------------------|------------------|--------|
| 1 | How can you describe generally the support they receive from the | 22 | 3 | 4 | 1 | 0 | 30 |
| | % | 73,33 | 10,00 | 13,33 | 3,33 | 0,00 | 100,00 |
| 2 | How can you describe the support in the management by the franchisor? | 6 | 15 | 5 | 4 | 0 | 30 |
| | % | 20,00 | 50,00 | 16,67 | 13,33 | 0,00 | 100,00 |
| 3 | How can you describe the support in the viability of the business by the franchisor? | 5 | 7 | 12 | 6 | 0 | 30 |
| | % | 16,67 | 23,33 | 40,00 | 20,00 | 0,00 | 100,00 |
| 4 | How can you describe the support in the development of business by the franchisor? | 5 | 9 | 11 | 5 | 0 | 30 |
| | % | 16,67 | 30,00 | 36,67 | 16,67 | 0,00 | 100,00 |
| | Total: | 38,00 | 34,00 | 32,00 | 16,00 | 0,00 | 120,00 |
| | % | 31,67 | 28,33 | 26,67 | 13,33 | 0,00 | 100,00 |

Source: Zoran Jovevski, Meaning the franchise in the establishment and development of small business, Master's thesis, Skopje, 2014

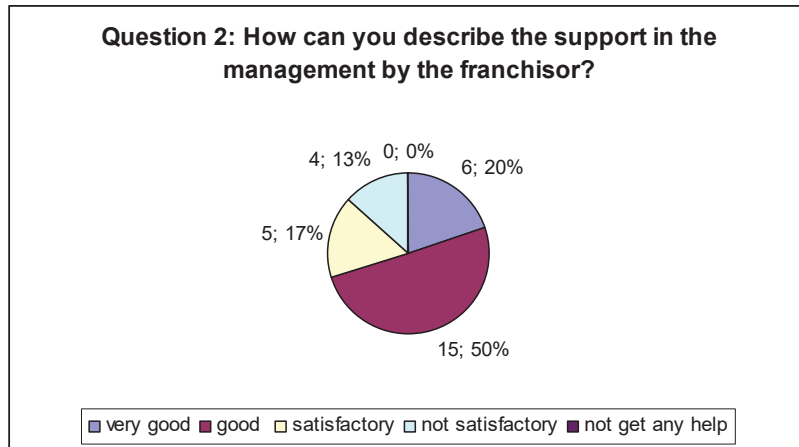
Fig.2: How can you describe generally the support they receive from franchisor?



To the question How can you describe the support in the management by the franchisor, which is correlated to the previous question, 50% of respondents answered that it is satisfactorily, 16% said they support in the management is good, 20% are

very satisfied with the support of the management and the remaining 14% are not satisfied with the management of the franchisor. From the given results one can conclude that the support of the franchisor's management is satisfactorily, but also part of the respondents are not satisfied due to difficult access and rigid procedures by the franchisor. Figure 3 shows the results for support in the management by the franchisor.

Fig.3: How can you describe the support in the management by the franchisor?



When it comes to the scope of obligations that franchisees have towards the franchisor in terms of rules and procedures for the operation and in terms of control, the use of the franchise and support in the viability of the business by the franchisor, 16% of the respondents said it was very good, 24% answered that it was good, 40% of respondents said that the support is satisfactorily, while 20% of respondents were not satisfied with the support in the viability of the business by the franchisor. Fig. 4 shows the results in percentage and absolute terms.

Fig.4: How can you describe the support in the viability of the business by the franchisor?

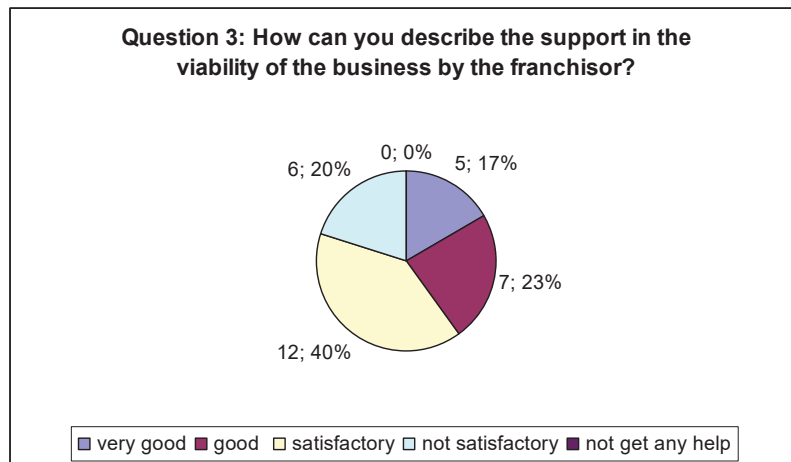
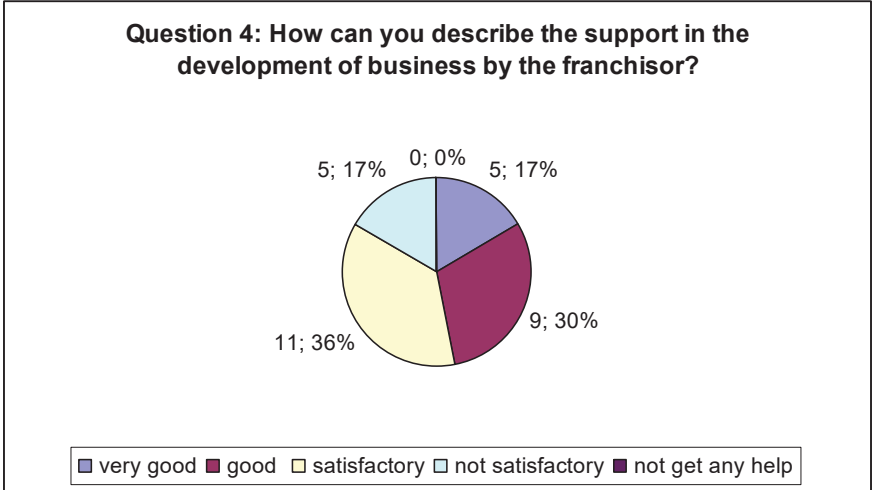


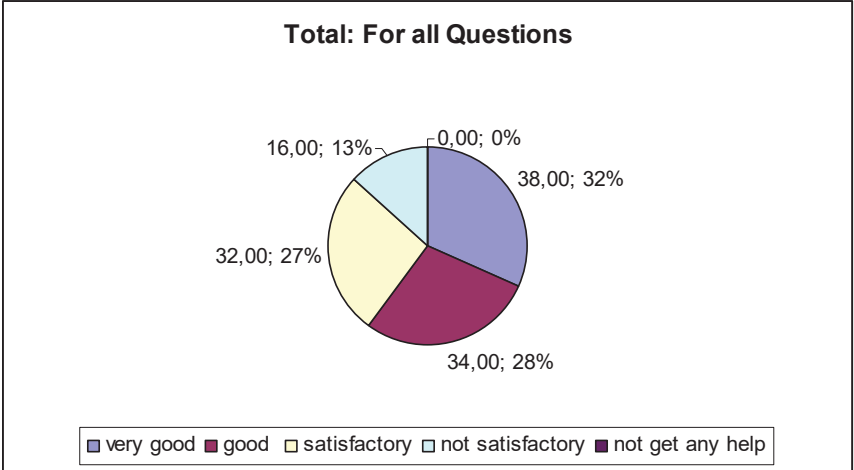
Figure 5 presents the results of the answers to the question: How can you describe the support in the development of business by the franchisor? The results indicate the fact that 70% of the answers belong to the group answers: very good, good and satisfactorily, which in turn indicates that the support by the franchisor in the development of franchising business is present.

Fig.5: How can you describe the support in the development of business by the franchisor?



Similar is the structure of the summary results of the answers to all previously treated issues relating to business relations with the franchisor. 87% of the answers were positive, which leads to the conclusion that the established business relations are very good and that the cooperation guarantees not only the survival of the business with franchise but also its development.

Fig.6: Summary results for all matters related to business relationships with the franchisor



Conclusion

Good business relations with the franchisor are the most important element for successful implementation of franchising and successful operation because without the support and good business relations, the success of the franchising is questionable.

Permanent support involves a complex package of interrelated services in order to assist in successful conduct of business and making profit. Initial support by the franchisor includes basic and continuous training in terms of marketing and sales, daily and monthly meetings with experts, accounting systems, improvement of product quality, financial support, research and development. The support depends on the business development. While time passes and business develops, the support itself changes. At this stage the support is directed to training other employees, improvement of already established systems and networking with other franchisees to achieve greater goals and exchange of experiences.

Often forms of support are:

The success of the franchisee is not just success of the franchisor, it also means increased profits. The purpose of cooperation through achieving effective business relations is to reduce the chances of failure, to provide successful objectives and avoid typical mistakes when starting a business. This is part of the franchised package whose logic is the profitability of the new business.

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THE ROLE OF MULTINATIONAL COMPANIES IN ENHANCING INNOVATION, TECHNOLOGY TRANSFER AND ENTREPRENEURSHIP

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Abstract:

This paper presents a detailed research in function of proving the impact of multinational companies on the development of domestic companies in the host country. There is a survey of foreign companies that have realized investments in Republic of Macedonia, in order to understand their impact in enhancing innovation, technology transfer and entrepreneurship in the country. Multinational companies improve the economic growth in the host country through the transfer of technology, capital, management practices and implementation of innovation. Furthermore, the multinational companies enhance the development of human resources in the host country and improve the business activities of domestic companies. This paper also aims to demonstrate the role of multinational companies in increasing the competitiveness on the domestic market, performance of domestic companies and improvement of the labor market in the country.

Keywords: international management, foreign direct investments, innovation, technology transfer, entrepreneurship

1. Introduction

International business refers to business activities that involve transfer of funds, goods, services, knowledge, skills and information beyond the national boundaries. The resources that make up this flow include raw materials, goods, services, capital and people. Goods may be a set of finished or semi-finished products. Services include accounting, legal advice, banking, insurance, management consulting, trade services, education, health, tourism. Knowledge and skills include technology and innovation, organizational and managerial skills and intellectual property rights such as copyrights, trademarks and brand names. The information includes databases and information networks (Criscuolo, Haskel and Slaughter 2010).

The investment process and resource exchanges are facilitated and intensified through the removal of barriers to the movement of goods, services, capital and information, globalization and liberalization of markets. Thus, companies create strategies for increasing the presence on the global market through the expansion of their business activities across the national boundaries. International management implies the method of managing the international companies (Ecker, et. al. 2013).

The international business activities enable companies to satisfy customers on the global market, creating strategic alliances and concluding collaborations with the

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companies worldwide. These activities offer challenges and opportunities to individual managers, businesses, governments in countries, as well as to the academic community. Crossing the national boundaries and participation on the global market of the companies, creates demand for managers who are familiar with the issues from the international trade and finance, understanding the differences of the cultures, political practices and legislation in the countries, foreign currency exchange, geographical areas, weather conditions and technology (Criscuolo, Haskel and Slaughter 2010).

The assumption that is treated in this paper is that the improvement of the conditions for investment in the country will increase the number of foreign investments, which would affect the development of the domestic market and workforce in the country. In addition, the development of the market will encourage the improvement of domestic companies, thus improving the quality of products and services offered on the market.

The problem that is treated in this research paper is that the weak inflow of foreign investments can affect the efficiency and competitiveness of domestic companies. Furthermore, it includes transfer of new and sophisticated technology that would greatly improve the production capacity of the domestic market, introducing new management knowledge and practices that would have a significant impact on the effectiveness for managing the companies, as well as the specialization and training of human capital in the domestic market.

2. Multinational companies and their investment policy

It is generally believed that foreign direct investments (FDI) stimulate the economic development of the host country. Although theorists diverge in their claims about the impact of FDI, however the literature and the experience of countries with inflows of foreign direct investments suggest that FDI positively influence the development of the host country. (Alfaro, et. al., 2010) Most of the positive benefits of foreign investments include: transfer of technology, knowledge and skills, new management practices, transfer of capital and enhancing innovation. In addition, depending on the type of investments, that may be green, acquisitions or mergers can create opportunities for new jobs and staff training. As less risky investments, which require a substantially lower capital, are considered mergers and takeovers. Unlike them, though green investment are attractive for investors because of the high return on the invested capital. Even though they carry a greater risk, however, starting a business from the beginning in a foreign location, investors consider as a more acceptable way to enter the foreign markets (Stiebel and Reize 2011).

The inflow of foreign capital has a special significance for the economy of the host country. The entrance of a foreign company in the domestic market means introducing new technology, new management skills and practices, job creation, training and specialization of labor positions. Moreover, the presence of foreign companies affects the effectiveness of the management and competitiveness of the domestic companies. Thus, they are forced to improve their performance and to cooperate with foreign companies, in order to be involved in their distribution processes. Foreign companies provide employment for people from the domestic market and use raw materials and services produced from the domestic companies (Garcia, Jin and Salomon 2013).

3. Effects of multinational companies on innovation, technology transfer and entrepreneurship

The impact of multinational companies on economic growth in the host country is multifaceted. The entrance of a foreign company in the domestic market brings multiple benefits including technology transfer, new managerial skills and knowledge, capital inflows, creating new jobs, staff training, and specialization of human capital and implementation of innovation. In addition, the new and powerful foreign competitor which is entering the market encourages the domestic companies to take actions in order to improve their performance. Through the improved performance and increased competition, domestic companies may be involved in the distribution chain of foreign companies (Fernandes, et. al. 2012).

The theory contains conflicting predictions related to the effect of development through foreign direct investments. The economic explanation which offers special incentives to attract FDI stems from the belief that foreign investments offer technology transfer. Thus, foreign investments can facilitate the transfer of technology and know-how in the developing countries. According to this theory, FDI can encourage the productivity of all companies, not just of those receiving foreign capital. Technology transfer through FDI can have a significant effect on spillover to the entire economy. Conversely, some theories predict that FDI in the presence of pre-existing trade, price, finance and other disorders adversely affect the allocation of resources and development (Kemeny 2010). The benefit for the foreign investors is the use of their resources and assets more efficiently, while for the recipients of FDI there is a benefit from the acquisition of technology and involvement in international production networks and trade. However, foreign direct investments provide many of the necessary resources for developing countries such as capital, technology, managerial skills, entrepreneurial skills, brands, and access to markets. They are essential for developing countries to industrialize, develop and create jobs, which would reduce the state of poverty in those countries (Cui, Meyer, and Hu 2014).

An important source of international capital and technology are the multinational companies, which through the transfer of technology and business activities can increase the productivity and competitiveness of local companies. The transfer of best practice can be conducted through demonstration and diffusion, through the connection between foreign and local companies, or through the transfer of experienced human capital from foreign to the domestic companies. The multinational companies entering the foreign market can increase the competition and encourage domestic companies to innovate. One of the effects of multinational companies on the development of the domestic companies is the improvement of the productivity and efficiency of the local companies in the host country, where, in addition, the multinational companies cannot obtain the full value of these benefits. Moreover, the mobility of the human capital can increase the productivity of the domestic companies that hire managers, engineers and skilled labor force from the foreign companies. Thus, the interaction between employees, as well as learning and knowledge transfer can be some of the positive effects that could increase the productivity of the local companies (De Maeseneire and Claeys, 2012). The effects from multinational companies on the productivity of domestic companies in the host country can be summarized into four channels. Mobility of the human capital is the first channel, where skilled labor force from the foreign companies can establish a new company in

the host country or to find a job in one of the domestic companies in the host country. The second channel, that shows the influence of the multinational companies on the development of the domestic companies is the transfer of information and technology by the effect of demonstration. As a third channel that increases the productivity of the domestic companies is the connection between foreign and local companies. Finally, the presence of multinational companies on the domestic market can increase the competition, thus the local companies will be forced to improve their productivity and implement more innovation. (Alfaro, et. al. 2010)

In addition, multinational companies, bring along their capital for investment, technology for production and business information and knowledge. Through the transfer of skilled labor force, new technical knowledge and modern technology, foreign companies can improve the production of high quality products in the host country. Multinational companies enhance the R&D activities in the host country, through the creation of new ideas and knowledge that stimulates the innovation and improves the production of more high tech products while reducing the costs of production. The connection between multinational companies and the economic development can be displayed through the development of new products and services, innovation in the production processes, research and development activities, openness and investments in the host country. Furthermore, multinational companies have a positive impact on the development of the domestic companies by creating new venture areas and sectors that are previously invested in the host country, and as a result of that, new entrepreneurial opportunities for the local companies are developed and many sub-industries can be made under the existing sectors. Thus, providing favorable conditions for foreign investments will attract the multinational companies to invest in high tech and capital intensive information industry (Garcia, Jin and Salomon 2013; Kafouros and Forsans 2012).

Multinational companies which invest in the host country have also impact on the domestic entrepreneurship. The development of the domestic entrepreneurship results in job creation in both developed and developing countries. Also, the development of the entrepreneurship in the host country increases the competition in the economy that can result in enhancing innovation and technological progress which are important for the economic performance. Thus, the host country can benefit from the entry of multinational companies through the transfer of technology, human capital and managerial skills. In fact, skilled employees, innovators and managers can gain their experience, knowledge and training within the foreign company and then quit in order to establish their own company. On other hand, foreign companies might require higher quality raw materials and specific products that can be supplied by the new local companies more effectively than the existing companies (Soriano and Huarng, 2013).

4. Multinational companies and the economic development of the host country

Multinational companies influence the economic development through three key mechanisms: effect of size, effect of skills and technology and structural effects. The effect of size refers to the net contribution of foreign investments to the savings and investments of the host country, thereby affecting the growth rate of the manufacturing base. Multinational companies are among the most important source of

skills and cross-border technology transfer. They are usually focused on the technology intensive industries. The technology brought by multinational companies can "spill" in local companies through the demonstration effect, labor migration or through connections with customers and suppliers. Local companies are using new technology to increase productivity and thus contribute to economic growth. However, technologies of the multinational companies are usually designed according to salaries and capital costs of the industrialized countries, so prices may not be appropriate for countries that are developing. In such cases, the scope of skills and technology can be very small. Structural effects caused by the entry of foreign direct investments include horizontal (competition) and vertical (links with customers and suppliers) change. Investments in the economy of the host country may stimulate the competitiveness and improve the allocation of resources, particularly in those industries where high barriers for entering the market restrict the domestic competition. In this way, the entry of foreign investment can contribute to the dynamics and innovation in the local market, as well as to the country's economic growth. However, multinational companies with their superior technology, greater opportunities to exploit economies of scale and accessibility of more financial funds, may be relevant for appearance on the foreign market (Kurtishi-Kastrati 2013).

According to the theory and numerous studies on the impact of FDI on economic development in the host country, but also the experience of countries where there are foreign investors, often, almost all countries in the world recognized the need for attracting foreign investors. Countries become aware of the possibility for economic growth, rising living standards, increasing the gross domestic product, reducing unemployment by creating new jobs and improvement, as well as the improvement of the image of the country. Thus, each country develops certain reforms, changing legislation regarding taxes, administrative barriers, increases subsidies and benefits for foreign investors, in order to be more attractive than other countries that are also trying to attract foreign investment. Therefore, the state creates a favorable business climate for foreign companies. The impact of the foreign investment on the image of the host country is usually associated with the economic growth (Alfaro, et. al. 2010; Bajo-Rubio, et. al. 2010).

However, the benefits of multinational companies for the host country are multiple. These include: introduction of new technology, enhancing innovation, developing new ideas, transfer of new managerial skills and knowledge, creating new jobs, as well as specialization of jobs and training of the human capital. In addition, multinational companies which are entering the domestic market can increase the competitiveness in the host country. Such a situation would not only encourage local companies to develop and improve their performance, but can also lead them to reduce the prices of their products and services offered in the market. The lower prices that will be paid by the citizens can create an opportunity for improvement of their standard of living. The entry of foreign direct investment means capital inflow. The appearance of multinational company on the domestic market, creates new and powerful competitor, which carries innovation, thus the local companies are forced to improve their operational performance or simply to restructure in order to effectively respond to the new challenge (Cui, Meyer and Hu, 2014). In this way it would reduce the number of inefficient companies that conduct their business activities, which will result with improvement of economic condition in the country. The favorable business climate of one country encourages foreign companies to expand their business activities on that market.

5. Research

The assumption that is treated in this paper refers to the improvement of the domestic companies in the country, by the increased number of foreign investments. That may result in developing of the domestic economy and the human resources in the country. In addition, the development of the market will encourage the improvement of domestic companies, which would enhance the quality of products and services that are offered on that market.

Here emerges the subject of the research in this paper: The function of the multinational companies in enhancing innovation, technology transfer and entrepreneurship in the host country. The problem that will be investigated in this paper is: The insufficient inflow of foreign direct investments negatively affects the development of the domestic companies in the host country.

The survey was conducted on a representative number of 20 respondents, foreign companies that have invested in Republic of Macedonia, by filling out questionnaires that refer to their impact on the domestic market. In the target groups are covered companies from different sectors such as telecommunications, power distribution, automotive, banking, hospitality, textile industry, film industry, supermarkets, construction industry, restaurants, health and cultural centers. Investigated foreign companies are located in several cities in Macedonia. The majority of the respondents are large companies, while smaller numbers are medium and small companies. Their presence outside the Republic of Macedonia is in world frames. These respondents were surveyed in May and June 2015, in the locations where they have invested as foreign companies.

The general hypothesis of this paper is: If the multinational companies invest in the market of the host country, then they will impact the development of the domestic companies.

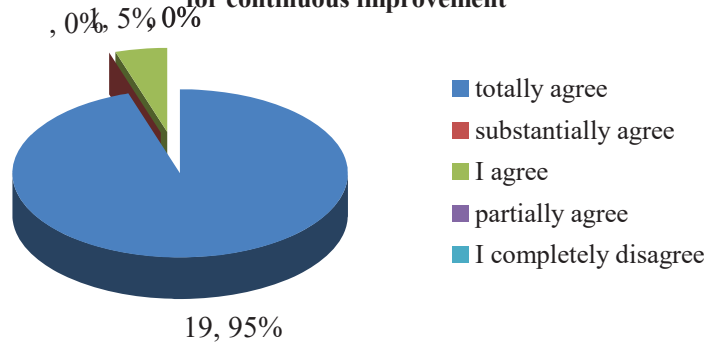
6. Research results

The analysis of the questionnaires produced the following results:

Of the claim: Your company conducts employee training and a program for continuous improvement, out of 20 participants: with 1 (completely disagree) replied 0 respondents. With 2 (partially agree) 0 respondents answered. With 3 (agree) replied one respondent. With 4 (substantially agree) answered 0 respondents. With 5 (totally agree) answered 19 respondents. Presented on a histogram:

Histogram no. 1 - Answers to question no.1

Your company conducts employee training and a program for continuous improvement



Of the claim: Your company enables the development of human resources through the transfer of new technologies and managerial knowledge and skills, out of 20 participants: with 1 (I completely disagree) responded 0 respondents. With 2 (partially agree) replied 0 respondents. With 3 (agree) answered 1 respondent. With 4 (substantially agree) 3 respondents answered. With 5 (totally agree) answered 16 respondents. Presented on a histogram:

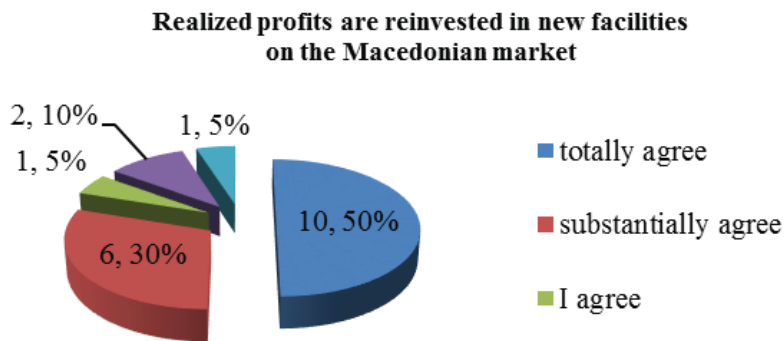
Histogram no. 2 - Answers to question no. 2

Your company enables the development of human resources through the transfer of new technologies and managerial knowledge and skills



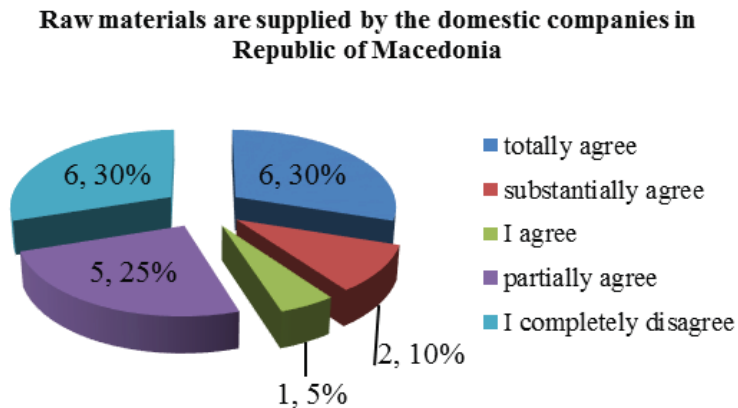
Of the claim: Realized profits are reinvested in new facilities on the Macedonian market, out of 20 participants: With 1 (I completely disagree) responded 1 respondent. With 2 (partially agree) 2 respondents answered. With 3 (agree) replied one respondent. With 4 (substantially agree) answered 6 examinees. With 5 (totally agree) answered 10 respondents. Presented on a histogram:

Histogram no. 3 - Answers to question no. 3



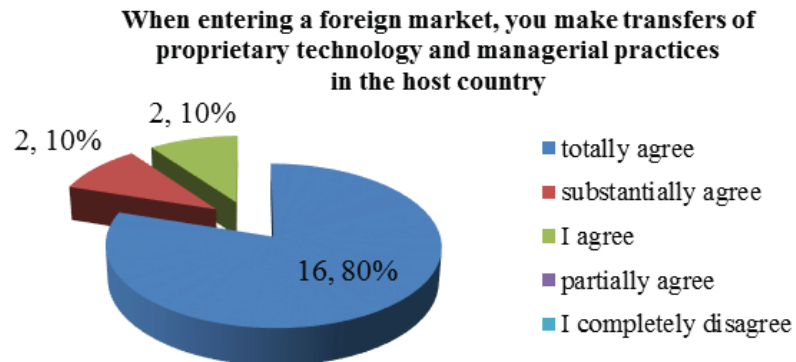
Of the claim: Raw materials are supplied by the domestic companies in Republic of Macedonia, out of 20 participants: with 1 (completely disagree) responded 6 respondents. With 2 (partially agree) 5 respondents answered. With 3 (agree) 1 respondent answered. With 4 (substantially agree) answered 2 respondents. With 5 (totally agree) 6 respondents answered. Presented on a histogram:

Histogram no. 4 - Answers to question no. 4



Of the claim: When entering a foreign market, you make transfers of proprietary technology and managerial practices in the host country, out of 20 participants: with 1 (strongly disagree) responded 0 respondents. With 2 (partially agree) 0 respondents answered. With 3 (agree) answered 2 respondents. With 4 (substantially agree) answered 2 respondents. With 5 (totally agree) answered 16 respondents. Presented on a histogram:

Histogram no. 5 - Answers to question no. 5



In order to prove the general hypothesis, it was subdivided into 3 separate hypotheses. Therefore, the issues of the questionnaire were grouped according to specific hypotheses of the general hypothesis. The issues refer to development of the human resources on the domestic market, the transfer of new technology, knowledge and skills from the multinational companies and the impact of foreign companies on the development of domestic companies by reinvesting the realized profits into new facilities in the host country. By proving the specific assumptions on which was broken down the general hypothesis, it is confirmed, as follows: If the multinational companies invest in the market of the host country, then they will impact the development of the domestic companies.

Conclusion

The empirical research which was conducted in this paper had specific objectives and results. Based on the hypotheses there have been developed variables that have fully covered the expected results and their evaluation have led to certain conclusions.

From the empirical research conducted of a sample of foreign companies which have invested in the country derive the following conclusions:

The more the country provides favorable conditions for foreign investments, the more multinational companies will invest in the country, which will affect the development of the domestic market and domestic companies.

Multinational companies that have invested in the county recruit the labor force from the domestic market, which may result in reducing the unemployment in the country. As shown in the survey, multinational companies tend to develop the human resources continuously, by providing trainings and implementing programs for improvement of the employees' skills.

According to the survey, multinational companies sell their products and services on the Macedonian market, thereby they increase the competition, so domestic companies are encouraged to improve their performance, quality of products and services, as well as to implement more innovation. Also, multinational companies may

include the domestic companies in their distribution process, by supplying the products and materials by the local companies.

The multinational companies by entering the foreign market, make transfer of their technology, knowledge, skills and business activities, that can affect the development of the domestic companies. The local companies may benefit from the acquisition of new and modern technology, new managerial skills and know how transferred from the foreign companies.

Finally, as shown in the survey, the number of multinational companies that supply raw materials from the domestic companies is quite low. This shows that domestic companies need to improve their productivity and quality of products and services in order to increase the number of multinational companies that will supply their raw materials from the local companies. By acquiring new technology and skills from the foreign companies, domestic companies have a great opportunity to improve their productivity and to become part of the distribution process of the multinational companies. In addition, the increased demand for products and services could increase their profitability, which creates opportunity for expanding their capacities, as well as growth and development of the company.

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ATTITUDE PROFILE OF PREFERENCES REGARDING THE ONLINE SHOPPING BEHAVIOUR OF GENERATION Y IN SLOVAKIA

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Tatiana Kamenská

Abstract:

The study deals with the behaviour of online shopping as a global trend for the Generation Y customer segment. It presents partial research findings of a broader scientific study focused on the online shopping behavior of Generation Y in Slovakia. It presents the results of a questionnaire survey, which maps Generation Y's online shopping preferences in Slovakia, in which 340 respondents participated. The results indicate what products the target segment prefers to buy on the internet and what the differences between online shopping of men and women are. The study also provides recommendations for marketing practice.

Key words: Generation Y. Online shopping behavior. Online shopping. Internet. Marketing.

1. Introduction

An important indicator of new trends in today's digital era is the development of target groups. The area of marketing communication must therefore adapt to dynamic changes in consumer behavior. Much space should be given to knowledge and understanding of customer segments, which also includes generation Y. Generation Y makes up nearly a quarter of the world's population and its size is significant. Several experts (Světlik, 2012, Polakevičová, 2015, Naumovská – Bogdan, 2016) points out that they are one of the most important cohorts in the market today. Since according to J. Krotz (In Mendoza, 2002) their purchasing power will increase through different stages of life, marketers can not ignore this fact, on the contrary, they should try to understand this segment adequately and characterize it, despite the fact that the research in this area covers only 20 years. According to Polakevičová (2015) young people in Slovakia represent a new generation of Slovak consumers, who have emerged after the political changes in the 1990s. She indicates that they are potential

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multipliers, who will, in the future, significantly affect consumer behavior and decision-making when purchasing goods and services. The Generation Y customer segment will therefore become an increasingly attractive target group for all traders and marketers over the coming years. With regards to the aforementioned we are presenting the results of a survey which aims to map the preferences of Generation Y's online shopping in Slovakia.

2. The current state of Generation Y online shopping in Slovakia

The differences between generations have been the subject of many scientific studies in the last five years. In the literature it is possible to identify this subject of research in various fields of human and social sciences (Illieva, Dodovska, 2015). This also includes the area of marketing communication, which is currently strategically targeted at reaching defined customer groups (Polakevičová, Szabová, Kamenská, 2014, Novotný, 2015, Machová et al., 2016).

The term „Generation Y "can be a reflection from the 1990s of the 20th. It pointed out the modern definition of a young growing group of customers, which was different from the previous demographic segments (Baby Boom Generation, Generation X) (Wallace, 2007, Švorcová, 2012, Acar, 2014). Despite the fact that generation identification was primarily related to marketing purposes, the use of the term as well as its terminological foundation is not clear yet. In professional literature we can see a variety of synonymous terms: Millenium children, next generation, net generation, iGen Generation, Why Generation, Search Generation, Video Kids, Echo Boom, digital generation, online Generation, click generation, Nintendo or Facebook generation (Lazarevic, Petrovic - Lazarevic, 2007, Kennedy, Mancini, 2009, Lonská, 2014). No unification of the listed names led to the frequently asked question emerging within scientific discourse, whether the term „Generation Y" refers to a specific US segment or is it possible to generalize it for customers from other countries as well (Hickman, 2001). As K. Havlová (2012) has stated, as of a certain time the theory relating to the American generation is also valid in Slovakia.

Generation Y is the first “global generation", since as a result of political changes and technological advances the young people of today have actually grown up together, and as indicated by a number of research studies (Bolton, 2013, Sriansangkajorn, 2014, Ilieva – Conev, 2016), members of Generation Y have the same characteristics worldwide. The massive aging of this demographic customer segment growing up in a globalized society together with “unlimited options" is closely linked to the dynamic development of information and communication technologies. They are very familiar with the web as a source of information. While searching they prefer simplicity, speed and immediate availability (Košková, 2013, Cingelová, 2015, Huňady, 2016). Reflected together with the development of technology we can also see a change in consumer behavior and thus the way they shop (Koprda, 2015, Musová, 2015, Viteková, 2016). According to the surveys of MediaResearch Slovakia (2013), the Slovak Association of Electronic Commerce (SAEC) (2014) or Shopping Monitor Slovakia 2014/2015, the number of customers shopping online is growing. Young people under 29, people with a university education and residents of big cities shop on the internet. Women shop more than men. From this point of view, we consider it interesting and important to examine in further detail the shopping behavior of the young generation, because generation Y

will, in the coming decades, determine the trends, direction and development of shopping behavior, mainly implemented through the internet.

3. Research methodology

3.1. Research goals and hypothesis

The aim of the research was to analyze the preferences of the online shopping behavior of the Generation Y customer segment in Slovakia. In addition to the main objective we also set two partial objectives. The first partial objective was to determine what kind of goods are Generation Y respondents most interested in when shopping online. The second partial objective was to determine whether the preference of the type of goods through online shopping is different due to the gender differentiation of Generation Y.

On the basis of the given main research objective and partial goals we have formulated the following hypotheses:

H1: We assume that Generation Y in Slovakia shops on the internet for products and services in three categories: clothing and footwear, mobile phones, books more often than in other stated categories.

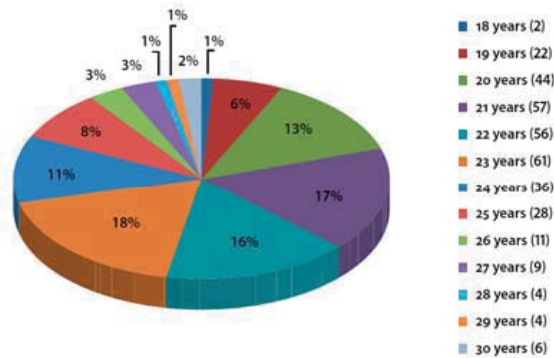
H2: We assume that the preference for a type of product purchased via online shopping will vary according to gender differentiation of Generation Y in Slovakia.

H3: We assume that Generation Y in Slovakia will shop on the Internet at more Slovak www sites than foreign ones.

3.2. The research method and the research group

In the research, we used a questionnaire that can be categorized as an exploratory method. The questionnaire was distributed via social networks as well as in printed form to representatives of generation Y. Through the questionnaire, we recorded subjective responses from individual respondents. The research group consisted of 340 (N = 340) Generation Y respondents in Slovakia. 82% were women (N = 278) and 18% were men (N = 62). Based on the generated research, we can say that there were more women than men willing to take part in the research. The group composition by age is presented in Chart 1. It is an indicator that the largest representation was from the 20 to 24 year old age group, which accounted for 75% of the respondents surveyed (Chart 1).

Chart 1: Generation Y research group composition according to age



In terms of the geographic composition, most of the respondents come from the Nitra Region (40%), followed by the Banská Bystrica region with 15% representation and the Trenčín region with 14%. Other regions were represented to a lesser extent, less than 10% of the overall number of respondents (Chart 2).

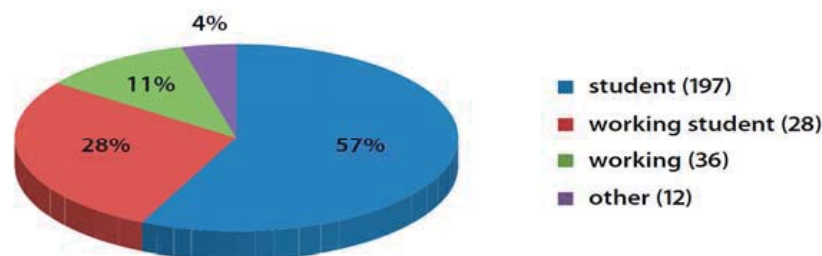
Chart 2: Research group composition according to their place of residence (within the regions of Slovakia)



Legend: BA - Bratislava region, TT - Trnava region, TN – Trenčín region, NR – Nitra region, ZA – Žilina region, BB – Banská Bystrica region, PO – Prešov region, KE – Košice region

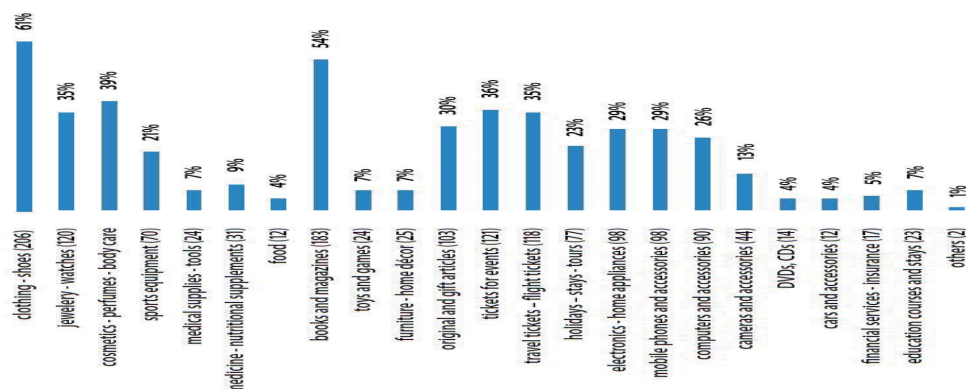
86% of respondents participating were classified as “student” in the research, while 28% of them were working students. 11 % of respondents accounted for working young people, and the remaining 4% were women on maternity leave, unemployed or young people doing graduate practice (Chart 3).

Chart 3: Research group composition according to working status



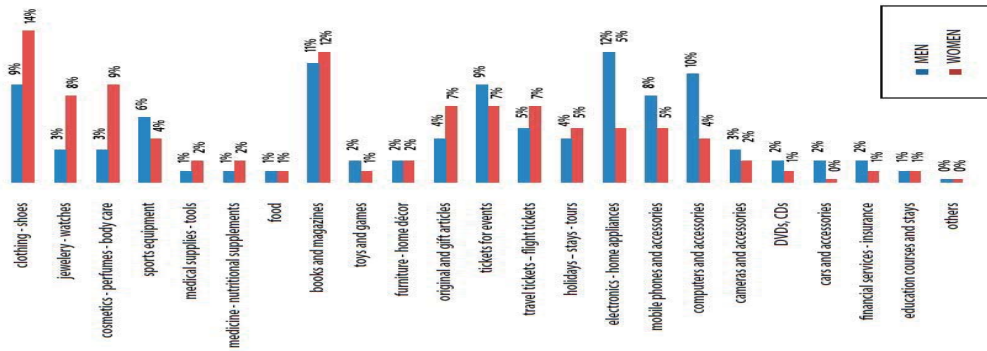
We present the subsequent findings related to Generation Y's online shopping in Slovakia in visualized graphs. Individual items in the charts (Chart 4, Chart 5) indicate product and service preferences, which we present in percentage format and by recording their frequency of occurrence (frequencies).

Chart 4: Products and services purchased online by Generation Y in Slovakia



According to Chart 4 it is evident that the items that are bought most often include clothing and footwear, which are bought by 61% of respondents surveyed. Also magazines and books are favourite items, 54% buy them. Following these items is a trio of the most successful products purchased on the Internet - cosmetics, perfumes and body care products, which are bought on the internet by 39% of the research group individuals. Among the least purchased products were food, DVD/CD media, and car/ car accessories, which are purchased on the Internet only by 4% of respondents (Chart 4).

Chart 5 : Generation Y online shopping from the aspect of gender differentiation



In terms of gender differentiation (Chart 5) there are differences in online shopping for some commodities. Women most often buy clothes and shoes (14%), books and magazines (12%), cosmetics, perfume, body care products (9%), jewelry and watches (8%). Men prefer to buy electronics and household appliances (12%), books and magazines (like women) (11%), PC accessories (10), tickets to events and clothing (9%). The biggest difference was observed in the purchase of electronics, home appliances, cameras, mobile phones, which are mostly bought by men. On the contrary, clothes, shoes, jewelry, cosmetics, perfumes and original gifts are bought more by women (Chart 5).

Chart 6 The proportion of online shopping on Slovak and foreign websites

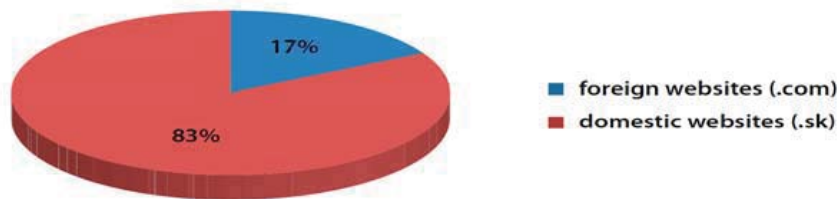
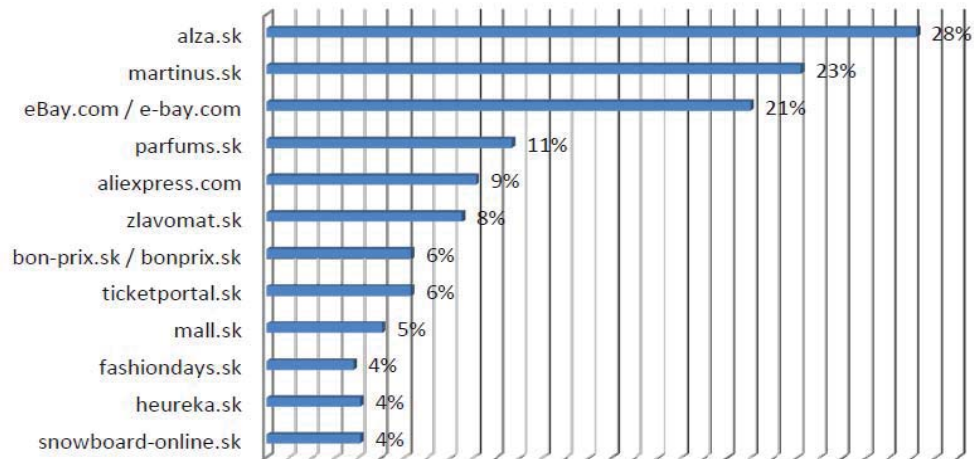


Chart 6 highlights the fact that the majority of Generation Y respondents in Slovakia (83%) shops mostly on Slovak Internet shops. The most visited Slovak online stores include: alza.sk (28%), martinus.sk (23%), parfums.sk (11%). Foreign online stores are used just by 17% of respondents, and the most popular include: e-bay.com (21%), aliexpress.com (9%), and amazon.com (3%) (Chart 7).

Chart 7 Most visited online stores by Generation Y respondents in Slovakia



Conclusion

Generation Y is one of the key target groups of the current market. It has been socialized in a materialistic society and its behavior is markedly different from the previous generation customer segments. The result of the implemented research has met its main objective and partial objectives. It focused namely on the online shopping behavior of Generation Y, and we found out what category of products and services they prefer and how this preference varies according to their gender differentiation. The resulting findings showed a rejection of the hypothesis H1 as the research file (N = 340) of Generation Y respondents in Slovakia, shop online most often for goods in three categories: clothing and footwear (65%), books and magazines (57%) and cosmetics, perfumes (41%). We found out that women prefer to shop on the internet for: clothing and footwear (14%), books and magazines (12%), cosmetics, perfumes, and body care products (9%). Men prefer to buy: electronics and household appliances (12%), books and magazines (11%), computer and accessories (10%). The difference in the online shopping behavior from the aspect of gender differentiation confirmed hypothesis H2. We suspect that this difference results from different hobbies and the way both genders spend their leisure time. While women enjoy fashion and cosmetics in their free time, men prefer sports activities where they meet with friends and are also interested in technological innovations, which is reflected in shopping for electronics. A common point of interest is books and magazines that are a popular commodity for both sexes. This common denominator is, in our opinion conditioned by respondents status as they were dominantly in the status of students. Since the research group of respondents shops more on Slovak websites than on foreign ones, we can confirm hypothesis H3. In spite of the research we are also aware of its limits, which are the following factors: the unequal representation of women and men, an uneven representation of respondents in age groups, an unequal representation of respondents in individual regions of Slovakia. The subsequent findings therefore can not be generalized for all of Generation Y in Slovakia, but only to a closely defined segment. Thus, the primary research results relate to Generation Y in the age cohort 22 - 25 years from the Nitra region in Slovakia, which was predominantly represented in

our research group. We can see the benefit of the research we have carried out in the field of marketing in that it offers insight into the online shopping behavior of a specific Generation Y customer group. Generation Y's attitude toward Internet shopping can reveal more about their way of thinking and thus help marketers to effectively conceive marketing strategies and build sales concepts for products and services focusing on this segmental target group.

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THE EVALUATION SYSTEM OF EMPLOYEES IN FUNCTION OF IMPROVING ORGANIZATIONAL PERFORMANCE

Aleksandra Stoilkovska¹
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Abstract:

Managers in companies should understand the processes of stimulation, teasing, directing the activities towards previously set targets in order to successfully manage, evaluate and value its employees. The more employees are motivated, the more greater results they achieve i.e., greater performance of the organization.

This paper presents an action research conducted in public institutions where a questionnaire was used as a research technique. The questionnaire gave data about the connection of the evaluation of the employees with the achieved effects. Namely, the research proved the influence of the quality evaluation of the work on the motivation of the staff to work more effectively, the performance, and therefore to all the results of the entire organization.

Introduction

Managers in companies should understand the processes of stimulation, teasing, directing the activities towards previously set targets in order to successfully manage and lead their employees towards achieving the organizational goals. The more employees are motivated, the more bigger and better results or performance of an organization they achieve.

In today's competitive business world, it is understood that organizations can only compete with their rivals by innovating, and organizations can be innovative by managing their human resources well. The human resource system can become more effective by having a valid and accurate appraisal system used for rating performances of employees (Armstrong, 2003; Bohlander & Snell, 2004). Unfortunately, the number of organizations using an effective performance appraisal system (PAS) is limited (Hennessey & Bernadin, 2003).

Because the behavior of individuals is directed towards achieving the desired outcomes, the objectives in terms of performance are essential to the performance of the employee. Objectives and action plans provide the direction and guide employees on how to allocate their time on the assigned tasks, they are facing. Individual differences are related to their own thought, motivation, skills, abilities, personal characteristics, values, feelings and needs, which vary from person to person. As these differences can significantly affect the performance, organizations use training programs to strengthen and improve the skills and abilities of employees needed for effective execution of tasks. Effectively established programs result in improved

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performance, while ineffective programs and lack of training negatively affect performance.

Therefore, the manager who leads the incentive plan should first understand that different people respond to different incentives, or should have known that employees will not run after rewards, which they consider to be unattractive, or where the chances of success are very low. While it is clear that salary may not be so related to worker performance, as related incentives, the basic salary of employees can have a positive impact on improving the performance of employees in the workplace, within a firm. Of course employees found other ways to balance their salaries with their labor or to seek additional sources of motivation and materialization of their work again in order to improve their professional and personal performance.

1. Evaluating employee performance

Evaluating employee performance is a formal, structured system of measurement / evaluation and influencing the characteristics, behavior and performance of employees at work in the organization. This feature contributes to the achievement of several goals in various functions of human resources. By assessing the performance of employees primarily strategic objectives and interests of the company are implemented. From a development perspective objectives should enable evaluation of the current knowledge, abilities, skills and success in meeting them, and therefore undertaking *further activities: training*. From the current point of view by defining the objectives the realization of the current activities of the company should be enabled - evaluation of the employee performance against established standards and for *further activities: motivation, promotion, benefits, etc.* The assessment of performance should help in the formation of perception, how successfully they perform the work and tasks of specific jobs and how they contribute to the achievement of company's objectives.

In view of Judge and Ferris (1993), perhaps there is no more important human resources system in organizations other than performance evaluation and ratings of employees' performance represent critical decisions that are key influences on a variety of subsequent human resources actions and outcomes.

By assessing the performance of employees, employers determine development opportunities, reveal internal reserves to increase productivity and measures that increase it, while workers can determine which areas can be developed and perfected, in order to learn the personal efforts that should be made so that the tasks and activities of the organization will be completed.

Analyzing the efficiency of the management systems

When analyzing the different practices in the management systems of evaluation of employees (effective and ineffective), you should start by looking at three different components regardless of what kind of system for human resources work it is about. The first component is evaluation - How can a company be included into the process of measurement, how can it analyze or assess the performance of employees? The second component is an upgrade or How much the business efficiency is upgraded? Is there a direct link between performance and rewards? And what range of reward is offered (financial, recognition, growth opportunities, etc.)? The third component is the development, whether for the employees of the company a development approach exists? How do the employees develop themselves and support

each other in order to deliver superior performance? Each of these components has a powerful effect on the efficiency of the system. It is also important to consider the effectiveness of the human resources within the company's culture, or how it supports the corporate goals and strategies. A system that works for one business may not be good for another. However, it is possible to identify common best practices for top-performing workshops and other practices that rarely work. These objections are often permeated across industries, countries and cultures.

Effective and ineffective methods for performance assessment

There are many ways to measure or evaluate the performance of employees. Commonly four methods are used: Method manager evaluation or review of the traditional performance conducted by the head of the employee, a method of multisource feedback, such as 360 degree feedback method, in which there are multiple constituencies - including managers, peers, direct reports, and / or customers - who are required to evaluate the individual. The third method is the method of staffing reviews, where the entire management team is ranked, evaluated, and it is then discussed at the level of employees in the respective company. The last method is the method of metrics, where an employee is responsible for valuing the performance of the employees. These five approaches are not mutually exclusive, and most companies use combinations of them.

Employee Performance Evaluation (EPE)

The method is the human resource management activity by means of which the organization determines the extent to which the employee is performing the job effectively (Glueck, 1979 and Ivancevich, 1998). EPES was conceptualized as a system of interrelated dimensions that include EPE purposes, EPE policies, EPE criteria and standards, EPE methods, EPE feedback interview, evaluator training, practices for ensuring accurate implementation and review and renewal.

Method manager evaluation

The method of evaluating employee performance by assessing the immediate manager is a method that on one hand is good because the manager has a lot of information about the work of subordinates, but it can give a false picture because of the subjectivity in the evaluation of the manager. In some cases, employees with the highest level of performance receive the lowest ratings, and as a result, they are the ones that are the least rewarded. The main reason for using this method is that it is easy to use - each employee may be rated on the same scale using the same form.

Method according multisource feedback

Precisely because of the elimination of the subjectivity of immediate manager's method multisource feedback is introduced. One of these methods is the method of 360 degrees evaluation. It can produce useful feedback on the strengths and weaknesses of the employees, which can ultimately encourage their personal and professional development. The most common problem with this method is that occasionally, employees should choose people who will evaluate them. This self-selection offers inherent bias on the method, because many employees tend to gather colleagues, who they like, or those who will give a good rating. Companies usually do not train managers to interpret the 360 degrees method, or do not have coaches on the results of the staff of this method. Instead, reports are simply dumped on the desks of managers and managers are left alone to learn about the reports. This is no easy task: The method as 360 degrees offers fairly long surveys, so skill are needed so that data

can be analyzed and solved, to eventually give employees clear and true feedback. The first two problems arise when companies are trying to make a method 360 degrees scalable.

Group rankings and measuring performance according to the results²

Because adding up to the weaknesses of the previous two models, group ranking is used, which is implemented by commenting on the employees specially scheduled meetings where the managers comment on the pros and cons of the work of subordinates, and possible ways to improve them.

2. Research

In order to prove the hypotheses, this research was conducted through a survey which covered a total of 103 respondents (managers and employees of public institutions) in the Republic of Macedonia - Skopje.

The general hypothesis which is set in the research is: If public institution applied quality system assessment of employees in public organizations, the dissatisfaction of employees due to equal pay for different work will be eliminated, and this will increase the motivation and the work quality.

3. Results

Managers and employees responded to the same questionnaire (closed type) composed of 30 claims and for each question 5 answers were offered: 5 - Totally agree; 4 - Agree moderately 3 - agree; 2 - Agree a little 1 - Disagree. In Table 1 results from selected representative issues are shown ones that significantly influenced the proving hypotheses. The results in the table are presented in total for employees and managers.

