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# DIEM

## Dubrovnik International Economic Meeting



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INTERNATIONAL  
ECONOMIC  
MEETING



University of Dubrovnik  
Department of Economics and Business Economics  
12 - 14 October 2017, Dubrovnik, Croatia

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DIEM, 2017, Dubrovnik

# **DIEM - Dubrovnik International Economic Meeting**

## **IMPRESSUM**

**DIEM** is a scientific journal that consolidates the research papers from the DIEM conference (Dubrovnik International Economic Meeting), and is issued by the University of Dubrovnik. It publishes high quality papers that contribute to the theoretical, methodological and empirical findings in the complex field of economics and aims at familiarizing the national and international scientific and professional community with it.

DIEM focuses on topics from all fields in economics and interrelated fields in the following topic areas: Banking and Accounting, Business Statistics/Econometrics, Controlling, Corporate Governance, Corporate Social Responsibility, Crisis Management, E-Business and Egovernment, Economic Growth and Macroeconomic Management, Education, Universities and Lifelong Learning, Environmental Economics, Regulation and Management, EU and new Member States, Financial Markets and Regulation, Infrastructure, Transport and Economics, Innovation and Innovative Business Models, Insurance and Risk Management, International Finance, IT Management, Labour Economics and HRM, Leadership, Marketing, Management, Mass Media and Economics, Microeconomics, Organisation in new Business Environment, Organisational Change and Sustainability, Projects - Efficient Mechanism of Innovation and Entrepreneurship, Public Finance, Quality Management, Region and Regional Development, Risk Assessment and Management, SME and Entrepreneurship, Social Capital, Social Entrepreneurship, Strategic Management and Monetary Policy, Strategy and Competitiveness, Sustainable Development, Taxation and the Green Economy, Tourism, Trade and International Trade, Transparency, Ethics in Business and Policy Making.

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**3<sup>rd</sup> Dubrovnik International Economic Meeting**

# **DIEM 2017**

## **„Scientific Conference on Managing Business Growth in a Volatile Environment“**

**Under the auspices of the  
President of Croatia Ms Kolinda Grabar-Kitarović**



**Under the patronage of  
Ministry of Science and Education of the Republic of Croatia**



## KEY NOTE SPEAKERS



**Richard Pircher**, Professor at the University of Applied Sciences BFI Vienna

Keynote title: **LEADERSHIP IN VOLATILE TIMES**



**Domenico Nicolò**, Professor at the Department of Law and Economics University Mediterranea of Reggio Calabria

Keynote title: **RISK, CAPITALIZATION AND SURVIVAL OF YOUNG FIRMS: EMPIRICAL SURVEY ON ITALIAN COMPANIES**

## FROM THE EDITORS

After the successful 1<sup>st</sup> and 2<sup>nd</sup> Dubrovnik International Economic Meeting organised in 2013 and 2015, University of Dubrovnik, Department of Economics and Business Economics has organised the 3<sup>rd</sup> Dubrovnik International Economic Meeting (DIEM 2017), Scientific Conference on Managing Business Growth in a Volatile Environment.

This International Conference (DIEM) is an international forum for the presentation of research results in the fields of Economics and Business Economics, in 2017 with the emphasis on Managing Business Growth in a Volatile Environment. The peer review has been completed by an international team of reviewers, consisting of experts in economics from all over the world. Two eminent researches were key note speakers who also presented their work at the Conference: Richard Pircher, Professor at the University of Applied Sciences BFI Vienna (Keynote title: LEADERSHIP IN VOLATILE TIMES) and Domenico Nicolò, Professor at the Department of Law and Economics University Mediterranea of Reggio Calabria (Keynote title: RISK, CAPITALIZATION AND SURVIVAL OF YOUNG FIRMS: EMPIRICAL SURVEY ON ITALIAN COMPANIES).

The overall objective was to attract and invite professionals and researchers from the field of economics and other relevant fields, who are aware of practical and theoretical problems of modern economy, to participate and give their contribution in solving these problems with active participation in presentations, working papers and panels and to provide maximum opportunity for presentation by young researchers.

Contributions of the third Dubrovnik International Economic Meeting - DIEM 2017 lay in participation of 130 scientists from 22 different countries (United States of America, Mexico, Russia, South Korea, Taiwan, Italy, Germany, Hungary, Spain, Greece, Czech Republic, Estonia, Lithuania, Malta, Poland, Turkey, Belgium, Croatia, Bosnia and Herzegovina, Serbia, Slovenia and Macedonia). We believe that the actual response of participants to our third conference proves our expectations that DIEM will represent an essential link from the scientific and educational point of view. The conclusions of the Conference will hopefully be interesting and useful not only to the academics, but also to all the participants in the field of economics.

We are proud that DIEM has been recognised as an excellent platform to present new, contemporary issues and an active promoter of economic profession in the future especially because in 2017 we had excellent co-operation with several domestic and foreign universities from Croatia, Bosnia and Herzegovina, Malta, Lithuania, Czech Republic, Poland and Macedonia and we hope that we will continue our good co-operation (University of Zagreb – Faculty of Economics and Business, University of Split – Faculty of Economics, University of Osijek – Faculty of Economics, University of Rijeka – Faculty of Economics, University of Mostar – Faculty of Economics, University of Tuzla – Faculty of Economics, University of Malta – Faculty of Economics, Management and Accountancy, Kaunas University of Technology – School of Economics and Business, The University of Dąbrowa Górnicza – Wyższa Szkoła Biznesu, VŠB – Technical University of Ostrava – Faculty of Economics, Mendel University in Brno – Faculty of Business and Economics, “St Kliment Ohridski” University – Bitola – Faculty of Economics – Prilep).

Members of the Organising Committee and all the members of the international reviewing team were at disposal all the time and to them we extend our warmest gratitude.