Table 1 – Employees’ view- point in terms of the existing reward system

| Claim | 1 | 2 | 3 | 4 | 5 | |
|---|-----|-----|-----|-----|-----|-----|
| The employer adequately evaluates your work | 46 | 18 | 15 | 8 | 16 | 103 |
| | 45% | 17% | 15% | 8% | 15% | |
| The system of performance evaluation, offers motivation in performing everyday tasks at work. | 45 | 18 | 14 | 11 | 15 | 103 |
| | 44% | 17% | 14% | 11% | 14% | |
| You are rewarded by your employer for intense labor more than the necessary requirements in the execution of your work. | 69 | 11 | 10 | 5 | 8 | 103 |
| | 67% | 10% | 10% | 5% | 8% | |

² The most effective approaches: staffing reviews and performance outcome measurement by Guido M.J. de Koning

| | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| | 53% | 21% | 14% | 4% | 8% | |
| Remuneration for extraordinary effort, influences your motivation to fulfill work obligations. | 27 | 7 | 21 | 19 | 29 | 103 |
| | 28% | 7% | 20% | 19% | 26% | |
| The criteria for performance evaluation, really financially evaluate your effort in the company. | 49 | 23 | 20 | 6 | 5 | 103 |
| | 48% | 22% | 19% | 6% | 5% | |
| You feel the need to correct the system of assessing the employees' performance | 19 | 8 | 14 | 14 | 48 | 103 |
| | 18% | 8% | 14% | 13% | 47% | |

When we talk about the claim “The employer adequately evaluates your work”, the respondents with finished high school answered with 69, 0% disagree and agree a little. The respondents with finished faculty on the same answers had the following percentage – 57, 4 % i.e. this is the percentage that shows the how much they disagree with the system of work evaluation. This is a clear indicator that the employees in the public institutions are not satisfied of the way the employer evaluates their work. Total Results on this question are shown in Figure 1

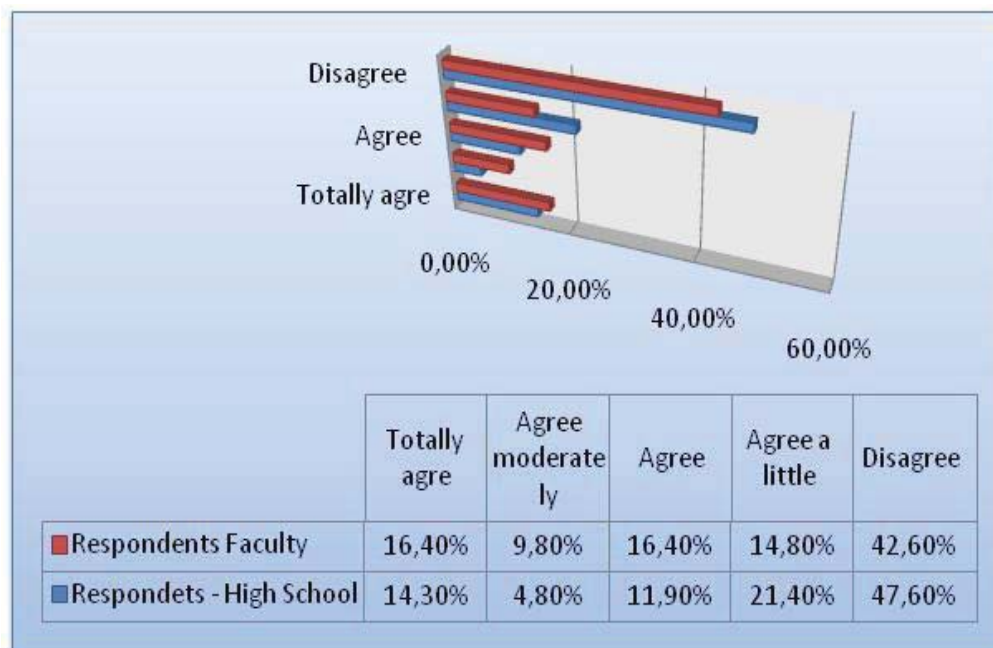


Figure 1 – Employer adequately evaluates its employees

The answers with negative preferences to the claim “The system of performance evaluation, offers motivation in performing everyday tasks at work.” were the following: the respondents with finished high school – 69.1% (disagree and agree a little). Similar results were given by the respondents that finished faculty i.e. total 55,

7% which clearly indicates the lack of employees' motivation from the existing system of work evaluation.

Total Results on this question are shown in Figure 2

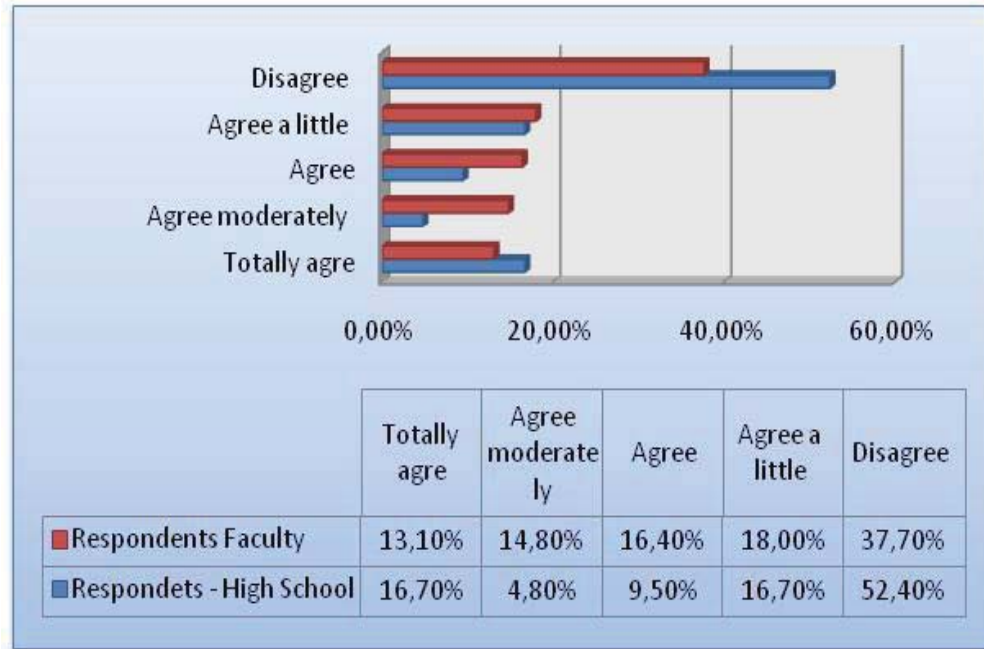


Figure 2 – Motivation from the system of work evaluation

Previously mentioned claims from the research are related to evaluation, rewards and acknowledgement of work by the employer. From the gained results it can be concluded that there is a close correlation between the evaluation of work and motivation of employees. It can be seen on Figure 1 and 2, where the largest percentage of respondents believe that the correct system for work evaluation does not increase the motivation and enthusiasm of employees.

Table 2 –Employees' view-points in terms of the impact of the reward system on the working climate

| Claim | 5 | 4 | 3 | 2 | 1 | |
|--|-----|-----|-----|-----|-----|-----|
| Working atmosphere (organizational climate) is pleasant to work in the organization. | 13 | 24 | 36 | 12 | 18 | 103 |
| | 13% | 23% | 35% | 12% | 17% | 13% |
| Among the colleagues there are no objections because of the different work evaluation. | 16 | 22 | 33 | 14 | 18 | 103 |
| | 16% | 21% | 32% | 14% | 17% | 16% |

The quality system of assessment significantly affects the improvement of the organizational climate. The gained results of organizational climate evaluation is appropriate to the evaluation of the results of quality evaluation of system performance. Namely, only one-third of employees (managers and no-managers) believe that they work in a pleasant atmosphere, i.e. they have no objections for different work evaluation.

The thing that marks the success of the performance of each employee is the presence of modern technology and modern working conditions. Most of the respondents are dissatisfied with the existing working conditions in public institutions, which is an obstacle to increase their productivity and efficiency as a prerequisite for improving performance. The survey notes that employees have a positive attitude towards new technological developments, new working methods, new operating environment.

All employees agree that reforms in public institutions should be conducted with positive legislative changes. Because of the specificity of the activity, the functioning of employees without pressure, threats and blackmail is essential. Most of the respondents, which is confirmed in the Figures, say that they would like to work in relaxed conditions, where professionalism and ethics in business take the prime role.

In order to improve the system of evaluation there should be more work done so that different ways to reward employees can be found and those ways will stand out most prominently in the work or will have an increased workload.

Conclusion

The system for evaluating employees' performance is an important segment of the work of the sector of human resource management. It is important for the organization to seriously build this system, but also for its consistent implementation.

In public institutions in the Republic of Macedonia, the system for work evaluation still needs to be improved. The work evaluation should be based on measurable indicators collected on a relevant way.

The organizational climate is significantly related to the quality of the system for evaluating employees' performance.

Staff motivation and their efficiency significantly increase if the valuation of the work is well done with great quality and reasonably measured.

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IMPLEMENTATION OF EFFECTIVE STRATEGIES IN MANAGING AND EVALUATING THE PERFORMANCE OF HUMAN RESOURCES

Valentina Mucunska Palevska³

Abstract:

In modern conditions of business companies are facing the need to implement effective strategies in the management process and evaluate the effectiveness of human resources. The relevance of the effective implementation of strategies for managing and evaluating the effectiveness of human resources in order to improve organizational performance initiates the need for research on the compatibility of the strategies and management models of the instruments used for evaluating performance of human resources. In this context, of particular importance is the choice of strategies in the management of human resources and the choice of instruments to measure the performance of employees. Management of human resources is a challenging, dynamic, creative and complex process operations. Creating management strategies and evaluating the effectiveness of human resources is a priority precondition for improving organizational performance. The current situation in companies in the Republic of Macedonia points out the need to create a new paradigm for the professional importance of applying effective strategies for managing and evaluating operational efficiency of human resources.

Keywords: organization, human resources, cost effectiveness, efficiency

Introduction

Management of human resources is a strategic process in the new business environment constantly innovate in order to improve the quality of performance. The purpose of human resources is maximum utilization of employee performance towards sustainable development and sustainable competitive position of the organization. This means strategic human resource management that incorporates strategic planning of human resources, standardized selection of human resources, strategic professional orientation of human resources, application of high standards in measuring the performance of human resources, strategic planning for continuous improvement of the competence of human resources, knowledge management and human talent resources. For each phase there are appropriate tools for ensuring efficient and effective strategic human resources management which assist in creating a motivating creative tension that provides maximum operational excellence.

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1. Innovative models in the management of human resources

Strategic human resource management is a complex process that can generate conflict situations, especially what happens in the phase of creation and allocation of human resources in which interference range of technical and social components is significant. Technical components relate to planning of human resources, selection of candidates for certain positions, analysis of quality of work, performance evaluation, compensation and rewards for each employee. Social components relate to education, training and professional development of employees, career advancement, consulting and collaborative system of rules, norms and procedures. The complexity of the set of actions in the process of managing human resources is correlated with making qualitative decisions that will enable minimization of errors in the operation and performance and providing competitive organizational performance.

2. Research

The research stems from the identified outbreak of the research analysis of human resource management in organizations in terms of practicing effective system of standards for effectively managing and evaluating performance. The range of operational tasks of the manager of human resources quantitatively and qualitatively is wide which means that if it's not strategically managed it could generate problems in all phases of the process of managing human resources. The problem of strategic and operational management of human resources is the problem that managers of organizations in the Republic of Macedonia are facing, therefore problem in this scientific work is the lack of standards for evaluating the performance of human resources generates a low level of competence of employees and the inability for professional development of employees that produces low levels of organizational performance. Applying standards and proactively managing human resources would eliminate problems with the competence of human resources that influence organizational performance. Hence, the subject of research in the scientific work is the implementation of effective management strategies and standardized instruments for evaluating the effectiveness of the HR function to permanently improve organizational performance for sustainable competitive positioning, i.e. by applying standards for managing human resources, the organization provides a systematic approach to continuously improving organizational performance and sustainable. Hence the scientific and practical goal of the research, i.e. to give exact scientific interpretation of the impact of efficient strategies and standardized instruments in the process of managing human resources on improving organizational performance in the service of sustainable development and competitive positioning; and the results of the investigation also to be implemented in view to create an effective strategy which will integrate quality standards for evaluation of performance and operational performance of competing organizational performance.

Assumptions, i.e. hypotheses arising from the appearance, the case and the issue of research is focused on:

- X1: creating an effective strategy for an efficient management of human resources
- X2: effectively managing human resources aimed at high organizational performance
- X3: standardized instruments for evaluating the competence of human resources aimed at identifying performance improvement
- X4: appropriate choice of strategies to permanently improve the competence of employees in service at competitive organizational performance

Independent variables are defined:

- Creating an effective strategy for managing human resources
- Efficient management of human resources
- Application of standardized instruments
- Appropriate choice of strategies to permanently improve the competence of employees

Dependent variables are defined:

- Effectively managing human resources
- High organizational performance
- Identify performance improvement
- Competitive organizational performance

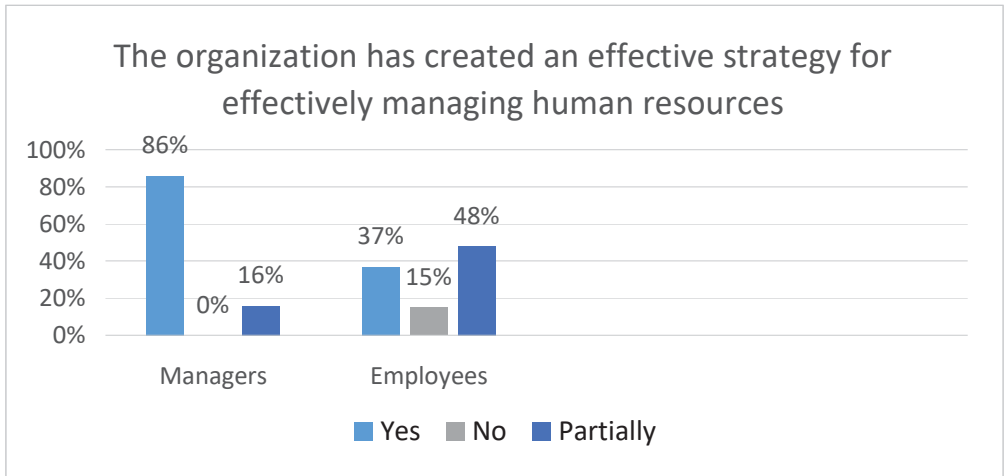
For this purpose, research was conducted on a representative sample of 185 respondents in 20 high positioned organizations in Macedonia dealing with service activity. For the purposes of this research are created two questionnaires, one for employees and one for managers. The survey was conducted on 145 employees and 40 managers, of whom 20 line managers and 20 top managers. The survey was conducted by interviewing technique of research, measurement instruments taken two questionnaires: questionnaire for employees and a questionnaire for managers. Questionnaires are closed on a scale of attitudes, and respondents can choose one of the offered positions.

3. Quantification of the results

3.1. Quantification

The quantification is made according to previously created and filled in questionnaire which was distributed to 145 respondents of which 95 male and 50 female respondents employed in 20 Organizations in Macedonia. The results are presented on histograms numerically.

The proposition: The organization has created an effective strategy for efficient human resources managing.

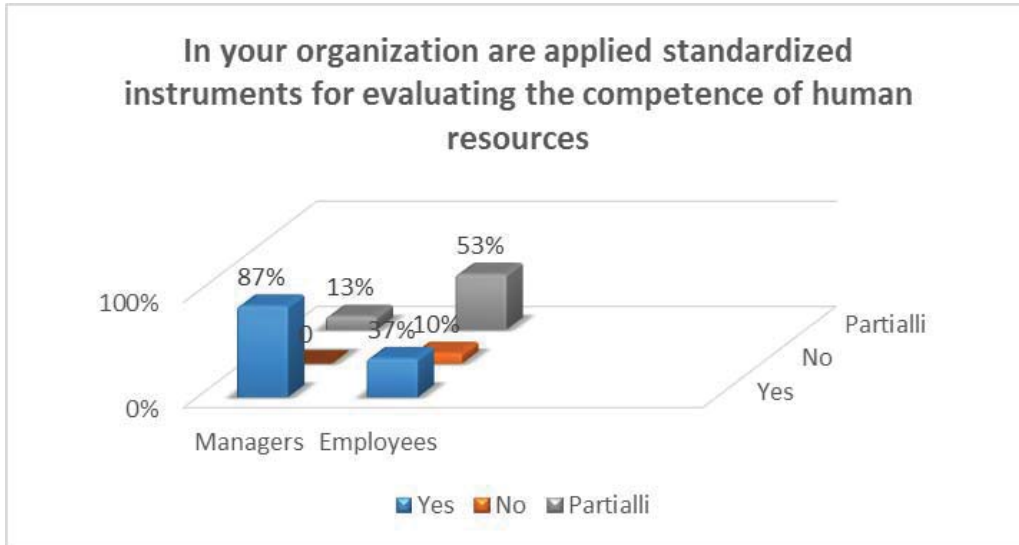


Of the total 145 employees surveyed, 54 (37%) responded affirmatively, 21 (15%) responded negatively, 70 (48%) said that the strategy for managing human resources partially sufficient. From a total of 40 managers, 32 (86%) said yes, 8 (16%) answered in part. The proposition: In your organization there is a standardized system for effectively managing human resources in the function of high organizational performances.



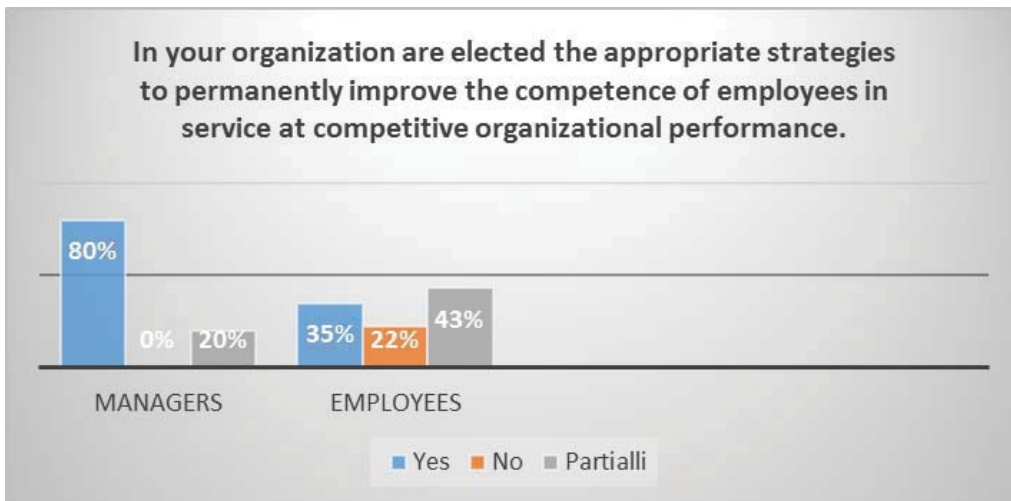
Of the total 145 employees surveyed, 68 (47%) responded affirmatively, 19 (13%) responded negatively, 58 (40%) said that the system of effectively managing human resources partially meets standards. From a total of 40 managers, 27 (67%) responded affirmatively, 13 (33%) answered in part.

The proposition: In your organization are applied standardized instruments for evaluating the competence of human resources



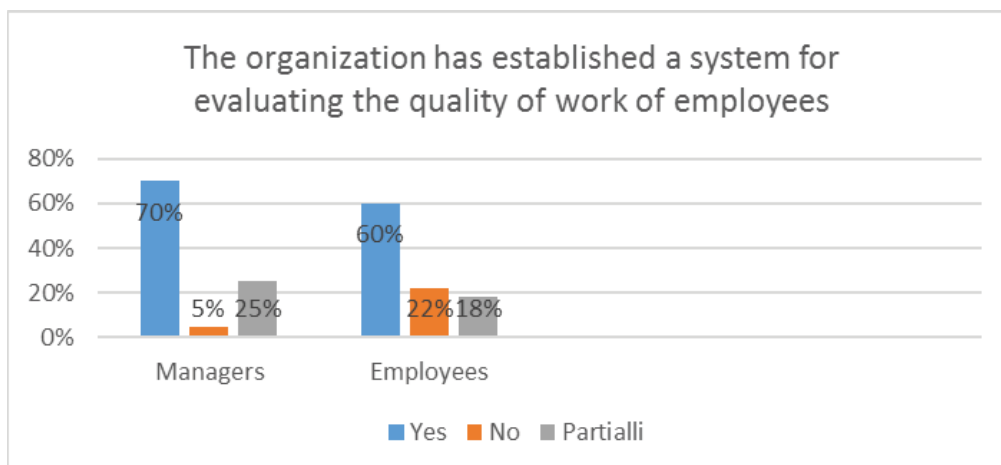
Of the total 145 employees surveyed, 54 (37%) responded affirmatively, 15 (10%) responded negatively, 76 (53%) said that the system of effectively managing human resources partially meets standards. From a total of 40 managers, 35 (87%) said yes, 5 (13%) answered in part.

The proposition: In your organization are elected the appropriate strategies to permanently improve the competence of employees in service at competitive organizational performance.



Of the total 145 employees surveyed, 51 (35%) responded affirmatively, 32 (22%) responded negatively, 62 (43%) said that strategies to improve the competence of human resources partially meets standards. From a total of 40 managers, 32 (80%) said yes, 8 (20%) answered in part.

The proposition: The organization has established a system for evaluating the quality of work of employees



Of the total 145 employees surveyed, 87 (60%) responded affirmatively, 32 (22%) responded negatively, 26 (18%) said that the system for evaluating the quality of work of human resources partially meets standards. From a total of 40 managers, 28 (70%) said yes, two (5%) said no, partially responded 10th (25%).

3.2. Qualitative analysis and proof of the hypothesis

In order to prove the hypothesis in the paper, a qualitative data analysis made. Based on the answers to the questions from the questionnaire is done grouping of data with the procedure of expressing the percentage of responses in order to firstly prove the independent and dependent variables, so we can prove the hypotheses.

Qualitative analysis will be realized by the percentage indicators of statements according to the scale of views.

The answers to the questionnaire are properly grouped in a way that will contribute to prove each individual case, i.e. in accordance with the set variables the percentage is calculated in parts.

Proving X 1: Creating an effective strategy for an efficient management of human resources

Independent variable 1: Creating an effective strategy for managing human resource

The independent variable was developed through the analysis in all sectors of organizations to consider the views of employees in whether managers involve employees in the process of creating a strategy for managing human resources and recognition of the importance of participatory creation of an effective strategy for managing human resources. According to the processed results of the survey the practice of participation in the management of human resources in organizations is checked.

For the independent variable 1 is considered statements 1.2

In the scale of attitudes of managers, the proposition no. **1. Your organization has created an effective strategy for managing human resources** on a scale of attitudes, 32 of the 40 managers, the attitude in the process of creating a strategy for managing human resources apply participatory model, 8 managers with attitude that partially implement participatory model suggesting that large percentage of surveyed managers apply participatory model. The proposition no. **2. The employees implement the**

standards incorporated in the strategy for managing human resources, the scale of positions, 27 of the 40 managers stated that in the process of working to implement standards for managing human resources, 13 managers stated that partially implemented standards, which indicates that a large percentage of surveyed managers stated that the standards for managing human resources are implemented.

The scale of attitudes of employees in sectors proposition no. **1. Your organization has created an effective strategy for managing human resources**, the scale of attitudes, of 145 respondents, 54 said yes, 70 of the respondents said that it is partially created, 21 of the respondents said that the organization has not created effective strategy for managing human resources. It is an indicator that indicates that a higher percentage of employees stated that the organization in which they work has created an effective strategy for managing human resources. The proposition no. **2. The employees implement the standards incorporated in the strategy for managing human resources** on a scale of attitudes, 71 employees implement the standards in operation, 56 employees partially applied standards, 18 of the employees do not apply the standards. It is an indicator that indicates that employees apply the standards in the working process.

The dependent variable 1. Effectively managing human resources

It was developed through the analysis in all sectors of organizations to consider the views of employees in effectively managing human resources.

1. For the dependent variable considering proposition: 1

The proposition no. 1. In the organization man manage resources effectively :, scale of attitudes, 76 employees have a positive attitude, 52 believe that the management of human resources is partially effective, 17 of respondents composition that management is not effective. It is an indicator which indicates that organizations manage human resources effectively.

From the foregoing it can be concluded that the attitude of managers and employees is that in organizations an effective strategy for effectively managing human resources is created. The views of employees are compatible with the assertion of managers regarding the application of the participatory model in the creation of the strategy and implementation of the standards defined in the strategy.

Based on qualitative analysis confirms Hypothesis 1

Creating an effective strategy for an efficient management of human resources

Proving X 2: Effective human resource management function at high organizational performance

Independent variable 2: Effective human resource management

The independent variable was developed through the analysis in all sectors of the organizations to gauge attitudes of managers and employees in the level of efficiency in the process of managing human resources. According to the processed results of the survey the level of efficiency are in the process of managing human resources in organizations is checked.

For the independent variable 2 examines proposition 3

In the scale of attitudes of managers, the proposition no. **3. In your organization there is a standardized system for effectively managing human resources aimed at high organizational performance** on a scale of attitudes, 27 of the 40 managers, state that there is a standardized system for managing human resources, 13 managers with attitude that standards are not fully incorporated in the system indicating that

large percentage of surveyed managers have a standardized system for an efficient management of human resources.

The scale of attitudes of employees in sectors proposition no. **3. In your organization there is a standardized system for effectively managing human resources aimed at high organizational performance**, the scale of the views of 145 respondents, 68 said yes, 58 of the respondents said that the standards are incorporated partially, 19 of the respondents said that the organization does not have defined standards for effectively managing human resources. It is an indicator that indicates that a higher percentage of employees stated that the organization in which they work has a standardized system for effectively managing human resources.

The dependent variable 2: High organizational performance

It was developed through the analysis in all sectors of organizations to consider the views of employees about the level of organizational performance

2. For the dependent variable considering the statement: 4

The proposition no. **4. The organization permanently maintains the level of profitability** :, scale views, 62 employees have a positive attitude, 64 believe that the level of organizational performance partially meets expectations, but in part, 19 of the respondents within the organization state that there is no High speed performance . It is an indicator which indicates that organizations have a high organizational performance.

From the foregoing it can be concluded that the attitude of managers and employees is that the organizations manage human resources is effectively which contributes to the existence of high organizational performance.

The views of employees are compatible with the assertion of managers in terms of efficiency of management of human resources in order to provide high organizational performance.

Based on qualitative analysis confirms Hypothesis 2

Effectively managing human resources aimed at high organizational performance

Proving X 3: Application of standardized instruments for evaluating the competence of human resources aimed at identifying performance improvement

The independent variable 3: Application of standardized instruments

The independent variable was developed through the analysis in all sectors of the organizations to gauge attitudes of managers and employees in the application of standardized instruments for evaluating the competence of human resources aimed at identifying performance improvement.

According to the processed results of the survey the level of implementation of standardized instruments for evaluating the competence of human resources is checked.

For the independent variable 3 reviews proposition 5

In the scale of attitudes of managers, the proposition no. **5. In your organization are applied standardized instruments for evaluating the competence of human resources**, the scale of attitudes, 35 out of 40 managers are arguing that apply standardized instruments for evaluating the competence of human resources,5 managers state partially applied, because all segments of evaluation don't have standardized evaluation tools, suggesting that large percentage of surveyed managers apply standardized instruments to evaluate the level of competence.

The scale of attitudes of employees in sectors proposition no. **5. In your organization are applied standardized instruments for evaluating the competence**

of human resources, the scale of attitudes, of 145 respondents, 54 said yes, 76 of respondents in part, 15 of the respondents said **the organization did not apply standardized instruments to evaluate the competence of human resources**. It is an indicator that indicates that a higher percentage of employees stated that the organization applies standardized instruments for evaluating the competence of human resources.

The dependent variable 3: Identify performance improvement

The dependent variable was developed through the analysis in all sectors of organizations to consider the views of employees for the quality of the evaluation of the competence of employees.

3. For the dependent variable considering proposition: 6

The proposition no. **6. Measuring the level of competency of employees is objective.**; scale of attitudes, 56 employees have a positive attitude, 74 believe that objectivity is partial in certain segments, but in part, 15 of the respondents say that it is not objectively. It is an indicator which indicates that in organizations objectivity in measuring competence human resources is high.

From the foregoing it can be concluded that the attitude of managers and employees is that organizations apply standardized instruments for evaluating the competence of employees.

The views of employees are compatible with the claim of managers regarding standardisation and objectivity in the process of evaluating the competence of employees.

Based on qualitative analysis confirms Hypothesis 3

Application of standardized instruments to evaluate the competence of human resources in the identification function to improve the performance

Proving X 4: Appropriate choice of strategies to permanently improve the competence of employees in service at competitive organizational performance

The independent variable 4: Appropriate choice of strategies to permanently improve the competence of employees

The independent variable was developed through the analysis in all sectors of the organizations to gauge attitudes of managers and employees in the appropriate choice of strategies to permanently improve the competence of employees.

According to the processed results of the survey the choice of strategies to permanently improve the competence employees is checked.

For the independent variable 4 examines proposition 7

In the scale of attitudes of managers, the proposition no. **7. In your organization shall be the appropriate choice of strategies for permanent improvement of the competence of employees in service at competitive organizational performance**, on a scale of attitudes, 32 out of 40 managers are arguing that appropriate strategies to improve the competence of employees is applied, 8 managers stated that there is partial application of appropriate strategies to improve competence, suggesting that large percentage of surveyed managers implement strategies for permanent improvement of the competence of employees.

The scale of attitudes of employees in sectors proposition no. **7. In your organization shall be the appropriate choice of strategies for permanent improvement of the competence of employees in service at competitive organizational performance**, the scale of the views of 145 respondents, 51 said yes, 62 of respondents in part, 32 of the respondents said that organization does not apply

appropriate strategies to improve the competence of employees. It is an indicator that indicates that a higher percentage of employees stated that the organization applies appropriate strategies to improve the competence of employees.

The dependent variable 4: Competitive organizational performance

The dependent variable was developed through the analysis in all sectors of organizations to consider the views of employees on the level of competitiveness of organizational performance.

4. For the dependent variable considering proposition: 8

The proposition no. **8. The organization has established a system for continuously evaluating the quality of work of employees**, on a scale of attitudes, 87 employees have a positive attitude, 26 believe that the system is partially resolved in specific segments, 32 of respondents with a negative attitude. It is an indicator which indicates that organizations have established a system for permanently evaluating the quality of work of employees who provide competing organizational performance.

From the foregoing it can be concluded that the attitude of managers and employees is that in organizations make the appropriate choice of strategies to permanently improve the competence of employees in service at competitive organizational performance

The views of employees are compatible with the assertion of managers regarding the appropriateness of strategies to improve the competence of employees in service at competitive organizational performance.

Based on qualitative analysis confirms Hypothesis 4

Appropriate selection of strategies to permanently improve the competence of employees in service at competitive organizational performance

Analysis and interpretation of the obtained indicators of the survey confirm the hypothesis: an organization that applies a strategic management of human resources through implementation of appropriate strategies to improve the competence of employees and standardized instruments for evaluating the competence of employees aimed at permanent improvement provides a competitive positioning and sustainable development.

Conclusion

Strategic human resource management is vital for competitive sustainability of organizations. Organizations in the Republic Macedonia are under a paradigm shift in the management of human resources. As the most valuable resource it must be that employees are managed using standardized tools to measure employee performance and implementation of appropriate strategies to improve operational competencies as competitive organizational performance. The indicators of the survey point to some inconsistencies in the quality of the strategy for managing human resources, especially in the segment of standardized instruments for evaluating employee performance and inconsistency in the application of strategies to permanently improve the competence of human resources function of the competitive organizational performance. In that context, it affirms the necessity of creating a quality strategy for managing human resources that will incorporate international standards for measuring the quality of performance aimed at permanently improving organizational performance. That

business trend should be accepted at the organization on a level of institutionalization, contributing to the competitive sustainability of organizations.

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INFLUENCE OF BUSINESS PLAN PREPARATION TO THE COMPETITIVE ADVANTAGE OF THE ENTERPRISE

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Abstract:

This paper presents adissection of the entrepreneurial skills parameters and the need for consistent application of structured business plan and their interdependence as a key prerequisite for achieving competitive advantage of a company .

Considering the postulates according to which the values of entrepreneurship and the competitiveness pillars are determined and included in the structure of a professional – maintainable business plan, this paper, using analytical methodological research, confirms the relationship and proves that the development and consistent adherence to business plan can have a critical impact on achieving competitive advantage of a company.

The arguments that corroborate the need to prepare and consistently apply a business plan if the company seeks to achieve competitive advantage ie, to overtake market position and attain strategic or short-term goals, were validated via analytical questionnaire, pooling hundred owners or CEOs of top companies from various areas and organizational structure.

Keywords: entrepreneur, entrepreneurship, competitiveness pillars of competitiveness, competitive advantage, business plan, strategy

Introduction

Enterprise management in modern conditions of work includes preparation and creation of a business plan, as an important document upon which the monitoring and the needs for changeable operation of the existing business or starting a new business is based.

The preparation of the business plan as well as its development and improvement is a strategy which the entrepreneur has to implement and realize, despite all the obstacles and deficiencies that may be encountered during operation. Quality developed business plan represents advantage in decision making related to taking risks in the work because it involves strategy of providing seed capital, potential investors, suppliers, customers, prediction and management of risks and is a guide to the final realization of the project.

The goal of this paper is to show that in the era of globalization, unpredictable competition and the presence of more competitive companies, the business planning or

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management of enterprise with pre-prepared document for strategic development and with at least, one-year business plan, above all, is inevitable for survival and prerequisite for competitive development.

1. Competitiveness

The Republic of Macedonia is a country under long-facing economic turbulences. If once the following rule was applicable: “to be successful in business, it is crucial to possess a large capital” nowadays, the basic rule says that the “being a successful means being different”. In time of global crisis, companies faced the challenge of increasing their competitive position in the market. The offer of products is growing every day and the market space is too small for them all. Undoubtedly, those who carry out real strategic steps and implement sensible economic measures can easily find their place in the market. Success possess those with the latest ideas, the ones that change the old with new, more modern and more affordable.

OECD – The International Organization for Economic Cooperation and Development, defines competitiveness as the ability of companies, industries, regions and nations to be exposed to international competition and to provide a relatively high income and based on the production factors to create a relatively high employment rate on a permanent basis⁵

Furthermore, in the European Commission's competition Report in 2003, the term competitiveness involves a high rise in the living standard of a nation with the lowest possible level of involuntary unemployment, on a sustainable basis. However, the economic theorists, support the definition that competitiveness is ability of an economy:⁶

- To sell enough products and services to meet external constraints,
- To have effective income in correlation with the level of aspirations of the country,
- In macro terms, the economic, ecological and social system to be observed as satisfactory by the citizens

According to the model represented by the renewed Harvard professor and expert in competitiveness M.E.Porter, there are four pillars of the competitive advantage, as follows:⁷

- Increased efficiency,
- Added value - enhanced quality
- Innovation and knowledge
- Meeting the market expectations - satisfying the expectations of consumers

To summarize, it is more than clear that every entrepreneur, businessman or executive, has reliable commitment to rely their work upon these four pillars and

⁵Bretschger Lucas; Hettich Frank; Globalization, Capital Mobility and Competition: Theory and Evidence for OECD, p. 12

⁶Velloso, Joao Paulo dos Reis, International Competitiveness and Creation of an Enabling Environment; Washington, D.C., World Bank, 1991, p. 29-36

⁷Porter Michael, Building the Microeconomic Foundations of Prosperity, Findings from the Business Competitiveness Index”, University Press, 2004, p. 34

guide themselves by strategically prepared documents and action plans through which, competitive business can be planned and developed. At the heart of these pillars of gaining competitive advantage properly prepared business plan and gained knowledge for business management, through realization, monitoring and plans control, unite.

2. Business Planning

The need to plan the activities of the company stems from the environment and its dynamics. The concept of business planning has its own evolutionary development. It has passed through many stages. Also more features that make up the nature of business planning can be emphasized. Above all, it is a mental activity of the managers, activity of thinking about the enterprise development.⁸

The plan is a sketch, a means to achieve the goal and it specifies the required schedules, tasks, resource allocation, and certain other activities. The objectives specify the future ends, whereas the present plans specify the means. The word planning usually incorporate both ideas, it determines the organizational goals and defines ways or means of achieving them .

The planning process begins with a formal vision and mission that defines the current or the desired position of the company directly linked to all employees and especially directed to the external public. Vision is the basis for strategic (company level) level of goals and plans, in which the tactical form (at the upper sectors and functions) and the operational level (the level of departments, divisions) of goals and plans, are being created both named as Mission. Top managers are usually responsible for setting strategic goals and objectives.

Tactical objectives and plans are responsibility of middle managers, at functional level. Operational plans identify specific procedures or processes required for the lower levels of the organization, such as individual departments, divisions, departments, employees. Managers at a lower level as well as the supervisors develop operational plans that focus on specific tasks and processes that help realize the goals of medium and high, tactical and strategic plans, thus achieving the mission of the enterprise.

3. Business plan

In the text above we proved the connection between the competitiveness and the planning which imposes as imperative for every contemporary entrepreneur and in order to design the competitive dimension for his company he has the key responsibility to work according certain written document – Business plan.

In order to ensure consistency in the process of preparation of the Business plan it is necessary to be used one universal matrix frame which contains the most necessary – basic elements that make this document valid and operative.

⁸Шуклев Бобек, Деловно планирање, 2-ро Изд. Економски факултет –Скопје, 1997

At the same time, during the preparation should be preserved the principle that argued and valid output can be obtained of the Business plan only when we rely on real input.

That means that should be preserved the following successive steps:

- Preliminary phase – conducting all the necessary researches and gathering of all relevant information arising from the individual domains – components of the business plan

- Incorporation in the completion of the information of all directly responsible persons in certain departments in which is treated the problem (Responsible for finances, Human resources, Marketing, Sales, Purchase)

- Writing
- Adoption
- Monitoring (control) and revision
- Review – reprogramming

The critical level of any Business plan is the preconditions and the possibility for making decision on the basis of previously determined course of the action. That means that the Plan, as far as wide, should be also specific, i.e. to represent formal document in which are specified and elaborate the concrete activities required for achieving the goals. Every business plan involves detailed specification and allocation of the resources and the actions required to be achieved the goals, supplemented with set of rules and procedures. In that way are specified the goals through quantitative and qualitative set tasks that need to be completed in certain time interval.

Although the plan is only one of the products of planning still it is the basic document in which the managers express their entrepreneurial ambitions and ideas, and on basis of that are determined the possibilities for achieving positive business results.

Every plan has operational component, because it defines the business in which the company will work the following one to three years. It can refer to certain field of activity of the company as whole or to its business unit.

The technical structure of the Business plan includes the following contents:

- Title
- Summary
- Statement for the vision – the strategic component and the mission of the company

- Market analysis
- Competition analyses
- Risks analysis
- Analysis of the products/services
- SWOT – analysis regarding the challenges and available resources
- Organizational structure and management team
- Marketing plan
- Plan for dealing with risks
- Financial plan
- Financial sections – consolidated balance sheets
- Additional contributions which can be support for its implementation:
 - Operational plan with specific tasks and responsibilities contrary to the expected results - goals that need to be achieved

- Procedures and treatments
- Quality management policy
- Elaborates/studies/researches

4. Research

The problem analyzed in this paper is: If the business plan is not prepared and implemented that reflects negatively to the company's competitiveness, i.e. whether having a business plan and consistent adherence to its tenets can result in gaining competitive advantage.

The general hypothesis established in the paper is the following:

If the company prepares and implements in its work a business plan than the competitive advantage of the company will be improved.

The research was conducted through a survey of a sample of 100 companies from a list of 200 most influential companies with proven export results and achieved a leading position on the domestic market. Also during the research are used already validated statistical parameters of similar research that can be taken in order to confirm the thesis (part of the performance of GEM and the analysis of the Ministry of Economy when creating industrial policy for RM in the period 2009 - 2014).

The survey research is conducted in the period from October to December 2013.

5. Results

According to the responses to the questions in the general data, with this research are covered 100 companies which are mostly export-oriented of which 25% or only 25 companies are small companies up to 50 employees, 67% are medium, the number of employees is to 400 people, and only 8% were large companies with over 400 employees.

By the form, 13 of them are registered and operate as a limited liability company with one owner, and all of them are of the group of small companies. 50% are limited liability companies with multiple owners, from which 12 are in the group of small and 38 are in the group of medium-sized companies. 35% are joint stock companies, and only 2 function as holding companies.

If we compare these data with the methodology implemented Entrepreneurship Monitor, it can be concluded that 63% of surveyed companies are led by entrepreneurs.

Table no.1 – Structure of the surveyed companies

| 1. Type / Structure of the surveyed companies | Number | Percentage |
|---|--------|------------|
| Small companies | 25 | 25% |
| Medium companied | 67 | 67% |
| Large companies | 8 | 8 |
| 2. Legal form | | |
| Ltd with one owner | 13 | 13% |
| Ltd with multiple owners | 50 | 50% |
| Joint stock company | 35 | 35% |
| Holding | 2 | 2% |

Analyzing the responses to the third question, about the period when their companies are governed in the work according to the management principles and use prepared business plan, we get the information that 28 of them work from the period of the nineties, 69 that work according to these principles since the beginning of 2000, only 3 companies work in the last 3-5 years. Cumulatively, 97% of the surveyed companies have over ten years experience working according to a prepared business plan, which proves the validity of the information we get in the further course of the research.

If analyzed the activities - industries in which are working surveyed enterprises, we get the following conclusion:

- 10% work in the tourism and hospitality
- 28% in the service - commercial activity
- 4% in the sector of ICT and
- 68% have their own primary production in various industries.

The results of the block questions related to the technological readiness, are directly linked to the achievement of the level of competitiveness, as shown from the theoretical display which directly points out that technological readiness is one of the key pillars of competitiveness. I.e., the level of technological development, implementation and use of modern technology, are key preconditions for competitive growth and preconditions for further progress through innovations and introducing innovation in business.

As to the answers to the question *whether companies have certain standards that guide their work* (see table no. 2) it can be concluded that companies have realized the importance of the implemented standard, which in the open market is a very important tool for comparing the developmental level of the company with other companies present in the market that actually represent one of the key predispositions for obtaining competitive advantage.

Table no. 2 – Representation of the international quality standards

| No. | Name of the international quality standard | Number of companies who own it |
|-----|--|--------------------------------|
| 1 | ISO 9001:2008 (or similar) | 100 |
| 2 | HACCP | 35 |
| 3 | ISO 14000 | 23 |
| 4 | BRS | 2 |
| 5 | CMMI | 1 |
| 6 | Other specialized standards | 15 |

The tenth question about the average age of their technological - production park, 73 companies responded that their activity is related to technological progress of the manufacture or production or they possess certain mechanical - technological installations and pointed out the average age. Of these, taken as the mean value, 23% responded that they had the most modern equipment with an average age up to 3 years, 41% that the technology and the machines they use are an average age of 5 years, 27% have used ten years old equipment, 4% are working using equipment up to 15 years old, and only 2% coming from the construction industry, said that their machines are more than 15 years.

Cumulatively speaking, 64% of the companies who said they have or use certain production equipment and machinery, are working on the most modern technology, not older than 5 years. That in itself shows that they invest in the application of new technologies, which is also a precondition for achieving a competitive advantage.

All surveyed companies said that they have their own distinctive product (products) - brands that are exported and that "compete" in the global competitive market, it can be concluded that inventiveness and innovation in the creation and development of own brands, is a significant competitive characteristic of these companies.

Additionally, the level of its technological readiness, the companies confirmed by the replies to the thirteen question, where 95% reported that business processes are managed using an integrated software solution (ERP- Enterprise Resource Planning).

And according to the aggregate responses to the last questions, 14th and 15th of this set of questions that are directly related to the educational level of the management structure, it can be concluded that the companies value and position the knowledge and expertise especially of the management team. Namely, 34% said they have employed PhDs and 89% masters working on relevant positions related to their academic and scientific titles.

In the display below, as an illustration of the particular market positioning of the surveyed companies are shifting their responses for the financial indicators, which are expressed as mean values and indicate the following:

- Revenues from exports in the last years have recorded continuous growth in terms of revenue from the domestic market. (Once their products are exported with a pronounced tendency means that they are competitive and acceptable on the open market)
 - Have a continuous growth in overall revenues at an average rate of 14.5%
 - Their investments in innovation and introducing of innovative approaches in the work recorded an average rate of 3.4% which, recognized according to the reports of the WEF global competitiveness, ranks us in the top of the Southeast Europe.
 - Have an average rate of 18.32%, with a growing tendency to invest in new technologies and equipment which means that they modernize rapidly catching up with the developed European technology companies to achieve the desired competitive advantage.
 - The companies from year to year are significantly increasing the percentage in continuous investment in raising the skills and knowledge of their employees and invest in training, coaching and professional development average 2.46 of their income and also they record a rate of 3.96% in appropriations for direct stimulation and motivation of the employees, taking them in a line of advanced companies that base their economic development on knowledge and motivated human resources.
 - In the promotion and presentation, creating of contemporary look of their brands and increase of their competitiveness, the companies in the last 5 years have a cumulative average rate of 22.66% of direct investments.

Movement of revenues from the domestic market and exports for the period 2009-2013 is shown in Table 3, while the total revenue growth in the last 4 years is shown in Table 4th



Figure no. 1 - Movement in the ratio of revenues from domestic and foreign markets

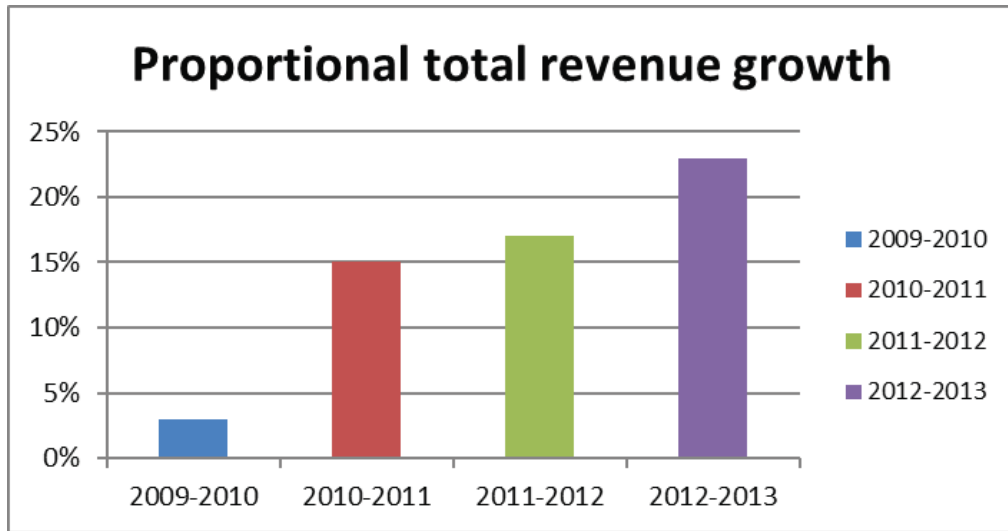


Figure no.24 - Monitoring of total revenue growth in the last 4 years

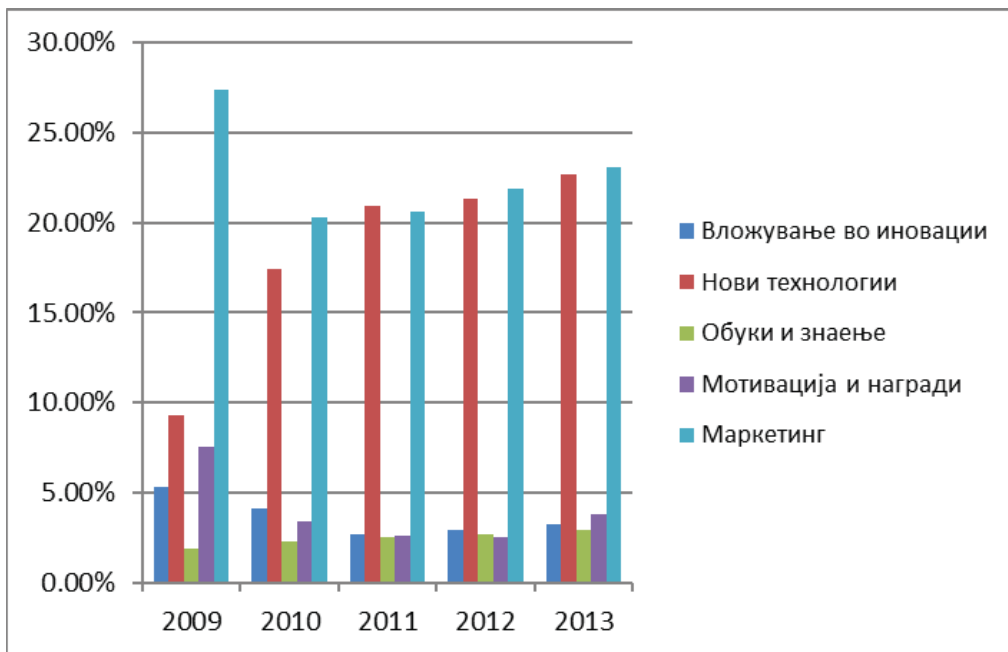


Figure no. 3 – Monitoring of the percentage allocations of net income for segments that directly impact on achieving competitive advantage

From the analysis of the answers to the previous questions, can be drawn conclusions that the companies that mostly are run by managers with entrepreneurial experience, recognize the components that determine the basis of competitive conditions, they are investing in stimulating innovation, invest in new technologies and standards, constantly improve human resources, turning them into human capital and develop the following creation and promotion of own brands from whose sales on the open market, they record significant revenues.

The analysis of the last group of responses, confirms the place and the importance that the business plan has in the management of results, at the surveyed companies, led to the achievement of the desired - planned competitiveness.

Thus, all 100 companies to the nineteenth question - whether companies operate or not operate according to business plan, said that they prepare business plans.

Responding to question 20, about how many years continuously in order to organize their work, they develop business plans, 71% reported that over 15 years they develop business plan and 34% said they plan business over the last 5 to 15 years, and only 5% said they do so in the last 5 years. If these answers are compared with data for the existences of the surveyed companies it is indicated that 83.7% of them develop business plans since their foundation.

This percentage almost coincides with the percentage of responses from twenty-first question, of which 85% responded that during their work they strictly adhere to the parameters of their business plans.

Also, these 85 companies responding to the twenty-second question confirmed that their business plans are accompanied by developing appropriate operational - action plans detailing the tasks, expectations, resources and analyze potential risks in the operation.

Table no. 3 - Period for continuous working according to business plan

| | |
|------|---|
| 100% | Of surveyed companies made a business plan each year and are guided by it |
| 71% | Of surveyed companies made business plan continuously over 15 years. |
| 34% | Of surveyed companies made business plan continuously in the last 15 years. |
| 5% | Of surveyed companies made business plan continuously in the last 5 years. |
| 85% | Strictly adhere to the parameters of the prepared business plan |
| 15% | Adhere, but not very strictly to business plan |
| 0% | Do not adhere at all |
| 85% | Prepare operational and action plans |

In order to determine in more detail the aspects that show the dependence i.e. the undertake responsibility of the companies to adhere to the parameters of the business plan, the surveyed companies answered to the twenty-third question, and as the most popular tools for traceability, have emphasized:

- Maintenance of regular monthly / weekly / daily meetings - 100%
- Analysis of financial indicators -100%
- Reports on the level of customers satisfaction - 100%
- Analysis of current reports - 93%
- Analysis of market moving 73%
- Analysis of not financial indicators is monitored only by 43%
- And in addition, 63% reported that they monitor the information relating to risk factors and changes i.e. deviations that occurred outside the planning.

For the importance of a business plan in their work are speaking the answers to the twenty-fourth question where 85% said they have a practice to review the business plan. Of those companies that still carry out a revision of the business plans, the next question, responding for the cycles of revision, all (85 companies) indicated that they

do it in the regular quarterly, semi annual and annual cycles, and 74% that they make a revision when certain changes occur or if appear additional - unplanned needs.

According to the responses of the twenty-sixth and twenty-seventh questions, can be said that at 64% of surveyed companies during the preparation of business plans is included a larger group of responsible people, managers of divisions, departments and directorates, i.e. 62% of the surveyed companies reported that the business plan and its parameters is presented to all employees, while 38% pointed out that the content and expectations of the business plans are presented only to the responsible – members of the management team.

However, the most significant conclusions that confirm the impact of the business plan on achieving competitiveness can be seen from the answers to the following questions.

Namely, to the twenty-eighth question, all 100 surveyed companies said that they believe in the usefulness of the business plan and in terms of that to closely determine in which segments they recognize that utility in the twenty-ninth question, expressed in mean values, they pointed out:

- Gives a detailed overview of the current state versus planned results 100%
- Provides practical achievement of the desired goals 100%
- Sets and provides the competitive position - allows competitive growth of the company 93%
- Shows the conditions of utilization and development of the workforce - 93%
- Has a key influence on the realization of the planned growth and enterprise development - 89%
- Designs and monitors the development and the progress of the technological process - 85%
- Intercept the risks -85%
- Provides agility and adaptation of the company to the changes - 83%

In order to check whether the working according to business plan has any negativity to the working of the company, we set the following thirty question to which:

- 83% said that disadvantages are negligible compared to the benefits,
- 23% said they weighed down by large bureaucracy
- 23% increases the stress in work
- only 15% indicated that they suffer certain budgetary limitations.

Taking into consideration that the questionnaire is filled out by the owners or CEOs of hundred Macedonian companies in last question is checked their direct link with the key principles of management according to pre-prepared business plan and were received the following answers:

- 65% of executives or owners, when making strategic decisions are often guided by indicators of the business plan,
- 34% said they use personal managerial and experiential intuition, but also rely on the parameters derived from the business plan, and
- Only one (1) executive manager pointed out that in making strategic decisions is guided by their own managerial intuition.

Conclusion

The principles of planning, the role and the importance of the business plan, from the results of the survey we can conclude that, using the business plan and adhering to its

basic parameters, the companies reach their long-term competitiveness and strengthen their competitive positions in the open market, building recognizable values at most complicated consumers;

Competitiveness is planned through planned investments in technology, innovation, human resources, creation of recognizable brands, following the planned success. The success is planned and described in a business plan whose parameters and indicators are ranging competitiveness.

Successful companies work according to established business plan and subsequent operating and actions plans and mostly consistently adhere to the schedule. Through the business plan they anticipate the risks and intercept the changes, and through the revision, they redefine the strategy and tactics for achieving competitive advantage. A business plan has a critical impact on the achievement of competitive advantage.

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POSSIBILITIES FOR APPLICATION OF MODERN APPROACHES OF LEADERSHIP IN NURSING HOMES

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Abstract:

The motive for writing a research paper titled “Possibilities for application of modern approaches of leadership in nursing homes” originates from the long-term problems in our society, which results from certain ambiguities in our health system, especially in the part that refers to treatment and taking care of old people in nursing homes in the country and the organizational setting of the management of these nursing homes, as well as the most important segment and that is the leadership skills and competences of the employed, who are on leading positions, which are necessary for efficient management of the nursing homes.