October 2017, Dubrovnik

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**RISK, CAPITALIZATION AND SURVIVAL OF  
YOUNG FIRMS: EMPIRICAL SURVEY ON ITALIAN  
COMPANIES\*<sup>1</sup>**

Preliminary communication

UDK: 005.411

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***Abstract***

*Young businesses are very vulnerable during first stage of life. There are many causes that can lead to premature extinction of companies. The purpose of this paper is to verify if the level of risk that enterprises face in their first year of life affects their survival. To this end, an empirical survey has been carried out on Italian companies established in 2009, 2010 and 2011. In order to reduce the influence of undercapitalization on the survival of the firms in the first stage of life, only companies with a share capital  $\geq \text{€}50,000$  were included in the sample. Furthermore, only companies not belonging to a private or public group were included in the sample. This is to in order to eliminate the influence of the financial strength of the public and/or private holding on the survival of the companies examined. The study has highlighted that these companies with a strong capitalization (with a share capital  $\geq \text{€}50,000$ ) have very high survival rates at five years; furthermore, their survival is not affected by an operating and financial risk higher than average. Therefore, the high vulnerability rate of young firms seems to be mainly caused by undercapitalization rather than the risk rate they face.*

***Keywords: risk, start-ups, survival rates of young firms***

\* Domenico Nicolò is the author of the Background, the 2<sup>nd</sup> and the 4<sup>th</sup> sections, Ivan Nania is the author of the 3<sup>rd</sup> section.

## 1. BACKGROUND

In the first stage of life, companies undergo a severe selection (Dun and Bradstreet, 1988; Knaup and Piazza, 2005, 2008).

Since business survival rates at the first stage of life are very low in different countries and in different industries, as well as in time (birth year), high vulnerability is a distinctive feature of young firms (Nicolò, 2015 a and b Nicolò, 2017).

Why are young businesses so vulnerable?

Among the conditions that most affect the vulnerability of enterprises during the first stage of life, the literature emphasized the following:

- context variables (Mintzberg, 1973, Dubini and Schillaci, 1988, Moore, 2006, Adner and Kapoor, 2010, Moss Kanter, 2012), in particular the degree of consistency of the strategy with the structure of the industry in which they operate (Biggadike, 1976; Miller e Camp, 1985; Cooper, et al., 1986; Cooper, 1993; Sandberg, 1986; McDougall et al., 1992);
- the characteristics of the founder (s) (Child, 1972; Kirzner, 1979; Carland et al., 1984; Gartner, 1985; Katz and Gartner, 1988; Miles et al., 1988; Storer, 1988; Shaver and Scott, 1991; Åstebro T. and Bernhardt I., 2003) gender (Birley, 1989; Brush, 1992), risk tolerance (Brockhaus, 1980) and fear of failure (Cacciotti and Hayton, 2015, Cacciotti et al 2016, Kollmann et al. (Brockhaus and Horwitz, 1986, Gatewood et al., 1995), education, professional competence and entrepreneurial experience (Weick, 1972, Sandberg, 1986, Bird, 1993, Chandler and Hanks, 1994; Rasmussen and Sørheim, 2006);
- the activities carried out by the founder (s) before and after the start-up, the duration (Gartner, 1988, Bygrave, 1989, Timmons, 1990, Vesper, 1990, Longsworth, 1991, Van der Ven and Poole, 1995, Van de Ven and Engleman, 2004, Carter et al., 1996) and the sequence with which these activities are carried out (Gartner, 1985; Delmar and Shane, 2002; Liao et al., 2005);
- strategic alliances with reputable partners (Chang, 2004);
- participation in the business plan competitions (Cannice, 2004; Wen & Chen, 2007; Russell et al., 2008; Bell, 2010; Ross & Byrd, 2011; Ruisi, 2015) and business incubation programs (Dagnino, 2015) to accelerate the process of building the company's reputation.

Regardless of the specific causes that in individual cases may result in a cessation of an enterprise, such an early extinction reveals that in the pre-startup stage the founders did not draft a business plan or did not properly evaluate the expected results (Ansoff et al., 1970; Bracker et al.; Bracker and Pearson, 1986; Grinyer et al., 1986; Ramanujam et al, 1986; Haswell and Holmes, 1989; Venkataraman et al, 1990; Buttà 1995, 2003; Davis and Olson). A business plan based on credible and accurate assumptions and estimates highlights the mistakes in the designing and launch of the new business, especially when such errors are so serious as to bring about such an early extinction of the enterprise. Dot-com, for example, has very high rates of fallibility in the early years because their founders often do not evaluate

sustainability on the basis of an analytical plan, but start the company on the basis of ephemeral signs of appreciation such as, for example, “like”, visits to websites, etc. (Porter, 2001)

If a business plan is not prepared or if is not properly valued, it is very likely to underestimate the company’s financial needs and find out the crisis when it is too late to counteract it effectively. Our previous research on 668 failed companies in Italy has shown this relationship between early enterprise extinction and information shortages resulting from the inadequacy of the information system: approximately  $\frac{1}{3}$  of the observed companies ceased to exist in the first ten years of life and the almost all of them operated under severe lack of information because they did not use management control programming systems (Nicolò, 2011).

The lack of corporate reputation is the source of weakness common to young companies, distinguishing them from those found in later life stages. They do not have a history that can witness the ability to keep their commitments and their high failure is well-known (Damodaran, 2009). For these reasons, young companies have significant difficulties in building strong bonds of trust with stakeholders. As soon as the first difficulties arise, these fragile bonds break down and the enterprise faces the crisis because of the lack or shortage of the human, technical and financial resources it needs to carry out its business (Nicolò, 2015 a and b, Nicolò, 2017).

Early extinction of young businesses, therefore, has a common (or general) cause, which is the lack of corporate reputation, and many different specific causes, depending on each case, that produce unpredictable effects on the performance of the companies.

This paper examines one of the most important specific causes of business survival: the operational risk and financial risk at birth. In particular, this study aims to assess whether companies that have a higher operational and financial risk profile than average, are more vulnerable in their first years than other companies.

The first section describes the research problem, the objective, the hypotheses and the method used.

The second section shows the results of the empirical survey conducted on three cohorts of companies born in 2008, 2009 and 2010 with a share capital  $\geq$  €50,000.

Finally, conclusions are drawn on the results of the survey.

## **2. RESEARCH QUESTION, HYPOTHESES AND METHODOLOGY**

In order to verify whether the operational and financial risk of the companies at the time of their birth affects the chances of overcoming the first stage of life, we measured the leverage (annual change in operating result / annual change in revenues) and leverage (total asset / net equity) with reference to the first business activity for companies born in 2009, 2010 and 2011.