Key words; leadership, leadership competences, leadership capabilities, nursing homes, care, effective leader, health section, health institutions

1. Introduction

Health section today acts in a dynamic surrounding which implies the necessity for very frequent changes which basic aim is continuous promotion and adjustment of larger challenges. The challenges result from increased necessities, desires and demand of the beneficiaries that nursing homes offer from one side, but also the employees, funds and etc. The changes can be caused by themselves independently of our influence, although in that case there are no chances future to be inclined to us, that is the wanted image to be achieved and that is why leader is needed.

Ideas are necessary no matter of the risk and price. Classical approaches towards leadership are most commonly found in health section where there are also the nursing homes, that is the homes for treatment and care of old and exhausted people. Still, leadership as phenomenon follows the tendency of constant promotion and continuous studying, so it is constantly searched for new approaches and concepts which application can connect this institution strongly to the increased demands of the beneficiaries. The leader strives towards the success thinks as winner, so constantly seeks new and at the same time destroys the already existing concepts, regardless of the fact that new concepts are very frequently entrusted and seem hardly to be applicable in practice, but he sees a chance for long-term growth and institution development.

2. Distribution of leadership and expected results in nursing homes

There is large number of “success recepies” which could be applicable in the health section but also in nursing homes as part of the same. The larger number of them emphasize the importance of leadership, that is the necessity of strong leadership, but to achieve the above-mentioned is not easy that is not an easy task. The experience of the developed countries so far showed that the most successful health organization developed policy of behavior to all employed as to potential future leaders in their areas.

Although, the leader is connected most frequently to the formal leader role, some research suggests that in nursing homes as institutions there should be informal leaders. In large health systems employees every day, ten times per day are forced to make quickly complex decisions, very often with consequences of life or death. The orders and controls that leader obeys are very frequently unsustainable in such complex conditions and uncertain surrounding, that is to say very frequently it is impossible to confirm from the top the real decision in some situation, the distribution of leadership enables to the employed to reach strong decision on local level led by overall ideas and norms of the organization without the necessity of burdening with too much administration. Some of the most successful institutions refer to all employed as to potential leaders in their own areas.

3. Research

3.1. Positive effects from the distribution of leadership in institutions for taking care of old people

Conducted research showed that in the institution for taking care of old people that is in nursing homes there are frequently at least three different types of leaders: institutional/formal leaders, service leaders and leaders of first line.⁹

The first group of leader is occupied only formally on level of executive role they have wide knowledge from the area of leadership and management which means existence of so named hard skills, strategic thinking and planning but also such which in literature are named soft (negotiations and influence).

Characteristic for the institutional leaders is the manager of institution or assistant manager of institution.

The second group is characteristic by that it represents largely conspirators of their own team or departments (ward) in nursing home, but at the same time they are very conscious for the context and demand of the whole institution as organization. They have detailed knowledge on basis of relevant histories of clients and they introduce constant innovations in order to improve the services of the institution. They are responsible for the overall efficiency of the services such as clinical (which

⁹ Collabortive Leadership and Health from the Leadership Development National Excellence First in a series of Turning Point resources od Leadership development, Seattle, 2001

is liable for patients or clients) and financial (which is liable for the finances which are on disposal of the institution).

The third group of leaders are the health professionals who are focused on giving health care and care of clients or patents, but also following of the continuous improvement of the way in which the organization surveys the obtaining of the service (care of old sick or exhausted people) as their own liability. This type of leader solves problems on the move, but to achieve that he has to know the bases of the leadership, to develop consciousness of his personal style as well as to develop team work and to have developed consciousness for functioning of the system and techniques of quality improvement.

In the table in continuation the distribution of the leadership in nursing homes will be presented.

| | Total identity | Source of power | Necessity of knowledge and skills |
|-----------------------------|---|--|---|
| Institutional formal leader | Manager of whole institution or assistant manger No or exclusively small contact with patients | High credibility among colleagues as leader and critic Creates and faithfully communicates with vision | Corporate level of strategic thinking and planning management with talents and loss Influential politically capable with expressed skills for negotiation |
| Service leader | Passionate representative of his own service reliable for clinical and financial results with mediate contact with patients. | High creditability among colleagues primarily as health professor, well connected to employees at nursing home or with the team Innovative ready for taking of a risk | Expressed management capabilities Detailed knowledge of gerontology as well as knowledge of medicine based on proof on own areas of knowledge |
| Leader of first line | Totally focused on giving corresponding service to old and exhausted people (patients) and manager of the same Frequent direct contact with clients (patients) | Passionate in working as professional who creates high credibility among employees. When contacting with patients, feels the reality and easily sees the possibility for improvement | Complete understanding of the system and techniques for improvement of the quality of health treatment and care Good team player |

Source : Mountford, J., Webb C., When clinicians lead, The MckinseyQuarterly, Mckinsey and Company, February 2009

Observing all three categories in some nursing institution that is for treatment and care of old people or more precisely nursing homes of homes of old people, it is easy to notice that leadership is hierarchically organized, but all levels of hierarchy are important and necessary for good function of the institution. The institutional leaders are holders of the largest liability while the leaders of the first line are more numerous and represent key link for accomplishment of the vision of the institution using their everyday experience for constant improvement.¹⁰

Conclusion

In this paper an attempt was made who might be a leader in health section with special attention to the leaders in nursing homes. It is not completely excluded that some people are born as leaders, but they are in small number, also it is inevitable fact that leadership may and must be studied. It is necessary to invest a lot of effort, labor and self discipline in constant process, that is in continuous process of studying, development and skill management. In the health section where nursing homes are not exception that is homes for old people, leaders are needed who will constantly go ahead, who will show to their followers the real path and they will impose on that path embedded feeling of usefulness and passion to business working of their own that is the institution that they manage with.

In the paper it was also presented how leaders can be successful in management with nursing home, that is with the changes that they are faced with in everyday world, they must be capable to recognize the changes in working of the institution, to plan and lead the projected changes, to find the best way to overcome the problems that appear during the conduction of the changes and surely to be capable correspondingly to evaluate the effect of what was reached by certain changes .

To be leader and to conduct radical changes in the organization does not always mean popularity but sometimes means loneliness. With the focus to modern approaches of leadership, it was presented the possibility for their application in nursing homes. It was emphasized that modern leader who wants to achieve certain success must not fit in stereotypes, nor unexcused to insist towards realization of the newest trends of management and to understand the current situation of the institution and to dictate the approach which best and most certainly will fulfill his mission.

¹⁰ Mountford, J., Webb C., When clinicians lead, The MckinseyQuarterly, Mckinsey and Company, February 2009

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PREFERENCE ETHICAL AND SOCIALLY RESPONSIBLE CONDUCT OF BUSINESS COMPANIES

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Trajko Miceski

Abstract

Business ethics focuses on preference of ethical principles and ethical attitude toward the problems that arise in the work of a company.

Ethics assumes preference of the grounds on which a civilized society should develop. It applies to all areas of work of the company and largely determines its long-term survival and development. However, the way some enterprises operate, neglecting the ethical norms and responsibilities to society, not only has a critical impact on their long-term survival and development, but also adversely affects the plants and animals.

In this regard it should be pointed out that company which ignores the ethical norms and social responsibilities condemns itself to failure in its future work.

Therefore the company that wants to operate profitably in the future must make efforts to ensure long-term sustainability through obeying ethical standards and social responsibilities.

Keywords: ethical leadership, social responsibility, social reaction, performance, profitability

1. Introduction

Globalization and the increasing number of new companies in different areas in the world give new shape to the business world, both inside and outside, with a focus on stakeholders.

Regardless of their size, position or activity, the main aim of the companies is to gain the biggest possible profit, often followed by disrespect of ethical behavior and social responsibility. In recent years, however, the public pressure, the concepts of business ethics and regulations on corporate social responsibility have become not declarative only but operative, with promotion of acceptable behavior.

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A long-term analysis suggests that profit of the enterprises, as well as their survival, will increasingly depend on the preference of ethical norms and attitude towards social issues, especially in this information society, where information exchange is facilitated by new technology, so the news on unethical behavior of some company could spread across the continents in just a few hours.

For these reasons, ethical and socially responsible behavior must be present in the operation of the company and only with their support it will bring bigger profits.

2. Business ethics and its advantages

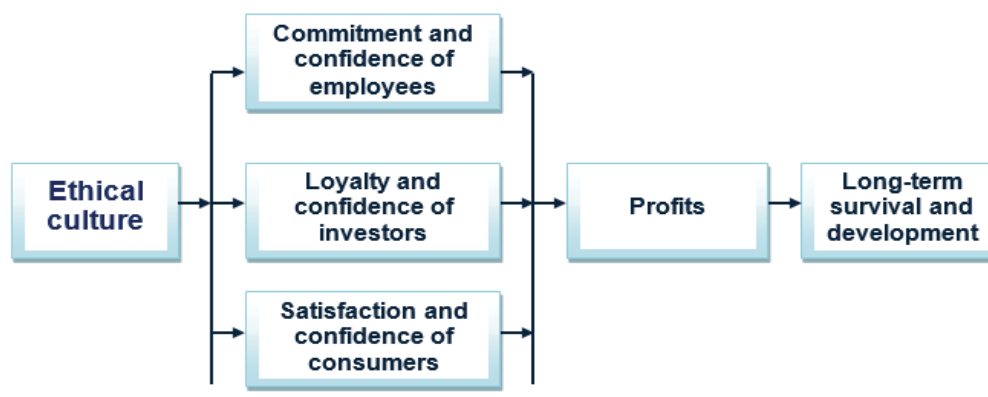
Business ethics is associated with preference of ethical principles in business activity and behavior. Business ethics actually involves harmonization of rules and principles of ethical values with business aspects of operations. There is an idea that business ethics is oxymoron, i.e. that there can be no ethics in business. Yet, this consideration cannot be accepted completely.

Many authors suggest that carrying out daily business activities requires a presence of basic ethical norms, such as honesty, confidentiality and cooperation².

Only satisfied customers, employees and investors can contribute to the increase of profitability and performances of the companies.

The impact of the ethics on company's performance is presented in Figure 1.

Figure 1. Influence of ethics on company viability



It is obvious that strong ethical culture of a company will contribute to increased commitment and confidence of employees, investors and consumers, thereby increasing the profitability and providing preconditions for long-term survival and development of the companies.

3. The significance of business ethics for the company and the stakeholders

The impact of business ethics is invaluable both for today and for tomorrow's survival and development of companies, and even more for the survival and development of people's lives and society as a whole.

Unethical behavior and ruthless self-interest may lead to collective disaster, because when one or more companies make a profit from unethical behavior, they withdraw other companies to behave in the same way, paying no attention to the effects of their actions on others and on society in general.

On the other hand, when companies behave ethically, it encourages other business partners to behave so in all spheres of activity. For example, when owners prefer ethical behavior toward employees, it is more likely that managers and employees will behave ethically with their customers and business partners.

Figure 2. Company's stakeholders



Keeping proper ethical concern for the stakeholders and their needs and expectations is necessary for spreading positive climate in all directions.

Different groups of stakeholders, in a sense, present a social approval to the companies to exist and develop, achieving their own goals.

4. Social responsibility of the company

The relevance of the issues of corporate social responsibility in business community becomes greater and greater and continues to grow from year to year.

Social responsibility requires from an individual to consider its actions in relation to the whole social system and holds him responsible for the effects of his actions in each part of the system⁶.

Social responsibility is obligation of the decision makers to take actions which will protect and promote the welfare of society as a whole, along with their own interests⁷.

This definition suggests two active components of social responsibility: protection and promotion. To protect the welfare of the society means to avoid negative impacts on society (e.g. to avoid environmental pollution). To promote the welfare of the society means to make benefit for the society.

The idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations⁸. Actually, it stresses the importance of economic goals along with legal duties and in the same time involves a wider conception of company's responsibilities. Its limitation comes from the fact that it fails to clarify which are the responsibilities that are beyond these duties.

Corporate social responsibility is primarily related to the realization of the results of corporate decisions on specific issues or problems which (according to some normative standard) have beneficial rather than adverse effects on the relevant corporate stakeholders. The legal correctness of the outcomes of corporate actions is the main focus of corporate social responsibility⁹.

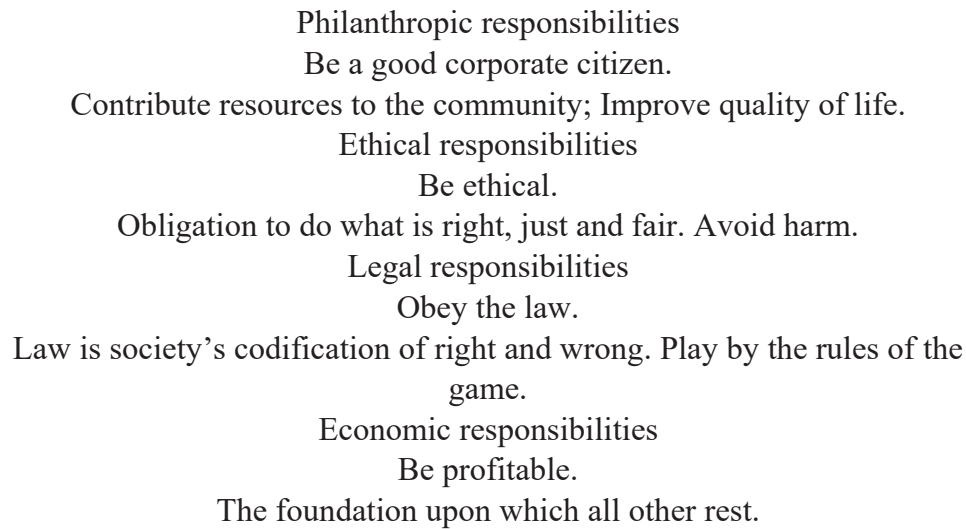
Corporate social responsibility includes economic, legal, ethical and discretionary (philanthropic) expectations that society has from the companies in a given time period¹⁰.

This four-component definition positions the economic and legal expectations of the companies in context with socially oriented aspects. These social aspects include ethical and philanthropic (voluntary / discretionary) responsibilities.

One of the most important responsibilities of a company is the *economic responsibility*. Companies primarily represent economic entities which basic role is to produce goods and services required by the society and to sell them at fair prices - prices which represent the true value of the delivered goods and services on one hand and, on the other, enable the companies to realize sufficient profits for their survival and development.

Another corporate responsibility is the *legal responsibility* which involves normative ethics and includes ideas for righteous practices set by the lawmakers. In last decades we all witnessed the enactment of numerous laws and regulations that tend to restrict the behavior of the subjects in the business sector.

Figure 3: Pyramid of corporate social responsibility¹¹



Ethical responsibility involves the compliance to norms, standards, values and expectations which the businesses, employees, shareholders, customers and the community believe that are fair, just and consistent with the moral rights of stakeholders¹².

Another component of social responsibility is the voluntary, discretionary or philanthropic responsibility. This responsibility reflects the expectations that society has from the companies. Generally speaking, companies that respect corporate social responsibility and apply it in practice perceive the pyramid as a whole. They are focused on finding the ways to be involved in decisions, policies, activities and practices that contribute simultaneously to all four components. Thus, the corporate social responsibility means simultaneous fulfillment of the economic, legal, ethical and philanthropic responsibility.

5. Empirical research

The aim of investigation was to look at the attitude towards ethical norms and social responsibility in some companies and business. The hypothesis was based on the claim that adherence to ethical standards and corporate social responsibility has a positive effect on their long-term survival and development.

To fulfill the objectives, a poll was conducted and statistical processing of data was made. The number of distributed questionnaires was 200, but fully answered and valid for further processing were 193 (31 by managers and 162 by employees and other respondents - customers and local authorities).

Statistical processing of data was accompanied by χ^2 -test and calculated values were compared with theoretical values, which helped us make a statement on the ethical and social responsibilities of the participating companies.

To investigate the manner in which preferred ethical norms of the company reflect on their employees, questionnaires were distributed, each composed of three possible answers.

6. Results of the investigation

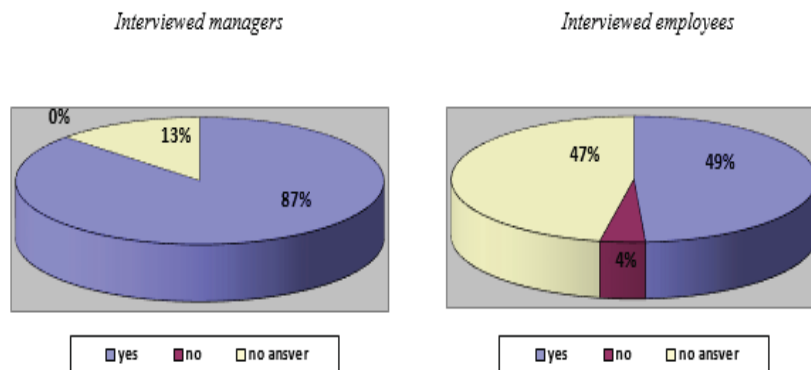
The results of the questionnaires are presented in tables, after which a detailed analysis was made of the answer to each question separately.

Processed data related to the first question (Does the manager equally treat all employees in a fair and ethical manner?) are presented in Table 1 and Figure 4.

Table 1. Does the manager equally treat all employees in a fair and ethical manner

| Question | Offered responses | Obtained responses | | | |
|---|-------------------|--------------------|-----|-----------|-----|
| | | Managers | | Employees | |
| | | Value | % | Value | % |
| 1. Does the manager equally treat all employees in a fair and ethical manner? | Yes | 27 | 87 | 79 | 49 |
| | No | 0 | 0 | 7 | 4 |
| | No answer | 4 | 13 | 75 | 47 |
| | Total | 31 | 100 | 161 | 100 |
| Calculated value of χ^2 test= 33,884 | | | | | |

Fig. 4. Does the manager equally treat all employees in a fair and ethical manner?



Processing of the responses to the first question, obtained separately from both groups of respondents (managers and employees) gave the following values for χ^2 test and the contingency coefficient:

$$x^2_{0,05} = 5,991 \text{ (tabular value)} < x^2_{0,05} = 33,884 \text{ (calculated value)}$$

$$C = 0,381 \text{ (calculated)}$$

Thus, the calculated value of x^2 is 33.884, which is higher than the tabulated value of x^2 for two degrees of freedom and 0.05 significance threshold, which means that the statements of the interviewed managers and employees do not coordinate.

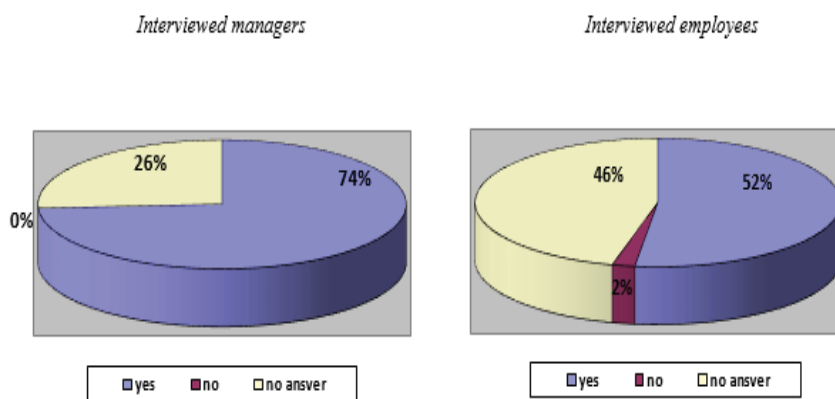
The contingency coefficient of 0.381 indicates the low intensity of interconnection between the applied ethical standards and socially responsible behavior from one side and commitment of the employees to their companies from the other.

The processed data related to the second question (Is the company involved in voluntary activities, donations, clean environment, green plantations etc.) are presented in Table 2 and Figure 5.

| Table 2. Is the company involved in voluntary activities, donations, clean environment, green plantations etc.? | | | | | |
|--|-------------------|--------------------|-----|--|-----|
| Question | Offered responses | Obtained responses | | | |
| | | Managers | | Employees, citizens, governments, etc. | |
| | | Value | % | Value | % |
| 2. Is the company involved in voluntary activities, donations, clean environment, green plantations etc.? | Yes | 23 | 74 | 81 | 52 |
| | No | 0 | 0 | 3 | 2 |
| | No answer | 8 | 26 | 73 | 46 |
| | Total | 31 | 100 | 157 | 100 |

Calculated value of x^2 test = 11,397

Fig. 5. Data obtained from the processed questionnaires



Processing the responses to the second question obtained separately from both groups of respondents (manager and employees, citizens, governments and other individuals), the following results were recorded:

$$x^2_{0,05} = 5,991 \text{ (tabular value)} < x^2_{0,05} = 11,397 \text{ (calculated value)}$$

$$C = 0,232 \text{ (calculated)}$$

The presented results reflect incoordination in the answers between the groups of respondents and low correlation between their statements.

Similar results were obtained with the third question (Are the company's products characterized by good quality, appropriate price and value for the consumers?), expressed by the following figures:

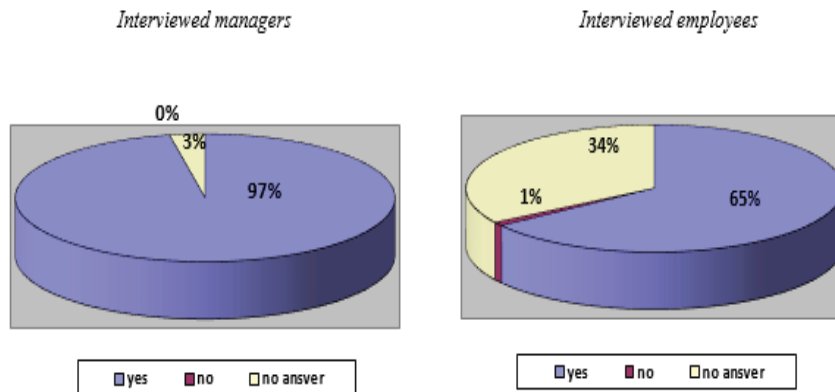
$$x^2_{0,05} = 5,991 \text{ (tabular value)} < x^2_{0,05} = 33,294 \text{ (calculated value)}$$

$$C = 0,378 \text{ (calculated)}$$

| Table 3. Are the company's products characterized by good quality, appropriate price and value for the consumers | | | | | |
|---|-------------------|--------------------|-----|--------------------------|-----|
| Question | Offered responses | Obtained responses | | | |
| | | Managers | | Consumers, clients, etc. | |
| | | Value | % | Value | % |
| 1. Are the company's products characterized by good quality, appropriate price and value for the consumers | Yes | 30 | 97 | 101 | 65 |
| | No | 0 | 0 | 2 | 1 |
| | No answer | 1 | 3 | 52 | 34 |
| | Total | 31 | 100 | 161 | 100 |

Calculated value of x^2 test = 33,294

Fig.6. Are the company's products characterized by good quality, appropriate price and value for the consumers?



The above figures reveal that managers gave optimistic answers, defending their products, while the consumers had no high opinion of those products.

In general, the processed data show big differences in responses between the two interviewed groups, confirmed by the fact that the calculated value of χ^2 test is higher than tabular value. It can be concluded that the main hypothesis, which assumes that companies adhering to ethical standards and social responsibility will have a good position, long-term development and better image, has not been fulfilled. It also indicates that managers and influential executives of the companies need more education to raise the ethical commitments and social responsibilities.

Conclusion

Ethical behavior and right attitude towards social responsibility leads to a long-term survival and development of a company and to improvement of its image. The benefits of ethical approach are manifested in relationships among employees, customers and society.

Creation of a strong ethical culture is a long and complex process which affects the overall operation and value creation in companies. Even the best created ethical culture, however, will experience some kind of degradation if it is not subject to continuous monitoring, interventions and constant improvement. Commitments to continuous improvement and development of ethical culture and ethical behavior are the most important prerequisites for establishment of a company which work is based on high ethical standards.

Based on scientific-theoretical and empirical research, we suggest several activities and courses of action related to the preference of ethical norms and respectability to social responsibilities in companies, e.g.: ethical behavior of top managers and other executives, conduction of trainings to increase ethical awareness, continuous information of employee about the advantages of ethical behavior, development of a system of ethical supervision to monitor the ethical (or possibly unethical) culture in the organization, providing preventive measures when ethical behavior and social responsibility are endangered and continuous improvement of ethical behavior and social responsibility.

Ethical behavior in long run gives good results in company's work and has a positive effect on its long-term survival and development.

For this reason, it is necessary to inform all employees about the benefits of ethical behavior on an ongoing basis in order to create and maintain their awareness regarding the importance of ethical behavior.

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THE STOCKS' BETA CALCULATION AT MSE

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Nadica Ivanovska
Zoran Narasanov

Abstract:

In this paper we provide accurate stocks' beta calculation using ten-year time-series of daily stocks' closing price at the Macedonian Stock Exchange (MSE). Beta calculation was performed using slope function as well as with regression analysis testing several stock returns. Our procedure of randomization was based on possibility to compare our results with previous Beta calculations. We find significant differences in results between slope calculation and regression although we used the same time period. Before making further conclusion we have test the necessity to calculate Beta coefficients at MSE having in mind that some authors argue that Beta=1 provides better results for stock valuation. We conclude that Beta coefficients at MSE are clearly not stable over the long period, thus we believe that time-varying beta calculation is definitely more preferable way to compute "accurate" betas.

Keywords: risk, return, beta, regression, valuation

Introduction

Capital market in the Republic of Macedonia is relatively young compared with stock-markets in developed countries. Macedonian Stock Exchange (MSE) was established in September 1995, but its real start was with the first ring of Stock-Exchange bells on 28 March 1996. MSE started on 01.11.2001 to calculate Macedonia Stock Exchange Index (MBI), which consists of five most liquid stocks at MSE. MBI was price not weighted index, and as a first index it finished its function as aggregate indicator for stock exchange movement quantification.

On 04.01.2005 new MSE index was introduced (MBI-10), as weighted average indicator. It enables using market capitalization more realistic following price movements at MSE. MBI-10 calculation is making in accordance with Methodology for MBI-10 calculation and it consists of ten quoted stocks on MSE Official market segment. Stock Index Committee regularly (two times per year) and ad-hoc (in special circumstances) make update of MBI-10 structure in accordance with market conditions. With the start of MBI-10 calculation, MSE stopped MBI calculation. Starting from 2006, MSE regularly calculates Bond Price Index (OMB).

MSE's short-history strongly affects securities valuation, due to the relatively short time series and impossibility to calculate betas that usually need long-term time series (more than 10 years). With the end of 2014, MBI-10 has experienced ten years

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history. This opportunity of having ten years data for MBI-10 daily closing prices motivates us to provide accurate beta coefficients for stocks that consists Macedonian Stock-Exchange Index.

Before presentation the result of our empirical findings, we would give brief overview of the nature of this emerging market through identification of key problems and limitations for MSE stocks' valuation. First, it is important to emphasize difficulties to make accurate calculations at MSE, especially for historical rate of returns for individual securities, companies' growth rates, industry averages and relevant profitability ratios that are necessary for valuation. Second, limited numbers of securities that are quoted and traded on MSE as well as the low liquidity of the market are additional factors that have significant influence on the process of valuation. Third identified problem and limitation for valuation due to the fact that Macedonia as a country is rarely included in international financial analysis and ratings, which seriously affect determination of the country risk premium. World well-known magazines like Economist, Euromoney etc. make regular ratings for country risk premiums for each country particularly. Country risk evaluation covers macro-economic, political, structural as well as evaluation of capital availability and country public debt analysis. Based upon such evaluations rating agencies derive countries averages. However, such derived data for the Republic of Macedonia and MSE missed. These are specialized and deep analysis of national economies, which cover all relevant risk indicators. Usually, such analyses are not publicly available which means that they have to be paid and they have relatively high prices. This makes perception of country risk premium more difficult. Macedonia is small market and world well-known rating agencies are not motivated to prepare regularly statements and to calculate indicators and ratios for Macedonia, as well as to forecast securities' price movements. Fourth, we have identified absence of relevant credit risk indicators, which together with all previously mentioned limitations negatively affects security valuation. Finally, analysts have problem due to the insufficient statistics of quoted companies. Moreover, the full absence or only limited existence of the basic indicators for quoted companies seriously affects valuation objectivity.

There are also other types of limitation, like insufficient scope of relevant research papers for transition economies. There are a lot of theoretical papers and empirical studies for beta coefficients and character of returns on developed markets, but on the other side, very limited number of such studies for emerging markets, like MSE. Moreover, while investors have significant experience and knowledge about behavior of the developed markets, similar experiences for emerging markets missed.

The basic task of this research is to overcome some of aforementioned problems and limitations for stock valuation at MSE.

The remainder of this paper is structured into three sections. In Section 1 we present theoretical review and tools used in research for derivation of stochastic parameters. Section 2 describes MSE stocks' beta calculation. The last Section 4 summarizes the main conclusions.

1. Literature Overview

The measure beta is an inevitable tool in portfolio management. The Capital Asset Pricing Model (CAPM) without beta is impossible (Lintner 1965), (Mossin 1966). Beta plays a prominent role in CAPM. Therefore, the usefulness of CAPM mainly depends on the authenticity of beta.

Beta coefficient is measure for market risk or systematic risk, risk that concerns to whole financial system. This is measure of sensitivity of stock's returns to returns of overall market (returns of stock-exchange index). This is important input for valuation, especially for CAPM model, to calculate required rate of return on a stock. Beta coefficient is calculated as covariance of a stock's return with market returns divided by variance of market return:

$$\beta = \frac{\text{Cov}(r_i, r_M)}{\text{Var}(r_M)} \quad \text{Eq.(1)}$$

A beta coefficient for the whole market is 1. If stock have beta = 1, it suggests that the stock has the same risk as the overall market A coefficient below 1 suggests a below average risk and return, while on the other hand a coefficient higher than 1 suggests an above average risk and return.

The Beta of a particular firm shows different values depending on the used parameters (A. Damodaran 1999). This mean that the stock-exchange index representing the market, the time period or the frequency used will result in different values for the Beta. Many studies have been undertaken to demonstrate that the actual estimation of this parameter according to the CAPM is not the best solution, including (Elsas, El-Shaer and Theissen 2003), (Fernández 2009). In his paper (Neves 2002), author argues that the index must have three characteristics: market portfolio should consist of the largest number of investments; the index should be adjusted from dividends; the index should not result from a simple average, but from a weighted average of the assets in the market. However, many analysts (Chamberlain 1983) argue that empirical results are identical with or without dividend adjustment. So, we use the data without being adjusted from dividends.

In his paper (Rouwenhorst 1998) argues that the factors that drive cross-sectional differences in expected stock returns in emerging equity markets are qualitatively similar to those that have been found in developed equity markets. In a sample of more than 1700 firms from 20 countries, he found that emerging market stocks exhibit momentum, small stocks outperform large stocks, and value stocks outperform growth stocks. There is no evidence that high beta stocks outperform low beta stocks.

Moreover, emerging market countries are particularly interesting because of their relative isolation from the capital markets of other countries (Rouwenhorst 1998). Therefore, he argues that the relative segmentation of emerging markets provides a unique opportunity to examine cross-sectional variation of stock returns: if the return factors found in a group of relatively isolated markets are the same as in developed markets, it becomes more likely that these factors are fundamentally related to the way in which investors set prices in financial markets around the world.

MSE was not previously considered in the literature considering stocks' beta calculation until 2007 (Kovacic, Forecasting volatility: Evidence from the Macedonian Stock Exchange 2007), where he derived his conclusions that volatility of MBI-10 returns series are characterized with volatility clustering.

2. MSE Stocks' Beta Calculation

Considering the fact that MSE is young and emerging stock-exchange, one of identified problems and limitations for stocks' valuation at MSE is market short history and the absence of historical averages for market risk premium and other historical data. With the end of 2014 we have got opportunity to analyze ten years data

for MBI-10 movements (MBI-10 official start is at 30.12.2004). We provide beta calculations for all ten stocks contained MBI-10 and MSE stocks' correlation and regression analysis as necessary tools for stocks' valuation and determine mutual dependence and correlation of stocks returns as tools for stock value forecast.

We use the limited sample of ten companies, quoted on official market segment of MSE and a representative of the various economic groups contained in the MBI-10 Index. The ten selected companies (ALK, BESK, GRNT, KMB, MPT, REPL, SBT, STIL, MTUR, TPFL) have significant stock market capitalization, influence in the MBI-10 and the traded volume at MSE. This also ensured that all economic groups represented in the MSE were under analysis. MSE was the main source of data through the official stock newsletters and annual reports. The time period of ten years allowed us to provide accurate beta coefficients using the daily closing prices of the traded stocks as well for MBI-10 for the period 30 December 2004 to 31 December 2014. The base data for MBI-10 is 30 December 2004 = 1000 (when MBI-10 index started).

After performed calculation of daily stock returns as well as stock market index returns, using slope function in Excel we determine beta coefficients for MSE stocks as follows:

Table 1 MSE stocks' Beta coefficients

| Stock | Beta |
|-------------|------|
| BESK | 0,70 |
| GRNT | 1,04 |
| KMB | 0,88 |
| MPT | 1,13 |
| REPL | 0,22 |
| SBT | 0,57 |
| STIL | 1,16 |
| MTUR | 0,35 |
| TPLF | 0,98 |
| ALK | 0,96 |

MBI-10 short history (time period of 10 years) is not long enough to provide accurate beta coefficients, but it was one of our limitations in this research. On the other side, fully aware of low reliability of using slope function in Excel we proceed with regression analysis testing several stock returns. Our procedure of randomization was based on possibility to compare our results with previous Beta calculations. We find significant differences in results between slope calculation and regression although we used the same time period (total 2.420 observations).

Table 2 Regression statistics for Beta (2005-2014) - Significance at the 95% confidence level

| 2005-2014 | ALK | KMB | GRNT | MPT | MTUR | SBT | TPLF |
|-----------|--------|-------|--------|-------|-------|-------|-------|
| Beta | 1,24 | 0,77 | 0,30 | 1,01 | 0,34 | 1,39 | 0,91 |
| R Squared | 0,97 | 0,80 | 0,92 | 0,39 | 0,09 | 0,54 | 0,32 |
| t-Stat | 249,18 | 82,26 | 140,73 | 33,81 | 13,32 | 45,00 | 29,06 |

In order to determine Beta coefficients stability over long-run we compare our findings with previously calculated Beta coefficients for period 2000-2006 (total 1201 observation) as follows:

Table 3 Regression statistics for Beta (2000-2006)

| 2000-2006 | ALK | KMB | GRNT | MPT | MTUR | SBT | TPLF |
|-----------|-------|-------|------|-------|------|------|------|
| Beta | 1,34 | 1,27 | 0,12 | 0,91 | 0,36 | 0,55 | 0,49 |
| R Squared | 0,59 | 0,37 | 0,22 | 0,27 | 0,06 | 0,09 | 0,13 |
| t-Stat | 22,41 | 14,24 | 9,96 | 11,41 | 4,86 | 5,94 | 7,03 |

Descriptive statistics of both analyzed periods is significantly different. It is important to make difference between some time series at MSE. Time period 2000-2006 was characterized with low volatility and high level of liquidity at MSE. As a result of the crises from 2008, MSE has experienced high volatility and very low level of liquidity until nowadays.

Before making further conclusion we have test the necessity to calculate Beta coefficients at MSE having in mind that some authors argue that Beta=1 provides better results for stock valuation.

In their paper (Fernandez and Bermejo 2009), authors compute the correlations of the annual stock returns (1989-2008) of the Dow Jones companies with a) βR_m ; and with b) R_m (R_m is the return of the S&P 500); and find that the second correlation (assuming beta = 1 for all companies) is higher than the first one, on average. They provide evidence that Beta = 1 works better than calculated betas!

Despite their results, Fernandez reports that 97.3 % of the professors that justify the betas use regressions, webs, databases, textbooks or papers, although many of them admit that calculated betas “are poorly measured and have many problems”. Only 0.9% of the professors justified the beta using exclusively personal judgment (named qualitative betas, common sense betas, intuitive betas, logical magnitude betas and own judgment betas by different professors).

We provide the correlations of the annual stock returns (2004-2014) of the MBI-10 companies using same methodology with: a) R_m (assuming beta = 1 for all companies); and with b) βR_m (R_m is the return of the MBI-10) in order to determine which correlation provide better results in average for all companies at MSE.

Using regression analysis we have determined correlation between stocks prices and MBI-10 (R_t , R_m) at MSE, as shown on following table:

Table 4 Correlation Coefficients at MSE (R_t, R_m)

| | ALK | BESK | GRNT | KMB | MPT | REPL | SBT | STIL | MTUR | TPFL | MBI-10 |
|--------|------|------|------|------|------|------|------|------|------|------|--------|
| ALK | 1,00 | | | | | | | | | | |
| BESK | 0,96 | 1,00 | | | | | | | | | |
| GRNT | 0,97 | 0,97 | 1,00 | | | | | | | | |
| KMB | 0,87 | 0,78 | 0,80 | 1,00 | | | | | | | |
| MPT | 0,97 | 0,96 | 0,97 | 0,84 | 1,00 | | | | | | |
| REPL | 0,86 | 0,89 | 0,91 | 0,77 | 0,86 | 1,00 | | | | | |
| SBT | 0,71 | 0,60 | 0,60 | 0,85 | 0,71 | 0,47 | 1,00 | | | | |
| STIL | 0,89 | 0,92 | 0,95 | 0,63 | 0,91 | 0,84 | 0,41 | 1,00 | | | |
| MTUR | 0,96 | 0,95 | 0,97 | 0,81 | 0,95 | 0,90 | 0,62 | 0,91 | 1,00 | | |
| TPFL | 0,96 | 0,97 | 0,96 | 0,78 | 0,95 | 0,83 | 0,63 | 0,91 | 0,94 | 1,00 | |
| MBI-10 | 0,42 | 0,33 | 0,32 | 0,67 | 0,47 | 0,29 | 0,81 | 0,13 | 0,31 | 0,31 | 1,00 |

We compute the correlations of the annual stock returns (2004-2014) of the MBI-10 companies with βR_m (R_m is the return of the MBI-10) and finally presents the difference with previous calculated correlation as follows on next tables:

Table 5 Correlation Coefficients at MSE ($R_t, \beta R_m$)

| | MBI-10 | ALK | BESK | GRNT | KMB | MPT | REPL | SBT | STIL | TPFL | MTUR |
|--------|--------|------|------|------|------|------|------|------|------|------|------|
| MBI-10 | 1,00 | | | | | | | | | | |
| ALK | 0,42 | 1,00 | | | | | | | | | |
| BESK | 0,33 | 0,30 | 1,00 | | | | | | | | |
| GRNT | 0,32 | 0,45 | 0,30 | 1,00 | | | | | | | |
| KMB | 0,67 | 0,46 | 0,21 | 0,32 | 1,00 | | | | | | |
| MPT | 0,47 | 0,46 | 0,31 | 0,42 | 0,36 | 1,00 | | | | | |
| REPL | 0,29 | 0,13 | 0,14 | 0,12 | 0,09 | 0,11 | 1,00 | | | | |
| SBT | 0,81 | 0,25 | 0,18 | 0,28 | 0,28 | 0,25 | 0,06 | 1,00 | | | |
| STIL | 0,13 | 0,29 | 0,19 | 0,27 | 0,16 | 0,23 | 0,09 | 0,13 | 1,00 | | |
| TPFL | 0,31 | 0,47 | 0,24 | 0,40 | 0,29 | 0,45 | 0,12 | 0,21 | 0,28 | 1,00 | |
| MTUR | 0,31 | 0,25 | 0,17 | 0,22 | 0,17 | 0,25 | 0,08 | 0,16 | 0,19 | 0,19 | 1,00 |

Table 6 Correlation Coefficients at MSE ($R_t, \beta R_m$), Correlation Coefficients at MSE (R_t, R_m) and difference

| | $R_t, \beta R_m$ | R_t, R_m | dif |
|-------|------------------|------------|--------|
| ALK | 0,42 | 0,42 | - |
| BESK | 0,33 | 0,33 | - 0,00 |
| GRNT | 0,32 | 0,32 | - |
| KMB | 0,67 | 0,67 | - 0,00 |
| MPT | 0,47 | 0,47 | - 0,00 |
| REPL | 0,29 | 0,29 | - |
| SBT | 0,81 | 0,81 | 0,00 |
| STILL | 0,13 | 0,13 | - |
| TPLF | 0,31 | 0,31 | - 0,00 |
| MTUR | 0,31 | 0,31 | 0,00 |

Presented results in previous tables lead us to conclusion that both correlations provide same results in average for all companies at MSE and that Beta=1 can be used for stock valuation at MSE.

Finally we conclude that Beta coefficients at MSE are clearly not stable over the long period, thus we believe that time-varying beta calculation is definitely more preferable way to compute “accurate” betas. Moreover, we believe that there is need to take into consideration stationarity of computed returns (Pagan and Schwert 1990), as our results might be distorted due to the non-stationarity problem. There is also a need to use more advanced techniques of time varying parameter models that are employed in the literature like in Faff (Faff, Hillier and Wood 2000) and Choudhry & Wu (Choudhry and Wu 2009) papers.

Conclusion

This paper contributes to the process of stocks’ valuation at MSE. In particular, we first give overview of key problems and limitations that affects securities valuation at MSE. The problems concerned MSE’s short-history and relatively short time series as well as insufficient statistics for quoted companies are very serious challenge for analysts at Macedonian stock market. This research has a task to overcome some of aforementioned limitations and provides for the first time calculation of beta coefficients at MSE using ten years data of MBI-10 daily closing prices. Data availability gave us opportunity to provide accurate beta coefficients for companies that contained MBI-10. Our findings were tested with regression analysis. We confirmed that the frequency of data used in analysis result in different values for the beta. Regression analysis provides different values for companies’ beta compared with our previous results from slope function.

However, calculations of the correlations of the annual stock returns (2004-2014) of the MBI-10 companies with a) R_m (assuming beta = 1 for all companies); and with b) βR_m lead us to conclusion that both correlations provide same results in average

for all companies at MSE. We argue that Beta=1 can be used for stock valuation at MSE.

Beta coefficients at MSE are clearly not stable over the long period, thus we believe that time-varying beta calculation is definitely more preferable way to compute "accurate" betas. Moreover, we believe that there is need to take into consideration stationarity of computed returns, as our results might be distorted due to the non-stationarity problem. This is possible directions for future research. This finding can be used for portfolio management at MSE.

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CAN SEX-SEGREGATION EXPLAIN THE GENDER PAY GAP IN EUROPE?

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Abstract:

The objectives of this paper are concentrated in investigating the sex-segregation by economic activity in the labour market and its relationship to the gender pay gap across Europe. Dissimilarity index is calculated and sectoral gender based segregation in EU during 2010 was on average 0.30, meaning that 30% of the employed population would need to change economic activity in order to have an equal distribution of men and women. The findings of cluster analysis showed the paradox that some countries like Luxemburg, Belgium, Poland have high dissimilarity indices and lowest percentage of gender pay gap or Scandinavian with the highest dissimilarity indices have gender pay gap around the mean on the European level.

Keywords: sex-segregation, gender pay gap, economic activity, dissimilarity index, Europe

Introduction

The differences in the labour market between the two sexes are recorded in various levels: men are getting paid more than women, they work more hours and their jobs are more highly esteemed than those of the women (Reskin and Bielby, 2005). The terms, sex-segregation and Gender Pay Gap (GPG) are dominating the area of gender inequality in the labour market and they are highly correlated between each other.

Sex-segregation is defined as the unequal distribution of men and women based on demographic characteristics across and within occupations, jobs or economic activities. In the literature, sex-segregation can be vertical (or hierarchical segregation) or horizontal. Vertical sex-segregation is defined as inequalities in the gender distribution between different responsibilities within the same sector or occupation. Horizontal sex-segregation is defined as the unequal distribution of women and men across various sectors of economic activities or occupations. For this study and from now on sex-segregation will denote horizontal sex-segregation across economic activities in EU. The unadjusted gender pay gap at EU level is defined as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. According to Eurostat (2013) “for the economy as a whole, women's gross hourly earnings were on average 16% below those of men in 2011 in the European Union (EU-27) as well as in the euro area (EA-17)”. This study aims to present the results on sex segregation and gender pay gap based on the Labour Force Survey of Eurostat 2010 data analysis.

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Bayard, Hellerstein, Neumark, and Troske (2003) claimed that sex-segregation in the labour market accounts for high percentage of the wage differences between women and men. According to Blau and Hendricks (1979) this phenomenon is viewed as a type of inequality between the two sexes. Since inequalities can only have negative consequences there is therefore a need to address the current situation and study the costs created.

This work aims to present the results of the data analysis based on the Labour Force Survey of Eurostat 2010 and is organized as follows: using the dataset created from Labour Force Survey data of Eurostat 2010, we firstly calculated and studied the Duncan and Duncan (1955) index for all economic activities across EU. Secondly, we identified the relationship between the calculated Duncan and Duncan index and the GPG of 2010. Finally, using cluster analysis we categorized the counties in EU.

The methodology used involves statistical tools such as cluster analysis and fundamental descriptive indices for measuring sex-segregation such as Duncan and Duncan dissimilarity index-D. These techniques helped us to formulate a comprehensive picture of the sex-segregation by economic activity in Europe and the reflection on gender inequalities.

The paper is structured with Section 2 presenting the literature review on sex-segregation, Section 3 describing the methodology used and database, Section 4 outlining the analysis conducted and the results, and finally Section 5 is discussing the conclusion.

1. Literature review

The concentration of women and men in different professions or sectors of economic activity differ. Horizontal segregation is understood as under (over) representation of a certain group in occupations or sectors not ordered by any criterion (Bettio and Verashchagina, 2009). But important for gender pay inequality is that women and men tend to work in different sectors and occupations that are not valued equally. In that way we can conclude that the over representation of man in a better paid occupations or sectors refer to gender horizontal segregation. Horizontal segregation is a constant in the labour market in all OECD countries (Rubery and Fagan, 1993; Anker, 1998; OECD, 1998). Jonung (1998) anticipates a maintaining or even an accentuation of the professional segmentation. According to Anker (1998) horizontal segregation is a nearly immutable and universal characteristic of contemporary socio-economic systems. It also explains a part of the gender pay gap (Blau and Ferber, 1987). The debate on the root causes of gender segregation in employment dates back to the 1970s, but it remains the point of reference to date despite the fact that so much has changed since then (Bettio and Verashchagina, 2009). Productive potential is affected by human capital broadly reflecting innate ability, education, training and work experience (Becker, 1964) and by individual or household preferences affecting both the development of human capital and the type of work done (Becker, 1981; Clark, 1997). For example, women who anticipate a career interruption due to maternity would invest less in education and formation. They accumulate less human capital than men which could prevent them from having access to occupations up the professional hierarchy (Mincer and Polachek, 1974). Women and men differ, both in terms of the jobs in which they work and in their responsibilities, but over time, women's skills have become more similar to men's. The occupations and industries in which men and women work have also become more similar. Given that women have

caught up with men and even surpassed them in terms of educational attainments, human capital theory is no longer powerful. Women's skills have become more similar to men's and the occupations and industries in which men and women work have also become more similar. The explanatory power of human capital theory has been questioned by several authors (England 1982, 1985; Corcoran et al. 1984; Rosenfeld 1984; Rosenfeld and Spenner 1992) for other reasons, despite the fact that the increase in women's educational attainments has undermined. Advanced technological changes, such as the expansion of information and communication technologies, have increased the growth of the service sector and the decline of industry. Technology tends to increase employment in the service sector where jobs are more accessible to women and to reduce employment in blue-collar jobs in industry that are more associated with the male workforce. The study "Education at a Glance 2009" shows that more women than ever successfully complete higher education and that the average female graduation rate in tertiary education in OECD countries is 46.9 percent, compared to 30.8 percent of the male graduation rate (OECD 2009). Since women's level of education has increased more than men's (and has even become superior to men's), the technological evolution has had a favorable impact on women's employment and it has accelerated their arrival in traditionally male careers.

Consequently, technological change has affected the professional composition of the female workforce (Black and Juhn 2000). Effectively, the concentration of women in some sectors tends to grow over time (Franco, 2007).

According to the ILO, women represent 40.4 percent of the worldwide workforce. However, that proportion is not reflected when investigating occupational groups within the various sectors: 46.3 percent of employed women work in the services sector, 35.4 percent in the agricultural sector and only 18.3 percent in the industrial sector (compared to 26.6 percent of employed men) (ILO 2009). The specific sectors in which women employees are the vast majority – secretaries, teachers and nurses – also are poorly paid work areas. And even within these jobs they are paid less than their male colleagues (IWPR 2009). This fundamental under-evaluation of women's work results basically from two facts. Firstly, women's primary responsibility for unpaid care work such as children, education and basic family services seems to channel them into similar working areas in the labour market (UNIFEM 2005). Some researchers refer to differences in occupations between women and men as the selection effect (Petersen and Snartland, 2004). The selection effect implies not only that women choose certain kinds of occupations, but that employers are favoring men over women by not adapting the work environment to suit both genders.

Bettio and Verashchagina, (2009) analyses the past trends using Hakim's (1992) classification of occupations into male-dominated, female-dominated and mixed. The analysis puts some flesh on the statistical bones. In line with expectations, between 1997 and 2007 mixed occupations increased in all the countries where segregation indices declined, and conversely. Four exceptions are the Czech Republic, Finland and France — where the past decade witnessed a remarkable increase in female-dominated occupations — and Germany, where the increase mainly affected male-dominated occupations. Across countries, change was more pronounced for male-dominated occupations, whose share decreased proportionately more. Looking at sectoral rather than occupational segregation makes some, though limited, differences to the above findings. The overall IP (the standardised or Karmel and MacLachlan index) value for the EU-27 at sectoral level is lower than the corresponding figure for

occupational segregation: 18.4 % in 2007 as opposed to 25.2 %. This drop in the value of the index is considerable, but it is also to be expected on account of the lower number of sectors than occupations. The 2007 ranking by countries shows that seven countries change group with respect to their ranking for occupational segregation, mainly from the 'high' to the 'middle' segregation group. However, the top four countries for occupational segregation are also found in the high sectoral segregation group, and conversely for the bottom four countries. Since 2001, sectoral segregation has displayed a somewhat more marked upward trend than occupation segregation, with an overall increase for the EU-27 of 1.2 percentage points. Only seven countries record a decrease. Desegregating countries include Austria, Portugal, Malta, Denmark, Sweden, the UK, the Netherlands and Slovenia, all of which except for Portugal having also experienced near stability or fast desegregation of occupations. Overall, these findings are not inconsistent with those for occupational segregation, but they confirm that not much information is gained by considering sectors (Bettio and Verashchagina, 2009).

The existing literature suggests large and persistent gender differences in the distribution of jobs typically performed by men and women in all regions of the world although, the degree of occupational horizontal segregation by gender has exhibited a substantial decrease in recent decades (Deutsch et al., 2002; Tzannatos, 1999; Baunach,

2002; Anker et al.; 2003, Semyonov and Jones, 1999).

Blackburn and Jarman (2005) note the paradoxical case for some developed countries (e.g., Sweden and Finland) of high levels of horizontal segregation by gender co-existing with high degrees of gender equality and small gender pay gaps. In short, they explain that although women and men enjoy equal access to education and training opportunities, female career paths tend to specialize in female dominated jobs where their access to managerial positions is higher. In this way, high levels of horizontal segregation may be possible with high levels of gender equality in terms of gender pay gaps and female representation in managerial positions. During the last decade new patterns have emerged (Bettio & Verashchagina 2009). The Nordic welfare states can no longer be regarded as the strongest gender segregated labour markets (Ellingsaeter 2013).

Historically there is paradox that some countries like Scandinavian have high dissimilarity indices and low percentage of gender pay gap. We try to continue in explanation by investigating official data, how much horizontal segregation can explain gender pay gap.

2. Methodology and data

During this study we have implemented a variety of techniques and methods in order to map the current situation in EU concerning the sex-segregation in various economic activities and its relationship with GPG.

The dissimilarity index, D , firstly introduced by Duncan and Duncan (1955) is a measure of "employment dissimilarity" that can be used to analyze employment differences between any two groups of workers. The index D ranges between 0 to 1, with 0 indicating identical distribution of workers (men and women) across sector or occupational categories and 1 indicating complete dissimilarity in the distribution of workers. In addition, this quantitative measure indicates the percentage of men or

women that have to change jobs for both groups to have the same inter-job distribution. The bigger the dissimilarity index, the bigger the sex-segregation.

In this study, D will denote the employment differences between men and women across economic activities in EU.

The index is defined as:
$$D = \frac{1}{2} \sum_{i=1}^k \left| \frac{W_i}{W} - \frac{M_i}{M} \right| \quad (1)$$

Where:

W_i : is the number of women in the i economic activity

W : is the total number of women in the sample/population for which the index of dissimilarity is being calculated.

M_i : is the number of men in the i economic activity

M : is the total number of men in the sample/population for which the index of dissimilarity is being calculated.

k: is the number of economic activities under study.

Duncan and Duncan index has advantages and disadvantages. Even though the index can determine sex-segregation, on the other hand it shows the percentage of people who have to change their job to balance the distribution of the workers; this percent is only expressed to the number of people of the same sex and not to the total number of workers. In addition, it is based on the hypothesis that there should be an equal distribution of men and women in every sector or occupation. For more on pros and cons of the indices see for example Massey and Denton (1987), Karmel and Maclachlan (1988), and Watts (1992).

Apart from the Duncan and Duncan index, cluster analysis has been engaged to further study sex-segregation and gender pay gap. Generally, the main objective of cluster analysis is to classify cases into relatively homogeneous groups based on one or more variables considered. The cases in each cluster are expected to be relatively similar in terms of these variable(s) and different from cases in other clusters. The resulting clusters should exhibit high internal (within-cluster) homogeneity and high external (between-cluster) heterogeneity. Cluster analysis is a methodology for quantifying the structural characteristics of a set of cases and is a descriptive rather than a statistical inference technique. No requirements on normality, linearity and homoscedasticity that are so important in other statistical techniques exist. The most important aspect that needs to be considered though is the representativeness of the sample, i.e., cluster analysis is only valid when the sample is representative of the population of interest.

The clustering procedure to be used here is the agglomerative hierarchical method (build-up method) where each object or case starts out as its own cluster and in subsequent steps, the two closest clusters (or cases) are combined into a new aggregate cluster, that reduces the number of clusters by one, step by step. The method to compute the clusters will be Ward's method and distance measure the Euclidean squared distance. Ward's method uses an analysis of variance approach by calculating the total sum of squared deviations from the mean of a cluster. As actually there is no best method to use for clustering, Ward's method and Euclidean squared distance has been chosen as the most efficient and used ones (Burns & Burns, 2009).

The main data source we have used to create the dataset is the Labour Force Survey (LFS) of 2010 Eurostat dataset. Specifically we have used 29 different

economic activities coded in NACE Rev. 2 (General industrial classification of economic activities within the European Communities). The series used were the number of employees by sex, economic activity and collective pay agreement (earn_ses10_01) and the mean hourly earnings by sex, economic activity and collective pay agreement [earn_ses10_12]

3. Analysis and results

In this section we present the results obtained using Duncan and Duncan dissimilarity index and cluster analysis according to how these have been described in Section 3.

Table 1 shows in descending order the calculated Duncan and Duncan index for 31 countries using definition (1) and the dataset of 2010. From Table 1 it is clear that Netherland and Denmark lie in the median of the set with D index 0.33. On average, sex-segregation in EU during 2010 was 0.30. The latter number says that 30% of the employed population would need to change economic activity in order to have an equal distribution of men and women among all economic activities. The country with the smallest value is Greece (0.23) and the country with the largest is Finland (0.41). The difference between the highest and the lowest D index for the 31 countries under study is 18 percentage points and the skewness of the distribution is only 0.070.

On the bottom of the list with the lowest D index and therefore the lowest sex-segregation are the Southern European countries Greece and Cyprus and ex socialist countries Romania, Bulgaria and Hungary. What is worth noticed is the fact that Scandinavian countries such as Finland, Sweden, Norway, Luxemburg, Belgium, Iceland, Luxemburg, Poland and Austria that are considered quite progressive demonstrate the highest D index among all and are on the top of the list. The rest of the countries are in the middle two clusters.

In the last column of Table 1 is presented the Gender Pay Gap in unadjusted and percent form - NACE Rev. 2 (structure of earnings survey methodology) for the year 2010 (Eurostat 2014). Even though Eurostat provides more recent data on GPG such as 2012, this dataset includes provisional numbers and in addition, no comparison between dissimilarity index and GPG would make sense if we use data from two different years. Using these given figures for the 31 countries listed in Table 1, the median for the 2010 GPG was 15.6%, which corresponds to France, while the average was 15.09%. Slovenia was the country with the smallest GPG, only 0.90%, and the country with the largest was Estonia (27.70%). The difference between the highest and the lowest GPG for the 31 countries under study is almost 27 percentage units and the skewness of the distribution is -0.424.

Table 1 *Duncan and Duncan dissimilarity index by economic activity and unadjusted gender per gay

| Country | ^a Duncan and Duncan Dissimilarity Index | ^a Cluster's Mean Dissimilarity Index | ^b Unadjusted GPG (%) |
|---------|--|---|---------------------------------|
| Finland | 0,41 | 0,38 | 20,3 |
| Sweden | 0,40 | | 15,4 |
| Norway | 0,39 | | 16,1 |

| | | | |
|----------------------------------|------|------|-------|
| Luxembourg | 0,38 | | 8,7 |
| Belgium | 0,38 | | 10,2 |
| Iceland | 0,37 | | 17,7 |
| Poland | 0,37 | | 4,5 |
| Austria | 0,36 | | 24,0 |
| Slovenia | 0,35 | 0.34 | 0,9 |
| Ireland | 0,35 | | 13,9 |
| Latvia | 0,34 | | 15,5 |
| Croatia | 0,34 | | 15,5 |
| Estonia | 0,34 | | 27,7 |
| Italy | 0,34 | | 5,3 |
| Netherlands | 0,33 | | 17,8 |
| Denmark | 0,33 | | 15,9 |
| Lithuania | 0,32 | | 14,6 |
| Slovakia | 0,31 | 0.30 | 19,6 |
| Switzerland | 0,31 | | 17,8 |
| Spain | 0,31 | | 16,2 |
| Germany | 0,30 | | 22,3 |
| France | 0,30 | | 15,6 |
| Malta | 0,30 | | 7,2 |
| United Kingdom | 0,30 | | 19,5 |
| Czech Republic | 0,29 | | 21,6 |
| Portugal | 0,29 | | 12,8 |
| Hungary | 0,27 | 0.25 | 17,6 |
| Bulgaria | 0,27 | | 13 |
| Romania | 0,25 | | 8,8 |
| Cyprus | 0,25 | | 16,8 |
| Greece | 0,23 | | 15 |
| Euro area (17 countries) | 0.30 | | 16.50 |
| European Union (27 countries) | 0.30 | | 16.20 |

Source: ^aAuthors' calculations, ^bEurostat (2014)

Note: countries are grouped by level of the D-index

When trying to explain the gender pay gap, we usually suggest that the gap is due to the human capital (differences in education, experience, motherhood etc.) and due to the “unexplained” factor which reflects the explicit discrimination. Two factors though, the fact that women and men are not employed in the same economic

activities and the fact that the jobs and sectors that women are employed in are less paid, are usually not considered. In other words, sex segregation is not taken in account when trying to explain the gender pay gap. Blau and Ferber (1987) claimed that horizontal sex-segregation explains a part of the gender pay gap. To find out if sectoral sex segregation can explain gender pay gap we perform cluster analysis using the hierarchical agglomeration Ward's method (distance measure: Squared Euclidean distance) with the two variables. Four clusters are differentiated. The first cluster differentiates the countries with the lowest GPG (mean GPG = 6.51) and high D index (mean = 0.34). In this group are countries with high D index like Luxemburg, Belgium, Poland and low GPG. In the second cluster are classified the countries with GPG around the mean on the European level (15.1) and D index starting with the highest 0.40 in Sweden and lowest in Greece 0.23. The third cluster differentiate the countries with the highest GPG (mean=23.9) and D index from 0.29 in Czech Republic and Austria with 0.36. The fourth cluster differentiates the countries with higher GPG than the mean (18.61) and D index starting from 0.27 for Hungary and Finland with the maximum D index of 0.41. The clusters are shown in Figure 1. To evaluate how dissimilar these four clusters are, we perform one way ANOVA. In order to do so a new variable is created in the data set which indicates the cluster that each country has been assigned. One way ANOVA that provides F-value 102.976 and p-value<0.0001 indicates that there is at least one significant difference among the groups' means and suggests that a post hoc analysis is needed to investigate which groups are similar and which are different. The most common post hoc test to use is Tukey's HSD (Honest Significant Difference) test. Given that the sample sizes of the four groups are unequal, the Harmonic Sample Size used is 6.395 and Tukey's HSD is found to be 0.01999 (). All mean differences between any two groups are greater than Tukey's HSD value and significant at 5% level of significance. Therefore all four groups are different between each other. Because the four group sample sizes are unequal and Tukey's test may not be reliable, we double check the results using also Scheffe's post hoc test. Scheffe's test as the most robust method of assessing the least significant difference between any two group shows again that all mean differences differ from zero significantly at 5% level of significance and therefore, as expected both post hoc tests' results coincide.

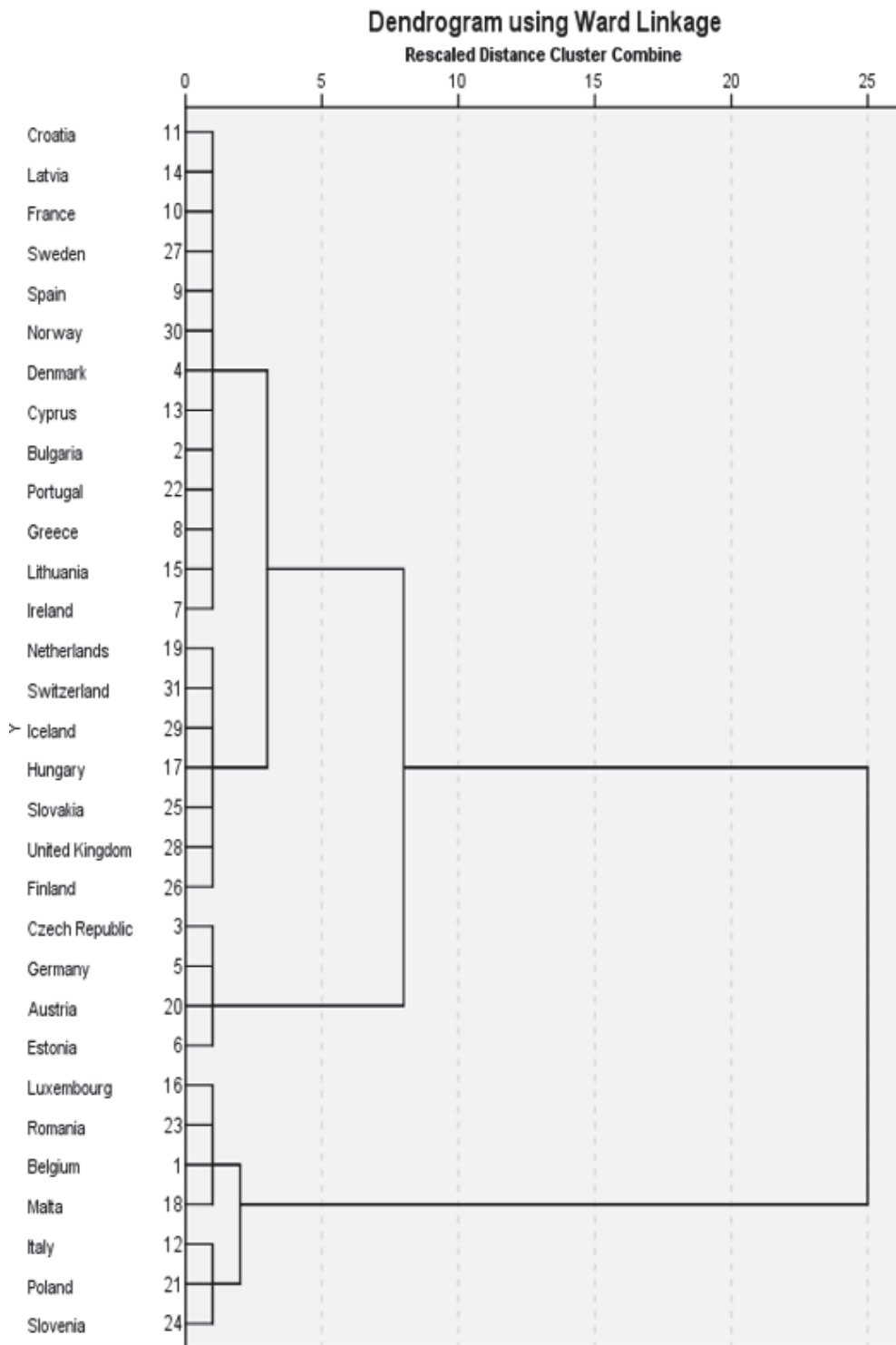


Figure 1. Dendrogram using Ward linkage
 Source: Authors' calculations,
 Note: countries are grouped by level of the D-index and GPG

Conclusion

As a general conclusion this study shows that sex-segregation by economic activity persists in all European countries. For the EU as a whole the level of sectoral, gender-based segregation measured by most commonly used dissimilarity index ID remains high or about 30 % of all people employed in 2010 would need to change the sector in order to bring about a gender-even distribution of employment. However, differences among countries are wide or there is a gap of about 18 percentage points in the D index between the most segregated and the least segregated country. The Nordic welfare states are still regarded as the strongest gender segregated labour markets. The five high-segregation countries are Finland, Sweden, Norway, Luxemburg and Belgium and the five low-segregation countries are Greece, Cyprus, Romania, Bulgaria and Hungary.

We tried to continue in explanation by investigating official data, how much horizontal or sectoral, gender-based segregation can explain gender pay gap. Cluster analysis differentiated four clusters. There is paradox that some countries like Luxemburg, Belgium, Poland have high dissimilarity indices and lowest percentage of gender pay gap or Scandinavian with the highest dissimilarity indices and gender pay gap is around the mean on the European level. These findings do not give explanation that high gender based segregation can be cause of gender pay gap. In this way, high levels of horizontal, sectoral, gender-based segregation may be possible with high levels of gender equality in terms of gender pay gaps and female representation in managerial positions.

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EXCLUDED YOUNG PEOPLE IN MACEDONIA FROM EDUCATION, TRAININGS AND EMPLOYMENT - WHY AND HOW TO INCLUDE THEM?

Blagica Novkovska³

Abstract

This paper report results of 10 years' dataset analysis concerning the young people aged 15-24 in Macedonia that are part of NEET (Not in Education, Employment or Training). Young people who are identified as a NEET are neither in employment nor in education or training and they are with very high risk of becoming vulnerable group for poverty and social exclusion. The status of these people is more and more important across Europe and their inclusion in the society is a policy goal at European level.

Here, the known results for EU are compared to the values for Macedonia obtained in this work. Thus, in the EU as a whole, NEET rates escalated to 12.0 % in the year 2015, while in Macedonia it reached enormous value of 24.7 % in the same year. It has been found that the female young people are with higher participation in NEET than the male one. In the same period at risk of poverty in EU in 2014 were 23.8 % of young people, while in Macedonia at risk of poverty were 28.3%. In the year 2015 in Macedonia only 17.3 % of young people aged 15-24 were employed, while in the same period 33 % of youth in the EU 28 were employed.

The analysis presented in the work will help to understand the real dimension of the exclusion of the young people in Macedonia and the challenges that influence the lives of this particularly important part of the population. Their participation in NEET can influence them for their entire life with grave individual consequences. Besides, it can also drastically degrade the socio-economic situation of the country. Namely, persons in NEET are susceptible to fall into the hidden economic sector where the productivity is markedly inferior to this of the regular sector, thus lowering the entire performance of the national economy. Data reported here urge the need for continuous and effective support to youth with the aim of providing sustainable inclusion of them in education and labour market. This inclusion needs long term strategies for increasing of youth skills, competencies and employability. These strategies have to be focused on effective training for performing auxiliary tasks related to the use of emerging technologies that are expected to be dominant in the 21st century, by creating new type of professional education.

Keywords: NEET rates, poverty, youth skills, labour market

Introduction

The unemployment between the young people is matter of deep concern for many countries (Gontkovičová, Mihalčová, and Pružinský, 2015, Marginean, 2014). Various policies aiming at its reduction are being proposed (Maguire, 2015). The focus of these policies is dominantly on educational improvements (Blinova, Bylina, and Rusanovskiy, 2015; Neamtu, 2015; Refrigeri and Aleandri, 2013), since they are expected to increase the chances for employment. The issue of young people aged 15-24 that are part of NEET (Not in Education, Employment or Training), is nowadays of particular interest for researchers (Spatarelu, 2015; Vasilea and Anghel, 2015).

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Determination of the size of NEET is particularly important in creating policies for reduction of youth unemployment. For reference, some methods to estimate the structure and size of the "NEET" youth are described in the work (Bălan, 2015).

With one of the highest youth unemployment rates in Europe and low employment rates among youth, the urgency of addressing the issue of youth position in Macedonia is greater than in many other countries. In the analysis of the challenges that are in front of this part of population particularly challengeable are young people that could not benefit from different forms of education or trainings and be well prepared for the future. Those young people who are identified as a NEET (are neither in employment nor in education or training) are with very high risk of becoming vulnerable group for poverty and social exclusion. There are many indicators (Filmer-Sankey, and McCrone, 2012) that show what is more influencing on some risk groups and why some young people become long time part of NEET: gender, ethnicity, socio-economic status of their families, special educational needs, cost of education as a risk of disconnection of young people from learning. There are many other risk factors connecting to the specifics of the countries. Mostly analyses of NEET are for the different age structures: 15 -19, 20 -24 or 15-24. Which age group will be analysed depends of countries laws that regulate education, available data and their quality as well as the purposes of the analysis.

In this paper was analyzed age structure 15-24 as part of NEET and the dynamic of the changes in the size of this group in connection to the recent changes in the educational system. Namely, since 2007 secondary education is mandatory, which is expected (under conditions of well targeted policies) to lead to lower NEET rates. Particularly important issue is whether the decrease of unemployment rate and increase of employment rate of youth resulted in reduction of NEET.

1. The socio-economic context

According to population estimates for 2015, Macedonia had 2 071278 Inhabitants and the ageing population is presenting an ever greater challenge for the country. Because of that treatment of young people is more challenging.

1.1. Labour market position of youth

The participation of the youth aged 15-24 in the total working age population is in the process of decreasing and in 2015 is 16.8%. At the same time the distribution of young people aged 15–24 in the country by economic status on labour market shows that 67.2 per cent are inactive, primarily due to continued educational attendance, 17.3% per cent are employed and 15.5 per cent are unemployed. Activities rates (activity rate, employment and unemployment rates)⁴ show that females are less active

⁴ Activity rate is the participation of the labor force in the working age population aged 15 years and over.

Employment rate: - according to the Statistical Office of the European Union (EUROSTAT) is participation of the number of employed in the working age population aged 15 - 64 years;

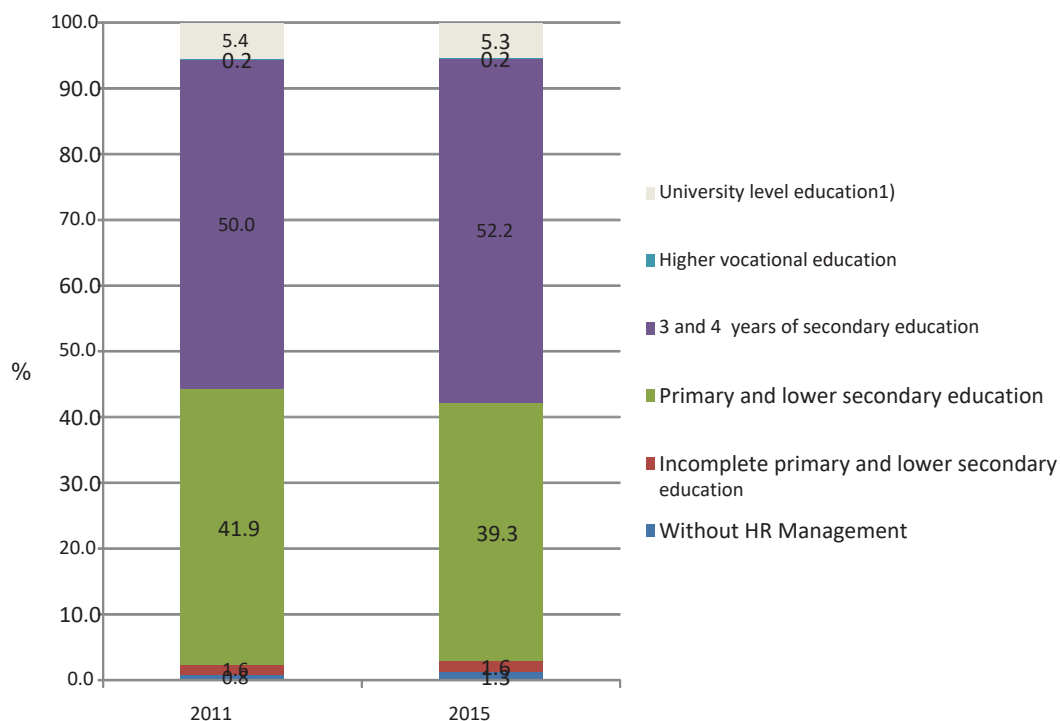
in the labour market and are less likely than men to face unemployment, meaning that women who have difficulty in finding a job stay out of the labour market rather than remaining in unemployment. Compared to the 2011 results, the employment rate of youth has increased (from 14.4 per cent to 17.3 per cent).

Table 1. Working Age Population, Activities Rates for Age Group 15-24

| Year | Working age population | Participation (working age 15-24 in total working age population) | Activity rate | Employment rate | Unemployment rate |
|------|------------------------|---|---------------|-----------------|-------------------|
| 2011 | 1 656 215 | 19.0 | 32,1 | 14.4 | 55.3 |
| 2012 | 1 669 965 | 18.2 | 33.6 | 15.5 | 53.9 |
| 2013 | 1 672 460 | 17.7 | 33.6 | 16.2 | 51.9 |
| 2014 | 1 673 494 | 17.5 | 32.4 | 15.2 | 53.1 |
| 2015 | 1 676 659 | 16.8 | 32.8 | 17.3 | 47.3 |

Data source: State Statistical Office of Macedonia, MAKStat database

However, for better understanding of the dynamic of changes of the status of young on the labour market, analysis is made over a period of 10 years.



University level education includes: university level education, Master's degree and Doctorate (Ph.D)

Figure 1. Distribution of working age population (15-24) by educational attainment, 2011 and 2015. Data source: Eurostat database

Unemployment rate is participation of the number of unemployed in the total labor force.

Compared to 2006, youth in 2015 in general are more active in the labour market, with higher shares of youth in both unemployment and employment. In both years, the inactive segment of the youth population is almost entirely comprised of those young people that are still in education, but among those who are inactive and out of school, the female share dominates. Differences in the distribution of youth across the main economic activities between the two compared years may reflect economic policies measures, recent economic growth but also a degree of positive impact resulting from recent policy measures in labour market and education sphere, for instance, active labour market policies (ALMPs) specific targeting of young unemployed, strategies for reduction of poverty, social inclusion policies etc.

Educational attainment. Position on labour market depends a lot from completed educational level of young people. In 2015 the largest share of youth has attained secondary level education (52.2 per cent of youth who have completed their education), with the majority in vocational education. The educational structure of the youth cohort is improved in the last 5 years except increasing of the number of young people without education comparing with 2011. The lower unemployment rates of youth with higher education compared to secondary level or below confirm that investing in education still has value in terms of finding work. In this situation the most critical question is the fact that approximately 3% of youth are without education or with incomplete primary education. At the same time the number of young persons treated as part of NEET is 24.7%.

There is a clear, positive link between the level of educational attainment and the relative wealth of the household: youth from poor families tend to achieve the lowest levels of education or be out of the education, thereby perpetuating a vicious circle of poverty. This situation requires policy-makers to pay specific attention to maintaining and adapting good education and training policies especially for the NEET group.

Unemployment. The unemployment rate of youth (age 15-24) in Macedonia was 47.3 per cent – in 2015 and it is well above that of EU countries. The EU- 28 countries average unemployment rate was 20.3 per cent in the same period. Although the rate is still among the highest in the world, it does demonstrate an improvement compared to the 2006 figure of 59.7 per cent. Unemployment clearly declines with increasing education, but not with well targeted trainings organized for unemployed persons or even without re-qualification programmes or trainings for less educated young unemployed persons. This conclusion is based on data for the NEET size in the same period. At the same time young people are faced with other problem, three out of four (77.8 per cent) unemployed youth have been searching for a job for over a year (long-term unemployment), which can have negative consequences in terms of skills erosion, financial losses and damaged self-esteem.

The observed increase in unemployment rate for EU 28 countries in 2015 compared to the year 2006 is result of the increase of number of member countries having higher unemployment rates (Bulgaria, Romania and Croatia).

Table 2. Unemployment rates by sex, age 15-24, percentage

| GEO/TIME | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EU 28, Total | | | | | | | | | | |
| (15-24) | 17.4 | 15.5 | 15.6 | 19.9 | 21.0 | 21.7 | 23.2 | 23.7 | 22.2 | 20.3 |
| Males | 17.1 | 15.2 | 15.7 | 21.0 | 21.8 | 22.3 | 23.9 | 24.3 | 22.9 | 21.0 |
| Females | 17.7 | 15.9 | 15.6 | 18.6 | 20.2 | 21.0 | 22.4 | 22.9 | 21.4 | 19.5 |
| Macedonia, | | | | | | | | | | |
| Total (15-24) | 59.7 | 57.7 | 56.4 | 55.1 | 53.7 | 55.3 | 53.9 | 51.9 | 53.1 | 47.3 |
| Males | 58.9 | 57.4 | 55.7 | 52.7 | 53.9 | 55.5 | 55.2 | 52.5 | 52.0 | 49.7 |
| Females | 60.9 | 58.2 | 57.4 | 59.4 | 53.3 | 54.8 | 51.8 | 51.0 | 55.0 | 43.3 |

Data source: Eurostat database

Employed youth. The employment rate of youth aged 15–24 in 2015 is 17.3 per cent. Approximately 80 per cent of the employed youth are salaried workers (employees) and others are contributing family workers, while very few are own-account workers and employers. The EU- 28 countries average employment rate was 30.3 per cent in the same period.

Young workers are mainly employed in the services sector, industry or in agriculture. An analysis of youth employments by skill structure shows that young workers are mainly working in low skilled occupations, followed by medium-skill jobs. Nevertheless, the occupational structure of their employment is much better than that of the overall employed population. Young women are more likely to work in higher skilled occupations, which partly reflects their higher educational attainment and partly the more limited range of occupations open to females in the country.

After several years of relatively high GDP growth, the real GDP growth started to decrease in the last quarter of 2008 as a result of the global financial and economic crises, followed by a period of negative growth in 2009. This period of economic crisis also led to a decrease in industrial production, although these developments did not exert a negative effect on the labour market. Growth has recovered from 2010 onwards and has shown a relatively strong performance, with the exception of 2012. With positive economic growth in the country over the past few years, the labour market in Macedonia has also shown positive trends.

Data on employment of young persons in the period from 2006 to 2015 show moderate changes or increase in employment of 3 per cents only, which indicates that educational structure of youth do not respond to the needs of the labour market.

Gender gaps. Young women are more highly educated than young men and yet are more likely than young men to remain outside the labour market. Among the economically active, young women face lower unemployment rates than young men (43.3 and 49.7 per cent, respectively).

Table 3. Employment rates by sex and age (total and 15-24) (%) in EU 28 and Macedonia

| GEO/TIME | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|------|------|------|------|------|
| EU 28 Total | 51.8 | 51.6 | 51.3 | 51.7 | 52.1 |
| EU 28 Total Males | 58.4 | 57.9 | 57.5 | 57.9 | 58.3 |
| EU 28 Total Females | 45.6 | 45.6 | 45.6 | 46.0 | 46.4 |
| Macedonia Total | 38.1 | 38.1 | 39.7 | 40.2 | 40.9 |
| Macedonia Total Males | 46.1 | 46.2 | 47.8 | 49.2 | 49.4 |
| Macedonia Total Females | 30.1 | 30.0 | 31.6 | 31.4 | 32.6 |
| EU 28 Total (15-24) | 33.3 | 32.5 | 32.1 | 32.4 | 33.0 |
| EU 28 Males (15-24) | 35.3 | 34.4 | 33.9 | 34.2 | 34.8 |
| EU 28 Females (15-24) | 31.2 | 30.5 | 30.2 | 30.5 | 31.2 |
| Macedonia Total (15-24) | 14.4 | 15.5 | 16.2 | 15.2 | 17.3 |
| Macedonia Males (15-24) | 17.7 | 18.1 | 18.9 | 18.9 | 20.2 |
| Macedonia Females (15-24) | 10.8 | 12.6 | 13.3 | 11.3 | 14.2 |

Data source: Eurostat database

Differences in occupation structures between the sexes also influence the average wages, which favour young women over young men, although the favourable wage gap only benefits women with tertiary education.

The labour market status of young persons in EU 28 and Macedonia in 2015 is shown on Figure 2. Gender discrepancies especially for unemployed persons are markedly visible.

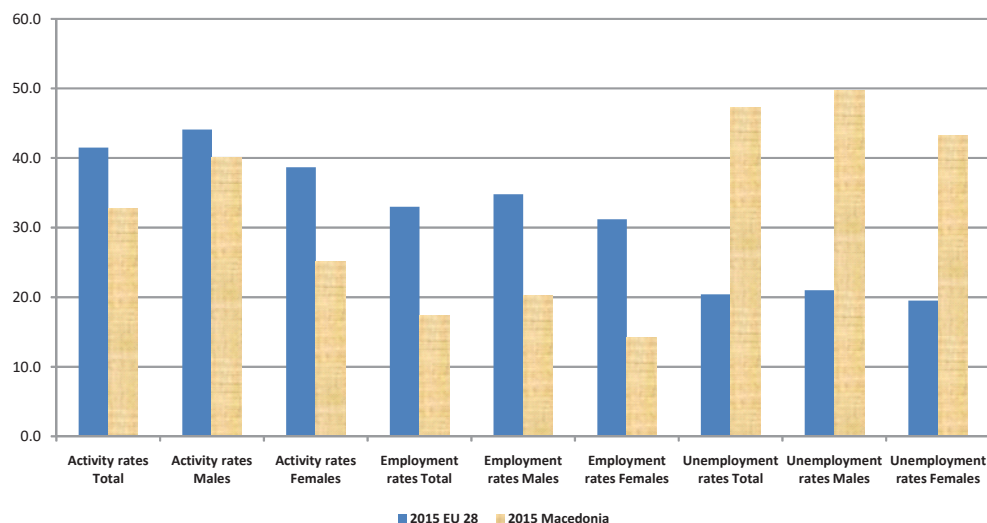


Figure 2. Distribution of working age population (15-24) by educational attainment, 2011 and 2015. Data source: Eurostat database

1.2. Youth and poverty

In table 3 comparison of the risk of poverty or social exclusion between EU and Macedonia is given. It is seen that in general in Macedonia this percentages are substantially higher – about 50 % compared to about 30 % for EU (28 countries). While no visible changes are observed for EU, for Macedonia some significant decrease is observed for year 2014, more pronounced for females than for males. Nevertheless, the risk of poverty still remains at exceptionally high level.

Table 3. Young people (age from 15-24) at risk of poverty or social exclusion by sex, 2012-2014, Percentage of total population

| GEO/TIME | 2012 | 2013 | 2014 |
|--------------------------|-------------|-------------|-------------|
| EU (28 countries) | 31.4 | 31.6 | 31.5 |
| Males | 30.4 | 31.1 | 30.7 |
| Females | 32.4 | 32.2 | 32.4 |
| Macedonia | 53.5 | 53.1 | 48.1 |
| Males | 54.4 | 53.1 | 50.2 |
| Females | 52.6 | 53.0 | 45.9 |

Data source: Eurostat database

3. Who is NEET in Macedonia

The young persons excluded from education or trainings exist in different periods of economic development of Macedonia, but this category was not measured by official institutions before 2006. The first measurement was made by researchers, using Census of population 2002 results. This first measurement found that more than one third of young population aged 15-19 is neither employed nor involved in educational process through trainings or other educational activities. These data urged that the situation of youth is serious and that there is a need to continuously measure and monitor this part of the population. Starting from year 2006 the State Statistical Office based on data from Labour Force Survey determines the number of young persons that are identified as NEET for two different age groups: 15-19 and 15-24.

The most recent data reported for year 2015 show that one fourth (24.7 per cent) of young people in Macedonia are neither employed nor in education or training (NEET). Most of the NEETs (60.0 per cent) are unemployed non-students while the remaining (40.0 per cent) are inactive non-students. These young people are likely to experience a deterioration of their human capital (accumulated during the period when they have been in educational process), with negative consequences and substantial costs both for the individuals and for society in general.

In table 4 are presented results for young people (age from 15-24) that are NEET for a 10years period, both for EU 28 and Macedonia. The average NEET participation for EU 28 is kept at almost the same level for the entire period, and the results for 2015 (12.0 per cent) and 2011(11.7 per cent) are closely comparable. For all this period female participation is slightly bigger than the male participation.

Table 4. Young people (age from 15-24) neither in employment nor in education and training (NEET), by sex, not employed persons, 2006-2015, percentage

| GEO/TIME | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EU 28, Total (15-24) | 11.7 | 11.0 | 10.9 | 12.4 | 12.8 | 12.9 | 13.2 | 13.0 | 12.5 | 12.0 |
| Males | 10.6 | 9.8 | 9.7 | 12.0 | 12.3 | 12.6 | 12.9 | 12.8 | 12.3 | 11.7 |
| Females | 12.9 | 12.2 | 12.1 | 12.9 | 13.2 | 13.3 | 13.4 | 13.2 | 12.7 | 12.3 |
| Macedonia, Total (15-24) | 41.3 | 33.1 | 30.7 | 27.7 | 25.5 | 25.2 | 24.8 | 24.2 | 25.2 | 24.7 |
| Males | 38.9 | 31.6 | 28.1 | 25.4 | 25.1 | 24.9 | 25.3 | 23.3 | 23.6 | 24.5 |
| Females | 43.8 | 34.6 | 33.5 | 30.1 | 25.9 | 25.5 | 24.2 | 25.2 | 26.8 | 24.9 |

Data source: Eurostat database

The size of the NEET in Macedonia is almost four times bigger than in EU 28 in 2006 and after 10 years is two times bigger. The main reasons for this decreasing in Macedonia are: new education law..., strategies for youth... At the beginning of the NEET measurement females were with much more higher participation in the group of young people not employed and excluded from education and trainings. After 10 years participation by sex is equal. That means before changes in education law more females were out of schools than boys mostly because of ethnical and culture treatment of girls.

Table 5. Young people (age from 15-24) neither in employment nor in education and training (NEET), by sex, unemployed persons, 2006-2015, percentage

| GEO/TIME | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EU 28, Total (15-24) | 5.6 | 4.9 | 5.0 | 6.3 | 6.5 | 6.6 | 6.9 | 6.9 | 6.4 | 5.9 |
| Males | 6.2 | 5.4 | 5.6 | 7.5 | 7.6 | 7.6 | 8.0 | 7.9 | 7.4 | 6.7 |
| Females | 5.0 | 4.4 | 4.3 | 5.2 | 5.4 | 5.6 | 5.8 | 5.9 | 5.5 | 5.0 |
| Macedonia, Total (15-24) | 20.9 | 19.7 | 19.5 | 18.7 | 16.7 | 16.6 | 16.3 | 16.3 | 16.0 | 14.7 |
| Males | 24.3 | 24.2 | 23.2 | 22.3 | 21.5 | 20.9 | 20.6 | 20.0 | 19.3 | 19.4 |
| Females | 17.3 | 15.0 | 15.5 | 14.8 | 11.7 | 12.1 | 11.9 | 12.4 | 12.6 | 9.8 |

Data source: Eurostat database

Not all unemployed 16-24 year-olds are NEET and not all people who are NEET are unemployed. Some young people are identified as unemployed because they are in education or training. Others are identified as economically inactive because they are not looking for work and/or are unavailable to start work. In table 5 are presented results for EU 28 and Macedonia for NEET young persons that are not unemployed but not included in education and training. In EU 28 participation of unemployed NEET persons is smaller than participation of inactive NEET persons. In Macedonia, the situation is quite the opposite – participation of unemployed NEET persons is bigger, but particularly worrying is the fact that the number of inactive NEET females is three times bigger than in EU 28 countries. The above indicates that there is a gender gap in position of males and females in NEET. Bigger participation of females in inactive NEET means that many females are not looking for jobs even if they are not included in any educational or training activities. (see table 6)

Table 6. Young people (age from 15-24) neither in employment nor in education and training (NEET), by sex, inactive persons, 2006-2015, percentage

| GEO/TIME | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EU 28, Total (15-24) | 6.1 | 6.0 | 5.9 | 6.1 | 6.3 | 6.3 | 6.2 | 6.1 | 6.1 | 6.1 |
| Males | 4.4 | 4.4 | 4.2 | 4.5 | 4.8 | 5.0 | 5.0 | 4.9 | 4.9 | 5.0 |
| Females | 7.9 | 7.8 | 7.8 | 7.7 | 7.8 | 7.7 | 7.6 | 7.3 | 7.3 | 7.3 |
| Macedonia, Total (15-24) | 20.4 | 13.3 | 11.3 | 9.0 | 8.8 | 8.5 | 8.5 | 7.9 | 9.1 | 10.0 |
| Males | 14.6 | 7.4 | 4.8 | 3.1 | 3.6 | 4.0 | 4.8 | 3.2 | 4.4 | 5.1 |
| Females | 26.5 | 19.6 | 18.0 | 15.2 | 14.3 | 13.4 | 12.4 | 12.8 | 14.2 | 15.1 |

Data source: Eurostat database

Conclusions and recommendations

The Government is aware of the urgency and treats youth employment and education as a crosscutting theme in the policy-making process. This has increasingly required coordination across a wide spectrum of national institutions and agencies and coherence in shaping economic and social policies that address youth position in the society. Nevertheless, the measures resulting in significant decrease of the unemployment of the entire population do not influence in the same measure the NEET, whose participation remains still very high. Therefore, better targeted measures are required in order to cope with the serious problem of NEET in Republic of Macedonia.

The supporting young people to make effective transitions could be achieved through well organized activities, well identified profiles of these young persons and effective approaches to supporting young NEET people. The support of young people could be base on results about different profiles of NEET people:

1. NEET young people ‘Open to learning’. These young people could be re-engage in education or training in the short term and with higher levels of attainment and better attitudes towards school than other NEET young people.
2. NEETs – young people characterised by their negative experience of school, higher levels of exclusion and poverty, and lower educational attainment than other NEET young people. They are most likely to remain NEET in the medium term.
3. NEETs – young people similar in some respects, such as their attainment levels, to those who would like to continue education, but are unable to do that because of many different reasons.

Respecting these specific NEETs profiles, following policy recommendations aiming at reduction of NEET rate can be done:

- Policies and programs for achieving social inclusion of youth must be based on multidimensional approach because of multidimensionality of needs of NEET young persons. The most important component of these programs has to be the enhanced access of socially excluded young persons to education;
- Support to the initiatives of youth has to be focused on allowing young people to have access to relevant information and to learn using computers, to design specific programs for different groups and support for NGOs having activities and programs aiming at assisting socially excluded young people.
- Design of specific programs for young persons intending to run their own businesses.

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LONG AND SHORT DYNAMIC RELATIONSHIP BETWEEN TWO BALKAN STOCK MARKETS

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Abstract:

The aim of this study is the empirical investigation of the long-run relations and the short-term dynamics between two Balkan stock markets: Macedonian and Croatian. The presence of long run common trend between the Macedonian and Croatian stock market indices is identified by applying Johansen's cointegration maximum eigenvalue and trace tests, while potential causal relations are examined by employing Granger's causality tests. Data sample spans from of January 5h, 2005 to December 30th, 2015. The stock market indices were found to be co-integrated with significant relationships in line with apriori expectations. A bi-directional pattern of causality is documented between the Macedonian and Croatian returns. This pattern is remarkably stable and suggests significant economic ties between the investors in Macedonian and Croatian stock markets. The findings are important for the investors meaning that they cannot gain diversification benefits of investing in the Croatian or Macedonian stock market.

Keywords: integration, dynamic relationship, interdependence, Macedonian stock market, Croatian stock market

Introduction

EMEs (emerging Market Economy) are characterized as transitional, meaning they are in the process of moving from a closed to an open market economy while building accountability within the system. Examples include the former Soviet Union, Eastern bloc countries and Balkan countries. As an emerging market, a country is embarking on an economic reform program that will lead it to stronger and more responsible economic performance levels, as well as transparency and efficiency in the capital market. As Balkan countries used to belong to one common state, with almost same mentality, language, but not the same economic growth, they passed through transition, not at the same time, some of them faster (Slovenia and Croatia are already in EU) while the rest of the countries lag through this process. Privatization was not the same, but later development of capital markets were almost the same. So first it happened in Slovenia, then in Croatia and later in Macedonia and Serbia. Macedonian Stock Exchange is very small and youngest among the former Yugoslav countries. Until 2005, the MSE was almost exclusively a domestic market when Croatian and Slovenian investors found opportunity in higher returns in Macedonian stock market due to their previous experience. The investors from Slovenia and Croatia knowing what happened in their country (the values of the stocks were underestimated through the process of privatization, and the people were uneducated to buy stocks), were buying stocks in Macedonia, producing 100% growth of the Macedonian index MBI10 in 2007. Also funds from Slovenia and especially from Croatia came to invest in Macedonia, so the stock prices were up producing the bubble that busted very soon.

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In the following period the index was down reaching the minimum in March 2009, maybe reflecting the world recession, and political situation in Macedonia. The index level is stalled in the period after the crisis. Dominant foreign investors in Macedonia are Croatian and Slovenian investors.

This research investigates the relationship between Macedonian and Croatian stock indices to find out economic ties between the investors of these countries. The long-run relationship in the movement of their indices is explored by using cointegration analysis, while to detect short dynamic relations Granger's causality tests are employed.

The remainder of the paper is organized as follow. After reviewing some of the literature on financial integration in section 1, section 2 presents the methodology used. Section 3 provides description of data and section 4 analyses with the results regarding existence, level, degree and the speed of financial integration. The last section offers concluding remarks.

1.Literature review

Comovement of stock market returns represents an important issue in finance as it has important practical implications for investors and portfolio managers. There is a vast body of literature that studies the comovement of international stock market indices. Most of these studies have found that the comovement of stock market indices is not constant over time. Kizys and Pierdzioch (2009) found evidence of increasing international comovement of stock returns among the major developed countries since the mid-90s.

Even though the issue of stock market integration attracts interest for 40 years, more intensive it was investigated after 90's (King et al. 1994; Longin and Solnik 1995; Karolyi and Stulz 1996; Forbes and Rigobon 2002; Brooks and Del Negro 2006). Within the context of the European markets, Syriopoulos (2007) highlights the fact that Central European markets (Poland, Czech Republic, Hungary, Slovakia) tend to display strong linkages with the U.S. and German markets. The financial linkages between the Central and Eastern European markets and the world markets increased with the beginning of the E.U. accession process (Syllignakis and Kouretas 2010). The Balkan stock markets exhibit time-varying correlations among themselves, but correlations with the mature markets are modest (Syriopoulos and Roumpis 2009). Similarly, Li and Majerowska (2008) show limited interactions between the emerging markets (Warsaw and Budapest) and the developed markets (Frankfurt and the U.S). The long-run interactions and cointegration between the U.K., German and Central European stock markets (Hungary, Poland, and Czech Republic) was not found (Gilmore et al. 2005). These findings are in line with the study of Égert and Kočenda (2007) who do not find any interactions between the Western European stock markets (France, Germany, and the U.K.) and the stock markets of Central and Eastern Europe (Czech Republic, Hungary and Poland). Voronkova (2004) shows evidence of long-run relationships between the German and Polish stock indices as well as the German and Hungarian indices over the period from 1993 to 2002. Vizek and Dadić (2006) examine the integration between German equity markets, selected CEE equity markets and the Croatian equity market. Interestingly, no evidence of long-term relationship between the Croatian and German stock markets is found. Tudor (2011) presents evidence on time-varying interdependencies among six Central and Eastern European

stock markets and the U.S. market. Samitas and Kenourgios (2011) investigate the stock market integration in a number of Balkan countries and compare it to the integration among several developed markets (US, UK, Germany) in 2000-2006. Using several cointegration tests, the results support the existence of long-term relationships among Balkan stock markets and developed markets. International stock market comovements between Czech Republic, Hungary and Poland, and Croatia, Macedonia and Serbia for the 2006-2011 time period was examined by Horvath and Petrovski (2013). They study time varying comovement (correlations) of the volatilities in the time domain and show that there is a zero correlation between Western stock markets and Serbian and Macedonian stock markets. Angelovska (2016) using Cointegration analysis and Granger causality tests investigates the bilateral relationship between young and small Macedonian stock exchange and three Yugoslav Republics (Slovenia, Croatia and Serbia), and three world stock exchanges (USA, Germany and UK) for the time period covering January 3rd, 2005, through December 1st, 2009. The only evidence of comovement of Macedonian stock indices before the 2007 Crisis is found for Croatian and Slovenian indices. The Macedonian capital market responds to short-term dynamics arising from the developed countries and regional or Macedonian Stock Exchange is the only recipient of short-term dynamics with no ability for further transmission. MBI10 is Granger caused by CROBEX, BELEX, DAX, FTSE and DOW and there is no reversibility in the impact, except for CROBEX (Angelovska 2016).

2. Methodology

Cointegration naturally arises in economics and finance. In economics, cointegration is most often associated with economic theories that imply equilibrium relationships between time series variables. The equilibrium relationships implied by these economic theories are referred to as long-run equilibrium relationships, because the economic forces that act in response to deviations from equilibrium may take a long time to restore equilibrium. Economic theory often suggests that two or more economic variables should be linked more or less closely. Examples include interest rates on assets of different maturities, prices of similar commodities in different countries, disposable income and consumption, government spending and tax revenues, wages and prices, and the money supply and the price level. Although deterministic relationships among the variables in any one of these sets are usually assumed to hold only in the long run, economic forces are expected to act in the direction of eliminating short-run deviations from these long-term relationships. Thus it might seem that two or more such variables could never be expected to obey any sort of long-run relationship. So, variables that is all individually $I(1)$, and hence divergent, can in a certain sense diverge together. Formally, it is possible for some linear combinations of a set of $I(1)$ variables to be $I(0)$. If that is the case, the variables are said to be cointegrated. When variables are cointegrated, they satisfy one or more long-run relationships, although they may diverge substantially from these relationships in the short run.

A set of time-series variables are said to be cointegrated if they are integrated of the same order and a linear combination of them is stationary. Such linear combinations would then point to the existence of a long-term relationship among the variables (Johansen and Juselius, 1990). An advantage of cointegration analysis is that

through building an error-correction model, the dynamic co-movement among variables and the adjustment process toward long-term equilibrium may be examined.

The Vector Autoregressive Model (VAR) is mainly used for exploration of the dynamic effects between variables and random shocks in the system variables. While Cointegration test show the long-term relation, VAR model can work for non cointegrated variables and detects the short-run interaction between two data series. To determine the direction of short-term dynamics, ie the interdependence of the Macedonian market with Croatian market, causality test based on Granger's approach (Granger, 1969) is used. Granger causality test is a traditional concept for analyzing causality in time series and it is described as shocks transmitted across markets. Of course, the equation is valid only if the series are stationary. It is two step procedure. The first stage is diagnosing the nature of the stock index returns in order to ensure that series are stationary. To ensure that the stock returns series are stationary two stationary tests are used: Augmented Dickey-Fuller (1979), Phillip-Perron (1988).

A variable X Granger-causes Y if Y can be better predicted using the histories of both X and Y than it can using the history of Y alone. Beside the notion of causality as misnomer the term "Granger causality" it does not mean that movements in one variable causes movement in the other, but rather causality implies a chronological ordering of movements of the series (Brooks 2002, 355). In this context it means that only past values of X can "cause" Y. Sims (1972) points out that a necessary condition for X to be exogenous of Y is that X fails to Granger-cause Y. Similarly, variables X and Y are only independent if both fail to Granger-cause the other.

To test the general hypothesis that there is Granger causality between the returns of the Macedonian and Croatian index returns the following equations are used:

$$\begin{aligned} y_t &= \alpha_0 + \alpha_1 y_{t-1} + \dots + \alpha_l y_{t-l} + \beta_1 x_{t-1} + \dots + \beta_l x_{t-l} + \epsilon_t \\ x_t &= \alpha_0 + \alpha_1 x_{t-1} + \dots + \alpha_l x_{t-l} + \beta_1 y_{t-1} + \dots + \beta_l y_{t-l} + u_t \end{aligned} \quad (1)$$

EViews reports the Wald statistics for the joint hypothesis:

$$\beta_1 = \beta_2 = \beta_3 = \dots = \beta_p = 0$$

for each equation. Hence, the null hypothesis is that x does not Granger-cause y in the first regression and that y does not Granger-cause x in the second regression.

In these equations, X_t and Y_t are returns on two stock market indices. In the first equation (1), X_t is said to Granger-cause Y_t if $\sum \beta_i$ is significantly different from zero. The second equation (1) is essentially the same as the first equation with X_t and Y_t reversing their positions. In this equation, Y_t is said to Granger-cause X_t if $\sum \delta_i$ is significantly different from zero.

3. Data

The data used in this study consist of the daily closing prices (in logs) in Macedonian and Croatian stock markets. The stock market indices of interest are MBI10 of Macedonia and CROBEX of Croatia. The high frequency data incorporated here include information on short-run market interactions that may be absent in lower frequency data. The data were obtained from national stock exchanges and DataStream database. The sample covers a period from January 3rd 2005 till December

30th 2015. Also, when a stock exchange is closed due to a national holiday, we use the previous day closing prices. The indices' movements are presented in Figure 1.

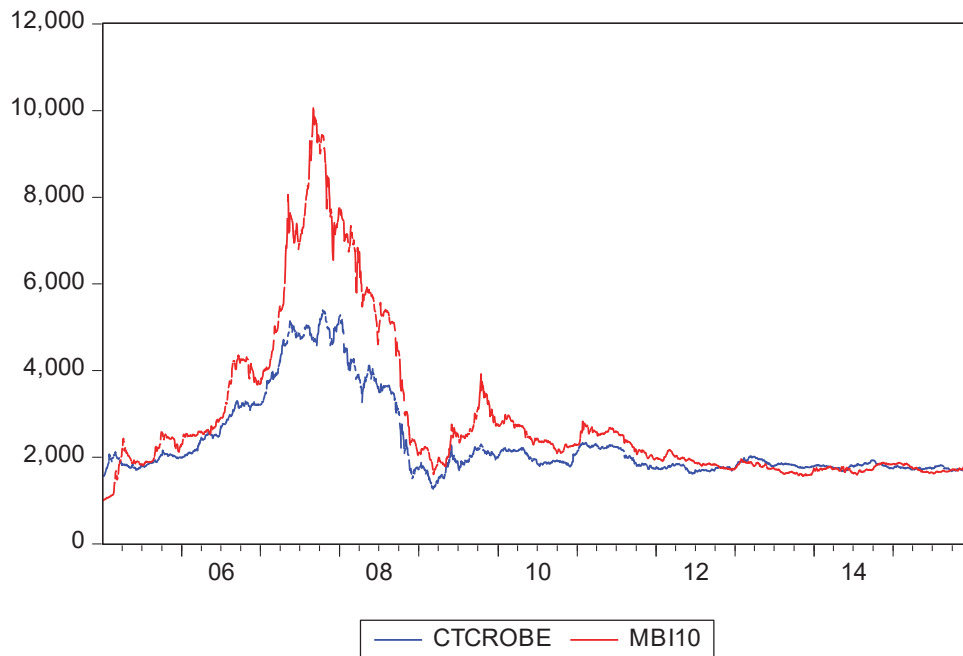


Figure 1 Equity market developments

The returns are calculated by Equation 2. Table 1 reports descriptive statistics for the stock market returns that are of prime interest to international portfolios.

$$r_t = \ln(P_t / P_{t-1}) * 100 \quad (2)$$

Both stock return series show leptokurtosis and there is evidence of negative skewness. Skewness is a particular feature of returns in Balkan emerging markets. Significant kurtosis and negative skewness (long left tail) indicate rejection of normality in stock return distributions.

Table 1 Descriptive statistics of the Macedonian and Croatian stock returns in the period January 2005-December 2015

| | MBI10 | CROBEX |
|--------------|-----------|-----------|
| Mean | 0.021133 | 0.002385 |
| Median | 0.000000 | 0.000000 |
| Maximum | 8.089667 | 14.77896 |
| Minimum | -10.28315 | -10.76363 |
| Std. Dev. | 1.319643 | 1.210376 |
| Skewness | -0.125543 | 0.050701 |
| Kurtosis | 12.72241 | 21.36349 |
| Jarque-Bera | 11303.31 | 40298.74 |
| Probability | 0.000000 | 0.000000 |
| Observations | 2868 | 2868 |

Source: National Stock Exchange and DataStream database

4. Empirical results

Cointegration requires the variables to be integrated of the same order. So, as a first step the variables are tested for unit roots to verify their nonstationarity. The results from Augmented Dickey-Fuller (ADF) unit root test indicate that the null hypothesis of a unit root in the log levels cannot be rejected for any time series, while a unit root in the first differences is rejected at the 1% significance level (Table2). As a result, the stock markets follow a process integrated of order one. The Phillips Peron (PP) test results shown in Table 2 support the findings of the previous test.

Table 2 ADF and PP unit root tests

| | ADF test | | PP test* | |
|-----------------|----------|--------|----------|--------|
| | Level | Return | Level | Return |
| Macedonia-MBI10 | -1.84 | -31.32 | -1.91 | -35.01 |
| Croatia-CROBEX | 0.65 | -27.66 | -1.41 | -50.49 |

Note: ADF - Augmented Dickey-Fuller test; MacKinnon critical values for rejection of hypothesis: 1%Critical value -3,436749, 5%Critical value -2,864254, 10% Critical value -2,568267

*MacKinnon (1996) one-sided p-values.

The cointegrating test (Trace and Maximum Eigenvalue) between the two indices shows 1 cointegration relation (Table3).

Table 3 Unrestricted Cointegration Rank Test (Trace and Maximum Eigenvalue)

| Hypothesized | | Trace | 0.05 | Max-Eigen | 0.05 | |
|--------------|------------|-----------|----------------|-----------|----------------|---------|
| No. of CE(s) | Eigenvalue | Statistic | Critical Value | Statistic | Critical Value | Prob.** |
| None * | 0.015119 | 45.66418 | 15.49471 | 43.63174 | 14.26460 | 0.0000 |
| At most 1 | 0.000709 | 2.032446 | 3.841466 | 2.032446 | 3.841466 | 0.1540 |

Trace test and Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Granger causality is an analysis to understand the nature of linkages between two markets – whether one market is influencing or causing the other market, or whether the two markets are causing each other. The number of optimal lag in Granger causality test is based on the Akaike Information Criterion (AIC). Granger causality test can be performed and valid only if the series are stationary (Table 2). The results of the Granger's causality tests are presented in Table 4 based on F-statistic. Both hypotheses are rejected indicating a two-way causality of Macedonian and Croatian Stock Market.