To reduce the influence of the economic cycle on the results of the survey, this research examined the companies born in three different years.

The following three cohorts 2009-13, 2010-14 and 2011-15 were then defined. For each cohort, the business and financial risk of companies at birth and their survival / extinction at five years were compared.

The companies in each cohort were classified in the following four risk classes:

1. high operational risk and high financial risk;
2. high operational risk and average financial risk;
3. medium operational risk and high financial risk;
4. average operational risk and medium-sized financial risk.

The distinction between high and average risk, both in terms of operational risk and financial risk, has been made with regard to the median. The underlying idea is: operational risk and / or financial risk cannot be considered high, medium or low, but only in relative terms, i.e. in relation to the median. In this sense, the risk was assumed as high if it falls within the 25th percentile of companies with higher risk rates or as average if it takes values that are located in the two 25th percentiles respectively upper and lower than the median.

In order to focus on the most significant enterprises, among the Italian companies belonging to the three cohorts, only those with a share capital  $\leq$  €50,000 were examined. In this way has been reduced the number of companies that have ceased to exist in the first five years due to undercapitalization rather than because of a high financial and operational risk.

Only “autonomous” companies, such as those not belonging to a private or public group, were included in the sample. This is to consider only companies whose survival depends on their ability, not on the financial strength of the holding. For the same reason, public companies were also excluded.

The companies for which a bankruptcy or liquidation procedure began in the first five years after the birth, were included in the class of non-survivors. These procedures generally take a long time, sometimes even years. Considering the survivors of these companies, which will certainly cease to exist, would have altered the results of the investigation.

### **3. THE RESULTS OF THE EMPIRICAL SURVEY ON ITALIAN COMPANIES**

In order to study the relationship between operational and financial risk and survival of enterprises in the first stage of life, we selected the companies born in Italy in 2009, 2010 and 2011.

We included in our sample only the autonomous firms, excluding enterprises controlled by other companies, State and municipalities.

To investigate the relationship between risk rate and business survival in the first stage of life, only larger companies were examined, with a minimum share capital  $\geq \text{€}50,000$ . In this way, small companies which generally cease to exist because undercapitalization, rather than for other causes, such as their operational and financial risk rate, were excluded from the sample.

We considered as survivors the companies active in the fifth year after birth but only if no bankruptcy or voluntary liquidation procedure was initiated in the first five years of life.

This paper aims at studying the relationship between the initial level of risk of each firm and its survival in the five years after birth.

Our aim was to study the relationship between the initial level of risk of each firm and the latter one's possibility to survive after five years.

We used the operational leverage as the proxy of operational risk, as the ratio between the annual variation of operative income and the variation annual of revenues. This indicator explains the relationship between fixed costs and operational risk rate.

We measured also the impact of initial level of financial risk on the chances of the young firms to survive five years after their birth. So, we used the financial leverage as a proxy of firm's financial risk, as the ratio between total asset and net assets.

We centered the distribution of our sample around the median, and we classified as medium risky the firms with an operational and financial risk rate, in the 25<sup>th</sup> percentile above and below the median. We classified as high risky the ones with an operational and financial risk rate in the higher 25<sup>th</sup> percentile of our sample.

This study aims at determining whether a higher risk rate increases the probability that the firms fail in their first stage of life. Then we decided to mix the different level of the financial and operational risk rate in order to study if there is a relationship between the different combination of operational and financial risk and the possibility of firms to survive after five years.

In the following tables, we present our results for each cohort of firms:

Table 1

## Survival rates - Cohort 2009-2013

Survival		Financial risk rate		total	%
Operational risk rate		high	medium		
	high	219	365	584	
	%	18,72%	31,20%		
	medium	182	404	586	
	%	15,56%	34,53%	1170	93,45%
Dead		Financial risk rate		total	%
Operational risk rate		high	medium		
	high	14	29	43	
	%	17,07%	35,37%		
	medium	13	26	39	
	%	15,85%	31,71%	82	6,55%
total				1252	100%

Source: Elaboration on data provided by AIDA, Bureau Van Dijk

In this first cohort, the five-year survival rate is 93,45%, 1170 out of 1252 firms in the sample. Such a high survival rate of five years is justified in the light of the selection criteria of the sample which, as already mentioned, led us to include in the analysis only companies with a share capital  $\geq$  €50,000.

Of these survival companies, only 219 (18,72%) were faced with a high level of both operational and financial risk rate, and 404 (34,53%) firms were faced a medium risk rate.

Survived after five years 219 out of 233 (93,99%) firms born with both high financial and operational risk rate; 404 out of 430 (93,95%) of firms born with both a medium level of leverage, survived after five years.

34.53% of surviving enterprises show an average financial and operational risk rate, while 18.72% of the survivors show a high financial and operational risk rate.



Table 2

## Survival rates – Cohort 2010-2014

Survival		Financial risk rate		total	%
Operational risk rate		high	medium		
	high	240	400	640	
	%	18,77%	31,29%		
	medium	181	457	638	
	%	14,16%	35,76%	1278	92,74%
Dead		Financial risk rate		total	%
Operational risk rate		high	medium		
	high	25	35	60	
	%	25%	35%		
	medium	13	27	40	
	%	13%	27%	100	7,25%
total				1378	100%

Source: Elaboration on data provided by AIDA, Bureau Van Dijk

In this second cohort, we have 1378 born firms with a survival rate of 92.74%. 265 firms (19,23%) started their activity with a high level of both operational and financial leverage, and 484 (35,12%) firms with a medium risk rate.

The 90,56% of firms born with both high level of leverage survived after five years; the 94,42% of firms born with both a medium level of leverage survived after five years.

Table 3

## Survival rates – Cohort 2011-2015

Survival		Financial risk rate		total	%
Operational risk rate		high	medium		
	high	165	256	421	
	%	17,88%	27,74%		
	medium	151	351	502	
	%	16,36%	28,03%	923	82,78%
Dead		Financial risk rate		total	%
Operational risk rate		high	medium		
	high	26	77	103	
	%	13,54%	40,10%		
	medium	34	55	89	
	%	17,71%	28,65%	192	17,21%
total				1115	100%

Source: Elaboration on data provided by AIDA, Bureau Van Dijk

In this last cohort, we have 1115 born firms, the smallest number in our sample. This cohort we have a survival rate of 82,78%. We can see that the 17.13% (191 firms) of firms started with a high level of both operational and financial risk rate, and 36,41% (406 firms) with a medium level.