Table 4: Pairwise Granger Causality Tests

| Null Hypothesis: | Obs | F-Statistic | Prob. |
|--------------------------------------|------|-------------|---------|
| CROBEX does not Granger Cause MB10 | 2867 | 50.0792 | 4.E-22* |
| MB10 does not Granger Cause CTCROBEX | | 7.98157 | 0.0003* |

* denotes rejection of hypothesis at the 1% level of significance, ** denotes rejection of hypothesis at the 10% level of significance.

We find two bidirectional or full causality between Macedonian and Croatian stock markets. This means that changes in the prices at Croatian stock market predict changes in the prices at Macedonian stock market and vice versa. The causality in these two cases are expected if we know that majority of foreign investors in Macedonian capital market are from Croatia and the causality results only confirm that. The Granger causality tests only indicate the most significant direct causal relationship.

Conclusion

Using a Johansen's cointegration tests to formulate the relationship of the daily stock levels of the Macedonian and Croatian stock markets this research has identified that two markets have common stochastic trend. This suggests that changes in the Croatian stock market has a significant effect on the Macedonian stock market. In particular, Macedonian stock market has a positive long-run equilibrium relation with the Croatian market that can be limits to the benefits of equity portfolio diversification within these two countries. Granger's causality tests found two bidirectional or full causality between Macedonian and Croatian stock markets. The Macedonian stock market responds quickly to changes in the Croatian market or the Macedonian stock market tends to follow the directions taken by the Croatian stock market and that the impact on Macedonian market is highly significant. Long and short-run relationship of Macedonian stock markets is considerably influenced by the Croatian stock market.

From a perspective of Macedonian and Croatian investors, this means that the possibilities to gain diversification benefits of investing in the Croatian or Macedonian stock market are vigorously diminished.

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TESTING EFFICIENCY OF TECHNICAL ANALYSIS AT MSE

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Abstract:

The main task of this paper is to determine if some of widely used technical analysis techniques are efficient for MBI-10 stocks price forecast at MSE. We are testing accuracy of MACD (Moving-Average Convergence/Divergence), RSI (Relative Strength Index), Stochastic Oscillator and ADX (Average Directional Index). Technical analysis predictions for three MSE securities performed in 2010 were confirmed with stock price movements in 2011. This finding confirms reliability and accuracy for practical use of technical analysis as tool for forecasting stock prices movements at MSE.

Keywords: stock, return, valuation, regression, volatility

Introduction

Financial literature and practice recognizes two basic approaches for financial markets analyses: fundamental analysis and technical analysis. While the fundamental analysis focuses on the underlying causes of price movements (economic, social, political, geopolitical forces, etc.) that drive supply and demand, technical analysis focuses on the study of price movements.

Some traders use technical or fundamental analysis exclusively, while others use both types to make trading decisions which definitely is the most rational approach. Users of technical analysis are often called technicians or market technicians. Some prefer the term technical market analyst or simply market analyst. In older finance literature often used is term, chartist, but as the discipline has expanded and modernized, the use of the term chartist has become less popular, as it is only one aspect of technical analysis.

Technical analysis argues that prices already reflect all such trends before investors are even aware of them. Determination of those trends is what technical indicators are designed to do.

One of the most popular definition is that technical analysis is the study of market action that focus on prices and trading volumes, primarily through the use of charts, for the purpose of forecasting future price trends (Murphy 1999, 12). This technique is based on three premises as following: market action discounts everything, prices move in trends and history repeat itself.

The primary tools of the technical analyst are charts that are used to identify trends and patterns in order to find profit opportunities. The most basic concept of technical analysis is that financial markets have a tendency to trend (famous traders' proverb is

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“trend is a friend”). Key element of technical analysis is possibility to identify trends in their earliest stage of development.

Although technical analysis is widely used among traders and financial professionals in the 1960s and 1970s it was widely criticized by academics. In a recent review, Irwin and Park reported that 56 of 95 modern studies found it produces positive results, but noted that many of the positive results were rendered dubious by issues such as data snooping so that the evidence in support of technical analysis was inconclusive; it is still considered by many academics to be pseudoscience (Irwin and Park, 2007, 787).

The main task of our paper is to test accuracy and reliability of technical analysis for future stock price forecasting at Macedonian Stock Exchange (MSE). In order to do it, we provide technical analysis of three most liquid stocks traded at MSE that (with other seven stocks) consist MSE index, MBI-10 (Macedonian Stock Exchange index of ten most liquid stocks). Technical analysis of MPT, ALK and KMB (Makpetrol, Alkaloid and Komercial Bank) stocks were performed in June 2010 based on analysis of three stocks' monthly and weekly data for the six years period from 2005 to 2010, as well as their daily price movements from 2009 to 2010. We compare technical analyses' forecasts for market outlook with actual stock price movements within period of one year after predictions were issued (June 2010-June 2011).

We address the following research questions in our research: What is the practical use of technical analysis as tool for forecasting stock prices movements at MSE? Are there notable differences in accuracy of use of technical analysis between stocks at MSE? Are there notable differences in accuracy between different technical analysis techniques at MSE?

While we draw our conclusions from the historical data on MSE, we consider this stock market as good representatives of emerging markets. Therefore, we argue that our results are valid for other similar emerging stock markets.

The remainder of the paper is organized as follows. In Section I we give summary of literature overview concerning technical analysis. Section II describes four different techniques of technical analysis (MACD, RSI, Stochastic Oscillator and ADX) used for stock price forecast. In Section III we present technical analysis of three stocks quoted at MSE for the period 2005-2010, and predictions for future stock price movements for 2011. In Section IV we present actual stock price movements for forecasted period (2011), using the historical data from MSE and compare with predictions. Section V gives conclusions and possible directions for future research.

1. Literature overview

Technical analysis, beside fundamental analysis is widely used in finance for security analysis in order to provide forecasting the direction of prices using past market data, primarily price and volume. Behavioral economics and quantitative analysis also used substantial aspects of technical analysis, although according to the weak-form of efficient-market hypothesis, such forecasting methods are valueless, since prices have random walk, which means that are essentially unpredictable (Kirkpatrick and Dahlquist, 2006, 3).

The principles of technical analysis derive from the observation of behavior of financial markets over hundreds of years. The oldest known hints of technical analysis appear in Joseph de la Vega's accounts of the Dutch markets in the 17th century (Lo and Hasanhodzic, 2010, 24). In Asia, the oldest example of technical analysis is

thought to be a method developed by Homma Munehisa during early 18th century which evolved into the use of candlestick techniques, which is today one of the main charting tool (Murphy, 1999, 13).

In the 1920s and 1930s Richard W. Schabacker published several books which continued the work of Dow and William Peter Hamilton in his books *Stock Market Theory and Practice* and *Technical Market Analysis* (Nison, 1991, 15-18). In 1948 Edwards and John Magee published *Technical Analysis of Stock Trends* which is widely considered to be one of the most important works of the discipline (Nison, 1994, 14). It is exclusively concerned with trend analysis and chart patterns and remains in use to the present. However, early technical analysis was almost exclusively the analysis of charts, because the processing power of computers was not available for statistical analysis. Charles Dow reportedly originated a form of chart analysis used by technicians—point and figure analysis. Dow Theory is based on the collected writings of Dow Jones co-founder and editor Charles Dow, and inspired the use and development of modern technical analysis from the end of the 19th century. Other pioneers of analysis techniques include Ralph Nelson Elliott, William Delbert Gann and Richard Wyckoff who developed their respective techniques in the early 20th century. Many more technical tools and theories have been developed and enhanced in recent decades, with an increasing emphasis on computer-assisted techniques. John J. Murphy has published his book *Technical Analysis of the Futures Markets* in 1986 and it created strong impact on finance industry. His book has been referred to by many in the field as the “Bible” of technical analysis.

Academics such as Eugene Fama say the evidence for technical analysis is sparse and is inconsistent with the weak form of the efficient-market hypothesis (Paulos, 2003). Users hold that even if technical analysis cannot predict the future, it helps to identify trading opportunities (Fama, 1970, 383-417). In the foreign exchange markets, its use may be more widespread than fundamental analysis (Schwager, 1999, 2). This does not mean technical analysis is more applicable to foreign markets, but that technical analysis is more recognized there as to its efficacy there than elsewhere (Taylor and Allen, 1992, 304-314).

2. Technical analysis' techniques

Technical analysis employs many techniques, one of which is the use of charts. Using charts, technical analysts seek to identify price patterns and market trends in financial markets and attempt to exploit those patterns for profit opportunities. However, technicians use various methods and tools beside the study of price charts, like supply/demand indicators used to monitor investors' liquidity, margin levels, etc. (Murphy, 1999, 1-5). Other indicators monitor the sentiment of the market - are investors bullish or bearish? Having in mind that stock prices are only what investors think and therefore determining what they think is every bit as critical as an earnings estimate. Technicians using charts search for price chart patterns, such as the well-known head and shoulders or double top/bottom reversal patterns, study technical indicators, moving averages, and look for forms such as lines of support, resistance, channels, and more obscure formations such as flags, pennants, balance days and cup and handle patterns (Murphy, 1999, 24-31).

Technical analysts also widely use market indicators of many sorts, some of which are mathematical transformations of price, often including up and down volume,

advance/decline data and other inputs. These indicators are used to help to determine asset trending, its probability of its direction and of continuation.

Technicians also look for relationships between price/volume indices and market indicators as Relative strength index (RSI), and MACD, but also very important are sentiment indicators such as Put/Call ratios, bull/bear ratios, short interest and Implied Volatility, etc. (Irwin and Park, 2007, 786-826).

There are many techniques in technical analysis. Adherents of different techniques (for example, candlestick charting, Dow Theory, and Elliott wave theory) may ignore the other approaches, yet many traders combine elements from more than one technique. Some technical analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time, and what the interpretation of that pattern should be. Others employ a strictly mechanical or systematic approach to pattern identification and interpretation (Brock, Lakonishok, and Lebaron, 1992, 1731).

Short explanation of four technical analysis techniques used in our research is presented below.

2.1. Moving Average Convergence Divergence (MACD)

Moving average convergence divergence (MACD) is a trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A nine-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals (Murphy, 1999, 5). There are three common methods used to interpret the MACD: first, crossovers, second, divergence and third, dramatic rise.

Concerning crossovers, when the MACD falls below the signal line, it is a bearish signal, which indicates that it may be time to sell. Conversely, when the MACD rises above the signal line, the indicator gives a bullish signal, which suggests that the price of the asset is likely to experience upward momentum. Divergence appeared when the security price diverges from the MACD. It signals the end of the current trend. Finally, when the MACD rises dramatically - that is, the shorter moving average pulls away from the longer-term moving average - it is a signal that the security is overbought and will soon return to normal levels (Brock, Lakonishok, and Lebaron, 1992, 1741).

2.2. Average Directional Index (ADX)

The average directional index (ADX) is used to determine when price is trending strongly. Trading in the direction of a strong trend reduces risk and increases profit potential. ADX is used to quantify trend strength. ADX calculations are based on a moving average of price range expansion over a given period of time. ADX is plotted as a single line with values ranging from a low of zero to a high of 100. ADX is non-directional and registers trend strength whether price is trending up or down (Brock, Lakonishok, and Lebaron, 1992, 1741).

ADX values help traders to identify the strongest and most profitable trends to trade. The values are also important for distinguishing between trending and non-trending conditions. Many traders will use ADX readings above 25 to suggest that the

trend's strength is strong enough for trend trading strategies. Conversely, when ADX is below 25, many will avoid trend trading strategies.

The best profits come from trading the strongest trends and avoiding range conditions. ADX not only identifies trending conditions, it helps the trader find the strongest trends to trade. The ability to quantify trend strength is a major edge for traders.

2.3. Relative Strength Index - RSI

The relative strength index (RSI) is a momentum indicator developed by noted technical analyst Welles Wilder, that compares the magnitude of recent gains and losses over a specified time period to measure speed and change of price movements of a security (Lo and Hasanhodzic, 2010, 34). It is primarily used to attempt to identify overbought or oversold conditions in the trading of an asset.

The RSI provides a relative evaluation of the strength of a security's recent price performance, thus making it a momentum indicator. RSI values range from 0 to 100. The default time frame for comparing up periods to down periods is 14, as in 14 trading days. RSI values of 70 or above indicate that a security is becoming overbought or overvalued, and therefore may be primed for a trend reversal or corrective pullback in price. On the other side of RSI values, an RSI reading of 30 or below is commonly interpreted as indicating an oversold or undervalued condition that may signal a trend change or corrective price reversal to the upside (Brock, Lakonishok, and Lebaron, 1992, 1748).

Some traders, in an attempt to avoid false signals from the RSI, use more extreme RSI values as buy or sell signals, such as RSI readings above 80 to indicate overbought conditions and RSI readings below 20 to indicate oversold conditions.

The RSI is often used in conjunction with trend lines, as trend line support or resistance often coincides with support or resistance levels in the RSI reading.

Watching for divergence between price and the RSI indicator is another means of refining its application. Divergence occurs when a security makes a new high or low in price but the RSI does not make a corresponding new high or low value. Bearish divergence, when price makes a new high but the RSI does not is taken as a sell signal. Bullish divergence that is interpreted as a buy signal occurs when price makes a new low, but the RSI value does not.

2.4. Stochastic Oscillator

The stochastic oscillator is technical analysis techniques created by George Lane and is one of a handful of momentum metrics used by analysts and traders to predict potential reversals. Instead of measuring price or volume, the stochastic oscillator compares the most recent closing price to the range for a given period. The standard period is 14 days, though this can be adjusted to meet specific analytical needs. The stochastic oscillator is calculated by subtracting the low for the period from the current closing price, dividing by the total range for the period and multiplying by 100. By comparing current price to the range over time, the stochastic oscillator reflects the consistency with which price closes near its recent high or low.

The stochastic oscillator is range-bound, meaning it is always between 0 and 100. This makes it a useful indicator of overbought and oversold conditions. Readings over 80 are considered in the overbought range, and readings under 20 are considered oversold. However, these are not always indicative of impending reversal; very strong trends can maintain overbought or oversold conditions for an extended period. Instead,

traders should look to changes in the stochastic oscillator for clues about future trend shifts (Brock, Lakonishok, and Lebaron, 1992, 1749).

Stochastic oscillator charting generally consists of two lines: one reflecting the actual value of the oscillator for each session, and one reflecting its three-day simple moving average. Because price is thought to follow momentum, intersection of these two lines is considered to be a signal that a reversal may be in the works, as it indicates a large shift in momentum from day to day.

Divergence between the stochastic oscillator and trending price action is also seen as an important reversal signal. For example, when a bearish trend reaches a new lower low, but the oscillator prints a higher low, it may be an indicator that bears are exhausting their momentum and a bullish reversal is brewing.

3. Technical analysis of mpt, alk and kb stocks

We provide technical analysis of three most liquid stocks traded at MSE and included in MBI-10. Technical analysis of MPT, ALK and KMB stocks were performed in June 2010 and analyze monthly and weekly data for the period from 2005 to 2010, as well as daily price movements from 2009 to 2010. The basic idea is to check effectiveness of technical analysis predictions for securities price future movements. In order to do that, we compare technical analyses' forecasts for market outlook with actual stock price movements in period of one year after predictions were issued.

We present complete technical analysis performed with four different technical analysis techniques for one stock (MPT), while for other two securities we give only resume of predictions.

3.1. Technical Analysis of MPT stock

We start our research with analyze of Makpetrol JSC. (MPT) stock price movements for the period September 2005 to June 2010 using weekly data, presented on Figure 1.

Figure 1 Weekly chart of MPT stock price's movements



We can notice from the chart the MPT stock prices has continuous uptrend from 2005 until September 2007, when crossovers happened, and MACD felt below the signal line which indicates and announced bearish down trend that formed series of

“lower lows”, and prices “hit lowest levels” in February 2009. The series of "lower highs" and "lower lows" is a sign of a stock in a down trend. In other words, each time the stock moved lower, it fell below its previous relative low price. Each time the stock moved higher, it could not reach the level of its previous relative high price.

After February 2009, break of resistance level and moderate stock price increase were experienced. However, this trend did not last long, and in January 2010 MPT stock prices started to slide down and bearish trend was confirmed.

On the following Figure 2 are charts of MACD weekly and MACD histogram for MPT.

Figure 2 MACD weekly chart and MACD histogram for MPT

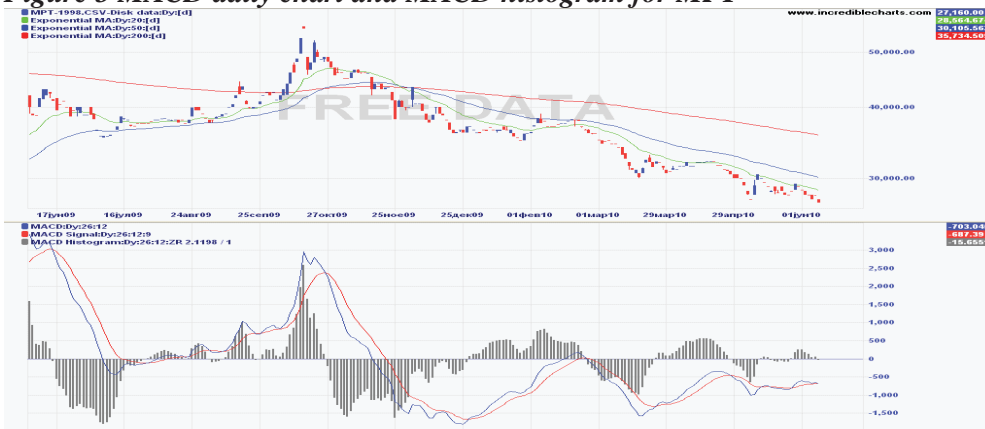


MACD weekly chart and MACD histogram show that after relatively successful positive divergence, “bearish crossovers” was formed that “moves the price down”. It lasted until the period of bullish crossovers, that “brings good news”- the reversal upward trend, which means that trend changed and prices has started to rise.

Technical analysis shows that after short price decreases, positive divergence happened during April-July 2010, which indicated strong expectations for new stock prices rise.

On the following Figure 3 are MACD daily chart and MACD histogram.

Figure 3 MACD daily chart and MACD histogram for MPT



The daily chart presents MPT price movements for period June 2009-June 2010 where is possible more precisely to identify trend movements. In October 2009, bearish crossovers happened that “announce” appearance of negative divergence, which means, stock price declines. At the beginning of January 2010, bullish crossovers of moving averages happened and pull the price up as well created upward momentum that lasted until bearish central crossovers happened. During the June 2010 positive divergence appeared which confirmed the upward trend.

On the next Figure 4 we present daily chart used for RSI (Relative Strength Index) calculation.

Figure 4 RSI – Relative Strength Index for MPT



RSI calculation based on daily price movements identify that in period August-September 2009, MPT stocks were overvalued, due to the fact that RSI value was above 70 (level that indicate that stock is becoming overvalued). Buy signals usually appeared when RSI has value under 70, and after that reverse in previous position (as it was case with MPT stocks). The state of “pure price oversold” happened in November 2009 and it was a signal of a trend change or corrective price reversal to the upside. It was confirmed when the peak of negative divergence happened twice, during March and April 2010.

However, technical analysis with RSI technique identify that RSI indicator is generally in state of bullish divergence and expect MPT price to rise in near future.

In accordance with Stochastic Oscillator technique, showed on the following Figure 5, generally MPT stocks were oversold/ undervalued, during the period December 2009 - Jun 2010.

Figure 5 Stochastic Oscillator for MPT



When readings under 70 happened, this mean that stock is overbought. In the case of MPT, the peak of overvaluation happened in February 2010, when readings were close to 100. Traditionally, readings over 80 are considered in the overbought range, and readings under 20 are considered oversold. However, always when readings are under 80, negative divergence happened and stocks back to some normal price. On the other side, we can see that stochastic oscillator line is relatively flat and reflect the oversold range and that there is no price movements that can easily change the trend.

ADX is nondirectional and quantifies trend strength by rising in both uptrends and downtrends. ADX values help traders to identify the strongest and most profitable trends to trade. The values are also important for distinguishing between trending and non-trending conditions. On the following Figure 6 we can identify the condition of very strong trend during September and October 2009.

Figure 6 ADX – Average Directional Index for MPT



Many traders will use ADX readings above 25 to suggest that the trend's strength is strong enough for trend trading strategies. Conversely, when ADX is below 25, many will avoid trend trading strategies. When ADX is below 25, price enters a range. When ADX rises above 25, price tends to trend.

The blue line on the chart, represent positive trend and has readings under 65, what is considered as condition where trend is extremely strong. However, almost always after such trend, new condition on the market happened, when market is without trend, or trend is not easy to be identified. This can be seen and confirmed with red line movements on the chart, presented below the blue line.

After such condition when the +DMI is above the -DMI, prices are moving up, and ADX measures the strength of the uptrend, so buy signal appeared. Reversal trend happened in period March-April 2010 and it means sell signal.

Resume for MPT stock for period September 2005-June 2010

In accordance with MACD, MPT stock is generally in phase of bullish crossovers, which is positive divergence and means possibility for price rise in the future. This prediction can be drawn both from weekly and daily MACD.

RSI indicates that stock is in condition of bullish divergence.

Stochastic oscillator indicates that stock is in condition of oversold and trading volume remains same intensity, and stock price rises can be expected.

ADX does not give clear signal, or ADX signal for MPT stock is weak.

In accordance with all information gathered with technical analyses for MPT stock on date 15.06.2010, recommendation for traders is **HOLD**, due to the fact that all technical analysis' indicators indicate possible price rise in future and increased profit opportunities.

3.2. Technical analyses of ALK stock

Technical analysis of ALK stock was performed using historical data for the period from August 2005 to June 2010. We used MACD weekly and daily, RSI, Stochastic oscillator and ADX and summary of technical analysis predictions and recommendations for ALK security is presented in resume.

Resume for ALK stock for period September 2003-July 2010

In accordance with MACD, ALK stock is generally in phase of bullish crossovers, which is positive divergence and indicates possibility for price rise in the future. This conclusion can be drawn both from weekly and daily MACD.

RSI indicates that security is in condition of bullish divergence and confirms forecast for stock upward momentum.

Stochastic oscillator indicates that stock is in condition of oversold while trading volume remains same intensity, and stock price rises can be expected.

ADX signal for ALK stocks is neutral.

In accordance with all information gathered with technical analyses for ALK stocks on date 15.06.2010, recommendation is **BUY**.

3.3. Technical analysis of KB stock

Technical analysis of KMB stock was performed using historical data for the period from April 2005 to June 2010. We used MACD weekly and daily, RSI, Stochastic oscillator and ADX. Technical analysis predictions and recommendations are given as summary in resume.

Resume for KB stock for period September 2005-June 2010

In accordance with MACD, KB stock is generally in phase of bullish (positive) divergence, which means possibility for price rise in the future. This prediction can be drawn both from weekly and daily MACD.

RSI is neutral which means that there is no condition of overbought or oversold.

Stochastic oscillator indicates that stock is in condition of overbought while trading volume remains same intensity, and stock price can experience uptrend.

ADX does not give clear signal that negative divergence can be formed.

In accordance with all information gathered with technical analyses for KB stocks on date 15.06.2010, recommendation for traders is **BUY**, due to the fact that all technical analysis' indicators indicate possible uptrend and increased profit opportunities.

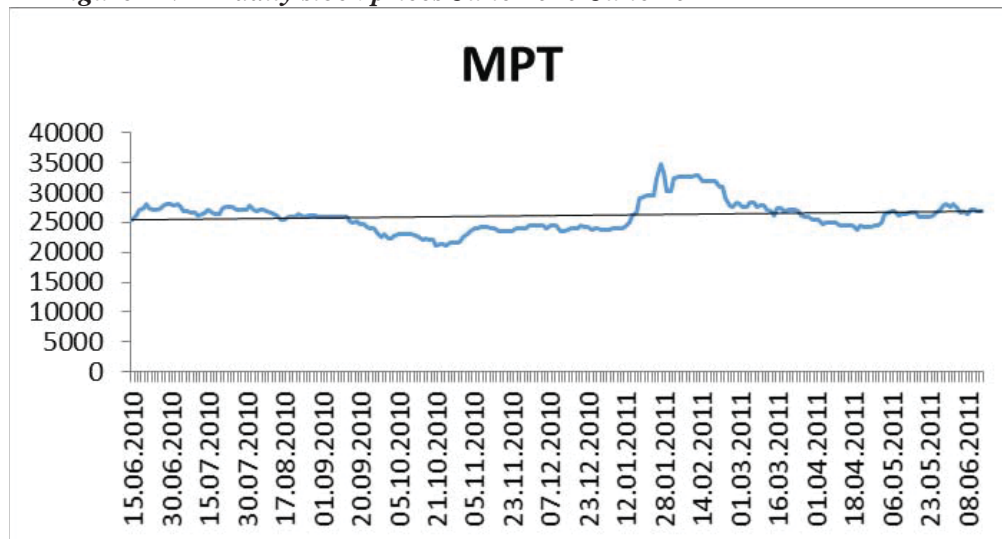
4. Testing technical analysis accuracy at mse

The main task of our paper is to test accuracy and reliability of technical analysis for future stock price forecasting at Macedonian Stock Exchange (MSE). In order to do it, after providing technical analysis for the three most liquid stocks traded at MSE, we compare technical analyses' forecasts for market outlook with actual stock price movements in period of one year after predictions were issued.

Using daily stock price data for the period June 2010 – June 2011 presented on following charts we can compare technical analysis prediction with actual price movements.

We start our analysis with MPT stock and present daily stock price movements for 52 weeks on following Figure 7.

Figure 7 MPT daily stock prices June 2010-June 2011



Technical analyses recommendation for MPT stock issued at 15.06.2010 was **HOLD**, due to the fact that all technical analysis' indicators indicate possible price rise in future and increased profit opportunities.

We can notice from the previous chart that MPT security experienced generally moderate uptrend with positive peaks during January and February 2011, when MPT price reached over 34.000 MKD and small retracement below the trend line from September 2010 to November 2010, when minimal price was around 21.000 MKD. We present summary for MPT data on following Table1.

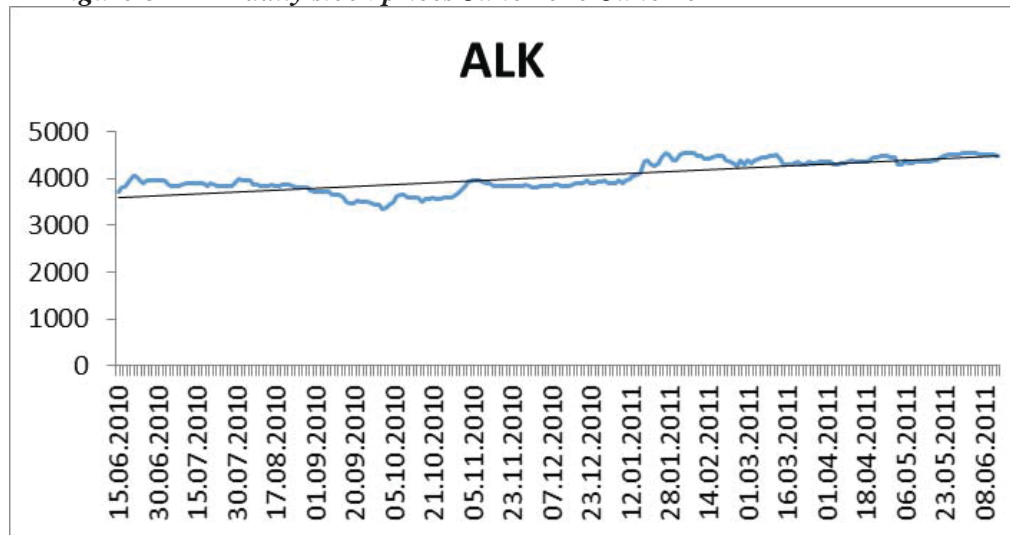
Table 7 Data for MPT stock for 52 weeks (10.06. 2010 – 09.06.2011) in MKD

| | |
|--------------------------|--------|
| Opening price 10.06.2010 | 26.200 |
| Closing price 09.06.2011 | 27.000 |
| Minimal price | 21.151 |
| Maximum price | 34.655 |
| Average price | 26.052 |

This confirms technical analysis accuracy and forecasting capacity for MPT stock for analyzed period.

Technical analyses recommendation for ALK stock issued at 15.06.2010 was **BUY**. We can notice that ALK security experienced strong upward momentum and reach even 22% of price increase compared with opening price at the start of analyzed period (maximum ALK price of 4.553 MKD) as presented on following Figure 8:

Figure 87 ALK daily stock prices June 2010-June 2011



Short analysis of ALK security price movements is presented on Table 2 as follows:

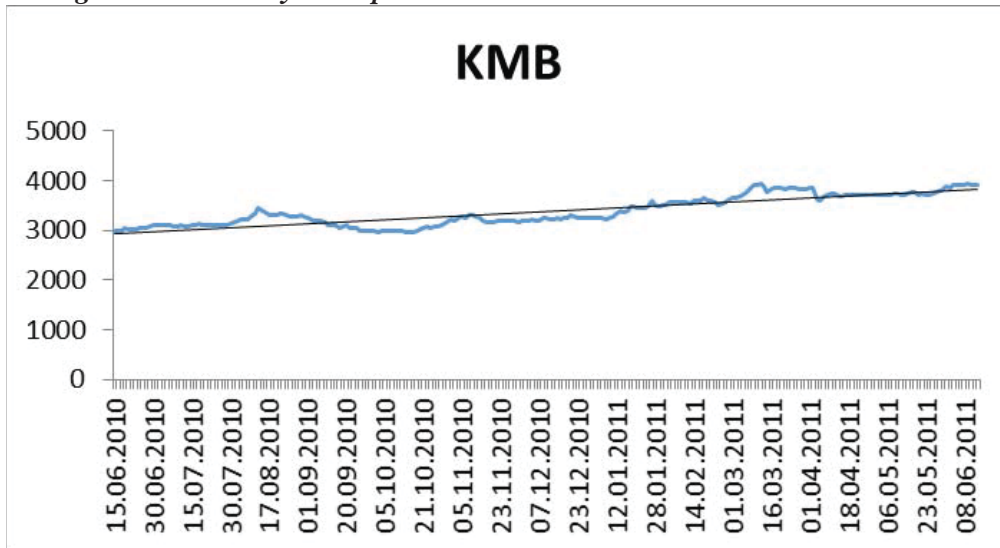
Table 8 Data for ALK stock for 52 weeks (10.06. 2010 – 09.06.2011) in MKD

| | |
|--------------------------|-------|
| Opening price 10.06.2010 | 3.726 |
| Closing price 09.06.2011 | 4.497 |
| Minimal price | 3.337 |
| Maximum price | 4.553 |
| Average price | 4.048 |

We can notice that ALK security has strong uptrend with limited retracements experienced during September-October 2010. This confirms technical analysis accuracy and forecasting capacity for ALK stock for analyzed period.

Technical analyses for KB stocks at 15.06.2010 recommended to BUY, due to the fact that all technical analysis' indicators indicate possible uptrend and increased profit opportunities.

Figure 9 KMB daily stock prices June 2010-June 2011



We can notice that KMB security experienced strong upward trend and continuous price rise during analyzed 52 weeks. KMB average price in that period is 12% higher than opening price at the beginning of analyzed period, while maximum price reach even 31% increase.

Short analysis of KMB historical data are presented on following Table 3.

Table 9 Data for KMB stock for 52 weeks (10.06. 2010 – 09.06.2011) in MKD

| | |
|--------------------------|-------|
| Opening price 10.06.2010 | 2.994 |
| Closing price 09.06.2011 | 3.900 |
| Minimal price | 2.942 |
| Maximum price | 3.931 |
| Average price | 3.379 |

This confirms technical analysis accuracy and forecasting capacity for KMB stock for analyzed period.

Based on results of our analysis we argue that technical analysis is reliable tool for MSE stock forecasting. Technical analysis predictions for three MSE securities were confirmed within analyzed one year period. This finding confirms reliability and accuracy for practical use of technical analysis as tool for forecasting stock prices movements at MSE. We did not find any notable differences in accuracy of use of technical analysis between stocks at MSE as well as notable differences in accuracy between different technical analysis techniques at MSE.

Conclusion

Technical analysis is widely used tool among traders and financial professionals but it was widely not very popular and accepted by academics. Although modern studies found it reliable and accurate, many of the positive results were treated dubious so that the evidence in support of technical analysis was inconclusive.

Technical analysis has been studied mainly with respect to the developed stock markets in industrial countries. On the other side, there is limited number of studies for emerging markets. MSE was not previously considered in the technical analysis literature.

On the other side, our information indicate that security dealers and analysts at MSE prefer more fundamental analysis, due to the fact that fundamental parameters allow comprehensively to determine operative and financial capacities of the firms and hence to determine trend.

Situation is different at the foreign exchange markets, where technical analysis use is more widespread than fundamental analysis. This due on its relatively easy use and possibility to provide fast recommendation, which is necessary on the market where trends have to be determined in limited time framework and where trading multitude is high. This does not mean technical analysis is more applicable to foreign exchange markets, but that technical analysis is more recognized there as to its efficacy there than elsewhere.

The main task of our paper is to test effectiveness of technical analysis for future stock price forecasting at Macedonian Stock Exchange (MSE) in order to fill the gap in the literature and provide evidences that can encourage security dealers to use it regularly. We have tested accuracy of technical analysis of three most liquid stocks traded at MSE and included in MBI-10. Technical analysis for MPT, ALK and KMB securities was performed and its recommendation were issued in June 2010, based on monthly and weekly data for the six years period from 2005 to 2010, as well as daily price movements from 2009 to 2010. Finally, we compare technical analyses' forecasts for market outlook with actual stock price movements in period of one year after predictions were issued, from June 2010 to June 2011.

We find that technical analysis is reliable tool for MSE stock forecasting. Technical analysis predictions for three MSE securities were confirmed by actual stock price movements within one year period. This finding confirms reliability and accuracy for practical use of technical analysis as tool for forecasting stock prices movements at MSE. We did not find any notable differences in accuracy of use of technical analysis between stocks at MSE as well as notable differences in accuracy between different technical analysis techniques at MSE. Finally, we can conclude that

if technical analysis cannot always predict the future, it helps to identify trading opportunities. So, it confirms its effectiveness of its use on MSE.

This study outlines directions for future researches that could be investigated to improve the forecasting of price movements for the Macedonian stock market securities. Due to the fact that we use six-years time series of stock prices (2005-2010) and compare with actual securities movements for one year, longer time series would allow estimation with greater precision.

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THE ONE WORLD CURRENCY – CAN WE EXPECT NEW WORLD MONETARY SYSTEM?

Eldin Dobardžić⁷

Abstract:

Time in which we live is full of challenges that threaten to endanger the existing global financial system from the ground up. From the period of gold “money”, fixed dollar-gold regime known as Bretton Woods to petro-dollar which still represent reserve world currency we are very close to see something “new”. In the midtime we saw something like big monetary experiment known as crypto-currencies such as bitcoin. There are many geopolitical and economic challenges throw the world which will have big affected to the World Monetary System. In this paper we will ask why the US dollar holds such a special status among currencies and by which determinants does it retain this role as the leading international currency. This paper will give facts in retrospect view about world monetary system from the beginning of the previous century as well as possible new digital money for which world is now preparing.

Keywords: currency, Bretton Wood, petro-dollar, digital money

Money is gold, and nothing else.
J. P. Morgan, 1912

Introduction

The rise of the dollar and its status of the leading international reserve currency was sealed within the Bretton Woods arrangements which were established in the aftermath of World War II. At the beginning of the 20th century the British sterling was by far the most important international currency. The German mark and the French franc played only secondary roles, while that of the US dollar was negligible. Even as late as 1940, the pound sterling maintained its position as the strongest international currency ahead of the dollar, mark and franc. The relative rise of the dollar to the pound sterling reflected long-run trends in economic fundamentals: The United States overtook the United Kingdom in the size of its economy in the year 1872 and in export volume in the year 1915. The United States, however, did not establish a central bank until 1913, which hindered the development of the financial system. In post World War I period, the United States moved into a net debtor position due to heavy lending to the European allies to conduct their war efforts - including the United Kingdom, which moved into a net debtor position. As the US dollar evolved into a major international currency, its utilization in international trade and finance widened continuously. That the pound sterling kept its dominant position as a key currency in the interwar period was primarily due to inertia in such arrangements

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(Eichengreen, 2008). Until 1971, the world for the most part, relied upon gold as money. It was the neutral store of wealth that was recognized around the world. There were times when the gold standard was suspended, such as during the American Civil War. And there were times when some countries adopted a silver standard because they had too little gold to create a viable money supply domestically such as in China and Mexico during the last quarter-century in the 1800s. There was a suspension of the gold standard during periods of war, but we must exclude these interregnum periods for now. The Monetary Crisis Cycle of 37.33 years has come on target - 2008 as calculated from 1971 turning point when the gold standard died. Go back another 37 years and we come to 1934 when Franklin D. Roosevelt confiscated gold and created a Two-Tier Gold Standard whereas gold was illegal domestically, but served as the ultimate store of wealth to settle the balance of payments among nations. Go back yet another 37 years and we come to the crisis of 1896 where J.P. Morgan had to gather a consortium of banks to lend the US Treasury a \$100 million in gold because it was bankrupt. If we go back yet another 37 years, we come to 1860 with the break of the Union and the abandonment of the gold standard thereafter for the Civil War. We can keep going back in time and find amazing correlations to the various currency crisis periods that seem to appear like clockwork. Perhaps it just takes 37 years before man routinely screws up everything one way or another. The answer to the regularity is a bit deeper than that and is interlinked with a host of other regular events including weather. That is for another day.

There is a rising discontent politically behind closed doors where some of the noise is filtering out through the cracks. Both China and Russia are raising the question about the dollar and its global reserve currency status. China has even suggested that it wants a "guarantee" that its \$1 trillion reserve will not be just devalued by spendthrift domestic stimulus packages. Those who seem to have great difficulty in believing there are even cycles, fail to understand that there are a limited number of options, and the one thing that remains unchanging, is human nature. Just as China has asked for a "guarantee" now, so did Britain in 1971 that fueled the closing of the gold window by Nixon. History does repeat! There will be no avoiding a One World Currency - after all is said and done, that is what the gold standard was. There will be the biblical soothsayers who will be carrying their signs that the end is here and repent. But for the most part, we always had a One World Currency meaning gold.

For now, the real problem we have is that the floating exchange rate system is causing economic distress that may break the back of the average person. On the one hand the United States wants to be the world leader. On the other, it wants freedom to expand Marxism to create a social state. We cannot have our cake and eat it too under such a current system.

At the same time, there is about \$5 trillion outstanding in world dollar reserves outside the United States. Those people holding the dollars believe that they have a right to be heard in economic policies that will effect the value of those reserves. If we double our money supply squandering that on infrastructure payments that do nothing to stimulate either the domestic or international economy, then there is going to be concern about the lack of a voice in those policies.

Today along with being the most important reserve currency worldwide the dollar remains the dominant international money serving as a vehicle for clearing international payments between banks, as a unit of account for international trade in goods and services, and as a reserve cum intervention currency for governments. There is a "euro standard" in Eastern Europe. But the euro is not yet important for

transaction outside of Europe, whereas the dollar dominates transactions not involving the United States (McKinnon, Ronald, 2009).

1. The Dollar World

The major high in the dollar was actually reached in late 1932 during the Great Depression. Virtually all of Europe defaulted on its national debt, with the exception of Great Britain and Switzerland who entered into a moratorium suspending interest payments. This sent the US dollar to record highs on a flight to quality perspective. Of course the US politicians saw this as a threat to the economy and supported Protectionism. That response was akin to the arab blocking of the access to the Mediterranean that then thrust deep into the heart of Western Europe the end of trade and imposing a dark age where everything was lost right down to language.

The monetary cycle frequency tends to be 37.33 years and if we add this to 1932.8, we come to 1970.13. This is where there had existed a two-tier gold market - (1) official price for settlement between nations, and (2) the free market price on the London Metals Exchange. X& 1970, this is the first time that gold actually fell below the official price of \$35 on the free market. This was clearly a major high for the dollar just before the crash and burn that followed the next year when President Nixon closed the gold window and this began the floating exchange rate system. We add this and we come to 2007. This appears to have produced a cycle inversion insofar as instead of a high for the dollar, we have a major low. To the shock of most, the dollar then rallied from the first turning point on the Economic Confidence Model being 2008.225 (March 23rd, 2008). From there as we then approach the next minor turning point of April 19th, 2009, the dollar has declined marginally, but between the 1970 high, the next low for the dollar was in 1974, a rally into 1976, and the decline into 1980. Keeping the turning points in time, this projects the next big turning point to be 2011, 2013, and 2017.

Table 1. Gold Performance During US Recession

| Decade | Gold Start (USD/oz) | Gold End (USD/oz) | Change (%) |
|-----------------|------------------------|----------------------|------------|
| 11/1973-03/1975 | 100 | 178 | 78.0 |
| 01/1980-07/1980 | 512 | 614 | 20.0 |
| 07/1981-11/1982 | 422 | 436 | 3.3 |
| 07/1990-03/1991 | 352 | 356 | 1.0 |
| 03/2001-11/2001 | 266 | 275 | 3.5 |
| 12/2007-06/2009 | 783 | 930 | 18.8 |
| Mean | | | 20.8 |

Source: Deutsche Bank, Incrementum AG

3. One Bank

The Federal Reserve's status as a central bank has long been obvious, but in its origins, from 1909 to 1913, following the Panic of 1907, supporters went to great lengths to disguise the fact that the proposed institution was a central bank. The most conspicuous part of this exercise is the name itself, the Federal Reserve. It is not called

the Bank of the United States of America, as the Bank of England and the Bank of Japan proclaim themselves. Nor does the name contain the key phrase “central bank” in the style of the European Central Bank. The obfuscation was much by design. The American people had rejected central banks twice before. The original central bank, the Bank of the United States chartered by Congress in 1791, was closed in 1811 after its twenty-year charter expired. A Second Bank of the United States, also a central bank, existed from 1817 to 1836, but its charter was also allowed to expire in the midst of acrimonious debate between supporters and opponents. From 1836 to 1913, a period of great prosperity and invention, the United States had no central bank. Well aware of this history and the American people’s deep suspicion of central banks, the Federal Reserve’s architects, principally Senator Nelson Aldrich of Rhode Island, were careful to disguise their intentions by adopting an anodyne name. Likewise, the IMF is best understood as a de facto central bank of the world, despite the fact that the phrase “central bank” does not appear in its name. The test of central bank status is not the name but the purpose. A central bank has three primary roles: it employs leverage, it makes loans, and it creates money. Its ability to perform these functions allows it to act as a lender of last resort in a crisis. Since 2008, the IMF has been doing all three in a rapidly expanding way. A key difference between a central bank and ordinary banks is that a central bank performs these three functions for other banks, rather than for public customers such as individuals and corporations. The IMF’s central-bank-style lending role is the easiest to discern of its functions. It has been the IMF’s mission from its beginnings in the late 1940s and is one still trumpeted today. This function grew at a time when most major currencies had fixed exchange rates to the dollar and when countries had closed capital accounts. When trade deficits or capital flight arose, causing balance-of-payments problems, countries could not resort to a devaluation quick fix unless they could show the IMF that the problems were structural and persistent. In those cases, the IMF might approve devaluation. More typically, the IMF acted as a swing lender, providing liquidity to the deficit country for a time, typically three to five years, in order for that country to make policy changes necessary to improve its export competitiveness. The IMF functioned for national economies the way a credit card works for an individual who temporarily needs to borrow for expenses but plans to repay from a future paycheck. Structural changes required by the IMF in exchange for the loan might include labor market reforms, fiscal discipline to reduce inflation, or lower unit labor costs, all aimed at making the country more competitive in world markets. Once the adjustments took hold, the deficits would then turn to surpluses, and the IMF loans would be repaid. However, that theory seldom worked smoothly in practice, and as trade deficits, budget deficits, and inflation persisted in certain member nations, devaluations were permitted. While devaluation can improve competitiveness, it can also impose large losses on investors in local markets, who relied on attractive exchange rates to the dollar to make their initial investments. On the other hand, if it so chooses, the IMF can make loans to help countries avoid devaluation and thereby protect investors such as JPMorgan Chase, Goldman Sachs, and their favored clients. IMF financial reports are stated in its own currency, the SDR, which is easily converted into dollars. The IMF computes and publishes the SDR-to-dollar exchange rate daily. In May 2013 the IMF had almost \$600 billion of unused borrowing capacity, which, when combined with existing resources, gave the IMF \$750 billion in lending capacity. If this borrowing and lending capacity were fully utilized, the IMF’s leverage ratio would only be about 3 to 1, if quotas were considered to be equity. This is extremely conservative compared to

most major banks, whose leverage ratios are closer to 20 to 1 and are higher still when hidden off-balance-sheet items are considered. The interesting aspect of IMF leverage is not that it is high today but that it exists at all. The IMF operated for decades with almost no leverage; advances were made from members' quotas. The idea was that members would contribute their quotas to a pool, and individual members could draw from the pool for temporary relief as needed. As long as total borrowings did not exceed the total quota pool, the system was stable and did not need leverage. This is no longer the case. As corporations and individuals deleveraged after the Panic of 2008, sovereign governments, central banks, and the IMF have employed leverage to keep the global monetary system afloat. In effect, public debt has replaced private debt. The overall debt burden has not been reduced—it has increased, as the global debt problem has been moved upstairs. The IMF is the penthouse, where the problem can be passed no higher. So far the IMF has been able to facilitate the official leveraging process as an offset to private deleveraging. Public leverage has mostly occurred at the level of national central banks such as the Federal Reserve and the Bank of Japan. But as those central banks reach practical and political limits on their leverage, the IMF will emerge as the last lender of last resort. In the next global liquidity crisis, the IMF will have the only clean balance sheet in the world because national central bank balance sheets are overleveraged with long-duration assets. The biggest single boost to the IMF's borrowing and leverage capacity came on April 2, 2009, very near the depths of the stock market crashes that began in 2008, a time of pervasive fear in financial markets. The largest IMF commitments came from the European Union and Japan, each committing \$100 billion, and China, which committed another \$50 billion. Other large commitments of \$10 billion each came from the other BRIC nations, Russia, India, and Brazil, and from the developed nations of Canada, Switzerland, and Korea. The most contentious commitment to the IMF's new borrowing facility involved the United States. The IMF does have a strong financial position, and it has the third-largest gold hoard in the world after the United States and Germany. It was curious that just as Federal Reserve officials were publicly disparaging gold's role in the monetary system, the president felt the need to mention gold to the Congress as a confidence booster. Despite disparagement of gold by academics and central bankers, gold has never fully lost its place as the bedrock of global finance. Drilling still further down, we find a curious feature of the IMF loan proposal. If the United States gave the IMF \$100 billion in cash, it would receive an interest-bearing note from the IMF in exchange. However, the note would be denominated not in dollars but in SDRs. Since the SDR is a nondollar world currency, its value fluctuates against the U.S. dollar. The SDR exchange value is calculated partly by reference to the dollar, but also by reference to a currency basket that includes the Japanese yen, the euro, and the U.K. pound sterling. This means that when the IMF note matures, the United States will receive back not the original \$100 billion but a different amount depending on the fluctuation of the dollar against the SDR. If the dollar were to grow stronger against the other currencies in the SDR basket, the United States would receive less than the original \$100 billion loan in repayment, because the nondollar basket components would be worth less. But if the dollar were to grow weaker against the other currencies in the SDR basket, the United States would receive more than the original \$100 billion loan in repayment, because the nondollar basket components would be worth more. In making the loan, the U.S. Treasury was betting against the dollar since only a decline in the dollar would enable the United States to get its money back.

By late 2012, the European sovereign debt crisis had stabilized, as growth continued in the United States and China, albeit at a slower rate than hoped for by the IMF. But after the history of debt crises in Dubai, Greece, Cyprus, and elsewhere from 2009 to 2013, it appeared to be just a matter of time before the situation somewhere destabilized and the U.S. commitment would be needed to finance another rescue package. The IMF's role as a leveraged lender, in effect a bank, is now institutionalized. The IMF has evolved from a quota-based swing lender to a leveraged lender of last resort like the Federal Reserve. Its borrowing and lending capabilities are well understood by economic experts, if not by the public at large. But even experts are largely unfamiliar with or confused by the IMF's greatest power—the ability to create money. Indeed, the name of the IMF's world money, the special drawing right, seems designed more to confuse than to enlighten. The IMF's printing press is standing by, ready for use when needed in the next global liquidity crisis. It will be a key tool in engineering the dollar's demise.

4. The role of gold

Confusion about the role of gold arises because it is usually treated as an investment and is reported as such in financial media. Not a day goes by without a financial reporter informing her audience that gold is “up” or “down” on the day, and in terms of gold's dollar price per ounce, this is literally true. But is gold fluctuating, or is it the dollar? On a day that gold is reported to be “up” 3.3 percent, from \$1,500 per ounce to \$1,550 per ounce, it would be just as accurate to treat gold as a constant and report that the dollar is “down” from 1/1,500th of an ounce of gold to 1/1,550th of an ounce. In other words, one dollar buys you less gold, so the dollar is down. This highlights the role of the numeraire, or the unit of account, which is part of the standard definition of money. If gold is the numeraire, then it is more accurate to think of dollars or other currencies as the fluctuating assets, not gold. This numeraire question can also be illustrated by the following example involving currencies. Assume that on a given trading day, gold's dollar price moves from \$1,500 per ounce to \$1,495 per ounce, a 0.3 percent decline, and on the same day the yen exchange rate to one dollar moves from 100 yen to 101 yen. Converting dollars to yen, it is seen that gold's price in yen moved from ¥150,000 ($\$1,500 \times 100$) to ¥150,995 ($\$1,495 \times 101$), a 0.6 percent increase. On the same trading day, gold was down 0.3 percent in dollars but up 0.6 percent in yen. Did gold go up or down? If one views the dollar as the only form of money in the world, then gold declined, but if one views gold as the numeraire, or monetary standard, then it is more accurate to say that gold was constant, that the dollar rose against gold and the yen fell against gold. This unified statement resolves the contradiction of whether gold went up or down. It did neither; instead, the currencies fluctuated. This also illustrates the fact that gold's value is intrinsic and not a mere function of global currency values. It is the currencies that are volatile and that lack intrinsic value. If gold is not a derivative, a commodity, or an investment, then what is it? Legendary banker J. P. Morgan said it best: “Money is gold, and nothing else.” While money was gold for J. P. Morgan—and everybody else—for four thousand years, money suddenly ceased to be gold in 1974, at least according to the IMF. President Nixon ended U.S. dollar convertibility into gold by foreign central banks in 1971, but it was not until 1974 that an IMF special reform committee, at the insistence of the United States, officially recommended gold's demonetization and the

SDR's elevation in the workings of the international monetary system. From 1975 to 1980, the United States worked strenuously to diminish gold's monetary role, conducting massive gold auctions from official U.S. stocks. As late as 1979, the United States dumped 412 tonnes of gold on the market in an effort to suppress the price and deemphasize gold's importance. These efforts ultimately failed. Gold's market price briefly spiked to \$800 per ounce in January 1980. There have been no significant official U.S. gold sales since then. The demotion of gold as a monetary asset by the United States and the IMF in the late 1970s means that the economics curricula of leading universities have not seriously studied gold for almost two generations. Gold might be taught in certain history classes, and there are many gold experts who are self-taught, but any economist born since 1952 almost certainly has no formal training in the monetary uses of gold. The result has been an accretion of myths about gold in place of serious analysis. The first myth is that gold cannot form the basis of a modern monetary system because there's not enough gold to support the requirements of world trade and finance. This myth is transparently false, but it is cited so often that its falsity merits rebuttal. The total gold supply in the world today, exclusive of reserves in the ground, is approximately 163,000 tonnes. The portion of that gold held by official institutions, such as central banks, national treasuries, and the IMF, is 31,868.8 tonnes. Using a \$1,500-per-ounce price, the official gold in the world has a \$1.7 trillion market value. This value is far smaller than the total money supply of the major trading and financial powers in the world. For example, U.S. money supply alone, using the M1 measure provided by the U.S. Federal Reserve, was \$2.5 trillion at the end of June 2013. The broader Fed M2 money supply was \$10.6 trillion at the same period. Combining this with money supplies of the ECB, the Bank of Japan, and the People's Bank of China pushes global money supply for the big four economic zones to \$20 trillion for M1 and \$48 trillion for M2. If global money supply were limited to \$1.7 trillion of gold instead of \$48 trillion of M2 paper money, the result would be disastrously deflationary and lead to a severe depression. The problem in this scenario is not the amount of gold but the price. There is ample gold at the right price. If gold were \$17,500 per ounce, the official gold supply would roughly equal the M1 money supply of the Eurozone, Japan, China, and the United States combined. The point is not to predict the price of gold or to anticipate a gold standard but merely to illustrate that the quantity of gold is never an impediment to a gold standard as long as the price is appropriate to the targeted money supply. The second myth is that gold cannot be used in a monetary system because gold caused the Great Depression of the 1930s and contributed to its length and severity. This myth is half true, but in that half-truth lies much confusion. The Great Depression, conventionally dated from 1929 to 1940, was preceded by the adoption of the "gold exchange standard," which emerged in stages from 1922 to 1925 and functioned with great difficulty until 1939. The gold exchange standard was agreed in principle at the Genoa Conference in 1922, but the precise steps toward implementation were left to the participating countries to work out in the years that followed. As the name implies, the gold exchange standard was not a pure gold standard of the type that had existed from 1870 to 1914. It was a hybrid in which both gold and foreign exchange—principally U.S. dollars, U.K. pounds sterling, and French francs—could serve as reserves and be used for settlement of any balance of payments. After the First World War, citizens in most major economies no longer carried gold coins, as had been common prior to 1914. In theory, a country's foreign exchange reserves were redeemable into gold when a holder presented them to the issuing country. Citizens were also free to own gold. But

international redemptions were meant to be infrequent, and physical gold possession by citizens was limited to large bars, which are generally unsuitable for day-to-day transactions. The idea was to create a gold standard but have as little gold in circulation as possible. The gold that was available was to remain principally in vaults at the Federal Reserve Bank of New York, the Bank of England, and the Banque de France, while citizens grew accustomed to using paper notes instead of gold coins, and central bankers learned to accept their trading partners' notes instead of demanding bullion. The gold exchange standard was, at best, a pale imitation of a true gold standard and, at worst, a massive fraud. Most important, nations had to choose a conversion rate between their currencies and gold, then stick to that rate as the new system evolved. In view of the vast paper money supply increases that had occurred during the First World War, from 1914 to 1918, most participating nations chose a value for their currencies that was far below the prewar rates. In effect, they devalued their currencies against gold and returned to a gold standard at the new, lower exchange rate. France, Belgium, Italy, and other members of what later became known as the Gold Bloc pursued this policy. The United States had entered the war later than the European powers, and its economy was less affected by the war. The United States also received large gold inflows during the war, and as a result, it had no difficulty maintaining gold's prewar \$20.67-per-ounce exchange rate. After the Gold Bloc devaluations, and with the United States not in distress, the future success of the gold exchange standard now hinged on the determination of a conversion rate for U.K. pounds sterling. The U.K., under the guidance of chancellor of the exchequer Winston Churchill, chose to return sterling to gold at the prewar rate equivalent to £4.86 per ounce. He did this both because he felt duty bound to honor Bank of England notes at their original value, but also for pragmatic reasons having to do with maintaining London's position as the reliable sound money center of world finance. Given the large amount of money printed by the Bank of England to finance the war, this exchange rate greatly overvalued the pound and forced a drastic decrease in the money supply in order to return to the old parity. An exchange rate equivalent to £7.50 per ounce would have been a more realistic peg and would have put the U.K. in a competitive trading position. Instead, the overvaluation of pounds sterling hurt U.K. trade and forced deflationary wage cuts on U.K. labor in order to adjust the terms of trade; the process was similar to the structural adjustments Greece and Spain are experiencing today. As a result, the U.K. economy was in a depression by 1926, years before the conventional starting date of 1929 associated with the Great Depression and the U.S. stock market crash. With an overvalued pound and disadvantageous terms of trade, the U.K.'s gold began flowing to the United States and France. The proper U.S. response should have been to ease monetary policy, controlled by the Federal Reserve, and allow higher inflation in the United States, which would have moved the terms of trade in the U.K.'s favor and given the U.K. economy a boost. Instead, the Fed ran a tight money policy, which contributed to the 1929 market crash and helped to precipitate the Great Depression. By 1931, pressure on the overvalued pound became so severe that the U.K. abandoned the 1925 parity and devalued sterling. This left the dollar as the most overvalued major currency in the world, a situation rectified in 1933, when the United States also devalued from \$20.67 per ounce to \$35.00 per ounce, cheapening the dollar to offset the effect of the sterling devaluation two years earlier. The sequence of events from 1922 to 1933 shows that the Great Depression was caused not by gold but rather by central bank discretionary policies. The gold exchange standard was fatally flawed because it did not take gold's free-market price

into account. The Bank of England overvalued sterling in 1925. The Federal Reserve ran an unduly tight money policy in 1927. These problems have to do not with gold per se but with the price of gold as manipulated and distorted by central banks. The gold exchange standard did contribute to the Great Depression because it was not a true gold standard. It was a poorly designed hybrid, manipulated and mismanaged by discretionary monetary policy conducted by central banks, particularly in the U.K. and the United States. The Great Depression is not an argument against gold; it is a cautionary tale of central bank incompetence and the dangers of ignoring markets. The third myth is that gold caused market panics and that modern economies are more stable when gold is avoided and central banks use monetary tools to smooth out periodic panics. This myth is one of economist Paul Krugman's favorites, and he recites it ad nauseam in his antigold, pro-inflationary writings. In fact, panics do happen on a gold standard, and panics also happen in the absence of a gold standard. Krugman likes to recite a list of panics that arose during the classical gold standard and the gold exchange standard; it includes market panics or crashes in 1873, 1884, 1890, 1893, 1907, and the Great Depression. Fair enough. But panics also occurred in the absence of a gold standard. Examples include the 1987 stock market crash, when the Dow Jones Industrial Index fell over 22 percent in a single day, the 1994 Mexican peso collapse, the 1997–98 Asia-Russia-Long-Term Capital market panic, the 2000 tech stock collapse, the 2007 housing market collapse, and the Lehman-AIG financial panic of 2008. Panics are neither prevented nor caused by gold. Panics are caused by credit overexpansion and overconfidence, followed by a sudden loss of confidence and a mad scramble for liquidity. Panics are characterized by rapid declines in asset values, margin calls by creditors, dumping of assets to obtain cash, and a positive feedback loop in which more asset sales cause further valuation declines, which are followed by more and more margin calls and asset sales. This process eventually exhausts itself through bankruptcy, a rescue by solvent parties, government intervention, or a convergence of all three. Panics are a product of human nature, and the pendulum swings between fear and greed and back to fear. Panics will not disappear. The point is that panics have little or nothing to do with gold. In practice, gold standards worked well in the past and remain entirely feasible today. Still, daunting design questions arise in the creation of any gold standard. Designing a gold standard is challenging in the same way that designing a digital processor can be challenging; there is good design and bad design. There are technical issues that deserve serious consideration, and spurious issues that do not. There is enough gold in the world—it is just a matter of price. Gold did not cause the Great Depression, but central bank policy blunders did. Panics are not the result of gold; they are the result of human nature and easy credit. Puncturing these myths is the way forward to an authentic debate of gold's pros and cons.

The facts speak for themselves and require little elaboration. Central banks and other official institutions such as the IMF were net sellers of gold every year from 2002 through 2009, although sales dropped sharply during that time from over 500 tonnes in 2002 to less than 50 tonnes in 2009. Beginning in 2010, central banks became net buyers, with purchases rising sharply from less than 100 tonnes in 2010 to over 500 tonnes in 2012. In the ten-year span from 2002 to 2012, the shift from net sales to net purchases was over 1,000 tonnes per year, an amount greater than one-third of annual global mining output. Increasingly, gold is moving directly from mines to central bank vaults. Table 1 shows increases in gold reserves for selected countries from the first quarter of 2004 to the first quarter of 2013, measured in tonnes:

Table 2. Gold Reserves in Selected Countries

| Country | Q1 2004 (in metric tonnes) | Q1 2013 (in metric tonnes) | % Change |
|------------|-------------------------------|-------------------------------|----------|
| Argentina | 28.61 | 61.74 | +216 |
| Belarus | 12.44 | 49.29 | +396 |
| China | 599.98 | 1,054.09 | +176 |
| India | 357.75 | 557.75 | +156 |
| Kazakhstan | 54.70 | 22.89 | +225 |
| Korea | 14.05 | 104.44 | +743 |
| Laos | 3.64 | 8.88 | +243 |
| Mexico | 6.80 | 124.24 | 2,043 |
| Russia | 389.79 | 981.62 | +252 |
| Thailand | 80.87 | 152.41 | +188 |
| Turkey | 116.10 | 408.86 | +352 |
| Ukraine | 19.60 | 36.08 | +184 |
| Total | 1,684.33 | 3,662.29 | +217 |

Source: IMF, 2014

All these large central bank acquirers are in Asia, Latin America, and Eastern Europe. Over this same period, from 2004 to 2013, Western central banks were net sellers of gold, although such sales stopped abruptly in 2009. Since then emerging economies have had to acquire gold from mine production, scrap gold recycling, or open-market sales, including sales of over 400 tonnes by the IMF in late 2009 and early 2010. Taking into account all national central banks, exclusive of the IMF, official gold reserves increased 1,481 tonnes from the fourth quarter of 2009 through the first quarter of 2013—a 5.4 percent increase. Central banks have become significant gold buyers, and the movement of gold is from west to east. These statistics all need to be qualified by the curious case of China. China reported a gold reserve position of 395 tonnes for over twenty years from 1980 through the end of 2001. Then the reported position suddenly leaped to 500 tonnes, where it remained for a year; then it leaped again to 600 tonnes at the end of 2002, where it remained for over six years. Finally, the reported position was increased to 1,054 tonnes in April 2009, where it has remained for almost five years through early 2014. Officially, China has reported a series of sudden spikes in its gold holdings of 105 tonnes in 2001, 100 tonnes in 2002, and 454 tonnes in 2009. Increases of this size are extremely difficult to conduct in a single transaction except by prearrangement between two central banks or the IMF. No such prearranged central bank or IMF sales to China have been reported, and no reported central bank or IMF holdings show the necessary sudden drops at the appropriate times that would correspond to such increases by China. The conclusion is inescapable that China is actually accumulating gold in smaller quantities over long periods of time, and reporting the changes in a lump sum on an irregular basis.

5. One Currency

John Maynard Keynes once mused that not one man in a million was able to understand the process by which inflation destroys wealth. It is as likely that not one woman or man in ten million understands special drawing rights, or SDRs. Still, the SDR is poised to be an inflationary precursor par excellence. The SDR's mix of opacity and unaccountability permits global monetary elites to solve sovereign debt problems using an inflationary medium, which in turn allows individual governments to deny political responsibility. The SDR's stealth qualities begin with its name. Like Federal Reserve and International Monetary Fund, the name was chosen to hide its true purpose. Just as the Federal Reserve and IMF are central banks with disguised names, so the SDR is world money in disguise. Some monetary scholars, notably Barry Eichengreen of the University of California at Berkeley, object to the use of the term money as applied to SDRs, viewing the units as a mere accounting device used to shift reserves among members. But the IMF's own financial reports refute this view. Its annual report contains the following disclosures: The SDR may be allocated by the IMF, as a supplement to existing reserve assets.. Its value as a reserve asset derives from the commitments of participants to hold and accept SDRs. The SDR is also used by a number of international and regional organizations as a unit of account. Participants and prescribed holders can use and receive SDRs in transactions among themselves.

As money is classically defined as having three essential qualities—store of value, unit of account, and medium of exchange—this disclosure clinches the case for the SDR as money. The IMF itself says the SDR has value, is a unit of account, and can be used as a medium of exchange in transactions among designated holders. The three-part money definition is satisfied in full. The amount of SDRs in circulation is minuscule compared to national and regional currencies such as the dollar and euro. The SDR's use is limited to IMF members and certain other official institutions and is controlled by the IMF Special Drawing Rights Department. Further, SDRs will perhaps never be issued in banknote form and may never be used on an everyday basis by citizens around the world. But even such limited usage does not alter the fact that the SDR is world money controlled by elites. In fact, it enhances that role by making the SDR invisible to citizens. The SDR can be issued in abundance to IMF members and can also be used in the future for a select list of the most important transactions in the world, including balance-of-payments settlements, oil pricing, and the financial accounts of the world's largest corporations such as ExxonMobil, Toyota, and Royal Dutch Shell. Any inflation caused by massive SDR issuance would not immediately be apparent to citizens. The inflation would show up eventually in dollars, yen, and euros at the gas pump or the grocery, but national central banks could deny responsibility with ease and point a finger at the IMF. Since the IMF is not accountable to any electoral process and is a selfperpetuating supranational organization, the buck would stop nowhere. The SDR's history is as colorful as its expected future. It was not part of the original Bretton Woods monetary architecture agreed to in 1944. It was an emergency response to a dollar crisis that began in 1969 and continued in stages through 1981. During the Bretton Woods system's early decades, from 1945 to 1965, international monetary experts worried about a so-called dollar shortage. At that time the dollar was the dominant global reserve currency, essential to international trade. Europe's and Japan's industrial bases had been devastated during the Second World War. Both Europe and Japan had human capital,

but neither possessed the dollars or gold needed to pay for the machinery and raw materials that could revive their manufacturing. The dollar shortage was partly alleviated by Marshall Plan aid and Korean War spending, but the greatest boost came from the U.S. consumer's newfound appetite for high-quality, inexpensive imported goods. American baby boomers, as teenagers in the 1960s, may recall driving to the beach in a Volkswagen Beetle with a Toshiba transistor radio in hand. By 1965, competitive export nations such as Germany and Japan were rapidly acquiring the two principal reserve assets at the time, dollars and gold. The United States understood that it needed to run substantial trade deficits to supply dollars to the rest of the world and facilitate world trade. The international monetary system soon fell victim to its own success. The dollar shortage was replaced with a dollar glut, and trading partners became uneasy with persistent U.S. trade deficits and potential inflation. This situation was an illustration of Triffin's dilemma, named after Belgian economist Robert Triffin, who first described it in the early 1960s. Triffin pointed out that when one nation issues the global reserve currency, it must run persistent trade deficits to supply that currency to its trading partners; but if the deficits persist too long, confidence in the currency will eventually be lost. Paradoxically, both a dollar shortage and a dollar glut give rise to consideration of alternative reserve assets. In the case of a dollar shortage, a new asset is sought to provide liquidity. In the case of a dollar glut, a new asset is sought to provide substitutes for investing reserves and to restore confidence. Either way, the IMF has long been involved in the contemplation of alternatives to the dollar. By the late 1960s, confidence in the dollar was collapsing due to a combination of U.S. trade deficits, budget deficits, and inflation brought on by President Lyndon Johnson's "guns and butter" policies. U.S. trading partners, notably France and Switzerland, began dumping dollars for gold. A full-scale run on Fort Knox commenced, and the U.S. gold hoard was dwindling at an alarming rate, leading to President Nixon's decision to end the dollar's gold convertibility, on August 15, 1971. As caretaker of the international monetary system, the IMF confronted collapsing confidence in the dollar and a perceived gold shortage. The U.K. pound sterling had already devalued in 1967 and was suffering its own crisis of confidence. German marks were considered attractive, but German capital markets were far too small to provide global reserve assets in sufficient quantities. The dollar was weak, gold was scarce, and no alternative assets were available. The IMF feared that global liquidity could evaporate, triggering a collapse of world trade and a depression, as had happened in the 1930s. In this strained environment, the IMF decided in 1969 to create a new global reserve asset, the SDR, from thin air. From the start, the SDR was world fiat money. Kenneth W. Dam, a leading monetary scholar and former senior U.S. government official who served in the Treasury, the White House, and Department of Defense, explains in his definitive history of the IMF: The SDR differed from nearly all prior proposals in one crucial respect. Previously it had been thought essential that any new international reserves created through the Fund, and particularly any new reserve asset, be "backed" by some other asset. The SDR, in contrast, was created out of (so to speak) whole cloth. It was simply allocated to participants in proportion to quotas, leading some to refer to the SDR as "manna from heaven." Thereafter it existed and was transferred without any backing at all. A ready analogy is to "fiat" money created by national governments but not convertible into underlying assets such as gold.

Initially the SDR was valued as equivalent to 0.888671 grams of fine gold, but this IMF gold standard was abandoned in 1973 not long after the United States itself

abandoned the gold standard with respect to the dollar. Since 1973, the SDR's value has been computed with reference to a reserve-currency basket. This does not mean that the SDR is backed by hard currencies, as Dam points out, merely that its value in transactions and accounting is calculated in that manner. Today the basket consists of dollars, euros, yen, and pounds sterling in specified weights. SDRs have been issued to IMF members on four occasions since their creation. The first issue was for 9.3 billion SDRs, handed out in stages from 1970 to 1972. The second issue was for 12.1 billion SDRs, also done in stages from 1979 to 1981. There was no SDR issuance for almost thirty years, from 1981 to 2009. This was the King Dollar era engineered by Paul Volcker and Ronald Reagan, which continued through the Republican and Democratic administrations of George Bush, Bill Clinton, and George W. Bush. Then in 2009, in the wake of the financial crisis and in the depths of a new depression, the IMF issued 161.2 billion SDRs on August 28 and 21.5 billion SDRs on September 9. The cumulative SDR issuance since their creation is 204.1 billion, worth over \$300 billion at the current dollar-SDR exchange rate. The history makes it clear that there is a close correspondence between periods of SDR issuance and periods of collapsing confidence in the dollar. The best index of dollar strength or weakness is the Price-adjusted Broad Dollar Index, calculated and published by the Federal Reserve. The Fed's dollar index series begins in January 1973 and is based on a par value expressed as 100.00 on the index. The first SDRs issued in 1970 to 1972 predate this index but were linked to the dollar's 20 percent collapse against gold at the time. The second SDR issuance, from 1979 to 1981, immediately followed a dollar breakdown from a Fed index level of 94.2780 in March 1977 to 84.1326 in October 1978—an 11 percent decline in nineteen months. After the issuance, the dollar recovered its standing, and the index hit 103.2159 in March 1982. This was the beginning of the King Dollar period. The third and fourth SDR issuances began in August 2009, not long after the dollar crashed to an index level of 84.1730 in April 2008, near its level in the crisis of 1978. The lags of approximately a year between index lows and SDR issuance are a reflection of the time it takes the IMF to obtain board approval to proceed with new issuance. Unlike the issuance in the 1980s King Dollar period, the massive 2009 issuance did not result in the dollar regaining its strength. In fact, the dollar index reached an all-time low of 80.5178 in July 2011, just before gold hit an all-time high of \$1,895.00 on September 5. The difference in 2011 compared to 1982 was that the Fed and Treasury were pursuing a weak-dollar policy, in contrast to Paul Volcker's strong-dollar policy. Nevertheless, the 2009 SDR issuance served its purpose, relieving global financial markets after the Panic of 2008. Markets regained their footing by late 2012 with the stabilization of the European sovereign debt crisis after Mario Draghi's "whatever it takes" pledge on the ECB's behalf. By 2012, global liquidity was restored, and SDRs were once again placed on the shelf, awaiting the next global liquidity crisis. Although the SDR is a useful tool for emergency liquidity creation, thus far the dollar retains its status as the world's leading reserve currency. Performing a reserve-currency role requires more than just being money; it requires a pool of investable assets, primarily a deep, liquid bond market. Any currency can be used in international trade if the trading partners are willing to accept it as a medium of exchange. But a problem arises after one trading partner has acquired large trade currency balances. That party needs to invest the balances in liquid assets that pay market returns and preserve value. When the balances are large—for example, China's \$3 trillion in reserves—the investable asset pool must be correspondingly large. Today U.S.-dollar-denominated government bond markets are the only markets in the world

large and diversified enough to absorb the investment flows coming from surplus nations such as China, Korea, and Taiwan. The SDR market is microscopic in comparison. Still, the IMF makes no secret of its ambitions to transform the SDR into a reserve currency that could replace the dollar. This was revealed in an IMF study released in January 2011, consisting of a multiyear, multistep plan to position the SDR as the leading global reserve asset. The study recommends increasing the SDR supply to make them liquid and more attractive to potential private sector market participants such as Goldman Sachs and Citigroup. Importantly, the study recognizes the need for natural sellers of SDR-denominated bonds such as Volkswagen and IBM. Sovereign wealth funds are recommended as the most likely SDR bond buyers for currency diversification reasons. The IMF study recommends that the SDR bond market replicate the infrastructure of the U.S. Treasury market, with hedging, financing, settlement, and clearance mechanisms substantially similar to those used to support trading in Treasury securities today. Beyond the SDR bond market creation, the IMF blueprint goes on to suggest that the IMF could change the SDR basket composition to reduce the weight given to the U.S. dollar and increase the weights of other currencies such as the Chinese yuan. This is a stealth mechanism to enhance the yuan's role as a reserve currency long before China itself has created a yuan bond market or opened its capital account. If the SDR market becomes liquid, and the yuan is included in the SDR, bank dealers will discover ways to arbitrage one currency against the other and thereby increase the yuan's use and attractiveness. With regard to a future SDR bond market, the IMF study candidly concludes, "If there were political willingness to do so, these securities could constitute an embryo of global currency." This conclusion is highly significant because it is the first time the IMF has publicly moved beyond the idea of the SDR as a liquidity supplement and presented it as a leading form of world money. Indeed, the IMF's distribution of SDRs is not limited to IMF members. Article XVII of the IMF's governing Articles of Agreement permits SDR issuance to "non-members and other official entities," including the United Nations and the Bank for International Settlements (BIS), in Basel, Switzerland. The BIS is notorious for facilitating Nazi gold swaps while being run by an American, Thomas McKittrick, during the Second World War, and is commonly known as the central bank for central banks. The IMF can issue SDRs to the BIS today to finance its ongoing gold market manipulations. Under Article XVII authority, the IMF could also issue SDRs to the United Nations, which could put them to use for population control or climate change regimes. An expanded role for SDRs awaits further developments that may take years to evolve. While the SDR is not ready to replace the dollar as the leading reserve currency, it is moving slowly in that direction. Still, the SDR's rapid-response role as a liquidity source in a financial panic is well practiced. The 2009 SDR issuance can be viewed as "test drive" prior to a much larger issuance in a future liquidity crisis. SDRs granted to an IMF member are not always immediately useful, because that member may need to pay debts in dollars or euros. However, SDRs can be swapped for dollars with other members who do not mind receiving them. The IMF has an internal SDR Department that facilitates these swaps. For example, if Austria has obligations in Swiss francs and receives an SDR allocation, Austria can arrange to swap SDRs for dollars with China. Austria then sells the dollars for Swiss francs and uses the francs to meet its obligations. China will gladly take SDRs for dollars as a way to diversify its reserves out of dollars. In actual swaps, China had acquired the equivalent of \$1.24 billion in SDRs above its formal allocations by April 30, 2012. IMF deputy managing director Min Zhu cryptically summarized the SDR's liquidity role when he stated,

“They are fake money, but they are a kind of fake money that can be real money.” The IMF is transparent when it comes to the purpose of SDR issuance. The entire Bretton Woods architecture, which gave rise to the IMF, was a reaction to the 1930s Depression and deflation. The IMF Articles of Agreement address this issue explicitly:

In all its decisions with respect to the allocation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will avoid deflation. Deflation is every central bank’s nemesis because it is difficult to reverse, impossible to tax, and makes sovereign debt unpayable by increasing the real value of debt. By explicitly acknowledging its mission to prevent deflation, the IMF’s actions are consistent with the aims of other central banks. With its diverse leadership, leveraged balance sheet, and the SDR, the IMF is poised to realize its one-world, one-bank, one-currency vision and exercise its intended role as Central Bank of the World. The next global liquidity crisis will shake the stability of the international monetary system to its core; it may also be the catalyst for the realization of the IMF’s vision. The SDR is the preferred pretender to the dollar’s throne.

6. What happens today?

On 19 April 2016, China was rolling out its new gold-backed yuan. Russia’s ruble has been fully supported by gold for the last couple of years. Nobody in the western media talks about it. Why would they? – A western reader may start wondering why he is constantly stressed by a US dollar based fiat monetary systems that is manipulated at will by a small elite of financial oligarchs for their benefit and to the detriment of the common people.

In addition to a financial alliance, Russia and China also have developed in the past couple of years their own money transfer system, the China International Payment System, or the CIPS network which replaces the western transfer system, SWIFT, for Russian-Chinese internal trading. SWIFT, stands for the Society for Worldwide Interbank Financial Telecommunication, a network operating in 215 countries and territories and used by over 10,000 financial institutions. Up until recently almost every international monetary transaction had to use SWIFT, a private institution, based in Belgium. ‘Private’ like in the US Federal Reserve Bank (FED), Wall Street banks and the Bank for International Settlements (BIS); all are involved in international monetary transfers and heavily influenced by the Rothschild family. No wonder that the ‘independent’ SWIFT plays along with Washington’s sanctions, for example, cutting off Iran from the international transfer system. Similarly, Washington used its arm-twisting with SWIFT to help Paul Singer’s New York Vulture Fund to extort more than 4 billion dollars from Argentina, by withholding Argentina’s regular debt payments as was agreed with 93% of all creditors. Eventually Argentina found other ways of making its payments, not to fall into disrepute and insolvency.

In the case of Argentina, the vulture lord bought the country’s default debt for a pittance and now that the nation’s economy had recovered he wants to make a fortune on the back of the population. This is how our western fraudulent monetary system functions.

China’s economy has surpassed that of the United States and this new eastern alliance is considered an existential threat to the fake western economy. CIPS, already used for trading and monetary exchange within China and Russia, is also applied by

the remaining BRICS, Brazil, India and South Africa; and by the members of the Shanghai Cooperation Organization (SCO), plus India, Pakistan and Iran, as well as the Eurasian Economic Union (EEU – Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan). It is said that CIPS is ready to be launched worldwide as early as September 2016. It would be a formidable alternative to the western dollar based monetary Ponzi scheme.

In addition, the Yuan late last year was accepted by the IMF in its SDR basket as the fifth reserve currency, the other four being the US dollar, the British pound, the euro and the Japanese yen. The SDR, or Special Drawing Right, functions like a virtual currency. It is made up of the weighted average of the five currencies and can be lent to countries at their request, as a way of reducing exchange risks. Being part of the SDR, the yuan has become an official reserve currency. In fact, in Asia the yuan is already heavily used in many countries' treasuries, as an alternative to the ever more volatile US dollar.

It is no secret, the western dollar-led fiat monetary system is on its last leg – as eventually any Ponzi scheme will be. What does 'fiat' mean? It is money created out of thin air. It has no backing whatsoever; not gold, not even the economic output generated by the country or countries issuing the money, i.e. the United States of America and Europe. It is simply however, until now, China has been proceeding with the uttermost caution. As a result, the majority of G-7 countries – Germany, Canada, USA, France, Japan, Italy and UK – have hailed the launch of AIIB. Nonetheless, in spite of the extraordinary power of attraction of Beijing's offer which reduced the influence of Washington over the Global Infrastructure Investment Finance, AIIB is holding itself back from rejecting the Dollar. And while many had speculated that AIIB loans would be issued in Yuan, or possibly in local currencies, to this date, all loans have been issued in USD currency. Furthermore, we should also take note that three out of the four loans which have been approved by AIIB this year, amounting to USD 509 million, are investments which are linked to the traditional World financial institutions, built after World War II Washington's model. In my view, Chinese investors want to make use of shares that have been invested in World Bank and Asian Development Bank, as well as of the excellent relations already established with Europe.

Above all, AIIB's launch marks a significant threshold in the history of multilateral credit institutions as the first bank – in addition to the new BRICS Development Bank – to be owned mainly by emerging economies.

Conclusion

The question of creating a One World Currency is political. As the United States continues to lose power because of its policies that borrowing is somehow less inflationary than printing simply because we arbitrarily decree that issuing government bonds is not "money" for the purposes of calculation, the sheer fact that the dollar reserves are \$5 trillion, means we are borrowing our future from the rest of the world. That is transferring power overseas and entitles them to a say in the domestic policies that increase the money supply and thus depreciates the value of the dollars held overseas. From their perspective, since the dollar is a "reserve" currency, this is no different than the power play over creating coins for thousands of years.

By accepting the dollar as the "reserve" currency, it is a form of political inferiority to which all other nations are subjected. This will come to an end one way or another as it always has.

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THE ROLE OF STATE REGISTERS AND INSTITUTIONS IN COLLATERAL ESTABLISHING AND MONITORING OF THE BANKS' CLAIMS

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Abstract:

This paper contains the role of state institutions and registers in the process of banks' collateral establishment and monitoring, which are crucial for "legally perfect" collateral and the later stage of collection of the claims. The paper makes a review of the most significant world practices in this area. All relevant state registers and institutions in the Republic of Macedonia are presented and analyzed. The positive and negative aspects of the state institutions and registers in Republic of Macedonia are presented, which results in recommendations for improvement.

Keywords: banks, collateral, claims, state registers, credit register, credit bureau

Introduction

In the banking sector, the role of state institutions and registers are very important in the process of banks' collateral establishment and monitoring, which are crucial for "legally perfect" collateral and the later stage of collection of the claims. Almost in all countries worldwide, there is variety of practices in this area. Republic of Macedonia follows this trend in the last two decades and several state institutions and relevant state registers have been established, accompanied with the necessary regulation. Each of them has its positive and negative aspects in practice which need to be analysed in order to be improved in the future for better effects on the lending process.

The remainder of this paper is structured into 7 sections. In Section 2 we present few examples of related work from literature considering the correlation between the lending, laws and state/credit registers. The existing registers in the Republic of Macedonia (Agency for Cadastre of immovable property, Central Register, Pledge Register, Credit Register and Credit Bureau) that directly affect the lending and collaterals are analyzed in sections 3-7, respectively. Section 8 summarizes the main conclusions.

1. Literature Overview

In the modern research, the connection between the laws and lending is one of the main topics, especially after the world crisis. Haselmann and Wachtel made thorough analysis on banks behavior, which was made in 20 countries in transition (Haselmann and Wachtel, 2010). The research shows that the loan portfolio of the banks very

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much depends on the legal frame of the country. The authors concluded that in those countries where the legal frame is well functioning, the banks are more likely to lend, especially to SMEs, as well as in the housing loans. In the contrary, in the non – regulated legal frame countries, the banks are more likely to lend to large companies and state institutions. In both cases the banks are more likely to accept the collaterals that are the best legally based, they are even willing to land to companies with asymmetric information or with insufficient information only if the collaterals are well legally grounded. In this case, they appreciate lending to large companies with good projects or governmental institution, which could provide state guaranties.

In the paper (Djankov et al. 2007), the authors analyzed the connection between the lending and existence of state and private credit registers. They analyzed 129 countries and concluded that in the developed countries bigger influence have the creditors' rights instead of existence of credit registers; while in the non-developed countries greater influence have the existence of credit registers instead of creditors rights. It is also concluded that in the countries of the common law, creditors rights influences the lending more than in the countries of the French law, where the existence of credit registers has bigger influence on the bank's lending than the creditors' rights. For this paper it should be highlighted that it was written prior to the world crisis, which crises proved that non-existence of creditors' information, especially those from the credit registers, led to the crises and increase of the non-performing loans.

The authors in (Berger et al. 2007) concluded that if the banks has more relevant information for the clients prior to the lending or in the process of approval, they would require less collaterals. If the information gap is small, than it will decrease the need for collateral.

Nishanian and Wallace, among other conclusions, also concluded that the information for the collateral and for the client is very important, prior to lending, as well as in the process of repayment of the loan (Nishanian and Wallace 2009). They also indicated that relevant clauses regarding client information and collateral should be implemented in the loan agreements, which are also very important in the phase of collection of claims.

(Atkins et al. 2012) are referring to the Basel III regulation, and as after crisis measures is overly secured loans with many and big collaterals. They stress out that overly regulated collaterals could lead to other extreme – lack of financing in the economy, and that could lead to new recession and crisis.

2. Agency for Cadastre of Immoveable Property (Cadastre)

The banks has great need for the services of Cadastre in the process of establishing of collaterals, as well as in the proceedings for collection of claims and management of the collaterals.

According to the Law on Cadastre, the Cadastre issues the following documents: property list, pre-issue list for the property under construction, copy of cadastre plan, historical review of the made recordings, confirmations for the owners, copy of geodetic elaborate, legal basis for certain recordings, confirmations for made or rejected recordings etc. the banks has everyday need for this documents, in order to check the property that should be mortgaged, legal status, other recordings, rights etc. In the proceedings for the collection of claims for property tracking and checking,

merger and acquisition, division of property. Currently, the process of issuing property list is finalized for the whole country, which improves the legal assurances for the status of the property, especially in the process of establishment of collaterals. Lately, the Cadastre provided service for the state institutions and for the banks, by which almost all documents that are issued by the Cadastre to be provided to the above-mentioned institutions and banks electronically and also provided to be printed and by the printing to have the same legal validity, as they were printed out by the Cadastre. This was revolutionary step for the lending process, in which the banks have all relevant information for the property that should be collateralized.

One of the main problems in Cadastre that is currently unsolved is the recordings of the transferred recorded mortgages, which recordings were made in the courts in the so called “intabulation books”, in which up to 2008 were recorded all mortgages for the property for which there were no issued property lists. In 2008 these books from all courts in the country were transferred to the Cadastre to be processed and recorded in the property lists. The Cadastre was not able to process adequately all these data since there were no relevant data that could be matched and processed in the Cadastre system. Part of the data were processed, some of them incorrectly. For the rest, the most significant data were published in the Official Gazette and by the publishing according to Law on Cadastre; the creditors were obliged to review all these data and to proceed with correct recording or deletion of mortgages for the closed claims. The time frame period was 5 years, after which period Cadastre will delete the published data, according to the law. By this, Cadastre stopped to issue confirmation for existence of mortgage form the “intabulation books”, which increased the legal uncertainty for the creditors. This created many problems for the creditors, especially for the oldest and biggest banks in the country. There are also other problems in the Cadastre such as: problems for identification of parcels, intentionally non-cooperation of the citizens for providing documents and elaborates for recording of their property in the property lists, which is happening in order to stop sale of collateral by the banks in the frame of enforcement proceedings, etc.

3. Central Register of RM (CRM)

Banks for the lending process have needs for the data of CRM regarding the legal entities and their registration, their status, capital, authorized person for decision making process, limitation, history of the legal entities etc. Great parts of this data are also relevant for the proceedings of collection of claims. According to the Law on Central Register of RM (official Gazette of RM 50/01, 49/03, 88/08, 35/11) , the main users of CRM’s data are state institutions, legal entities, citizens, both foreign and domestic. Banks are one of the main users. Also, banks could sign agreement with CRM in order to use the data, but only those documents which are issued by CRM are legally enforce, not those that are printed out of the CRM system on which banks are connected. This service it is expected to be improved, similar to those of the Cadastre, and printed documents by the banks that are connected to CRM’s system to have legal force.

Main documents that are issued by CRM are: confirmation for registration of the legal entity with all relevant data of the registration, including the current status, current bankruptcy and liquidation proceeding and other authorizations and limitations; document for history of recordings within CRM; scanned documents of all

recordings, including the acts for registration and amendments; bank accounts of the initial recording; non-active legal entities and their deletion.

The main improvement that should be implemented is that CRM should allow legal force to the documents that are printed out of the system, in order to make the providing of the requested documents more efficient and to avoid going to CRM for confirmation of the printed documents. This service should be allowed to those entities, including the banks that have concluded agreement with CRM for using the services of CRM. Also, it is not possible to check the legal entities which did not initiate proceeding for accordance with the Law on trade companies. Also, it is not possible to provide confirmation for initiated liquidation or bankruptcy proceeding electronically; it has to be done on CRM's tellers.

Anyhow, the existence of CRM is great improvement in data collection and checking in the lending process, as well as in the process of collection of claims. Prior to existence of CRM, only small part of this data could have been checked in the courts, where were kept manual book of trade register recordings and for those documents it was need to wait a long time period, which is not the case currently, where immediate check could be done electronically.

4. Pledge Register of RM

According to the Law on contractual pledge (Official Gazette of RM 5/2003, 4/22/05, 87/2007, 82/2011), the Pledge Register is a register organized in the frame of CRM in which are recorded pledges over moveable property, securities (not including bills of exchange), claims and pledges over other rights. This ensures recording of the banks pledges over movables and other rights, as well as checking of the existence of pledges over those specific movables and other rights.

For the above mentioned pledges, this Register issues confirmation that include the data of the recording, the item pledged under the law and other data in this respect, such as relevant data of the pledge agreement etc. also this register provides deletion of the pledge, by request of the interested party and by proving that the claim was closed or other. Each registration (per notary act) is recorded under one identification number.

The existence of this Pledge Register is crucial for the lending process, although improvement is required. The problem occurs for the partial deletion of the pledge, for example if there are several movables and all of them are pledged with one notary act, in this case partial deletion for some of those movables cannot be done. This is technical problem that should be overcome. The Pledge Register requires annex to that notary act to be made in respect of the requested deletion, and it is not accepting Statement for partial deletion, as Cadastre does. This prolonges the deletion process, increases the cost and require presence and signing of all contractual parties, instead of Statement provided by the creditors, as should be done according to the law. The law provides partial deletion by the creditors, for example if significant part of the claim has been paid – closed in that case certain parts of the pledged movables should and could be released by proper partial deletion with creditor's statement. Since the problem is technical in the Pledge Register, not legal, it should be overcome. It is not overcome for years so far.

5. Credit Register

The Credit Register is established by the Central Bank according to the Law on the Central Bank. It contains data for the credit exposure of the legal entities and citizens towards the banks and other financial institutions (savings). The banks are submitting data and information to the Central Banks for the needs of the Credit Register. The users of this data are the Central Bank, the banks and other financial institution (savings house).

The Credit Register is defined as data base and information for the credit exposure of the banks, savings houses and subsidiaries of foreign banks in RM towards individuals and legal entities – clients, and the main role of this register is to contribute to the maintenance of the stability of the banking system. The controller of this register is the Central Bank.

The main purpose of the Credit Register is to provide:

- centralizing of the data submitted by the banks, savings houses and subsidiaries of the foreign banks in RM for their exposure to the credit risk towards the clients;
- usage of data and information for the credit risk exposure of the banks, savings houses and subsidiaries of the foreign banks for the needs of the credit risk management;
- data and information for credit risk exposure of certain bank, savings house, subsidiary of foreign bank and the banking system as whole – for the needs of the supervisory function of the Central Bank.

These data are classified data for the banks, savings houses and subsidiaries of foreign banks.

According to the Decision for the content and functioning of the Credit Register, the banks are obliged to submit:

- data for all domestic and foreign banks, non-residents, all domestic non banking financial institutions, all remaining domestic non-financial institutions with total exposure of the credit risk above MKD 300,000.00, as well as,
- data for all residents (individuals), trade individuals which are not treated as trade companies, according to the Law on trade companies, with total exposure of the credit risk above MKD 5,000.00.

The savings house are obliged to submit relevant data for credit exposure of the legal entities over MKD 50,000.00, as well as data for individuals and trade individuals for total credit exposure over MKD 5,000.00.

The Central Banks uses the data of the Credit register for analysis of the credit risk and for supervisory purposes, while the banks and savings houses are using the day in their everyday activities in the process of credit approvals for defining the credit ability of each client.

Upon request of an entity, the Central Bank issues a report that contains data for the limit of claims and exposures and data for the institutions that have reported such exposure with the data of the last submitted report by the banks and savings houses. Besides this information, the report contains total exposure as guarantor.

6. Credit Bureau

According to the Law on Credit Bureau, the Credit Bureau in RM could be founded by the banks, other companies founded by the banks and other incorporated companies,

founded and seated in RM. The RM Credit Bureau is founded by the clearing house, Clearing inter-banking systems Inc, Skopje (KIBS Inc. Skopje).

In the Credit Bureau are submitted data for persons for credit claims, guarantees, letters of credit, loans, payment cards, financial leasing, insurance, taxes, telecommunication services, energetic services, other utilities and other obligations from other services.

The submission of data to the Credit Bureau it is done on the basis of agreement between the data provider and the Credit Bureau. The Credit Bureau processes the data and prepares and issues reports. In the reports are processed the submitted data in manner of providing the actual state of obligations (payables) of the subjects received by the data providers.

Data providers are banks, subsidiaries of foreign banks and of EU banks, savings houses, insurance companies, leasing companies and other financial companies, Central Register, pension funds, Tax Revenue Office, the city of Skopje and other municipalities, other utilities companies' providers of services, energetic, telecommunications etc.

Data users could be all data providers that have concluded agreements with the Credit Bureau for data submission, except the tax Revenue Office, Central Register, Pension Fund of RM, city of Skopje and the municipalities and data subjects.

Conclusion

The role of Credit Register, Cadastre, Pledge Register, Credit Bureau and other institutions is crucial for the lending process, as well as for the proceedings for collection of claims. In the part of the process that refers to checking of the collaterals, the banks are using data from the Cadastre and Pledge Register; for the status of the legal entities, the banks are using data from the Central Register; for the total credit exposure, the banks are cooperating with the Credit Register and Credit Bureau, directly or indirectly through their clients. The existence of these registers provides additional legal certainty for the banks, which positively affects the lending process and the state economy in general. Improvement should be made, especially in development of the electronic data usage and simplification of the usage. Improvements should be especially made in the Pledge Register in the part of partial deletion of pledges, which should be provided as a service based on a statement, as it is proscribed by the law, with minimum costs. Anyhow, the existence of registers should be improved in general, also, by founding other registers that are not existing and are very relevant for the lending and collection processes, such as: register of notarized and non-notarized bills of exchange and register for existing non collateralized claims and other rights, in order to provide to the creditor genesis, possibility and total actual conditions of their clients/debtors.

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LEGAL PROTECTION OF ICONS AS PART OF THE MACEDONIAN TOURIST OFFER

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Abstract:

Icons are one of the witnessed forms of cultural heritage, through which, the creative perception and power in contemporary aesthetic impression of undergoing the past is transmitted. The icon painting tradition in Macedonia is introduced with its very historical expression reflecting the Christian doctrine and belief, and is characterized by numerous unique artistic values that have not been repeated anywhere in the world. This fact besides contributing to the attractiveness of the tourist offer of Macedonia also affects the cultural criminal mafia which, in recent years has sold invaluable cultural heritage, especially valuable icons from the unprotected Macedonian churches and monasteries. Besides the elaboration of the current scientific knowledge on the contribution of the icons to the tourist offer of the country, this paper will also cover the practical security and safety aspects and proposed measures for prevention and protection.

Keywords: icons, tourist offer, law, crime, regulation

Introduction

It is well known fact that the history of a nation will be fully presented and revealed if, beside the social and military circumstances, the cultural and historical processes will be observed. Exactly throughout the cultural history one may divulge the spiritual and creative values transferred in the modernity as a tradition and finally, as a cultural heritage.

The cultural heritage is foundation of the national and cultural identity of a nation and it reflects the cultural achievements of that nation, its awareness of existence, life and creation in a certain historical period. (Saltirovska, 2011).

In the contemporary period, the Republic of Macedonia has its own state and national and cultural integrity and has chance to affirm its cultural heritage, increasingly is attaining the status of a country-museum-affluent territory with

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archaeological locations, panorama of old architecture, abundant art gallery and rare showcase of cultural archetypes. Situated at the very heart of the southern region of the Balkan peninsula, geographically characterized by the mountainous morphology of the terrain, rich in clear waters and rivers crossing the country in all directions, Macedonia shows an important potential for development of cultural tourism, thanks also to its quite efficient and modern road network and bus transportation system throughout and outside the country and, last but not least, its excellent culinary tradition and care for food quality and the improving level of its lodging facilities (Unesco, 2004). The authenticity of the Macedonian cultural heritage emanates from the numerous churches and monasteries since the Middle Century, which were built and preserved, where the wall-paintings, icon-paintings, various wood-carving art achievements are engraved, as well as treasure from the handwritings, written in parchment and paper with Glagolitic and Old Slavic Cyrillic letters.

We have focused our research on the preserved icons, as part of the Macedonian cultural heritage, by which the spiritual, cultural and historic experiences of Macedonia are affirmed. In its original meaning an icon is a religious work of art associated with Eastern Orthodox Christianity that depicted images of religious figures such as Christ, the Apostles and Saints. (Prideaux, 2013). By their artistical value, icons represent today a special tourist interest, regardless of the faith of the visitors. (Josan, 2009)

Icons constitute an important component of destination marketing and usually take centre stage in destination marketing strategies. (Prideaux, 2013). In general terms, icons as major attractions are considered as tools for economic development and as catalysts of urban regeneration, social change, and rebranding in urban and rural settings as they increase local appeal to visitors and quality of life for residents (Ramukumba, 2014).

Macedonian icons are highly appreciated world-wide by their exceptional artistic and historical value and therefore have always been subject to unlawful appropriation by many individuals - smugglers, collectors, antiques and even cultural institutions from other countries. The testimonies and the current frequent icon thievery from the Macedonian monasteries and churches point to the consideration that this trend is still present in Macedonia.

Today, there is almost no country that has not faced this problem, and mostly this appears in the countries with greater concentration of diverse cultural goods, where the relationship of individuals and communities towards their value and importance is not fully built and thus there occurs many weaknesses in the practical implementation of the care for their protection and preservation. (Saltirovska, 2011)

1. Factors for icon thievery

The main reasons for icon thievery are divided into two groups: objective and subjective reasons. As objective reasons can be listed: laws that deal with this problem, penal policy, defining the responsibilities of the institutions, securing the facilities and sites, education and establishment of state fund, etc. Subjective reasons

are: occurrence of organized criminal groups, inclusion of experts, social status and unemployment, instant sale, broad number of collectors, etc.

1.1 Objective reasons for theft of icons

a. Laws that deal with this problem. This issue is not given some particular attention. Namely, just as illustration, in 2004 the Law on cultural heritage protection was passed but still there is no Law on collectors and antique stores. This partial legal regulation resulted in stimulation and increase of the illegal trade with icons and creation of private collections.

b. Penal policy. Although there is a long tradition of criminal-legal protection of the goods of cultural and historical importance in the Republic of Macedonia, the incomplete and inefficient penal policy of the country has stimulated many people for theft of icons. Although in 2006 the Criminal Code of the country was amended so that in article 265 it was stipulated that: “a person, who, with the intention of acquiring unlawful property gain, usurps objects of archeological importance, shall be punished with imprisonment of one to five years”, the practical penal experience showed that the penalties for such crime are too light and ineffective. Therefore, in 2009, the imprisonment was extended within three to ten years but even this extension did not prevent this kind of crime. Thus situation was supported by the courts’ practice: in many cases, the convicted for this type of crime are pronounced minimum or suspended sentence, or even were entirely exempted from the indictment.

d. Definition of responsibilities. There is continuous conflict between the Cultural Heritage Protection Office and the Macedonian Orthodox Church (MOC) on the responsibility to protect the cultural heritage. The imprecise legal balance between the status of the Macedonian Orthodox Church and the authorization of the state institutions in charge for protection of cultural heritage is still deepening their passive relations whilst the cultural heritage in the churches and monasteries are more and more exposed to destruction or criminal expropriation.

e. Securing the facilities and sites. Considering the fact that most of the churches and monasteries are located and built out of the settlements and are poorly secured, they remain an easy catch for the interested persons.

f. Education. When one population is properly and sufficiently trained to uphold its cultural heritage and care for the same, then the potential criminals will have the strongest opponents against themselves. It will be the strongest link that will prevent the criminals from the state pursuers and will contribute to reduction of this type of crime or even to restitution of the already stolen icons. However, everyday experiences shows that the awareness among Macedonian people is not yet sufficiently developed and this situation is mainly contributed by the insufficient education that the Ministry of Culture and the Ministry of Education and Science, together with the whole educational system and mass media and NGO’s offer to the Macedonian citizens. According to professor Pere Aslimovski “One of the key questions for evaluating the legacy is the development of awareness because it cannot be bought or imported, but is achieved through a complex process of socialization”. (Aslimovski, 2000). In this line, there are no contents for the Macedonian cultural

heritage and its values and protection in the country's educational syllabuses. On the other hand, most of the authorized institutions, departments and subjects part of the country's cultural heritage protection are not either introduced or aware of the value of these cultural artifacts.

g. Establishment of State fund. In the Republic of Macedonia, there are certain icons of exceptional cultural importance but part of private collections, being transferred from one generation to another. The economic condition of the country does not allow to allocate higher funds for purchase of old icons or other type of cultural heritage, thus family members are easily allowed to offer them to the Western auction houses or to the black market for much higher amounts than what it would be offered by our cultural institutions. Therefore it is necessary to form a government and donor fund whose money will be used for satisfying the amounts for purchase of icons.

1.2 Subjective reasons for theft of icons

a. Occurrence of organized criminal groups. The presence of the organized criminal groups dealing with icon thievery on the territory of the Republic of Macedonia is objective danger for permanent extinction of this type of cultural heritage – so important for the church history and the collective cultural memory of all generations. These groups are well connected to the auction houses, foreign museums or passionate collectors for immense purchase of their stolen items.

b. Inclusion of experts. Considering the above mentioned absent of awareness and education necessary for prevention but also for discovering the value of these stolen items, information about the second, can be obtained only by highly professional and knowledgeable persons.

c. Social status and unemployment. Difficult economic situation in the Balkan region, accompanied by serious crises of poverty, high unemployment, feelings of hopelessness especially among young people, as well as the major differences in the social structures, stimulate the population of this region to engage in theft and illegal trafficking of icons.

d. Instant sale. Master pieces crafted by the top Macedonian painters from the medieval period and the revival 19th century are known and appreciated in the broader cultural environments in the world thus it is normal to arouse great interest among a number of individuals, collectors or antique shops. Hence after the stolen valuable icons are taken in the hands of the criminal groups, always and at any time a discreet buyer is found.

e. Broad number of collectors. Led by the desire for social prestige nowadays one may broad number of collectors prepared to buy icons more huge amount of money. Among them, are the ones that trade with icons in order to obtain personal financial gain.

2. Registered theft of icons

Centuries back, the movable cultural heritage, especially the icons placed above the church and monastery iconostasis were valuable catch for those who occupied the country.

Crime associated with cultural heritage is apparent in contemporary world. Thefts, illegal excavations in archaeological sites, illegal trade and other criminal activities are attaining an ever more expressed dimension on the national, as well as on the international level. (Unesco, 2008) The Republic of Macedonia as a small country with a rich cultural heritage has been also affected by the wave of criminal acts that endanger the cultural heritage.

According to the existing researches, the most valuable icons made by the most famous Macedonian icon painters are already stolen and taken in foreign museums. Available data shows that the greatest part of the Macedonian icons was taken out during the First World War and after. The written evidence from this period show that hundreds of icons were stolen from the Macedonian churches and monasteries and taken out of the state borders (Drustvo za nauka i umetnost, 1985). This trend of trafficking continued in the after-war period and according to the official information for the period 1962-2011 around 798 icons were stolen from Macedonian orthodox temples. However, considering the fact that not all robberies are being registered, one may conclude that the number of stolen icons is above 798 icons. In the period 1962-1991, 61 icon robberies were registered from the Macedonian churches, monasteries, museum and other cultural objects. Most of them are registered in 1967 (9 robberies) while 4 robberies per year are registered both, in 1969 and 1972. In the mentioned period, 368 icons were disappeared, out of which in 62 icons in 1967, 40 icons in 1969, 38 icons in 1970, 34 icons in 1972, 31 icons in 1981 and 36 icons in 1991. Statistically, in the mentioned 30-years period, average number of stolen icons per year is 12-13 icons. In this period, 7 criminal charges were finalized and 44 icons were found.

From 1992 to 1996, out of 30 stolen icons, only 8 were found and returned. From 1997 to 2011, the Ministry of interior registered 95 criminal cases: 87 for severe theft and 8 for icon thievery out of which 37 cases were successfully closed and 63 persons were criminally charged. In the mentioned period 400 icons were stolen, most of them: 202 in the Municipality of Struga.

However, the discrepant and different data for the icon thievery obtained from the relevant state institutions, are clear indication that there still cannot be given exact official information for the number of the stolen icons.

3. Legal protection of the cultural heritage in the Republic of Macedonia

Legal protection is the key component for protection of cultural heritage. It consists of allotting cultural heritage, most beneficially as corollary elements together, best referred to as determined classes of assets, or, more effectively, as concrete assets, a special legal position with the aim of guaranteeing their integrity in any circumstance that could affect them, given the value and social function that they hold (Vásquez

2009) . Existence of legal norms for protection of cultural heritage has preventive effect on the awareness of people but also has a repressive effect because it refers to the penalties prescribed in the legal norms and imposed on the perpetrator of the cultural heritage crime. (Saltirovska, 2011)

The legal protection of the cultural heritage in the Republic of Macedonia is founded on several legal acts:

- Macedonian constitution from 1991
- Law on Cultural heritage protection
- Law on protection of cultural monuments
- Law on museums
- Law on librarianship
- Law on monuments and commemorative sites
- Law on archive material
- Various laws and by-laws regulating issues related with the cultural heritage

The Republic of Macedonia, being a member-country of the Organization of the United Nations (OUN) and of UN ESCO, monitors and consistently incorporates in its national legislation the rules defined by international instruments and passed by this organization. (Unesco, 2008)

In fact, the Macedonian legislation shows a mature approach to the complexity of the matter, balancing a not passive eye on foreign and most advanced legislation as well as recommendations of International organizations with a parallel, significant attention to the specifics of Macedonian society's needs, traditions, cultural and religious values in rapid transformation and under the current objective budgetary constraints. (Unesco, 2004).

The 1991 Constitution of the Republic of Macedonia is the basic framework for the regulation of the relations for protection and use of the cultural heritage in the Republic of Macedonia, where article 56 defines that the subjects and objects of special cultural and historical significance as defined by law are of general interest for the Republic and enjoy special protection. (Unesco, 2008)

The adoption of the Law on protection of cultural heritage (Official Gazette of the Republic of Macedonia n. 20/04 and 71/04) has created a legal framework for the implementation of the constitutional conception for the protection of goods of cultural and historical importance. In this sense a unique, completed, and linked legal entity-system for the protection of the cultural heritage has been created. (ibid). According to article 4 of this Law, the main goals of protection of the cultural heritage are:

- Preservation of the cultural heritage in its genuine condition;
- Creating more favorable conditions for survival of the cultural heritage and for maintenance of the integrity of all data which are included within as a testimony, source or type of document;
- Enlarging the knowledge regarding the values and the significance of the cultural heritage and its role in the cultural identification and
- Providing the means for the cultural heritage, due to its purpose and meaning, to serve to satisfy the cultural, scientific, educational, aesthetic, religious, economical, tourist and other needs of citizens and the society.

The operational goal of protection is the carrying out activities to prevent activities, events and effects, which produce or may cause damage, destruction, disarrangement, vanishing, degradation and illegal seizure of the cultural heritage whilst the final goal of protection includes the transfer of the cultural heritage to the future generations.

In conformity with the ratified 1970 International Convention on the measures for banning and obstructing illegal import, export, and transfer of property of cultural goods, Article 53 of the Law on Protection of Cultural Heritage defines that the cultural heritage that has been stolen from museums, religious and similar public facilities or institutions on the territory of another state must not be imported because of which Article 266 -b was added to the Criminal Code, incriminating such an act. (Unesco, 2008).