The 86,38% of firms born with both high level of leverage survived after five years; the 86,45% of firms born with both a medium level of risk rate survived after five years.

It is interesting to notice that, again, firms that presented a high level of leverage, and of risk as a consequence, have a higher survival rate, but with a very small difference compared to the other two cohorts.

In our opinion, the empirical results we presented do not allow us to affirm that there is a strong relationship between, the initial level of operational and financial risk and the possibility that the firm survive after five years. However, it is interesting to notice that firms that start with a different level of leverage with respect the majority of the other ones have a higher survival rate. This could mean that firms that start different are more able to adjust their behaviour to the changes of the market.

#### 4. FINDINGS AND RESEARCH PERSPECTIVES

Our previous research has revealed that the average five-year survival rate of Italian companies for 2004-09, 2005-10, 2006-11 cohorts is 53.46%. For the same three cohorts the average five - year survival rate of European companies is 61.36% whereas for US's firms it is 52.10% (Nicolò, 2015).

In the three cohorts examined in this paper, the five-year survival rates of enterprises are much higher: 93.45% for the cohort 2009-13, 92.74% for the 2010-14 cohort and 82.78% for the cohort 2011-15. That's because only enterprises with a relatively high capitalization (which have been started with a share capital  $\geq$  €50,000) have been included in the sample. In this way, small enterprises have not been included in the study, which have very modest five-year survival rates, especially because they are under-capitalized. In this way, research focused more on the relationship between the operational and financial risk of business in the first year of activity and their survival / termination in the first five years of life.

Our sample consists of a relatively small number of companies (1253, 1378 and 1115 in the three cohorts examined) also for another reason: it only includes autonomous companies, such as ones not controlled by other companies, State or municipalities. The latter were excluded from the analysis because their survival is facilitated by the benefits of being part of a private or public group.

The examination of the three cohorts of companies revealed that:

- a) among the companies with a higher risk rate (both operational and financial) in the first year of life, survivors are more than those that cease to exist in the first five years of life;

- b) the risk rate in the first year of life does not affect the survival of businesses in the first stage of life. In the three cohorts examined, the five-year survival rates of companies with higher risk rates are similar to ones of companies with average risk rates: in the first cohort (2009-2013), 93.99% of firms with a high birth risk profile and 95.95% of those with an average risk profile at birth; in the second cohort (2010-2014), 90.56% of firms with a high risk profile and 94.42% of those with an average risk profile survived; In the third cohort (2011-2015) of firms with a high risk profile survived 86.38%, while those with a medium risk profile survived 86.45%.

These results should not be surprising: it is well-known whether fixed asset investments and debts are relatively high, on the one hand, they are a source of risk that jeopardizes the survival of businesses, on the other hand, especially in firms with adequate capitalization, they can boost business performance.

The results of this study may be related only to companies established in Italy in the three-year period 2009-2011, with a share capital  $\geq$  €50,000 and autonomous because not belonging to private or public groups.

Subsequent research will examine the relationship between the operational and financial risk rate of the first year of business activity and survival of enterprises in the first stage of life in different countries and industries.

Smaller companies, with a share capital  $\geq$  €50,000, are more vulnerable than those examined in this study, especially at the initial stage of life. It will be interesting to measure how much these small businesses are most affected by the level of operational and financial risk they face when starting their business, compared to those with a higher capitalization. If companies with a high risk and those who are facing a medium risk have similar five-year survival rates, it is clear that the high vulnerability of young businesses is mainly caused by undercapitalization rather than the risk rate they face. To counteract the high vulnerability of young businesses, therefore, adequate capitalization is needed.

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**LEADERSHIP IN VOLATILE TIMES**

Preliminary communication

UDK: 005.72:005.74

JEL classification: L20, M10

***Abstract***

*Today many companies have to struggle with different challenges such as having to face increasing volatility and ambiguity in the markets. From a global perspective, the average engagement of employees is very low. Managers tend to be overloaded with data and lose contact to the strategic perspective. Hence there are several examples of companies and NPOs which have found ways to solve problems like these. They function on the basis of a self-organization with decentralized decision-making instead of a hierarchical pyramid. Despite distinct features in detail, this kind of a relatively new way of organizing may be summarized with the following characteristics: purpose-driven, distributed authority, self-management, and wholeness. In this paper, I review characteristics, strengths and challenges of these approaches based on a literature review and case studies. Some popular misconceptions are also addressed. The paper shows different approaches of how to implement or rather integrate self-organization with decentralized decision-making. Furthermore, some topics are discussed which may become crucial during such an organizational change process.*

***Keywords: organization, agility, leadership, teal*****1. THE FUTURE OF ORGANIZATION IS ALIVE ALREADY**

In hierarchical organizations, all decisions of relative importance are usually made by managers. Very often, they are not connected to the practical activities anymore. Hence those decisions are not well-founded in many cases and cause resistance among the sub-ordinates. To be subjected to such decisions, reduces the motivation of many employees. From a global perspective, only 13% of employees was found to be actively engaged at work, whereas 24% are actively disengaged (Gallup 2013). On the one hand, managers tend to be overloaded by operative details and lose sight of the strategic perspective. On the other hand, they apt to hold on to the power and status of their position within a stable hierarchy.

But it may be possible to find some organizations in Europe and the USA which do not even have flat hierarchies but no one at all. Interestingly, those companies have developed their own approaches more or less independently from one another. Semco in Brazil is probably the first example which needs to be discussed in this context (Semler 2004). Frederic Laloux described 12 more in his book “Reinventing Organization” (Laloux 2014). Some others may have been found in the meantime. These organizations include production (e.g. Morning Star, Patagonia), service industry (e.g. Zappos, ESBZ), profit (e.g. SUN hydraulics) and NPO (e.g. rhd). Some of these organizations are small (e.g. evolution at work) and some are big (e.g. AES). Moreover, it is interesting to point out that some were already founded in a self-organized manner (e.g. Buurtzorg, evolution at work), whereas others were transformed (e.g. FAVI, Poult). These organizations show successful results by applying organizational practices which radically contradict dominating convictions. The US-company Morning Star produces tomatoes worth \$700 million annually with about 400 employees. They achieved a double-digit growth rate compared to the 1% of their competitors. The Dutch neighborhood-nursing organization Buurtzorg grew from 10 employees to 7000 with a market share of 75% within 7 years. These are examples for organizations which differ fundamentally from well-known organizational structures.