Other legal acts mentioned above have also contributed to the positive legal environment by introducing legal mechanisms to ensure the protection of cultural heritage, by regulating:

- The substance of the cultural heritage being subject of protection
- The substance of the cultural monuments – models and course of administrative procedure for recognition of a cultural monument
- Subjects for protection of cultural heritage
- Instruments for protection of cultural heritage
- Marking and usage of marks for special and guaranteed protection of the cultural heritage
- Various prohibitions
- Issue of preliminary licenses
- Special measures for cultural heritage protection
- Rights and obligations of the owners of cultural resources
- Criminal acts for criminal behavior against the cultural goods
- Misdemeanors against the cultural heritage
- Special norms for the officials (Ristov, 1997)

Research

Through two surveys we tried to determine the level of public knowledge about the importance and protection of icons. The first research was conducted with a survey composed of 15 questions on a representative sample, of 187 respondents of Christian religious affiliation in the following municipalities: Skopje, Kumanovo and Tetovo. From this empirical research, conducted in the month of June 2016, we expected to get a glimpse of the situation - whether the Christians in the respective municipalities are familiar with the cultural and historical values of the Macedonian icons and whether they have adequate protection?

Below are presented some of the issues that have key importance for obtaining of conclusions of the survey. As for the first question in the questionnaire “What is the meaning of the icons for you?”, the respondents have answered as follows:

Table 1 - Table of received answers to question 1 (%)

| Answers | % |
|--|----|
| Religious items for religious worship | 20 |
| Significant part of the Macedonian cultural heritage | 24 |
| Both | 56 |

On the second question in the questionnaire “**According to you, where should the valuable icons be kept?**” the respondents have answered as follows:

Table 2 - Table of received answers to question 2 (%)

| Answers | % |
|------------------------------------|----|
| In Christian temples | 68 |
| In art galleries | 24 |
| To be kept freely in private homes | 8 |

On the third question in the questionnaire “**Do you think that the icons are well secured from stealing?**” the respondents have answered as follows:

Table 3 - Table of received answers to question 3 (%)

| Answers | % |
|-----------------|----|
| Yes | 4 |
| No | 96 |
| Comment, if any | / |

On the fourth question in the questionnaire “**According to you, who is responsible for stealing the icons?**” the respondents have answered as follows:

Table 4 - Table of received answers to question 4 (%)

| Answers | % |
|---|----|
| Organized groups specialized for such type of crime | 64 |
| Part of the clergy or members of Church/ Monastery Boards | 6 |
| Individuals connected with collectors | 3 |

On the fifth question in the questionnaire “**Are you familiar with the motives for stealing of icons?**” the respondents have answered as follows:

Table 5 - Table of received answers to question 5 (%)

| Answers | % |
|--|----|
| Obtaining a material gain | 68 |
| Enrichment of private collections | 4 |
| boost from foreign institutions to impoverish the Macedonian cultural heritage | 28 |

On the sixth question in the questionnaire “**How would you react if you witness or learn about stealing of icons?**” the respondents have answered as follows:

Table 6 - Table of received answers to question 6 (%)

| Answers | % |
|--|----|
| I would immediately report to the police | 80 |
| I would inform the Priest or the Board | 2 |
| I would not react at all | 14 |

On the seventh question in the questionnaire “**Through which forms we are supposed to implement the combat against theft of icons?**” the respondents have answered as follows:

Table 7 - Table of received answers to question 7 (%)

| Answers | % |
|---|----|
| Enhanced control and commitment of the state institutions | 50 |
| Building of effective measures for protection by the Churches / Monasteries | 30 |
| Mobilization of the public awareness by the cultural institutions and the media | 20 |

The second research was conducted with a survey composed of 10 questions on a representative sample of 121 respondents of Muslim religious affiliation, in the abovementioned municipalities. From this empirical research, conducted in the month of June 2016, we expected to get a glimpse of the situation - whether the Muslims living in this area are familiar with the cultural and historical value of the icons and whether they consider them as part of the Macedonian cultural heritage and what is their opinion about the protection of icons?

Below are presented some of the issues that have key importance for obtaining of conclusions of the survey. As for the first question in the questionnaire “**Do you know what an icon is?**” the respondents have answered as follows:

Table 1 - Table of received answers to question 1 (%)

| Answers | % |
|---------|----|
| Yes | 94 |
| No | 6 |

On the second question in the questionnaire “**According to you, are icons part of the Macedonian cultural heritage?**” the respondents have answered as follows:

Table 2 - Table of received answers to question 2 (%)

| Answers | % |
|---------|----|
| Yes | 84 |
| No | 16 |

On the third question in the questionnaire “**According to you, where should the valuable icons be kept?**” the respondents have answered as follows:

Table 3 - Table of received answers to question 3 (%)

| Answers | % |
|-----------|----|
| In church | 54 |
| In museum | 46 |

On the fourth question in the **questionnaire “Do you think that icons are exposed to theft?”** the respondents have answered as follows:

Table 4 - Table of received answers to question 4 (%)

| Answers | % |
|---------|----|
| Yes | 84 |
| No | 16 |

On the fifth question in the **questionnaire “Do you think that the theft of icons is being made by organized criminal groups dealing with this type of crime?”** the respondents have answered as follows:

Table 5 - Table of received answers to question 5 (%)

| Answers | % |
|---------|----|
| Yes | 70 |
| No | 18 |

12% of the respondents did not reply this question

On the sixth question in the **questionnaire “How would you react if you witness or learn about stealing of icons?”** the respondents have answered as follows:

Table 6 - Table of received answers to question 6 (%)

| Answers | % |
|--|----|
| I would immediately report to the police | 76 |
| I would inform the Priest or the Board | 1 |
| I would not react at all | 13 |

On the seventh question in the **questionnaire “Do you think that the protection of icons should be strengthen?”** the respondents have answered as follows:

Table 7 - Table of received answers to question 7 (%)

| Answers | % |
|---------|----|
| Yes | 80 |
| No | 20 |

The results from the both surveys have shown the following:

-In the both questionnaires, most of the respondents are aware for the significance of the Macedonian icons which can be used to reflect the spiritual, cultural and historical experiences of the country

-With respect to the keeping of icons, most of the respondents, both, Christians and Muslims think that they should be kept in the Churches and Monasteries.

-The high percentage of respondents from both surveys about endangered icons theft in churches and monasteries is very noticeable. These findings were helped by the media.

-In both questionnaires, there is high percentage of respondents to immediately report to the police if you witness or learn about stealing of icons. Most probably, such encouragement comes from raised awareness for the significance of the cultural heritage and the confidence that the respondents have against the security services.

-The respondents are in opinion that the security services should increase their presence on the field due to more reliable protection of icons in the Macedonian churches and monasteries.

Conclusion

Contemporary trends of globalization and deregulation have led to increasing demands of tourists and contributed to the attractiveness of new tourist attractions that are still not fully affirmed. Through the cultural heritage, perceived in terms of tourism, a country may increase the quality of its tourist clientele behavior thus contribute to greater development of tourism and devote more attention to the cultural activities.

Republic of Macedonia is rich with sites characterized by specifics that can be found nowhere; there are monasteries, churches, archaeological sites and other attractive places which allow the cultural tourism to be promoted throughout the whole year. This especially refers to the Macedonian collection of icons, especially the Ohrid collection which is considered one of the most valuable in the world today, after the Sinai and the Moscow collection of icons.

However, beside their insufficient affirmation due to the poor organization and poor promotion as major threat for the development of this type of tourism can be identified the theft of icons. Theft of icons is not a naïve crime. The reasons for this statement shall be seek in almost all social segments, starting from the unknown, negligence, social status, poverty and unemployment up to involvement of people from the church and the church boards, archeologists or historians working in museums which assess the value of icons. This crime cannot be considered organized if people from the security services were not included but also high officials who give implicit approval for this kind of theft. One may freely say that the politics is actively included mainly our neighbor's countries politics which continuously seek to change the Macedonian religious and cultural identity and history.

It is very surprising that beside the large number of institutions in charge for protection of icons, both, governmental and non-governmental, domestic and foreign, the criminal groups seemed to be welcomed in the Macedonian religious temples.

In order to prevent the above, precise reconstruction for an action plan and strategy for institutional protection is considered necessary. It takes minor funds, political will and greater awareness for the cultural and historical significance of the icons. Great contribution to the preservation of icons would be the establishment of a criminal intelligence database through which movement and behavior of the persons involved in such activities will be monitored, hence, an opportunity for more successful fight against this type of crime would be offered. State institutional relationship at all levels

and planned coordination of all possible stakeholders for protection of cultural heritage will transcend the existing shortcomings in this area.

Also, the weak and meaningless penal policy since the independence of the country until today contributed to certain people resort to crime with icons. There are instances when criminals are punished only by reprimand or probation. It is therefore advisable to drastically increase the penalties for persons involved in the crime with icons while to bring a new Law on cultural heritage protection which will clearly specify the keeping of icons and the types of sanctions to be imposed on violators.

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PROTECTION OF HUMAN RIGHTS OF MIGRANTS AND REFUGEES AGAINST DISCRIMINATION ACCORDING TO INTERNATIONAL AND DOMESTIC REGULATION

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Abstract:

Due to the migrants and refugee's crisis, especially in the Asia and Europe this issue gained significance. Considering that it never stops evolving but must continuously take measures for its upgrade.

The minimum rights should be set according to international documents and domestic law in the States where they pass or stay. In the same way, it needs to specify equal treatment, applicable to all citizens, because they are on foreign territory illegally. So, this group will be protected from discrimination in other areas.

State should ensure that all irregularly present migrants – women, men and children - are fully protected against all forms of discrimination, including by enacting legislation to this effect in accordance with international norms and instruments.

Key words: migrants, refugees, human rights, discrimination, international standards

Introduction

In the last two years in the Republic of Macedonia, as a result of the crisis in the Middle East, came a number of irregular migrants and refugees present, of which a very small part were registered as refugees. This problem has spread through Europe. In the beginning, nobody paid attention to them, citizens were constantly see how they passing through the highways and railways besides, to a greater or lesser number, but it happened repeatedly. Authorities also were surprised and did not take any measures. Very quickly reaction occurs in European countries that have become reception centers where refugees have sought asylum, and migrants seeking employment. It was Hungary, Austria and Germany. They wanted to establish rules and determine who can enter or transit and under what conditions.

Then at the borders were established camps that were supposed to meet the international standards. There was also criticism of the conditions in the camps, not only in our country but in several European countries. Although there is an international regulation, which is largely implemented in national legislation, the countries through which migrants and refugees transited in the beginning were not prepared and not finding a way to achieve higher level. Later, conditions in the camps, the mode of transport get improved, and security structures that were set up to

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maintain order and control the situation, also had to comply with international rules against discrimination.

According to the negotiations into European Union they brought the decision to release only migrants and refugees from Syria, Iraq and Afghanistan, because only in those territories there was war.

Therefore, refugee wave has become very massive so countries of the Balkan route had to close borders with wire fences. Then they began a riot of borders, even to clashes between security structures and refugees. Media and NGOs responded that does not respect human rights and used an excessive force. Obviously, it's had to set some boundaries on respecting the rights of these people. The minimum rights should be set according to international documents. In the same way, it needs to specify equal treatment, applicable to all citizens, because they are on foreign territory illegally. So, this group will be protected from discrimination in other areas.

1. Who are irregularly present migrants and refugees?

Irregularly present migrants and refugees should be understood as individuals – women, men and children - present in a member State that is not their country of origin, who do not, or no longer, fulfil the conditions under national law for entry or stay in that member State. It deals exclusively with the question of ensuring access by all persons in this particularly vulnerable group to those human rights which are guaranteed to them in international human rights instruments, in particular as concerns education, health care, housing, social security and assistance, labour protection and justice, while they are within the jurisdiction of a member State calls for the creation of effective measures (hereafter “firewalls”) to prevent state and private sector actors from effectively denying human rights to irregularly present migrants by clearly prohibiting the sharing of the personal data of, or other information about, persons suspected of irregular presence or work, with the immigration authorities for purposes of immigration control and enforcement

It Should be done the creation of effective measures (hereafter “firewalls”) to prevent state and private sector actors from effectively denying human rights to irregularly present migrants by clearly prohibiting the sharing of the personal data of, or other information about, persons suspected of irregular presence or work, with the immigration authorities for purposes of immigration control and enforcement

Article one of the Universal Declaration of Human Rights proclaims that all human beings are born free and equal in dignity and rights. That means that human rights are the patrimony of all people expressed in the international instruments of the United Nations, the Council of Europe and other international bodies as well as in national legislation.

So, all the people including irregularly present migrants, have human rights, including civil, political, economic, social and cultural rights, because international law establishes minimum standards in this respect which must be guaranteed without discrimination.

The power of all states, as an expression of national sovereignty, to control the entry and stay of foreign nationals onto their territory subject to their human rights obligations, including both the duty of non-discrimination and the principle of equal treatment. Also that national sovereignty entails responsibility for human rights protection of all persons within a state’s jurisdiction.

In that direction, can be taken in mind European Convention on Human Rights and its Protocols and to the case law of the European Court of Human Rights also the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and many other Conventions. For example, according to the Convention on the Rights of the Child always to take into account the best interests of the child as a primary consideration when considering the position of children and their parents irrespective of their immigration or migratory status.

Also, the very important documents are those of the Special Rapporteur on the Human Rights of Migrants, in particular the 2013 Regional Study: Management of the External Borders of the European Union and its Impact on the Human Rights of Migrants, the reports of the UN Special Rapporteurs on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health and on the right to education, and the 2014 Report of the Office of the High Commissioner for Human Rights on the economic, social and cultural rights of migrants in an irregular situation

Although, ECRI's General Policy Recommendations, especially, with the task of combating racism, racial discrimination, xenophobia, antisemitism and intolerance in greater Europe from the perspective of the protection of human rights and that it has always examined the situation of non-nationals, including irregularly present migrants, in its country monitoring work. It is an integral part of the protection and promotion of universal and indivisible human rights of every human being with no distinction whatsoever. The inherent dignity and equality of irregularly present migrants as individual human beings requires state authorities to refrain from discourse that encourages or implicitly justifies discrimination on grounds of prohibition.

The increasing volume of case law of the European Court of Human Rights and the European Committee of Social Rights that enunciates the obligation of states to protect the fundamental rights of all persons within their jurisdiction, including irregularly present migrants, specifically as regards education, health care, housing, social security and assistance, labour protection and justice. The practical protection of the human rights of all persons, including those irregularly present within the jurisdiction of member States, requires the strict separation of immigration control and enforcement activities from other state and private services. This also requires the creation of firewalls to prevent, both in law and practice, state and private sector actors from effectively denying human rights to irregularly present migrants by clearly prohibiting the sharing of the personal data of, or other information about, migrants suspected of irregular presence or work with the immigration authorities for purposes of immigration control and enforcement.

In Macedonia, it is harmonized with international regulations and regulated by national legislation. For Example, Chapter 2 of the Constitution regulates basic rights and freedoms of man and citizen, under 1. Civil and political rights, and under: 2. Economic, Social and Cultural Rights. Furthermore, the Law on Asylum and Temporary Protection, Criminal Code, Law on Offences, the Law on Citizenship, Law on Identity Cards and passports, Labor law, Health Care Law, The Law for the Prevention and Protection of Discrimination etc.

Also in accordance with international standards in Chapter 3 of the Constitution under the organization of state government determined the authorities which are to care about the rights of domestic citizens as well as migrants and refugees.

2. What are the recommendations to the member States on migrants and refugees?

To avoid discrimination against migrants and refugees, particularly at border crossings in Europe as well as within states, it is the authorities in each country to respect recommendations for action in such cases.

First of all state should to ensure that all irregularly present migrants – women, men and children - are fully protected against all forms of discrimination, including by enacting legislation to this effect in accordance with international norms and instruments.

Furthermore, to respect the fundamental human rights of irregularly present migrants, inter alia in the fields of education, health care, housing, social security and assistance, labour protection and justice. It is very important to decouple immigration control and enforcement from the provision of services and assurance of rights of irregularly present migrants within their jurisdiction in order to ensure that those rights are guaranteed to such migrants and to relieve authorities whose primary responsibilities lie elsewhere (such as in the fields of education, health care, housing, social security and assistance, labour protection and justice) from interference by immigration enforcement policies and institutions.

Also, to protect the personal data of all persons, including irregularly present migrants, in accordance with international obligations and ensure that all state authorities are required to obtain individualised and specific authorisations based on grounds of reasonable suspicion of criminal activities by named individuals or grounds of national security before seeking personal data which is protected by the right to respect for privacy.

The member states have to recognise and affirm the obligations that exist in relation to irregularly present migrant children within their jurisdiction and ensure that all policies affecting irregularly present migrants are developed in light of the obligation to respect children's rights, in particular the principle that the best interests of the child shall be a primary consideration. To recognise and ensure the right to respect for family life, bearing in mind the best interest of the child to reside with his or her parent(s), family member or guardian irrespective of their immigration or migratory status.

They have to ensure that irregularly present migrants have full, non-discriminatory access to appropriate administrative and judicial remedies including against private sector actors such as landlords or employers without risk of the sharing of their personal data or other information with immigration authorities for the purposes of immigration control and enforcement.

It is very important to find a way of avoid criminal acts from irregular migrants or refugees. Thus, all migrants and refugees have to be mark according to their personal data. If it is not like that we can have a crime without a victim, which is not desirable for the member States. That is regulated with with Resolution 2059 (2015) of the Parliamentary Assembly of the Council of Europe on criminalisation of irregular migrants: a crime without a victim, and refrain from designating as “illegal” those migrants who have entered or are present in a member State without immigration permission. At the end the measures to ensure the human rights and dignity of migrant workers has to be according to international standards. In that way should be taken into account with the spirit of UN General Assembly Resolution 3449

(2433rd Plenary Meeting 9 December 1975) on measures to ensure the human rights and dignity of all migrant workers.

3. The Role of Specialised Bodies and Civil Society as Assistance to Irregularly Present Migrants and Refugees

At the Introduction is marked that at the borders were established camps for the migrants and refugees, and there was also criticism of the conditions in the camps. The countries through which migrants and refugees transited in the beginning were not prepared and not finding a way to achieve higher level but later conditions in the camps, the mode of transport got improved, among other things it is due to the engagement of non-governmental organizations. Besides that Bodies to assist them must be available where they can claim their rights without fear of the sharing of personal data or other information with immigration authorities for the purposes of immigration control and enforcement. Personal data protection duties should only be derogated from on specific grounds and personal data information should not otherwise be shared with or transferred to immigration authorities.

Such bodies may be anti-discrimination bodies already in existence in member States whose remit should clearly include irregularly present migrants. Council of Europe and EU together recommended states to adopt an independent supervisory body to monitor information sharing amongst public actors. Otherwise migrants and refugees may suffer damage due to misuse of their data. Therefore, they may initiate dispute for damage compensation before the Court of Human Rights in Strasbourg. Access to an effective domestic remedy is inherent in Article 13 ECHR and has been developed and interpreted by the ECtHR in numerous cases.

In that purpose, Irregularly present migrants must be able to report crime to the police without fear of being reported to immigration authorities. It is in everyone's interests that crime is reported and investigated. It is highly detrimental to good policing that people should be deterred from reporting crime for fear of the consequences for themselves insofar as they are victims of crime. The whole of society must have confidence and trust in police in order for that authority to carry out its job correctly. If part of the society is afraid to come forward, then police will not be able function properly. It is the duty of law enforcement authorities

Investigate reported crime and to instigate criminal proceedings where appropriate. The decisions of prosecutors to pursue criminal charges depend on everyone being able to give full and frank testimony in so far as it is relevant to proving the charges. If some members of the public or victims of crime are inhibited from giving testimony because of a fear that their personal data will be passed to the immigration authorities for immigration control and enforcement purposes, prosecutors, police and all parts of the criminal justice system are hampered in the execution of their duties. The EU acknowledges the importance of personal data protection in relation to criminal justice and judicial authorities and limits information sharing in this context. It also calls on states to create an independent supervisory body to monitor personal data protection within the criminal justice system.

Civil society bodies are frequently the most important source of assistance for people in need to ensure that their human rights are delivered in practice as well as law. Further, civil society should be encouraged to make available their services and activities to all persons within the jurisdiction of the state irrespective of immigration status.

Conclusion

The problem with refugees and migrants is a very important question due to economy and security situation, especially to the middle east and all over the world. Macedonia is one of the countries which is hit with the wave of migrants and refugees.

The main questions are how to set [some boundaries](#) on [respecting the rights of](#) these people. The minimum rights should be set according to international documents. In the same way, it needs to specify equal treatment, applicable to all citizens, because they are on foreign territory illegally.

Irregularly present migrants and refugees should be understood as individuals – women, men and children - present in a member State that is not their country of origin, who do not, or no longer, fulfil the conditions under national law for entry or stay in that member State.

State should to ensure that all irregularly present migrants – women, men and children - are fully protected against all forms of discrimination, including by enacting legislation to this effect in accordance with international norms and instruments.

Furthermore, to respect the fundamental human rights of irregularly present migrants, inter alia in the fields of education, health care, housing, social security and assistance, labor protection and justice. Although, with the task of combating racism, racial discrimination, xenophobia, antisemitism and intolerance in greater Europe from the perspective of the protection of human rights and that it has always examined the situation of non-nationals, including irregularly present migrants, in its country monitoring work. It is very important to find a way of avoid criminal acts from irregular migrants or refugees. Thus, all migrants and refugees have to be mark according to their personal data.

It is an integral part of the protection and promotion of universal and indivisible human rights of every human being with no distinction whatsoever. The inherent dignity and equality of irregularly present migrants as individual human beings requires state authorities to refrain from discourse that encourages or implicitly justifies discrimination on grounds of prohibition. In Macedonia, it is harmonized with international regulations and regulated by national legislation.

Civil society bodies are frequently the most important source of assistance for people in need to ensure that their human rights are delivered in practice as well as law. Further, civil society should be encouraged to make available their services and activities to all persons within the jurisdiction of the state irrespective of immigration status.

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SELF-EVALUATION AND QUALITY IN EDUCATION

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Abstract:

In circumstances of existence in contemporary global society, society based on knowledge, quality education is one of the key factors which enables continuous progress. In this context, contemporary school has to fulfill number of requirements aimed at quality improvement. One of the most important mechanisms in this process is self-evaluation.

Purpose of self-evaluation is objective assessment and continuous improvement of the quality of work. Self-evaluation allows through application of adequate techniques, to evaluate processes and achievements in own practice, which represents basis for setting future goals, determination of development priorities and creating guidelines for school's systematic progress.

Creating own development policy, strengthens school's autonomy, but also increases responsibility for its development. Self-evaluation, as mechanism for self-assessment and self-improvement, is a tool for improving school's work and for enhancing the quality of education.

In this paper, the focus is on the essence, theoretical - conceptual framework and approach in implementation of self-evaluation, but also and on the role of all subjects involved in the process. Concept of self-evaluation in our country is analyzed and practices and experiences in other European countries are presented.

Key words: self-assessment, quality in education, development policy, instrument, indicators.

Introduction

In modern conditions of living in contemporary society, one process which manifests in all spheres is globalization. The process of globalization has an impact on social, economic, political, cultural and social spheres, and certainly has an inevitable impact on education. For modern global society is said to be knowledge-based society, where

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keeping up with the latest scientific knowledge is an imperative, but also and a necessity which allows each individual, as well as each state to progress and develop.

In this context, education plays the key role, because with its quality contributes to continuous progress and development in all areas of social life. Therefore, efforts for establishing a system of quality in education have become increasingly frequent in the past. Speaking about education, considering its short-term and, especially long-term effects and benefits it brings in society in general, the efforts for setting clearly defined and above all, high requirements for excellence in education at all levels are of great importance.

Assessing the quality in education and quality of education work in Republic of Macedonia is carried out accordingly clear defined standards and criteria. In the past this was issue which was given special attention. The undertaken activities were in accordance with educational policies and measures taken in other European countries.

According to established practice in our country, evaluation of quality in education is primarily responsibility of the State Education Inspectorate. The Inspectorate supervises fulfillment of educational standards, providing quality of education, effectiveness by evaluating work of educational institutions and the implementation of laws, other regulations and general acts in the field of education (Article 8). The supervision is carried out through the integral evaluation of educational institutions, extraordinary and control oversight. (Article 19). In addition, schools also have obligation to implement self-evaluation, which is performed in every two years.

Results of self-evaluation are taken into consideration when making development program of the school and are aimed at ensuring excellence in teaching. Considering this task of self-evaluation in development and improvement of quality of education process in schools, exactly this question of self-evaluation of the school is at the center of interest researched in this paper. It elaborates theoretical and conceptual framework of self-evaluation, its role in promoting school's progress and development and also, the placement of the concept of self-evaluation in Macedonian education context.

1. Self-evaluation – its necessity and importance

Self-evaluation is a process in which school values the quality of its own work and practice. It is a new approach in evaluation of school's processes and results. This approach is widely accepted, and in developed European countries is incorporated in their educational system as one of the most effective ways for improving the quality of school work.

Self-evaluation is considered to be most important mechanism for quality advancement. It is not a single process - does not end after being implemented once. It is based on the presumption that organizations are able to learn, they can be proactive or reactive, they can receive or lose energy, and can develop their own intelligence. Within the quality system, self-evaluation is a long-term process for continuous organizational development and a method for data collection.

The most widely accepted definition of self-evaluation is that is “a process of reflection on practice, made systematic and transparent, with the aim of improving pupil, professional and organisational learning“.²

“School self-evaluation is a process by which members of staff in a school reflect on their practice and identify areas for action to stimulate improvement in the areas of pupil and professional learning. The process can be located on a number of continua that define the exact nature of the process and reflect the context in which it is occurring.“²

At the core of self-evaluation is understanding of the nature of school, i.e: each school is "organism" for itself and there are no two identical schools; each school has the capacity to change and develop and has potential to be better. From this point, school as a complex community of teachers, students and their parents, must know the answers to the following questions:

- How good the school is?
- How it will be verified?
- What will the school do with the results?
- What will be done so the school can be even better?

The importance of self-evaluation arises from the fact that the schools can influence in order to improve efficiency and for students to achieve better results, and that the guidelines for the improvement of the educational process can and should come from the schools themselves. Through this concept, as a result of observation and reflection of their own practice, schools are creators of their own development. The key factors in this process are teachers and the school management.

1.1. Dilemmas about the essence of self-evaluation

Based on previously determined importance of self-evaluation, in many educational systems it has become a central issue in efforts for improving the quality of education. As mentioned, evaluation of achieved quality in educational work is usually responsibility of the State institutions on one side but, on the other side, a serious consideration is given on responsibility of the school itself. This situation here is addressing several dilemmas and issues.³

One issue refers to the purpose. The dilemma is whether self-evaluation is aimed at developing and improving of school’s work or it serves for monitoring and regulation of practice, by setting standards and criteria?

Considering the effect of broader influences, such as globalization and increased tendency for comparison of results between countries, linking self-evaluation with fulfilling of established standards at national and international level in more often

² MacBeath, *Self-evaluation: Background, principles and Key learning*, 4.

² Chapman and Sammons, *School self-evaluation for school improvement: what works and why?*, 2.

³ Ibid, 11.

present. However, as prime and essential remains that the purpose of self-evaluation is to advance school's work through evaluation of its own practice.

The second dilemma refers to the issue of control, more precise, whether self-evaluation should be conducted internally by the school or externally, primary by the State institutions responsible for inspection and control in education. In this context, MacBeath considers that external inspections cannot have full insight which will allow them to understand the essence and to perceive the picture of real situation in the school. This is possible only if it is carried out by the school itself or its employees. Therefore, primary purpose of self-evaluation is to help schools to improve their own ability for critical self-reflection and to examine independently their practices, primarily through training of teachers for quality evaluation of the learning process. He considers that only then participation of external entities is welcome, but in later stages by identifying ways for improving and supporting best practices.⁴

In this context, in his book "Schools should speak for themselves" Macbeath points out that knowing the technique of self-assessment and self-improvement is a sign of "nation's educational health and only in such educational systems is possible to exchange experiences and good practice. Contrary to this is an unhealthy which relies on the constant routine attentions of an external body to police its schools. From here arises the question: Who is telling the story of schools? Whether it is local authorities, government, politicians or it can be told only by the school itself? The story of the school is powerful because transmits school's history, represents its team, development path, which is foundation for its further improvement.⁵

According to Michael Schartz (states Macbeath) self- evaluation has three dimensions. The first is internal - external dimension which refers to continuity from an internal self-evaluation to external evaluation. According to the established practices and education policies, in different countries dominates different dimension. In some countries there is only external evaluation and in some cases evaluation of quality of the education process is carried out by the school itself. The second dimension refers to continuity between pressures versus support. Regarding this, subjective interpretation and experience are crucial, i.e. what will be felt like support or pressure. The third dimension, from the top - down to bottom, points out how a system sees and implements changes. The one extreme is introducing changes through regulation, dictated and in compliance with established regulations and requirements, and other points out changes which come from teachers, students and parents, build on everyday school practice. There is agreement between experts that the best option is introducing changes bottom-up, but with support and approval from the top, i.e. from institutions. The most accepted opinion is that best approach is one that combines well-established balance between all three dimensions.⁶

1.2. Goals and principles of self- evaluation

⁴ MacBeath, *Schools must speak for themselves*, 1.

⁵ Ibid, 1.

⁶ Ibid, 2.

One of the most important issues related to self - evaluation refers to its purpose. Purpose of self - evaluation is an objective assessment and continuous improvement of quality of work of the school. Its implementation is a sign that the school is willing to accept responsibility for its work and development. It is an instrument that allows strengthening of school and improves the quality.

Introduction of self - evaluation in the school system allows schools, through real and methodological clearly defined self-analysis of their own work, to identify development needs and take measures for improvement of its own practice, as well as to be more effective and more effectively in accomplishing the desired educational goals.

In accordance, self-evaluation is based on certain principles that should be regarded. Ofsted (states MacBeath, 2001) reveals the following main principles:

1. Intelligent accountability should be founded on the school's own views of how well it is serving its pupils and its priorities for improvement.
2. Strong self-evaluation should be embedded in the school's day-to-day practice.
3. Effective self-evaluation should ask the most important questions about pupils' learning, achievements and development.
4. It should use a range of telling evidence to answer these questions.
5. It should benchmark the school's and pupils' performance against the best comparable schools.
6. It should involve staff, pupils, parents and governors at all levels.
7. It should be integral to the school's central systems for assessing and developing pupils and for managing and developing staff.
8. It should lead to action.⁷

However, it should be emphasized that self-evaluation is not only collecting, interpretation and presentation of data. It is not a group of optional views, opinions and assessments of those involved in the educational process, but it is a set of objective data collected from various sources and established based on previously agreed indicators of quality. This is a continuous process of interpretation and application of solutions which result with undertaking series of specific steps which define development goals, primary aimed at the quality of learning and knowledge of students and quality of teaching process.

The objectives that arise from self-evaluation and which are based on analysis of information gathered by all parties involved in the process, should be specific, achievable, and measurable and should predict necessary resources. Clear priorities, expressed in action plans are incorporated in strategic document - the school development plan, which provides enhancement of all key areas in school work.

Implementation of self- evaluation in schools brings a range of positive benefits, such as raising the level of autonomy and responsibility of the school for its own development; improving of school atmosphere, enhancing the sense of community and

⁷ MacBeath, *Self-evaluation: Background, Principles and Key Learning*, 9.

motivation, and increasing the level of autonomy and responsibility of all involved parties. For the school head, members of the school board and the local community self - evaluation allows to check its own efficiency and effectiveness, to organize school management which would provide conditions which are optimal for development of each student and work of every teacher. In terms of teacher, self - evaluation is a continuous process of analyzing, correcting and planning its own teaching practice. It allows to make continuous reflection of their own work. Also and parents have benefits of self – evaluation. Their involvement in this process gives them opportunity to participate in making decisions and taking actions to improve the school’s work.

1.3. Regulation of self- evaluation as a need and responsibility of school

When talking about self- evaluation, two documents have played a key role: the Declaration of the Vienna conference of countries that participated in the project Socrates (1998) and the recommendations of the European Parliament and the European Council (2001).

In declaration of the Vienna Conference (1998) schools are invited to:

- In the process of planning educational activities to develop plan for self-evaluation;
- To define the meaning and purpose of self-evaluation as well as to create conditions for its implementation;
- To provide professional assistance to all involved parties in the process, so they can begin the process of self-evaluation well prepared;
- To enable their employees an insight into experience of teachers from other schools that have implemented self-evaluation;
- Results from self-evaluation to make available to all interested parties.

At the same time, institutions which supervise the work of schools are suggested to:

- Focus its activities on learning, teaching and improving the quality of pedagogical activity rather than useless collecting and analyzing school’s paperwork;
- To provide assistance to schools in the process of self-evaluation, to create conditions for implementation and to do direct assistance in the performance of self-evaluation in schools;
- To indicate and point out the key professional and pedagogical areas which need to be self-evaluated;
- To assist in establishing better quality cooperation of schools with its environment.

Several years after the adoption of the Vienna Declaration, in 2001, the European Parliament and the Council recommend to members of the European Union to support school self-evaluation. Therefore, it suggests to countries of the European Union to:

- Develop transparent systems to evaluate the quality of work in schools;
- To protect the quality of education as a foundation for lifelong learning;
- Encourage self-evaluation aimed at creating quality schools;
- External evaluation of schools to be aimed at the promotion of self-evaluation

- Develop self-evaluation techniques that are consistent with the nature of the pedagogical process;
- In the process of self-evaluation to include all stakeholders in the educational process (teachers, students, parents, principals, professional service) and thus strengthen their responsibility for school's results;
- To help their school systems in application of tools for self-evaluation.⁸

Accepting of recommendations of the European Parliament and the Council was followed with activities in the educational systems of the Member States of the European Union in accordance with given recommendations.

2. Self-evaluation in schools in Republic of Macedonia

Priority of self-evaluation of schools is the development function, which encourages dialogue about the objectives, priorities and criteria of quality at level of subjects, grades schools and achieving goals, through the use of appropriate and easily applicable tools.

Because self - evaluation closely relates with quality, it is necessary to specify what the term quality means. Term quality may have two meanings:

- Characteristics of the product or service related to the ability to satisfy given or implied needs of users and
- Product or service without flaws⁹

Regardless the fact that quality is understood differently, in dependence of the perspective of the student, the teacher, the principal, parents, creators of educational policies and other stakeholders, when it comes to quality characteristics of the school speak about it as an institution that organizes and conducts the process of upbringing and education, as well as its internal capacities and abilities to meet its basic functions.

In order to improve the quality of education and student achievements, our country has introduced changes, which according to the Law on Primary Education and Law on Secondary Education, school self- evaluation is performed out every second year.

For that purpose, indicators of the quality of work of schools were developed, through which a clear and accurate insight into the work of educational institutions should be provided, and based on that to be given recommendations for further improvement. These indicators have been created on the grounds of established good practices which already exist in schools, intended to allow teachers and directors in assessing the effectiveness of the work of the school through the process of self-evaluation.

The indicators are related to a series of factors affecting the work in school. Their aim is: to assess the quality of work of the school based on predefined criteria; to identify areas that require further improvement and to enable the management to make

⁸ MacBeath, Schartz, Meuret, and Jakobsen, *Self-evaluation in European schools*, 189-190.

⁹ Siebels, *The quality improvement glossary*, 23.

decisions which will allow to maintain the strengths and overcome the weaknesses in the school work.¹⁰

Indicators for measuring the quality of work of schools provide accurate insight into the work of schools and an assessment of their effectiveness. They are organized into seven key areas for evaluation related to the main aspects of the school. They are:

1. Curriculum
2. Achievements of students
3. Learning and Teaching
4. Supporting students
5. School climate
6. Resources
7. Promotion and management.

Each area contains a number of indicators of quality (planning, teaching process, students' experiences of learning, meeting the educational needs of students, assessment and reporting of student progress) and a certain number of topics related to certain activities in school (environment and atmosphere for learning, encouraging in taking responsibility and interaction of students with each other and with adults at school).

In doing so, it is necessary for each indicator to provide adequate evidence to which can be came in different ways: through individual interviews, group discussions, workshops, surveys, questionnaires, scales of assessment, direct observation (of students, grade, hours), with insight and analysis of different documents and more.

The documentation that can be used as a source of information in the process of self-evaluation can be diverse: curricula, annual, thematic planning and daily preparations, evident sheets, annual reports of school, annual work programs of the school, a report of inspection of classes by the principal and other school employees, site of the school, notebooks for students, the status of the school, programs for mentors - teachers, professional development program for teachers, rules (rules for students, rules for excursions, systematization of jobs...) awards, certificates, diplomas, school development plan, monographs, memorandums of cooperation with civil society, a code of conduct, house rules etc.

Each of the topics is evaluated on 4 levels, which are: "very good", "good", "partially satisfactory" and "unsatisfactory". Also, there are descriptions of how the activities are valued, what requirements they need to meet to be able to evaluate at the appropriate level. Each level has a certain importance, from high level - very good, to the lowest level – unsatisfactory.

Level "very successfully" is the most desirable situation, a situation that school wishes to reach or maintain. Whether school has reached its highest level, it is expected to continue further to promote its work. Level "good" is characterized by more strengths than weaknesses. Existing weaknesses is desirable to be removed. "Partially satisfactory" level indicates the presence of individual strengths, but still,

¹⁰ *Quality Indicators of work of schools, 2.*

weaknesses are prevailing and they reduce the quality of the work of school. This situation requires taking certain actions that will allow removing of the recorded weaknesses. The last level is “unsatisfactory“ and it indicates that weaknesses are prevailing and can threaten the progress and development of students. In this situation it is necessary to undertake urgent activities and technical assistance, in order to remove deficiencies. In fact, clear determination of these levels allows to identify the strengths and weaknesses of the school.

In the end briefly will be indicated how the process of self-evaluation goes. It includes the following steps:

- setting up a team for self-evaluation
- Use of appropriate indicators, methods and tools
- Collecting data
- Analysis of the situation
- Preparation self - evaluation report
- Preparation of School Development Plan.

Conclusion

In today's global and dynamic society, numerous requirements are placed in front of school, as an extremely important institution, which aimed at improving the quality of education work. In order to respond, school as a foundation of good society, should be open to change through constant reviewing of its own practices and, at the same time it should be opened in finding opportunities for future growth.

The process of self-evaluation of schools is an opportunity in a structured way, to analyze, interpret and evaluate their own work. It allows identifying possibilities, advantages, and disadvantages, which enhances the implementation of planned improvement, identifying priorities and objectives.

Quality performance of self- evaluation, in line with the positive experiences and practices of other countries, significantly affects in increasing the responsibility of schools for their own work and contributes to the qualitative improvement of the education process. The key is each school to know how to properly and adequately identify and evaluate the effects of its work, as a basis for objective and critical examination, and as a direction for designing future development and improvement of their own quality.

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THE IMPACT OF COMMUNICATION IN PRIMARY AND SECONDARY SCHOOLS FOR PROMOTING THE EFFICIENCY OF THE EDUCATIONAL PROCESS

Violeta Milenkovska³
Angela Milenkovska

Abstract:

The main goal of this paper is to highlight the importance of internal and external communication in primary schools in the process of improving the organizational culture and performance of the school as an educational institution, which has vital importance to every society. The advantages of successful communication are closely related to improving the quality of the work and the results of the same one.

Firstly, this paper pays attention to the communication in education in the context of determining the key positions in the communication process at different stages of the educational work. Secondly, the quality of communication between teacher - student, teacher - teacher, teacher - parent, teacher - professional service and teacher - Headmaster is closely correlated with successful implementation of curricula and school programmes in accordance with legal processes in the country.

Keywords: *communication, school, organizational culture, communication process*

Introduction

One of the needs so people can behave normally in their living environment is the need of mutual communication. There are multiple ways to communicate in all fields of the social living. Organizations are social establishments in which people interact in a complicated way (Roberts, 1984). A school is one of such social organizations (Getzels & Guba, 1970). Thus, this paper is devoted to organizational communication in education, more precisely in primary and secondary schools, from the analyzed data. According to the survey, the analysis is made from the questionnaire. It was distributed to the teaching staff in 20 primary and 7 secondary schools in which 170 teachers were surveyed as representative sample. Operationally, educational organizations are people intensive, thus the process in schools takes place a person-to-person interaction (Sergiovanni, & Starratt, 1988). The importance of communication represents the primary factor for the realization of the positive climate that makes the school an institution of vital meaning for one society. The main hypothesis is that the degree and type of organizational communication in the school depends on the realization of the positive climate that makes school effective institution and very important for one society.

1. Communication

There are several definitions for the meaning of the term communicating. According to the encyclopedia the word communication is of Latin origin and it means traffic

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(communicating), or in other words communication is the transfer of information from one entity to another. Another definition is that communication is an act or action for the transfer of information.

The Communication in the organization is appreciated as an integrator, i.e. susceptible to guide behaviors. It considers Communication as an artifact, or control instrument of persuasion, conceived as an adjustment variable in an organization, that can be bounded by physical borders, as a container (Putnam 1982, 194). The communication can be defined as a process in which the information and the understanding transfer from one person to another (Aleksovski 1998, 5). There is no communication if the transmitted information can not be applied in practice or if it is not understood. So communication implies sending, receiving and understanding of the message.

Another author thinks that organizational communication is a process through which the manager fulfils his functions in the environment where he acts (Mitevski 1998, 198).

Furthermore, when talking about the transfer of information, the term communication is often found. In practice usually refers to the exchange of information, and as a mean of public communication shall also include newspapers, radio, television and the normally the internet as a mass medium for communication.

There are situations when it comes to communication failure. Problems emerge when certain directives can not be comprehended as it needs, when rumor of a different type to the content are being spread, when informal notes by the managerial person are interpreted incorrectly or interpreted with a different content. Therefore, communication is a multi-process as it is necessary in reaching organizational goals (Koontz & Weihrich, 1985).

The communicating allows transfer of information from one point to another, or more precisely to the place where the decision is made, so called informative function of the communicating. Sometimes the communication has stimulative function, which increases the motivation to fulfill the organizational goals.

It can be said that the communication can have a control function. In the process of transferring the information all managerial functions are included, as well as the control one. With the receiving and sending the information, the emotional function of the communication process is provided, which allows people to express the feelings and the satisfaction of the social needs.

Communications enable a transfer of information and the outcome of the transfer of the information that will be received and comprehended by those to whom they have been sent. The communication has an informative, stimulative, control and emotional functions.

The communication undertakes a central place in managerial function and represents a general human quality and manner of behavior, not something unique to the manager.

Communication is one of those things we deal with every day, so most of us assume we know quite a bit about it (Work. Richmond, McCroskey, & McCroskey 2005, 16).

2. Communication process

The sender is the custodian of the information. Through the information channel, it is transmitted to a receiver where there are various barriers that may inhibit proper transfer of that information. Channel is a general term for the object through which information is transmitted. Transmission channel can be any medium that provides transfer of information whether it is written or spoken. For transmission of information in the form of conversation that is air, for telephone conversation the channel represents a telephone wire, in the written message that would be the text, etc.

The light, sound or other signal can be used as a channel. The channel may be unidirectional or bidirectional.

The one-way communication channel allows unidirectional exchange of information (radio, television and newspapers). Feature is the ability to communicate in one direction: sender - recipient.

Two-way channel for information exchange allows the transmission of information in two directions: from the sender to the recipient and vice versa. This channel is influenced by many external and internal constraints (barriers) that ultimately are intended to prevent the information exchange. As the channel, the barriers have also various physical characteristic disabilities in the tone, image, text, and more. Thereto which information will be transmitted to the receiver is up to their selection. Then the transmitted information is coded, which means it is defined in advance by a system for encoding and decoding.

The exchange (giving and receiving) of information, facts, ideas, opinions and feelings is one of the definitions of communication. As stated in the materials of the German consulting company ILTIS, the most important is to be careful what one wishes to convey the purpose of this transfer of information, from which depends on whether the information will reach a certain reaction in one receiving (ILTIS 2001).

Flow of good communication

To get the right message and the desired reaction to be induced requires:

- to have a clear purpose;
- to choose words carefully;
- to be careful of sentences and paragraphs;
- to have a succinct content;
- to ask specific questions;
- to give feedback, and
- to use body language

Difficulties in communicating

Obstacles and elements in communication can be:

- lack of feedback;

- reckless listening;
- wrong assumptions;
- jumping to conclusions;
- inconsistent messages
- individual differences;
- lack of trust;
- differences in education;
- ignoring the people;
- not keeping personal secrets;
- non-fulfillment of promises;
- creation of a conflict; and
- negligence of body language.

3. Organizational communication and the importance of sharing information

An interpersonal communication network refers to a pattern over time of communication flows between individuals (GÜNBAZI 2007, 791).

Based on a carried out research and observed process of sharing information in service of organizational communication in education the influence of organizational communication on student achievement and the development of the creativity and motivation can be seen.

Educational research shows that students write more and better when they write regularly for a real audience. A medium for that is the school newspaper.

With the advent of computer, digital storage, multimedia and the Internet came to promotion of the information in education and communication (from a pen of a personal computer and a personal computer in cyberspace).

The Internet is a new tool that allows students and staff in education to acquire information from all domains of social life which are current education and they are:

- to meet the needs for information;
- to present information in an interactive multimedia arrangements;
- to motivate students to explore and look for information online;
- to enable fast, accurate and appropriate information to teachers, children and parents;
- to offer information that is presented in the frame and in a language accessible to young people;
- to make better use of the information that are not on the web.

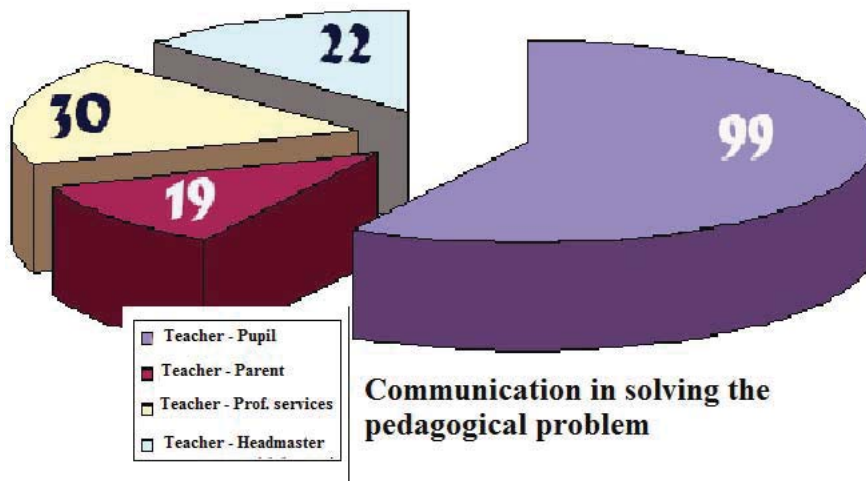
The benefits of the internet are:

- offers the opportunity to restore the traditional system of education;
- a tool for obtaining information (pedagogical projects, exchange of ideas, projects, and problems);
- improvement and adaptation of students in the 21st century challenges;
- acquisition of advance preparation for further education;
- motivate and encourage school children to enhance self-esteem, active participation and development of the thinking and creativity in all domains.

4. Research process flow

In the conducted research 170 teachers are surveyed (own research).² The starting point of the questionnaire was whether the teachers communicate enough with the students in solving problems, arising from educational work, and whether teachers have sufficient communication with parents, then whether teachers collaborate with professional services and whether the teacher is following their suggestions in solving certain problems and freely communicate and cooperate with superiors.

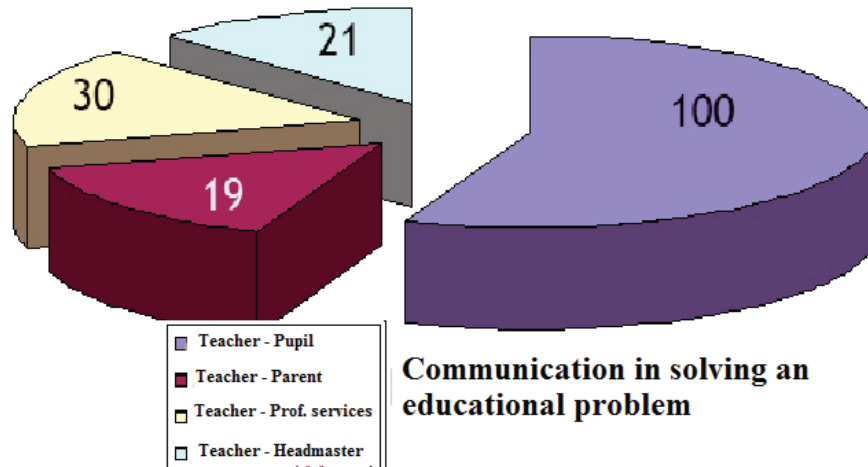
On the survey question: greatest attention in communication in solving the pedagogical problem takes place between teacher - pupil (99), teacher - parent (19) teacher – professional services (30) and teacher - Headmaster (22).



According to the results we can rightly conclude that the teacher-student communication is a key factor in communication in solving pedagogical problems in education.

On the survey question: greatest attention in communication in solving the educational problem takes place between teacher - pupil (100), teacher - parent (19) teacher – professional services (30) and teacher - Headmaster (21).

² The survey was conducted in 20 primary and 7 secondary schools with 5 or 10 teachers in each school in the period from February to March 2016, in the municipalities of the City of Skopje



According to the results we can rightly conclude that the teacher-pupil communication is a key factor in communication in solving educational problems in education.

By solving a problem of educational type, the communication is often reduced to the teacher-pupil relation (130 responses).

By solving a problem between pupils from different classes, the communication is going on teacher – teacher relation(130 responses).

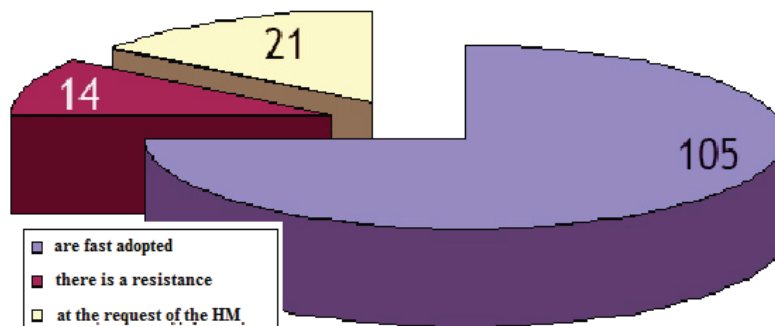
In the introduction and use of new supervising resources in the educational process communication usually is on teacher-teachers relation (130 responses).

For performing an open (practice) class, consultations regarding the class are going towards improving the teaching process (Innovation in teaching 100 responses).

For the application of innovation and new scientific knowledge the most of the respondents answered that it is necessary to monitor the literature (100 responses).

On the survey question: Implementation of ideas and knowledge among teachers as a communication process, the ideas and knowledge: are fast adopted (105), there is a resistance (14), are adopted at the request of the Headmaster (21).

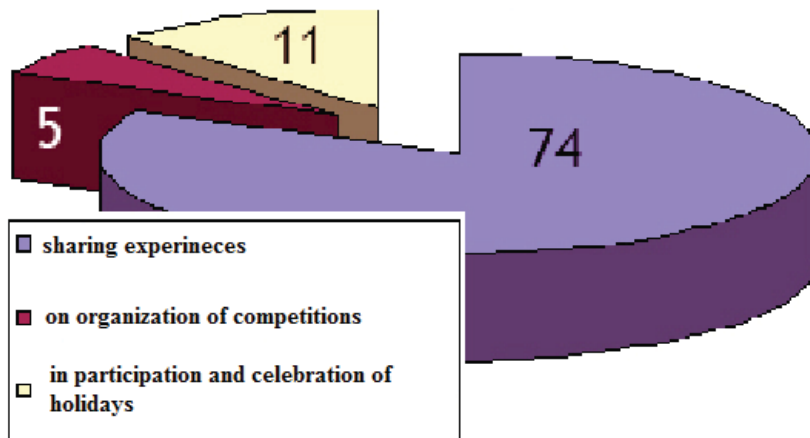
Implementation of ideas and knowledge among teachers



According to the results, it can be rightly concluded that this communication through the application of new ideas and knowledge among teachers, is quick implementation in order to have more efficient and modern teaching.

On the survey question: exchange of experiences and information among teachers of different schools regarding communication: sharing experiences responded (74), on the organization of competitions (5), and in the participation and celebration of holidays (11).

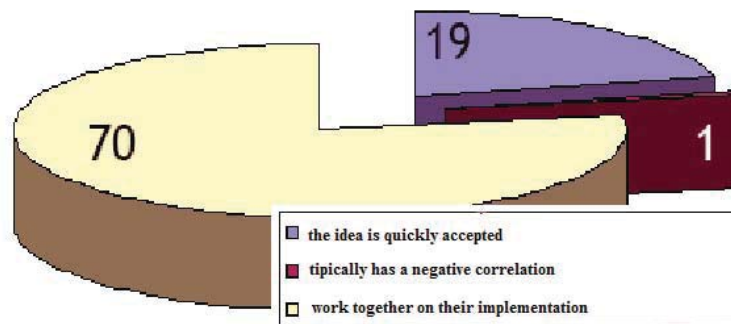
Communication with different schools



According to the results, can be concluded that this communication on the exchange of experiences and information among teachers from different schools improves the teaching.

On the survey question: The relationship between teacher-Headmaster when the teacher offers new ideas for pedagogical and educational work regarding communication: the idea is quickly accepted (19), typically has a negative correlation (1), and work together on their implementation (70).

Communication Teacher - Headmaster when teacher offers new ideas for pedagogical and educational work



According to the results, it can be concluded that the implementation of the new ideas for educational process in the school that offers the teacher and the communication teacher - Headmaster goes in a direction of working together in order to implement them.

Conclusion

This paper is dedicated to the communication in education in Republic of Macedonia in the context of establishing key relationships in the communication process at different stages of the educational work in primary and secondary education. According to the analysis of the survey it can be concluded that the level and quality of communication between teacher - pupil, teacher - teacher, teacher - parent, teacher - professional service and teacher - Headmaster is closely related to the successful realization of teaching and educational process and effective implementation of the curricula for the schools in accordance with the plan and program of the Ministry of Education. The role of communication in the school is essential for the successful implementation of organizational culture and efficiency, and the employees are crucial in achieving successful communication.