## Hierarchy-free Organizations



Figure 1 organizations with decentralized decision-making (Pircher 2015b)

Laloux (2014) summarizes four characteristics of these different approaches which were mainly developed independently from one another.

To a different extent, they show the following features: purpose-driven, self-management and distributed authority, as well as wholeness

### **1.1. Purpose-driven**

Serving the purpose or mission of the organization provides the leading orientation for every decision and action. Whether an idea or argument is good or bad will be judged by this estimation. Every employee at Morning Star “is [for example] responsible for drawing up a personal mission statement that outlines how he or she will contribute to the company’s goal of producing tomato products and services which consistently achieve the quality and service expectations of our customers.” (Hamel 2011).

### **1.2. Self-Management and distributed authority**

The power to make decisions is allocated to those people in the organization who are competent. Employees decide how much money to spend on specific purposes such as salaries. They are responsible for acquiring the knowledge and tools needed to do their work. Employees even determine the strategy and salary but they also know that they have to earn the required profits. There are neither titles nor promotions because there is no managerial pyramid. In such organizations, there are no managers anymore. However, everybody is a manager in terms of competencies to make decisions. One employee puts it like that: “I’m driven by my mission and my commitments, not by a manager” (Hamel 2011).

The structures give people high autonomy within their domain. Employees negotiate responsibilities with their peers. They apply market-style practices in their relationships. If they lack the money to make certain investments, they have to convince colleagues to lend them money. “There is a social risk in doing something your colleagues think is stupid.” (Hamel 2011, Laloux 2014).

### **1.3. Wholeness**

People do not have to fit into predefined “boxes”. They tend to be seen as a whole human being, not only a rational employee. As a consequence, the employees will develop their full potential. Moreover, they are expected to take on more responsibilities as they develop further competencies. The roles are therefore more versatile and complicated than elsewhere (Laloux 2014, Hamel 2011). For all the above mentioned reasons, individual development is more accessible than in hierarchical organizations (e.g. Rooke / Torbert 2005).

## **2. STRENGTHS AND CHALLENGES**

It may be concluded that in such organizations, the employees have a lot of freedom to do what they are convinced is the best thing to serve the purpose. Simultaneously, they have peer-negotiated responsibility for the results

of their actions. There are almost no rigid structures like hierarchies and status markers which keep them from fulfilling their mission. Certainly, there are clearly defined processes for decision-making and accountability.

Such a fundamental shift of organizational structure and culture also has its drawbacks. It usually takes quite a long time to get accustomed to it and to become productive. *Acculturation* is not easy. Not everybody is willing to work for such an organization or is suitable for it. Employees who are used to working in a rigid hierarchical environment may not be able to adjust. This selection criterion is difficult to assess and constitutes a limitation for growth in terms of number of employees. Hence, *recruiting and on-boarding* represent growth-limiting factors. Without a hierarchical ladder to climb, employees may also find it *difficult to evaluate and communicate their progress* in comparison to their peers. That can become a handicap when they want to switch companies. Peer-negotiated responsibility requires *explicit feedback* in case a counterpart did not meet his or her promises. This may be challenging for employees on both sides, but it constitutes a core factor for productivity (Hamel 2011; Pircher 2015a).

It appears to be evident that a new type of purpose-driven organization requires people with the ability and willingness to manage their actions and competencies quite independently and coordinate them with colleagues. On top of their professional expertise, they have to establish self-management and self-leadership abilities. Self-leadership may be defined as “a comprehensive self-influence perspective that concerns leading oneself toward performance of naturally motivating tasks as well as managing oneself to do work that must be done but is not naturally motivating” (Manz, 1986: p. 589). In addition to self-management, the concepts of the “what” and “why” are covered. By focusing on the “why” and “what” of self-influence, individual self-leaders address the underlying reasons for effort and behavior (Manz, 2013). Increased self-leadership corresponds with better affective responses and improved work performance (Stewart, Courtright & Manz, 2011).

For this new approach in organizing collaboration, we may summarize the following *strengths*:

- increased flexibility and responsiveness;
- higher ability to create innovation;
- strong commitment of employees to decisions because they are invited to take part in them actively;
- decisions and actions are more strongly linked to the purpose and the strategy of the company.

... and *weaknesses*:

- recruiting, on-boarding and acculturation are much more important and difficult;
- it may be challenging for employees to evaluate and communicate their progress in comparison to peers;

- performance and payment could be difficult to assess;
- self-management and self-leadership-competencies are required.

### **3. POPULAR MISCONCEPTIONS CONCERNING SELF-ORGANIZATION**

This type of organization with decentralized decision-making seems to contradict our fundamental assumptions regarding the organization of human collaboration. This fact results in a lot of misconceptions which are addressed briefly in the following paragraphs:

- “There is a lot of talking and little action”: Clear structures and processes create a “grid” which channels discussion and interaction towards the purpose. Personal accountability for actions and achievements ensures that nobody hides behind the decisions of a superior.
- “There are still hierarchies but hidden ones”: A fluid and purpose-driven structure allows existing human competencies to be effective wherever they are needed. There are still different levels of competency but they are neither rigid nor self-sustaining.
- “This is a nice hippie utopia but it doesn’t work in real business life”: Most of these new organizations earn profits which they could even increase through this fundamental transformation.

### **4. HOW TO GET THERE? GREEN-FIELD, RADICAL OR INCREMENTAL CHANGE**

There are basically three possibilities of how to transform an existing hierarchical organization:

- a new organization is founded on the basis of the principles of self-organization;
- a radical change is ordered for an existing hierarchical organization by its top-management (e.g. by Tony Hsieh at Zappos using Holacracy, e.g. Gelles 2015);
- a process of incremental and participative step-by-step change is started.

Which of these approaches is the one of choice strongly depends on the history of the organization and on the mindset of the leaders and owners. If change of the company as such seems to be impossible or too difficult, it could be a suitable solution to found a new organization as an “incubator” of innovation, etc. The challenge then could be to integrate these innovations into the “old” company. A radical change from a managerial pyramid to self-organization with decentralized decision-making needs a lot of decidedness and readiness to accept risks. The incremental approach allows developing a suitable solution step-by-step which fits to the existing organization.

In any case, one precondition is indispensable: A leader or owner who realizes the potential of a much more flexible and responsive organization and who takes the risk of starting something completely new. A human being who embodies such a collaborative and participative mindset of the future company is required (Laloux, 2015).

During transformation, the following “hot topics” are likely to gain importance:

- What is the real purpose, the mission of the organization?
- Which approach does best fit to the organization to gain more organizational flexibility? Is it advisable to develop something completely new on the green-field? Is it better to implement a concept out of the box like Holacracy (Robertson 2015)? Or is it recommendable to start a step-by-step process with a first team or department?
- What are approaches which fit to the purpose and the history of the organization regarding topics such as decision-making, definition of roles and processes, competency-development in areas like self-leadership, etc.?
- How can present managers be supported to find an image of their future identity in the organization?
- How can an organization negotiate salaries without any hierarchies and traditional career ladders?
- Who wants to join the journey? How should an organization part ways with employees who cannot identify with the new organizational identity and structure?
- What recruiting process is recommendable to find the best candidates who can also identify with the company culture?

## 5. CONCLUSION

Generally speaking, the ability of companies to survive is nowadays endangered by a more and more volatile and ambiguous environment and by rigid internal structures. Every year we see business “dinosaurs” of an old military management style passing away because they were unable to adapt to changing environments. Sometimes they even seem to be too arrogant to take these changes seriously.

For those leaders who accept the challenge, self-organization with decentralized decision-making offers possible answers. These concepts give the company much more flexibility, foster innovation and increase the commitment of the employees towards the common purpose. However, drawbacks are inevitable and important decisions need to be made: Which approach is the most suitable for the existing company? How can crucial topics be addressed? What can be done with managers and employees who do not want to join the journey?

In business as in nature, not the strongest survives but those who are best adapted to their environments. Hierarchical organizations may survive in niches but

it seems to be evident that they will not be the determining concept for the networked and global economy. It is very likely that the current concepts of self-organization with decentralized decision-making will be further developed in the near future. Therefore, our current knowledge should not get to be the next hype of management. But to ignore the examples of companies implementing them successfully and not thinking about potential for learning could be counterproductive.

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# BUSINESS ETHICS



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**CORPORATE SOCIAL RESPONSIBILITY OF  
COMPANIES IN BOSNIA AND HERZEGOVINA**

Original scientific paper

UDK: 005.35(497.6)

JEL classification: M14

***Abstract***

*The concept of corporate social responsibility implies that the company has far more responsibilities that overcome its basic economic responsibility. Corporate social responsibility is the imperative of modern business and one of the prerequisites for achieving competitive advantage. Thus, in order to be socially responsible, it is important for a company to demonstrate a certain level of responsibility towards its stakeholders. Historically, the concept of social responsibility has been the subject of numerous discussions, but also different theoretical models. Some of these will be presented in the paper. The aim of the paper is to explore the notion of corporate social responsibility, with the presentation of social responsibility in Bosnia and Herzegovina, and the analysis of the perception of social responsibility of representatives in local companies. Paper shows results of the research of 100 companies in Bosnia and Herzegovina, about their most important stakeholders and various types of social responsibility. The paper will also examine the impact of sociodemographic factors and job characteristics on the attitudes about corporate social responsibility. The paper, in addition to the conclusion, offers concrete recommendations for improving the state of corporate social responsibility in Bosnia and Herzegovina.*

***Keywords:*** corporate social responsibility, companies in Bosnia and Herzegovina

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## **IDENTITY AS A FACTOR OF CONFLICT BEHAVIOR IN ORGANIZATIONS**

Original scientific paper

UDK: 159.923-048.9:65.01

JEL classification: M12, M54

### ***Abstract***

*The report addresses the issue of conflict management in business organizations. Conflicts accompany the business at all stages of its development. They are a way of overcoming hindering the development of contradictions in organizational, managerial, and interpersonal levels to reach a new level of relations. At the same time, the negative consequences of conflicts can lead to large losses of the organization's resources, especially if the conflict involves the people who make up the professional core of the organization. Our study examined personal factors of conflict behavior of employees in a business organization according with business psychology approach (S. Benton). Special attention is paid to the professionals, people with a high level of professional identity. They have greater engagement, productivity in the organization. Theoretical basis: theory: an approach to professional identity (E. P. Ermolaeva), the author's model of social identity (N.L. Ivanova), social identity theory (H. Tajfel, J.C. Turner), model of conflict behavior (T. Kilman), and model of conflict behavior (N.I. Leonov). The results showed that employees who have actualized professional identity in a conflict situation tend to choose the strategy of competition and cooperation. They almost do not resort to avoidance and adaptation. At the same time, employees with basic and complex identities choosing strategies of behavior in conflict: compromise and collaboration. Professionals show trends of defending*

*its position, a stiffer behavior in the conflict. We think that these results can be useful for business management, especially organizations that are involved in high-level professionals. The results allow us to see new aspects in conflict between employees, develop training programs and staff development, and improve internal communication. The data obtained can be considered as a pilot to build new hypotheses and further research on a broader sample and with the use of experimental procedures.*

***Keywords: professional identity, conflict behavior, conflict management, business psychology***



**CORPORATE SOCIAL  
RESPONSIBILITY**





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**THE ASSESSMENT OF CORPORATE SOCIAL  
PERFORMANCE EFFECTIVENESS:  
RUSSIAN CASE**