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THE IMPACT OF REFORMS ON EDUCATION QUALITY

Snezana Petreska⁴

Abstract:

The driving force of the 21st century is the intellectual capacity of the people. The political, economic and social growth in this millennium will depend on the intellectual potentials of the next generation.

In order to improve in the technological environment, the students need improvement of knowledge of the same technology. It is crucial for the schools to perform changes in the educational system so that the students could be prepared for the world outside the classroom. The educational system must understand and accept the skills for the 21st century and implement them in their programs.

The educational system of the 21st century should prepare young people for jobs that do not exist yet, which would use technology that has not been discovered yet, for competitiveness which would be global. The education is the one that should teach young people to handle the global suspense in the future.

A lot of countries in the world prepare or implement reforms in the educational system. The success of Finland, New Zealand, Singapore and others are models which are scientifically studied. There are two challenges of the reforms in the modern world. The first one is economical – how to teach pupils and students to fit in the economy of the 21st century. The second one is equally important, cultural identity – how to preserve and create the cultural tradition in the world that is more and more global.

Introduction

To create and develop modern education means to accomplish the goals that determine their meaning. In the current education it is more than clear that the hierarchy of values that should be set and implement as goals are asymmetrically installed. In modern school the pupil should become the meaning and aim of the curriculum and should be prepared to enter the world of competitiveness.

The school is an old upbringing educational institution which changes depending on the social modification and adjusts on the new requests of society and its members (Ratkovic, Education and changes, 45). Thanks on its dynamics the school managed to survive a lot of revolutionary changes. The educational system is open, real and dynamic and thus is always open to changes implemented in it so as to increase the quality of the education and follow the progress of the educational system in the European countries and in the world.

1. Goals and tasks of the primary education

The goals of the primary education are in correspondence with the terms recommended by EFA report which represents the frame on which every country in the world has agreed on. The goals of the primary education are:

- Access to primary education where the education is open to every child in the world no matter the language, sex, religion or physical or mental obstructions.

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- Improving the achievements in the studying, primary education offers better access to high education and continuity. The primary education prepares the children to enroll in the technological society.
- Training in the main life skills, the primary education regards the individual development and general socialization of children throughout the whole upbringing-educational process.
- The primary education ensures a style of living and develops the respect for other cultures, affirms the multicultural character of society. The primary education promotes the intercultural freedom and tolerance and creates good terms of cooperation between students and teachers and between school and parents.

The realization of these goals should determine who will finish primary education:

- To be capable to express and write in their mother tongue
- To be capable to express and write in Macedonian language
- To know and accept the general and specific values and be capable of life in pluralistic and demographic society
- To have developed critical thinking and ability to solve problems
- To have a skill of communication
- To have the knowledge of other cultures and civilizations and speak two foreign languages of which one is the English
- To know the meaning of science and technology in modern society
- To have the basic knowledge of different scientific areas
- To have the basic informatics knowledge
- To have the sense and ability to express in terms of Art in correspondence with its abilities
- To have developed skills through sports games and activities, understanding the responsibility of their own health, healthy way of living and healthy environments.

The principles of the primary education

In the accomplishment of the mission, goals and tasks of the primary education, the first degree in the education is based on the regarding the following basic principles

Quality

The obligatory character of the primary education imposes the need of mechanisms for continually built of standards and implementation of methodology of analytical developmental tracing the crucial indicators of the performance and quality of the primary education.

Ambit

The primary education can function with its maximum inclusion of the generation, tending to create precondition for further education and preparing the young in acquiring basic behavior and routine on the working place. In that case it is necessary to create educational animation in the families with future pupils in order to form the awareness of the education itself. This mostly implies the rural areas, among the female population and in the areas with increased prejudice and traditionalism.

Equality

The primary education, as being constitutionally compulsory for the ethnic community as giving them the right to express, nurse and develop their identity, equally treats all the children no matter their ethnic, religious or gender enclosure, language, social-economical status, place of living or abilities in studying. The

primary education is unique and free of charge, achieving identical goals and tasks regarding the transfer of the social values. The necessity and the quality of the primary education are the basics for the equality of every individual in the society.

Access

The primary education is accessible to all the citizens under same rights, it is open to the needs of every individual, accessible to everyone in terms of the specified goals and precondition to educational improvement for all the citizens in the country during their life time.

Reformation in the primary education

The fact that one educational system is working on the implementation on new changes and reformation states that the system itself is in progress with overall world growth, thus using the most beneficial to include in the upbringing-educational sphere (Ratkovic, *The changing school*, 85). The educational system being as that includes all the types of education that can be acquired in our country, starting with the primary education, high school, bachelor's degree, master's degree, PhD and education for adults. The changes have started with their planning in The National program for development in the education 2005-2015, according to which a big number of changes and reformation are bringing our educational system to numerate acquisitions. In our country in the last decade of the previous century and the beginning of this century the educational system comes across some drastic innovations caused by the changes in the surroundings. There have been some changes in the society organization and also the technological development experiences its expansion. The education undergoes new views on all the levels. It is not able to make possible everything the society needs because not all potentials that offer knowledge in terms of pedagogy are being used at that time.

The ideas to implement projects that encourage creative teaching are excellent background for modern education. The teaching methods allow the use of techniques that stimulate the development of critical and creative thinking in students. That certainly is so. But what is important and yet unsolved problem is the extent of the curriculum which instead of including the students in the process of education it drives them away.

In terms of The National program for development in the education 2005-2015 some crucial goals have been determined. The ten year period has finished and therefore you can clearly see if the aims have been really set and accomplished. In order to come to the right conclusion the teachers being participants in the educational process and the reformations have given their opinion.

2.Research

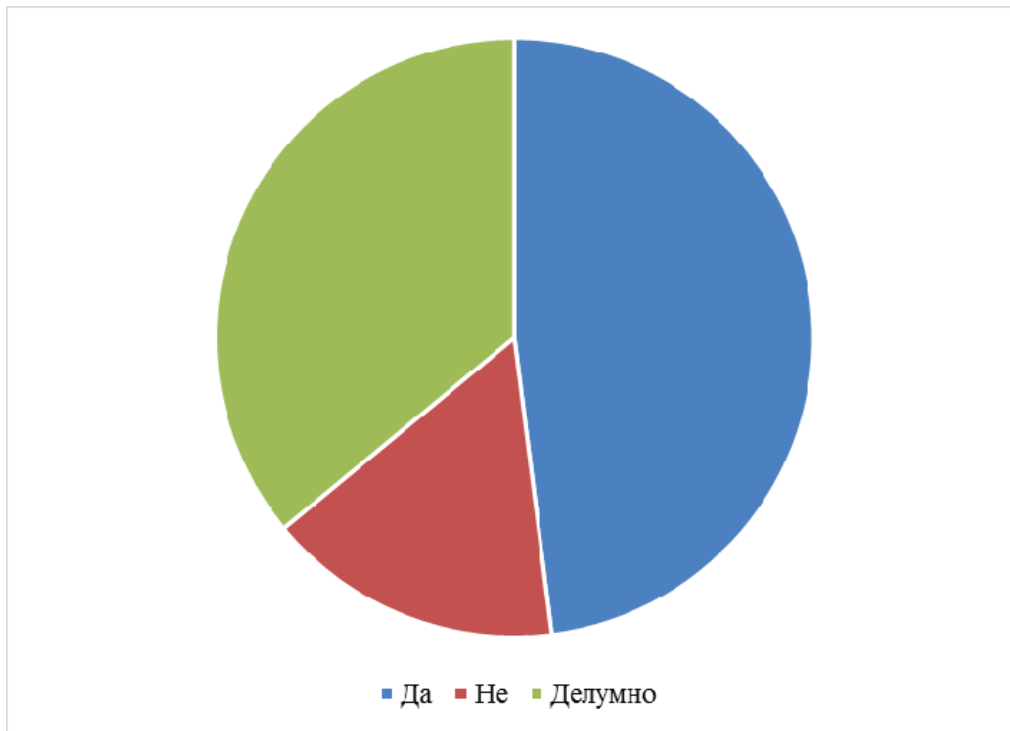
To complete that there has been made a research which implies the accomplishing of the strategic goals of the program for development and reformation in the primary education in the Republic of Macedonia in the period 2005-2015. The survey is being conducted in five primary schools in the municipality Butel and it included 50 teachers, 10 from each school, half of them in elementary and half of them in middle school.

Survey

Question 1: Has there been quality advancement in the creation of the curriculum in the given period?

| | |
|--------------|----|
| A) Yes | 24 |
| B) No | 8 |
| C) Partially | 18 |

Table 1 Has there been a quality advancement in the creation of the curriculum in the given period?

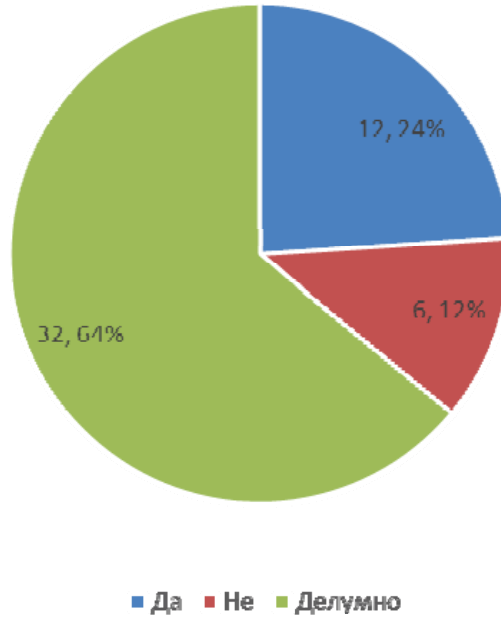


The given results state that a little less than half or 48% agree, 36% partially agree and 16% don't agree. This means that still the curriculum does not satisfy the criteria and offer too much theory, unnecessary statistics, not up-to-date data. Some new basics should be set where the accent would not be on the teacher, but on the practice of acquiring knowledge, skills and building attitude.

Question 2: Do you think that in the given period the quality of the books and the teaching instruments have ameliorated?

| | |
|--------------|----|
| A) Yes | 12 |
| B) No | 6 |
| C) Partially | 32 |

Table 2: Do you think that in the given period the quality of the books and the teaching instruments have ameliorated?

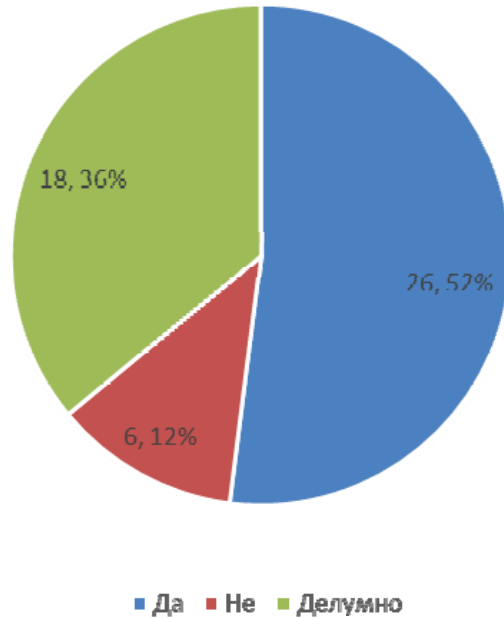


The answers to this question are even more defeating since only quarter of the questioned or 24% stated the quality of the books, whereas 32, 64% state for its partial quality and 6,12% do not agree at all on the quality of the books. This means that every day we are meeting new problems in terms of the creation of quality books that would offer the students real knowledge. Only if the following conditions are fulfilled we would have quality books: defined concept and purpose of the curriculum and defined standards in making the books and the curriculum.

Question 3: Do you think there has been an improvement in teaching according to the modern educational standards in the world?

- | | |
|--------------|----|
| A) Yes | 26 |
| B) No | 6 |
| C) Partially | 18 |

Table 3: Do you think there has been an improvement in teaching according to the modern educational standards in the world?

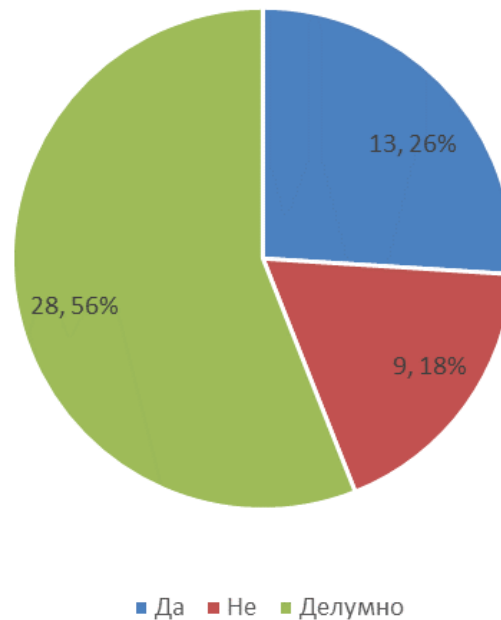


Regarding the advancement in teaching something above the half of the teachers or 52% totally agrees, 18% partially agree and some small part of 6% don't agree. The good results are due to the projects of installing computers in schools. The project "Computer to every child" should have developed their creative potentials for research and solutions. The project has brought new streams in the education. The parents have lost the battle with their children explaining them that the computer cannot replace their day-to-day life, the communication and socialization which represent the valuables inside the family, the school and the society.

It is inevitable that every school should have its own computer center that would be used for certain classes and certain aims. It is indeed true that the teaching sometimes asks for the inclusion of information technology as part of multimedia. All that has a positive course regarding the fact that the youngsters are living their reality on the internet communication. The modern school should be used to awake the creative mind encouraging the creative thinking, speech and literacy.

Question 4: Has there been enough effort put in the additional education and professional promotion of teachers?

Table 4: Has there been enough effort put in the additional education and professional promotion of teachers?

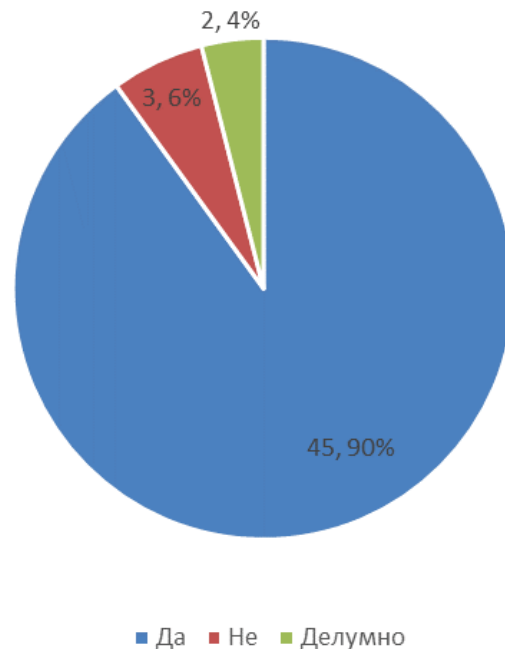


On the question if there has been enough effort put in the additional education and professional promotion of teachers only 26% agreed, most of the part or 56% partially agreed and 18% didn't agree at all. This states that it is not invested a lot in the advancement of the teachers although the practice should be that they should permanently acquire additional knowledge in all the phases of their career including the initial education, education during the working period, further professional promotion and participation in future research and projects.

Question 5: Is the new way of choosing the head of the school not directly by the Ministry of education but through trainings and exams being positive regarding the management of the schools themselves?

- | | |
|--------------|----|
| A) Yes | 45 |
| B) No | 3 |
| C) Partially | 2 |

Table 5: Is the new way of choosing the head of the school not directly by the Ministry of education but through trainings and exams being positive regarding the management of the schools themselves?

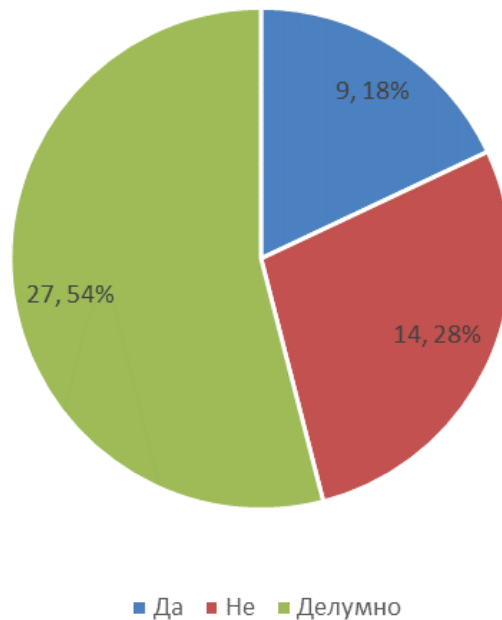


Regarding this question 90% of the questioned agreed that the new way or choosing the head of the school has given some positive results in managing the school. This measure has fulfilled the expectations and it is one of the best so far because the training itself gives the directors new skills for managing the school. It has been argued that not every teacher can become a director because for that you need other skills and competences which to some instant are inherited and in some instant are received in the training and examining process. Still the overall picture is not totally ideal since the municipality and the major have a big influence in picking the head of school, so the political influence is quite big at that point.

Question 6: Has there been efficient results in building the system for providing control of quality (evaluation)?

- | | |
|--------------|----|
| A) Yes | 9 |
| B) No | 14 |
| C) Partially | 27 |

Table 6: Has there been efficient results in building the system for providing control of quality (evaluation)?

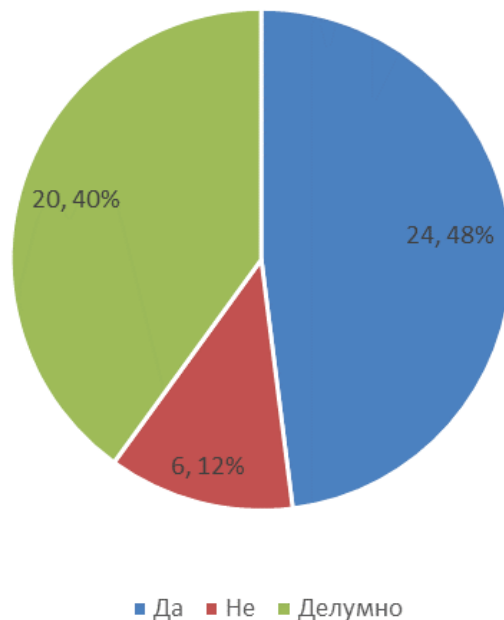


Regarding this question the results are also defeating since only 18% agreed and 28% disagreed, and quite a big number of 54% stated that there has been partial improvement. It is quite sure that the evaluation should exist as a measure but the question is how it is conducted and how high-fidelity it is. In most of the part it is the form that fits the most, whereas the essence is lacking. The biggest reactions are with the external testing the students have and every year the problems are just repeating regarding the realization and the quality of the questions. It is worth mentioning that the local authorities have influence in quality control, and the parents and school border which continuously participate in monitoring the quality and making decisions.

Question 7: Have the children of the vulnerable categories (single parents', lower social standard, disrupted family relations) had a satisfying access to education?

- | | |
|--------------|----|
| A) Yes | 24 |
| B) No | 6 |
| C) Partially | 20 |

Table 7: Have the children of the vulnerable categories (single parents', lower social standard, disrupted family relations) had a satisfying access to education?

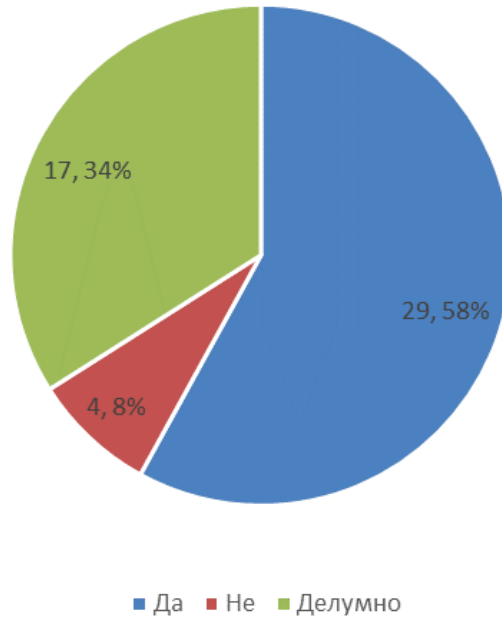


Regarding the question if the children of the vulnerable categories have had a suitable education almost half of the questioned or 48% agreed, 40% partially agreed and 12% didn't agree. This information says that those children haven't had the maximum attention yet. The studying conditions for those children should be equal with rest of the categories. Most of them are handling on their own and are still out of the educational process. The monitoring mechanisms for their condition inside and outside the school are not completely developed, so there should be a concept prepared for working with those children.

Question 8: Has there been an equal access to education for children with special needs?

- | | |
|--------------|----|
| A) Yes | 29 |
| B) No | 4 |
| C) Partially | 17 |

Table 8: Has there been an equal access to education for children with special needs?

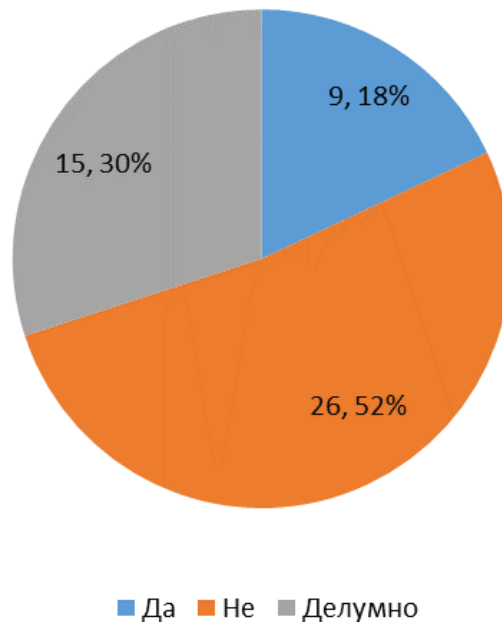


The results for this research are satisfactory since 58% agreed that the children with special needs get the needed education, 34% partially agreed and only 8% didn't agree. There has been a significant improvement in this area. As a beginning in all the public institutions and also schools there has been an access ramp available for those persons. Not only that but also the children with special needs are included in the educational process and are not considered a marginal category. Still, not a satisfying number of experts are employed so that every child would have an equal and individual access to education.

Question 9: Has there been a program developed for working with talented and gifted children?

- | | |
|--------------|----|
| A) Yes | 9 |
| B) No | 26 |
| C) Partially | 15 |

Table 9: Has there been a program developed for working with talented and gifted children?

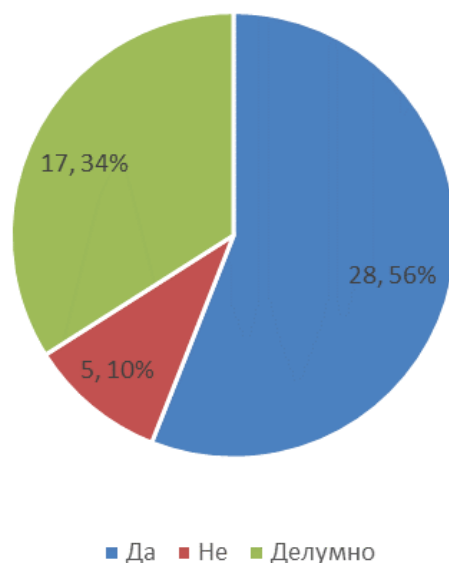


This question has a very defeating result where 52% didn't agree and only 18% agreed. The primary education in the Republic of Macedonia doesn't have a system for detection of talented children. The discovery of their talents is usually detected by the teachers and it is up to them if the students will nourish and stimulate their talents. These kinds of initiatives on the side of the teachers are offer misused by public regulations making the teachers and the students feel frustrated and neglect their abilities. Besides the students', the teachers' and parents' loss, the biggest damage goes on the country's sake because it is not able to use its own intellectual resources and place them for its own development.

Question 10: Has the role of the school board increased regarding the administration of the school itself?

- | | |
|--------------|----|
| A) Yes | 28 |
| B) No | 5 |
| C) Partially | 17 |

Table 10: Has the role of the school board increased regarding the administration of the school itself?



When speaking about the school boards the results here are also positive in terms that 56% agreed and 10% didn't agree. The modern way of life brings out the need of functional interaction between the school and the school board, mainly in the context of decentralization of the educational system. The formal participation in the school board is gradually decreasing and the interaction is becoming more vital. The school boards are a form of a partnership with the teachers, support for the children with problems in studying, taking part in organizing events, mediating between the local authorities and the community. Also they have influence in evaluating the teachers and head principles and have a role in choosing a head principle.

Conclusion

As mentioned above, in order to create modern education one should realize the goals that reflect its sense. In the current education it is more than clear that the hierarchy of values that should be set and implement as goals are asymmetrically installed. In modern school the pupil should become the meaning and aim of the curriculum and should be prepared to enter the world of competitiveness. The goals of the primary education are in correspondence with the terms recommended by EFA report which represents the frame on which every country in the world has agreed on.

The Ministry of education and science in 2005 has brought a National program for development in education in the Republic of Macedonia for the period 2005-2015

where the strategic goals have been set in order to create changes and advancement in the education. As the ten-year period has finished there have been some analysis due to the set aims. The results of the survey that has been conducted among the direct participants in the projects may not be completely true, but are still a remarkable indicator for the success considering the reformation in the primary education. The analysis states that we are still far from the highest world standards in the primary education. The main disadvantages are referring to the quality of the curriculum, the books, the evaluation and the system of identifying talented students. One of the other problems may be the desire to copy the high standard systems like in Finland, France, Great Britain and others. The issue is that the mentality, tradition and habits are not everywhere the same, so certain regulations have to be modified in adequacy with the characteristics featuring certain countries. The modern education is still waiting on its realization. The reformation must give the schools elementary conditions, reduced curriculums, freedom to create new styles of learning, intensive socialization, respect of values that preserve the family, promote school and develop society. Only then we can be sure that we have created generations who will consider the education a challenge, not a risk. Pablo Picasso agrees that every child is an artist, so we have to make sure it stays one when he grows up.

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TURKISH EDUCATIONAL POLICY AND HIGHSCHOOL CIRRUCULA BETWEEN 1923 - 1950

İlker Keçetep⁵

Abstract:

Education has vital importance for every country and education system is an integral part of society because education has been the primary in optimum factor shaping individuals. Education plays an important role on shaping personality and personal development in terms of intellectual, cultural ,moral identity of individuals. Individual's frame of mind, culture, moral are formed and it can shaped by given education. Target identity can be gained by adopted educational policies within this condition and there is no doubt that every country in the World has its own policies and targets for its citizens. In this respect figuration of national education and its processes have great importance. There are many resources in national educational policies, the most commons are; the constitution relevant laws and development plans. Turkey's national educational policy had new developments in accordance with Atatürk's principles, targets and political views especially between 1924-1950. 1924 constitution and laws which are related to education made changes on Turkish educational policy. Related laws and education policies started to make adjustments in the old Turkish education system and they are applied with curriculum programs which were sent to schools. Curriculum programs are consisting of contents, course materials such as books, methods etc. This study will examine and try to reflect Turkish educational policy between 1924 -1950 and high school curricula and its generated changes.

Key Words: Turkish Education, Turkish Educational Policy, Turkish High School Curricula.

1. Brief Overview to Education Before Unification of Instruction Law

In 1923-1924 school year,Turkey's population was approximately twelve millions and %90 of population was living in villages and more than %90 of villages hadn't school and teacher. Almost all people of these villages didn't know to read and write. Secondary schools and high schools were in privileged center of population. There were total 1241 high school students in 23 schools , 2558 students in technical high schools were studying in whole country.Total student number who were studying in every level was less than 400 thousands.

If we take handle with baseline within the empire has many nation and culture education had 3 channel before Unification of Instruction.

First Channel:''Quarter School'' is the most common and the most preferred among 3 education channels .These schools that include from Quran and Arabic education contain madrasah.As well as madrasahs that tied with Darülfunun in Istanbul,Madrasah system was exist till city,town,small town and villages in Anatolia.

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Mostly these schools were giving education according to religion and religious law. There were 70 thousands foundations which created for this purpose. The big majority of these schools were located in capital city İstanbul.

Second Channel: Educational activities in this channel were performing in innovator Reforms schools. These schools named as Rüştiye (Middle School), İdadi (High School), Sultani (High School) has decisive part for improved modern schools. One of the most important one is Galatasaray High School which was opened in İstanbul in 1868 and was giving education in French.

Third Channel: Missionary Schools that giving foreign language education, foreign colleges and minority schools fall into this group. Major of them were; Saint-Benoit (1783), Saint Joseph (1857), Robert College (1863), Saint-Michel (1868), İzmir American College, Tarsus American College and Notre Dame de Sion.

These schools aimed to infuse Western culture and languages such as American culture, German culture, French culture and so on.

The days that independent fire flamed of started with Atatürk's set foot in Samsun, who argued and defending American or English protection that unlucky people was studied in missionary schools.

These three channels that shortly mentioned were not possible through education cradle individual that transformed to behavior to national sovereignty to strengthen to national culture, to adopt to national awareness and to provide to national unity. Therefore the law on unification of education was extremely a attempt with point and pertinent, it is a law which scientific and beneficial that being lead up to provide to integrity of feeling and opinion in society of Turkey's general education and culture policy.

2. Educational Policy In Atatürk Era (1923-1938)

Right after War of Independence was won, this time steps started in the direction of was won struggle in education area. Atatürk's mentality that positivist and rationalist, science emphasised as only lodestar puts into practice also in education area and new a human style that is same direction on the purposes of modernization based on principles of Atatürk aims to form. Atatürk's one of first declaration that was important in education topic is his speech in Maarif Conference that gathered in Ankara, on 16 July 1921, before republic wasn't announced.

"I think, by now forms of education and training that have been follow are one of the reasons that most important in the decline of our nation. Therefore, when I mention a nation education program, I suggest a new culture convenient to us. Because national prodigy literally progress can be provided in this culture. Accept a random foreign culture can repeat our take along with destroy results of foreign culture by now. Culture is attached to this idea stage. That stage is national character." This words a leader who fought independence clearly declare his giving value to independence in education area.

If we examine Atatürk's educational principles they disqualify, criticise and want to change this to traditional education system. They can summarized as below;

Traditional education is not national in terms of content and structure. This education style isn't suitable for progress to national history, language, art in short national culture and avoid to progress them, this also causes decrease of national individuality. Traditional education and teaching methods prevent to creative and just hangs on rote. It doesn't provide to grow up creative, constructive generation.

Atatürk's aims for main principles of new education program are these;

Nationalism Principle: Atatürk's one of main aim is that sustain life as national, so nationalism principle occurs as one of the principles of Atatürk constitute the foundation like any subject in field of education. In his times, in primary and secondary schools education started that was called "National Education" and was named "Ministry Of Education" to ministry.

Laicism Principle: It also is a main common principles of social, cultural and politic programs not only Atatürk's education programs.

Atatürk gave a speech and said that "People know well, Turkish Republic will not be a sheikh, dervish country. Most true, most real thing is civilization" in Kastamonu, on 30 August 1925.

It is an important arrangement that lifted 2nd substance of 1924 constitution go to wrong to laicism principle in 1928.

This arrangement results, education institution had entered the process of secularization with management formats and its program. Education services were taken control to the supervision and control of the state, religion classes were removed, religious services were transferred to an another organization, stand area is provided for the freedom of education and training.

Science Principle: The purpose of this policy education and training, in terms of content and tools of science, according to the latest data on the level of regulation means. Atatürk that explained the scientific principles addressed to the teacher in his speech on 22 September 1924 in Samsun. The true mentor science is for everything in the world, to materiality, to spirituality, to be successful. Science and technology and search guide outside is deluded, ignorance, heresy. Science and science alone that we live every minute to grasp the evolution of the phase and once it is imperative to follow.

Union Principle: Educational or cultural differences denominational life by eliminating that is a policy aimed at achieving unity. The first requirement is to ensure national unity. the unity principle was initiated of law No. 430 on 3 March 1924.

Co-education Principle: Removal of gender discrimination in education and training, boys and girls together in the training and equal rights and opportunities is intended to benefit in a way. The civil law that adopted in 1926 occurs for basis the implementation of the principle of co-education.

The Elimination of Ignorance Principle: One of the issues on the importance of Atatürk is the elimination of ignorance. He said in his speech when talking about ignorance in the opening speech TGNA on 1 March 1922 "Therefore, we will follow our foundation of education policy primarily removes available eliminate ignorance."

Acceptance and introduction of the law about the Turkish alphabet starting with the letter immediately after alphabet revolution and the nation's schools that put into practice quickly spread all over the country in 1928. Compared to Arabic the new

Turkish alphabet learned so much easier and quicker removal of ignorance is one of the major factors that support the principle.

Work-based Training Principle: This principle business means education and training as be used the main tool but it is at least find the field of application of this principle Atatürk's fundamental take principles. He said that about work-based training the principle in his speech at the opening of Parliament on 1 March 1922 “Give work-based training should form the basis of our system when dealing with the removal of ignorance on the one hand, on the one hand kid of the country being able happy and useful in social and economic life actually and to make them basic information.”

Discipline Principle; Depending on the discipline policy for education, and military service during the Ataturk, which was established in the new state's training program has been adopted as a policy. 1 November 1925 in the T.B.M.M in his opening speech the importance of the principle of discipline these way explain: As in all work phases of life, especially the life of teaching discipline is essential to success. Director and faculty committees to ensure discipline and demand are obliged to adhere to the discipline.

Great Leader parallel to each other in order to achieve educational goals has made many reforms and has taken all necessary steps. The first of these is; March 3, 1924 the Law on Unification of Education. With this law a religious educational institutions with modern educational institutions, the dichotomy between the end, all educational institutions in the national educational institutions attached to the Ministry of National Education, thus religious educational institution, madrasahs have been removed. Elementary school program by Establishing Lessons, middle school and high school programs, religion, Arabic and Persian removed course, our national education dogmatic structure was cleaned. In the 1926 Civil code, with the acceptance of women in social and civil rights are legally guaranteed, then the training of female and male students to see the mixed form of education are being implemented.

Ataturk period of education policy, and the Ideology under the policy directed and realized. For a period of education and training policy, innovation in education is aimed at because the great leader of innovation in education of national unity, the basis of society and the secular, respectively. For a period of the reform movement in the field of education, language started with innovation and in 1928 letter revolution to read and write, with the hard-learned whether to remove the Arabic alphabet instead of the Latin alphabet and is therefore made in the language of modernization eastern system of thought, to get away from a big step has been taken. Founded in 1923, the Turkish Language society, the Turkish, other languages cleaning and enrichment of work to be done in terms of education policy, which greatly affect performance.

In education, modernization, re-arrangement of the system and renovation of the problem, domestic and foreign, has been taken up by scientists. Studies, teaching programs, the school system, teacher training, personnel policy and the ministry of the structure of the re-establishment of the issues involved. Until 1938, the basic and general, including education law is 39. Central organization of the ministry of education, which configures the first law Mustafa necati's ministry, during the period of 22 March 1926, entered into force. Article 27 of 789 of the organization of

Education in the first two articles of the Law On the organisation of the center and, other substances and types of school level, the preparation of the program, day and boarding schools, rural and urban schools, secondary and higher education institutions, teacher training, etc. Removal of this law, as stipulated in their studies and development of institutional and structural innovation was followed. Atatürk, expertise in education have seen the importance of the Turkish education system and to contribute to the development of zamanınonemli scientists from the work of John Dewey in summoned to Turkey and the Turkish education system, the school system, program development, teacher training, education, and the ministry of finance about the organization of the structure of the report, have been prepared. Atatürk period of the policy, the education system, hedefeini processes and most influencing factor is the principle of secularism. Biography of a new educational system, the integration of first seen as a necessity of the integration of the Turkish education system is seen as the first necessity for secularizing of the Turkish education system is always designated as the most important goal and the steps taken in this direction it has taken. The principle of secularism, as well as Atatürk's nationalism, populism, statism and the new principles of the Turkish education system. The education system of the nationalist property of the nation of different items of educational and cultural purposes, all in the context of a cause, and has been training for a national qualification.

The principle of statism, the education system has affected in two ways; The first training center acts as a bureaucratic state enterprises and private enterprises founder who grew up there have done it. Secondly, some of the institutions of higher education, the program established by this special initiatives in meeting the human resources needs in order to have changed.

The principle of populism Atatürk period when considered in the context of the public education policy in education and training for major initiatives in the policy pursued. Atatürk, the state of public education is seen as one of the basic duties, in this era of rapidly in the modernization of the alphabet was made, with the mobilization of National Schools have started, people's houses, organized public education, and thus has gained a new face. Chief of the policy of equal opportunities in the education of the recognized minorities in the heart of the transition to the education of individuals and provided at the same time, people in the west have helped drive.

In the hands of the piece of chalk and blackboard education leadership and taking the head teaching of the great leader, who both students and university teachers also very influenced by the revolutionary, secular, nationalist, statist and populist education policy but at the same time and has achieved great things.

3. The High School Curricula During Atatürk Era

In 1924 collected 2. Committee of science, education institutions have changed their name and the duration of the re-organized. İbtidaiye " First school" has been given the name of 6 years, which is 5 times of the year reduced to three years of secondary education, two-circuit, as adopted, in the first cycle "Ortaokul" second circuit "high School" was decided. The third class of high school in the faculty of arts and sciences as a branch of the separation of the facade.

High School and Middle School Regulations of 1930, the Republic of teachers training programs were given priority. Turkish history, Turkish language, Geography, Philosophy, Psychology, Sociology, and Civic Education courses were in the focus. The history books were very detailed and Afet Inan wrote a book about Atatürk's ideas and recommendations.

Middle and high school, in Religion and Morals of course pay attention to the changes in the situation. In 1924 education program in secondary schools Religious instruction in secondary schools, but there is none. 1930 program in secondary schools from Religious instruction in these programs has been removed, and the Moral lesson, and is not seen for a long time in the curriculum did not take place. Arabic and Persian developments in the course of considering the water table, it emerges; in 1922, the secondary school curriculum in these classes are, but in 1924. In 1924 and 1927 in the high school curriculum, Arabic and Persian, but there are lessons of 1929 -1930 academic year at the beginning, were excluded from the program. High school Curriculum change and development programs in detail in order to show this academic work within the scope of the 1924 -1950 year between high school Curriculum so in 1924, 1927 and 1931 programs, and the process is carried out regarding the curriculum of the educational changes and developments will be discussed.

4. Program of High School Curriculum 1924

The first high school curriculum program of Republic and Atatürk Era was prepared in 1924, in this program had been emphasized on history lesson, sultanate related parts were removed from history program, were included to program establishment such as subjects of the Republic of Turkey, The history of War of Liberation, the Treaty of Sevres and Treaty of Lausanne, Proclamation of the Republic, abolition of the Caliphate.

Department of literature and science sociology lesson has been added, Literature program department has been added Turkish civilization history lesson. Literature program department is highlighted history of literature and rearranged. In this program that was separated from French system as system separated from the French system, don't say a contrast in term of curriculum and lesson books.

Atatürk's education policy, education and training, including content and applications opinion is very effective in the high school curriculum in 1924, for example republican is given values to work towards better understanding and assimilation, philosophy, psychology, law, economics classes containing abstract information has been removed from the program.

5. Program of High School Curriculum 1927

After the application of the first three years of high school curriculum and as a result of the assessments; history, history of literature, mathematics and geography lessons were changed. Course of Turkish history was reshaped. Following the adoption of the Latin alphabet in 1928 1929 -1930 academic years from the high school curriculum

courses were removed from the Arabic and Persian. Instead of these courses planned to be put in a second foreign language course, but even a foreign language can not be taught effectively has been removed by the ministry for the 1932 1933 academic year.

After the alphabet reform, changes usually made in Turkish courses and on October 31, 1929 A program called “Turkish curriculum for middle school and high school” enter into force. With the adoption of the new Turkish alphabet to be mastered Turkish words in the language of the curriculum Turkish language is aimed to be educational and scientific.

Schooling military in 1927 without having been taught the curriculum from the academic year 1927-1928 was placed on. The Ministry of Education was published in 1927, this course program. Prepared two books for schooling military courses and by the officers of this course was decided to be given to male students. Until 1956, this course has taken place in the high school curriculum.

6. Program of High School Curriculum 1931

Some courses in the curriculum of high school in 1931, were combined under the name of a course. Vegetable and animal physiology involved with science courses merge under the name of " biology" and merge under the name of "mathematics" trigonometry, maths, geometry, corporate, mechanics, cosmography courses. Military lessons, free time and civics courses took place for the first time in the program. In 1934 the high school curriculum were combined in sections prepared. In 1935, the program for each guide is made separately. Prepared earlier in the academic year 1935-1936 physics, chemistry, and mathematics program guide has been changed. In 1937, female students in high school curriculum military course was added for 1 hour per week. Biology course in 1938 changed to the name of the knowledge of nature and this program was exercised until 1947. Within the scope of this work in the following table and in the period after the containing, high school science curriculum is becoming increasingly important lessons and school time is based on data showing the distribution of a statistical.

Table 1

Percentage distribution of according to courses school time in the science program at high school

| | 1934 | 1938 | 1949 | 1952 | 1956 | 1970 |
|---|------|------|------|------|------|------|
| Turkish language and literature | | | | | | |
| Psychology- sociology- philosophy | 9.2 | 9.2 | 9.2 | 11.7 | 12.5 | 12.5 |
| History and Geography (social sciences) | 4.6 | 5.7 | 5.7 | 3.9 | 5.2 | 5.2 |
| Mathematics | 12.6 | 13.8 | 13.8 | 8.6 | 11.5 | 11.5 |
| Physics-Chemistry-Natured knowledgeable (science) | 27.6 | 27.6 | 27.6 | 20.3 | 25.0 | 26.0 |
| Foreign Language | 16.1 | 14.9 | 18.4 | 15.6 | 15.6 | 13.5 |
| Physical Education | 3.5 | 3.5 | 3.3 | 3.1 | 3.6 | 3.1 |

Considering the period 1934-1949 in the high school science department programs Turkish language and literature courses have never changed the time allocated but this period is insufficient; psychology-sociology-philosophy courses as a slight increase in time devoted and the emphasis is less; history and geography lessons as a small increase in the time allotted and given moderate importance; a slight decline in time devoted to mathematics courses that, physics-chemistry-natural knowledge (science) has not changed in the course of time allocated and importance given the high level; foreign language in the time allotted to decline slightly in 1938 after increased again in 1949 and appears as an important lesson; lesson time allocated to physical education lessons and a little too little attention has been paid is a decrease. Music and arts courses in the 1934-1949 year were not included in the curriculum.

7. Educational Policy in İnönü Period (1938-1950)

İnönü period is very active period in the field of culture and education against that static and status quo. Atilla İlhan's word's " İnönü period is a period of cultural mobilization" and in this period , as different from Atatürk's cultural policy a new cultural structure is intended to be formed. The main approach in this regard are as follows;

Turkey's development needs, it is imperative for development to westernization , westernization is required to use Greco-Roman culture works.

From the 1940s, In this period the intellectuals it seen that starts to connect to certain doctrines that of the west pass on. Mode synthesis of a variety of opinions in Atatürk's heart, Although the search for appropriate solutions to Turkey conditions in this period of post-Atatürk has been noticed synthesis process is not sustainable. How that Western civilization with the Renaissance reached its current level through such stages as Humanism , Naturalism, Realism, Pragmatism, Turkey also pass through the same stages opinion has come to the forefront in the field of education.

Inönü has not assessed that development and progress of country as a financial issue, he has assessed as a culture and educational issues. So İnönü period of characterized in that has been , take away compulsory school to villages, open conservatory , build opera, state radios allocate to Western music , Western culture transfer to Turkish with the Ministry of Education publications and Greek and Latin courses put in high schools.

As well as Atatürk period, seen as a modernization and development issues to education reflected humanisation and secularization policy in this period, education programs have affected and so duality was experienced in the field of education in İnönü period, but has not been unalienated to national approach.

This duality is seen in both the government and education programs. The main causes that led to this duality , maintained policy of neutrality during World War 2 and be ready to war psychology with drift a new structure. It is possible to identify the principles and objectives of the education in period with two important explanation made by İnönü as President in 1939, he has to say to the teachers; " Your will give nurture is not religion , It is national , it is not international , it is national. We want to

national discipline... My purpose in case of science and culture of the Turkish nation is a considerable existence.” Held in Ankara the members of Education Council during the adaption in Çankaya Presidential Palace “ Great Turkish nation , the only means that is worthy that will appear in a supreme degree. Its cultural and technical strength. It also from your capable hands...”

Ismet İnönü , was much emphasis on girls’education consideration as an expression of an obligation, the goal and request of modernization arising from need on obligation, as the period of Atatürk’s girls’ education has an important place in education policy for reflection secular thought to social life. In period cational purposes intended for modernization, secular and national is also seen in the goverment program. National education policy’s purpose to entering the program of goverment is as follows ‘ Turkish children’s moral is clean, robuts in spirit and body The Ministry of National Education to train the faithful to nation, homelend , republic and revolution .’

However as stated earlier, there is a diclotomy in education field in period , Minister of National Education Hasan Ali Yücel explained the principles of National Education that held in UNESCO Conference in London in 1945: All the world’s naiton to recognize , understand and count rather than stay in a closed culture go to the humanity ‘s common cultural resources citizens of race , religion language and class to not observe. But on the other hand , the period Prime Minister Sukru Saracoglu has this to say “ We are Turkish and Turkist and we always will remain Turkist. Turkism as well as a blood issue for us , but also is a matter of conscience and culture.”

7.1 High School Curriculum in İnönü Period (1938-1950)

1938-1950 years of non-implementantion of a new high school curriculum , old program was implemented made various changes prepared the program in 1931. In 1949 the 4th National Education Council desicions related to the school curriculum for example; come out to 4 years of high school education in education in 1952 has been implamented and high school curriculum program was created in 1952, but this is beyond the scape of academic studies that have not been addressed in detail in this program.

If taken as a numeral high schools is seen take a marked increase in the number of high schools, 1927-1928 academic year, the number of high schools at 19 with 1938-1939 academic year has risen to 75. Period changes are made in he high school curriculum program;

Programs began to be organized according to traditional disciplines and as a result of these changes already as well as physics, chemistry, animals and botanic courses were introduced how into places were abolished biology and science courses. Selection and arrangement of information to be tought in the students interestand not for practical purposes, is done according to discipline and this situation continued until the 1970s.

Collected the 2. Education Council in 1943 work has been done about Turkish Language and Ethich programs of in all stages of school education and are taken desicion about Philosophy course there is the moral lesson in a group and giving more

space to practice morality in high schools. Council has made wishes including to in high schools program to increase the time allocated to History Lessons, removal of 4 years of high school education and Art History course in high school programs to be put. In 1949 the 4th National Education Council has focused on programs of secondary schools and the period of the current program is adequate and functional has been proposed by the Minister of Education. Council commission have taken decision to reduce that exiting class of 35-40 student implementation of methods and technical enables the development who young people's abilities in this educational institutions and removal of 4 years of high school.

In 1949, when examined on the amended program, the man's mental development can be achieved without taking into account all the personality is seen that there is faith. Upon reviewing the opinion of the 4th National Council the most prominent feature made changes is a reduction of the importance of social information and courses outside of the traditional course of time these words the Minister of Education has pushed the second plan ' It can divide society into two classes. Some of these teacher of Literature some of it can be read in the science classes. But whereas the addition of these teachers some qualities, we want according to their qualities the know little art, little gym, also they can teach music

As a result of this mindset, In 1949 with changes made to art, music and physical education classes has been reduced to number of hours allocated.

8. Evaluation of High School Curricula Between 1924 -1950

Training and curriculum development is continuous process of changes in society in parallel to the preparation and must be improved. The period for considering the conditions of a large part of the population lived in rural areas in Turkey in 1924 from an agricultural society to an industrial society, the goal of passing to individuals through education, the industrial society to the information required by the behavior and it was necessary to bring a high school education, but the changes occurred in the society is not affected by many, and still with the training programmers of the time required by the behavior of some can be seen. No kept pace with changes in high school curriculum, life in the early 1930's the benefits of content selected on the basis of some attempts made towards the outside of the elapsed time until the year 1950, there has been a change in thinking in terms of. Purpose of the lack of change in education a stable to the point that is almost in place, shows the counts, the purpose of the statement of the arrangement and is not replaced at all.

High school curriculum its content is analyzed in the selected information the organization on that subject wishing to do research scientist or prepared according to the researches. Course content in the sense of discipline is in line with the university. System to fully prepare the student to the university and not to information given to the application in real life in 1943 with these words president İsmet İnönü was evaluated. High school education, higher education degrees to be crossed in order reach a point or desperate to get same powers to be passed to grind should not be seen with the orbit. Philosophy of physics or the day of trial finished one more look at his face in his life bright numbers from secondary education then we are making a capital

. In addition encountered when proclamation of the Republic of teachers during the school situation was not any better. Existing schools and school officials in one of the new regime was far from meeting the needs and prompt. Educational institutions in terms of quantity is not enough in terms of quality is a contemporary training the children of the Republic will give lacked power. 1939 collected 1. Ministry of education, starting in the Case of all the ministry of Education in the case of teacher training focused on the subject of the new curriculum prepared the program 'teacher to implement the topic of' emerges as a problem because it is one of the biggest problems. Until 1959 the only high-school teacher training High School Teacher, is inherited from the Ottoman period, and in 1924 the name of Darulmuallimini from the High school Teachers, which was translated into the mid-1930s, a High School Teacher, he began to be known was the institution. 1937-38 increasing throughout the academic year, a high school teacher in consideration of the need to increase the capacity of students to the school, after the Second World War in the status of the teaching profession directly proportional to lose as many did not enjoy popularity and started to shutdown the danger. Quantity and quality in the distribution of schooling and teacher shortages, was felt in everyday growing rate. Program development and implementation of operational and is an extensive research process, depending on success in this regard despite the fact that teachers are well educated, but the issue of entering teacher training programs took place after 1960.

Curriculum of the program about preparation of foreign specialists, to benefit from In china, as well as in Turkey resulted in failed. Well-aware of the country, who do not know the circumstances require, and in the country ,the country is proof enough time training, and even a non-programmer of the aliens Ataturk, especially in the period from 1928 onwards, each year, they started coming to our country. The most active one faculty member at Columbia University, Prof. Dr. John Dewey in itself is an expert in philosophy of education. A report to be prepared in 1926, has been implemented. The curriculum in the work of the other major foreign experts is Prof. Dr. Alfred Kühne, Prof. Dr. Frey, Prof. Dr. G. Stiehler Prof. and Dr. Omar Buyse. Analyzing the curriculum Turkish, Mathematics, Science and Literature classes allocated time is seen to be close to each other and over the years has gained importance of mathematics and science courses. Vocational schools of general culture of duplicating courses in high school desire to approach to a high extent, vocational courses and workshops have been obliged to reduce. 1924 - between 1950 and high school curriculum, a critical assessment of basic deficiencies can be briefly listed as follows. Purposes defined method applied, there is a weak relationship between, rather than emphasis is given to the content. Despite the changes in society, placed in the curriculum of the courses were not outside the traditional understanding of culture, programs are always within a certain framework. in the 1920s, the traditional classical understanding and work outside around the principle of ideas that can be collected in the following years, the curriculum is needed in the development have failed to demonstrate. Social studies courses that cater to the student's interest and the time allocated to the National Education has changed with the change of ministers. Curriculum on the important and leading role the Board of Education at that time and until today, the activities taken by this council curriculum regarding its authority to

share with anyone be pro-and almost monopolistic attitude is seen that. The objectives of the curriculum, content, methods, books and supporting materials, and so on. by this committee or the board deems appropriate in front of teachers has been prepared by someone and the teacher just been seen as a practitioner. Students that is closest to the teacher, the student in the decision-making process were found in the most remote places, this has naturally also on the preparation and development of the curriculum has made a negative impact.

Conclusion

It has been clearly appeared (seen) that the policy of that period played a role in the high school curriculum program which was prepared and conducted (carried out, implemented) between 1924 and 1950, because (for, since ...) curriculum programs were completely (entirely) formed and implemented in the same way (direction) with the policy of the time (period). The newly established state had turned her face to the West, its target was to move forward and modernize in every field (area), and it was asked (demanded) to create (form) a new type (kind) of human, and to make students, who are the future of the country, acquire (gain) a new identity in line with this objective/these objectives. Positivism that being far from religion until 1941, trying to explain everything with science, believe to every problem can solve with science and worked for growing up positivism human type. Culture and education area in İnönü period that following to Atatürk period in political field was showed distinctive differences.

Started with 1941 humanistic educational apprehension was starting to dominate and this situation was reflecting to curriculum. To achieve Turkish Renaissance they had started to benefit from Old Greek and Roman monuments. Old Turkish classics had started to replace with old Greek and Roman monuments even as old Greek and Latin had started to study in three high schools. However this educational apprehension was changed after 1950, Turkish-Islamic synthesis was appeared, different methods was applied in lessons.

Including this research content high school curriculums after appraise in terms of following policy whenever educational appraising, these outcomes appears: General goals for high school education was improved without Turkish public and who composing this public's people skills hadn't researched and examined enough.

Education purposes in the determination of comparative education studies are given extra space. With the objectives for school education, into curriculums are rather weak bond between the received content. Content is a tool to reach educational goals that is lost quality and itself become a purpose. Education has become divorced from the people.

Overtime, the content of the curriculum has not been change much although it is so many changes in people's social and economic situation. Traditional education concepts and definitions of general education and vocational training were limited where different from different points. High schools only when standing on theoretical knowledge, vocational training schools only concentrate on practical work, there have remained limited.

In period curriculum programs is far from explore and develop to the potential of manpower. Course topics has been studied that taught how isolation from each other, this has been reduced the yield innovation movement has become difficult for teachers to not participate to curriculum development work. Success in exam has been detected in the sense of mastery of the subject for that is not clearly understood educational purposes and was not pondering over with creativity and sociality. But Although deficiency so much referring and education system that reconstituting in short time of term's difficult condition in new state which founding within impossibilities and difficulties can evaluation as a great success.

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