Original scientific paper

UDK: 005.35

JEL classification: M14

***Abstract***

*The research is devoted to a problem of assessment the effectiveness of social investments and Corporate Social Performance (CSP). We offer the original methodological approach to assess the effectiveness of CSP and social investments based on the conducted analysis. Qualitative and quantitative methods were used in the research. In our approach the effectiveness combines: the result (effect) of actions depend on goals that were set, comparison of the result and recourses invested (economy), comparison of goal setting and problems, including social problems, that can be solved (advisability). Moreover the approach considers the importance of both results for the subject and for the object of social investments (for business and for society). We focus on measurement not just social or economic effectiveness but social-economic performance. The methodological approach has been approved in the course of research included more than forty Russian companies. Approbation of the methodological approach proved the correlations between social investments costs and financial and reputation performance indicators. The offered methodological approach allows companies to realize self-assessment of CSP effectiveness, to highlight the priority departments and indicators of social investments, to improve corporate social strategy, to be prepared for Public Ratings / Contests on CSP. In addition, this methodological approach can be used for internal assessment of social*

*investments effectiveness that can improve planning of rational social investments. The presented methodological approach of assessment of CSP effectiveness opens an opportunity to compare the effectiveness of CSP of different companies of a region or industry.*

***Keywords: corporate social performance, social investments, CSR assessment indicators***

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**CORPORATE SOCIAL RESPONSIBILITY (CSR) IN  
THEORY AND IN PRACTICE. SELECTED ISSUES**

Preliminary communication  
UDK: 005.35  
JEL classification: M14, A13

***Abstract***

*The increased interest in creating socially responsible business model results from various reasons. The most important ones include: recently frequently acceptable need to apply the so-called sustainable development concept, need for civil society development, increased clarity of business activity and its consequences, including elimination of corruption and unethical behaviour in business and implementation of good practices in relations with a wide group of stakeholders. The study aims at analysing selected issues related to CSR from the point of view of theoretical assumptions, as well as business practice, and presenting the importance of CSR concept from the point of view of social and economic stability.*

***Keywords:* corporate social responsibility, economy, responsibility, social sphere, ethics**



# ENTREPRENEURSHIP



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## **TESTING CORPORATE ENTREPRENEURSHIP ASSESSMENT INSTRUMENT IN TRANSITION ENVIRONMENT**

Preliminary communication

UDK: 65.012

JEL classification: L26, M14

***Abstract***

*The key issue in contemporary business environment is how to acquire and maintain the competitive advantage in the long term. In that sense, the organizations must seek for something new in their functioning, new products, services, suppliers, customers, distribution channels, markets, new marketing, organizational and other technical and non-technical solutions. Corporate entrepreneurship (CE) is critical to a firm's success, particularly in today's dynamic environment. The main aim of this study was to investigate the construct validity of Corporate Entrepreneurship Assessment Instrument (CEAI) in the case of Serbia. Data analysis was conducted using SPSS Statistics 19.0. The research findings revealed possible practical implementation of CEAI in Serbian organizations. The results showed that the employees' attitudes toward the recognized CE dimensions have depended on their age, education, years of work experience, and position in the organization.*

***Keywords:*** corporate entrepreneurship, corporate entrepreneurship assessment instrument, transition economy

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## **TERRORISM AS FORM OF SOCIAL ENTREPRENEURSHIP**

Original scientific paper

UDK: 005.35:323.28

JEL classification: L31, M14, D74, H56

### ***Abstract***

*Terrorism is linked with some form of social entrepreneurship. In order to ensure the survival of terrorist organisations, terrorist must acquire entrepreneurial and managerial skills and take over some business strategies. The view of terrorists as entrepreneurs is not new. Unlike traditional entrepreneurs, leaders of terrorist organisations are not motivated by profits. They are motivated primarily by social returns and have to operate with different stakeholders, the government, the army, non-governmental organisations, and even other criminal organisations, because only through funding can they gain and maintain the support of the community for which they fight. The leaders of terrorist organisations using their entrepreneurial and managerial skills they use propaganda to attract human and financial capital. The collected funds are used to finance its actions that represent actions for the public good to the communities they represent. This paper presents a view on linking terrorist organisations with social entrepreneurship.*

**Keywords:** *social entrepreneurship, terrorism, terrorist organisations*



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**DEVELOPMENT OF TECHNOLOGY  
ENTREPRENEURSHIP IN A TRANSITION  
ECONOMY: AN EXAMPLE OF THE RUSSIAN  
REGION WITH HIGH SCIENTIFIC POTENTIAL**

Original scientific paper

UDK: 005.342(470+571)

JEL classification: L26, M13, P23, O31

***Abstract***

*The transition to a market economy in Russia not only was accompanied by general economy crisis, but also provided wide opportunities for entrepreneurship, including technology sphere. But still, there is a void on peculiarities of technology entrepreneurship development in Russia. That is why the aim of this paper is to consider in dynamics some features of technology enterprises development in the changing context on the example of region that has favorable conditions for technology entrepreneurship. Due to exploratory character of the research, main results are based on 10 case-studies of technology enterprises established in 1990s and 2000s in the region. As a result of the study, some typical features for technology entrepreneurship in the region were found: the most important resources are people and intellectual property; inviolable principle is to minimize external financing; company development strategy is niche and based, focusing on core competencies and outsourcing non-core activities.*

**Keywords:** *technology entrepreneurship, transition economy, Russia*

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## **RESEARCH OF AMBIDEXTROUS ORIENTATION IN CROATIAN SMEs**

Preliminary communication

UDK: 005.21:334.71

JEL classification: D23, L25

### ***Abstract***

*Organizational balance between continuity of operative business activities and changes aimed at future success is often emphasized as a precondition for long-term organizational success. In this context, ambidexterity in firms is studied. It should enable the simultaneous focus on operational processes and active exploration of new opportunities in the process of ensuring long-term success. Due to limited resources of SMEs the question is whether these companies have to decide between operational efficiency and building new business opportunities. Crucial for the implementation of ambidexterity in SMEs is the entrepreneur's ambidextrous orientation which should indicate the flexibility of entrepreneur in reconciling different approaches in business. The assumption is that entrepreneurs who demonstrate ambidextrous orientation induce, encourage, reward and promote activities beyond existing operational processes in order to seek possibilities for exploration and exploitation of new business opportunities in the future. The purpose of this paper is to examine specificities of ambidextrous orientation in Croatian SMEs. Ambidextrous orientation, the level of strategic ambidexterity and the relationship between them will be examined on a sample of 190 Croatian SMEs. Furthermore, the relationship between ambidextrous orientation and performance of the SMEs will be studied assuming that successful companies have a higher level of ambidextrous orientation. The aim is to further clarify the features of ambidextrous orientation in SMEs and how it affects their current success and future potential.*

**Keywords:** *Croatian SMEs, ambidextrous orientation, strategic ambidexterity*

# FINANCE



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## **EMPIRICAL RESEARCH ON THE ACCOUNTING AND FINANCE STUDENTS' OPINION ABOUT THE PERSPECTIVE OF THEIR PROFESSIONAL TRAINING AND CAREER PROSPECTS**

Preliminary communication  
UDK: 657-057.875:303.62  
JEL classification: I21, J24, K38,

***Abstract***

*The present paper focuses on studying, recording and presenting the point of view of Accounting and Finance students about their career opportunities and prospects. We considered obvious to make a correct and complete recording, in order to realize how much they are interested in their specialty and determined to follow a career based on their field of studies. Provided they are, they are supposed to be aware of their professional rights, as well as how easy it is for them to be absorbed into the labor market. In our days that the economic crisis affects our country and finding a job is very difficult, students will be supposed to know if they really want to deal in the professional sector and how much the object of their work will offer them a decent life in the society. Data were collected through questionnaires addressed to a sample of students.*

*Apart from a report concerning the profession of accountant, this work provides a short presentation of our institution Easter Macedonia and Thrace Institute of Technology (TEI EMTh) department of Accounting and Finance.*

***Keywords: accounting, professional rights, economic crisis***

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## **A NOVEL FINANCIAL MARKET DYNAMICS ANALYTIC FRAMEWORK AGAINST THE BLACK SWANS EFFECT**

Original scientific paper

UDK: 336.761

JEL classification: E44, G14

### ***Abstract***

*Inevitably the turbulence of social events, the Black Swans, will impact the economic growth and stability significantly. The polarized media and the populism amplify this impact during the survival period of the social event. To observe the impact of the event, using the leading indices such as the volatility of the financial market is a common approach of reflecting the sensitivity of the event. In the democratic society, the presidential election is the most significant social event that gives the uncertainty of the existing political courses in many perspectives. Arguably, especially when this election occurs in a divided society, the public opinions of the major media collide with the “silent” populism, will magnify the financial turbulence drastically. Mr. Donald Trump has been considered as a black swan since he became the president candidate of the Republicans Party (GOP). Many pessimistic people speculated he would jeopardize the economy if he won the election. This paper examined the poll statistics and the stock indices; not only be this paper able to disclose how the controversial election impacted the financial market, but also to show the deviation between the polls conducted by the major media and the result of the election by rigorous analytical processes. Lastly, the proposed analytic framework can be applied to any critical social events that has financial impact or not.*

***Keywords: Market Dynamics, Business Analytics, Analytic Framework, Black Swan Effect***





# INFORMATION TECHNOLOGY



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## **DO OLDER PEOPLE BENEFIT FROM DIGITAL SERVICES?**

Original scientific paper

UDK: 004-053.9

JEL classification: J14, L86, O33, Z13

### ***Abstract***

*Numerous literature sources as well as practice studies evident numerous benefits enabled by information and communication technology (ICT) implementation in society. Namely, information and communication technology has been contributed to broadband access to (i) education, (ii) governance (iii) administration and public institution (iv) health and medical services, (v) touristic activity, etc. The purpose of the paper is to understand how older people have been adapted in the complex process of informatisation. In that context, the benefits of digital society for the older population will be discussed. The potentially related obstacles will be analyzed, too. Our presumption is that informatisation significantly facilitated the integration of services. The related question is: Is the mentioned process followed by inclusion or by marginalisation of older people as users? In the empirical part the comparative analysis between older population in Croatia and Belgium will be provided. In the final part the authors will integrate the theoretical presumptions with data interpretation based on the sample (n=70) collected in both countries. Data interpretation, as well as research implications are enclosed in the conclusion.*

**Keywords:** *Information and communication technologies (ICT), digital services, social inclusion, elder population*

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## **MARKET ANALYSIS OF THE TELECOMMUNICATIONS MARKET – THE CASE OF CROATIA**

Original scientific paper

UDK: 654:339.137.(497.5)

JEL classification: L13, L86

### ***Abstract***

*The structure of the telecommunications market is an extremely important factor in the development of each country. Generally, it can be said that the structure of the market is moving from a monopoly, which initially defined the Croatian market, through liberalization into an oligopolistic market, and then finally into a market of monopolistic competition. The mobile networks industry is characteristically a natural monopoly since only a limited number of companies can remain within the market equilibrium, regardless of the size of the market. The aim of this research is to determine the characteristics and specifics of the telecommunication market in Croatia. Furthermore, by conducting an in-depth analysis of the telecommunication services in Croatia, conclusions will be drawn about the current market competitors, the marketing aspect as well as the legal regulations within this field.*

**Keywords:** *telecommunications industry, competition, regulation*

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## **THE IMPORTANCE OF USING ICT IN THE RURAL TOURISM OF THE ZADAR COUNTY**

Preliminary communication

UDK: 338.48:631]:004

JEL classification: L83, Q16, O33, R58, Z38

### ***Abstract***

*Rural tourism, as a new way of tourism evolved from the combination of ecotourism and agro-tourism, has been considered as good way of economic and social revitalization in the world. We can say that ICTs are necessary components of doing business in rural tourism. This article shows the usage of basic ICTs in rural tourism of the Zadar County. It is therefore necessary to encourage stronger collaboration between all relevant institutions in order to implement ICT in rural tourism which can make Croatian tourism much more competitive. The aim of this article was to determine importance of ICTs in the future of rural tourism development in Zadar County.*

**Keywords:** *Rural tourism, Zadar County, ICT, challenges, implementation*



# INNOVATION





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## HOFSTEDE'S CULTURAL DIMENSIONS AND NATIONAL INNOVATION LEVEL

Original scientific paper

UDK: 316.72:001.895(4-67EU)

JEL classification: O10, O31, Z10

***Abstract***

*Nowadays, the vast majority of scholars admit that innovation in many countries is a key to a fast economic development which enables a high level productivity and quality of life. As European Innovation Scoreboard 2016 states, "Innovation grows the EU's knowledge economy, it enhances our competitiveness and it creates a prosperous future for all Member States". Nevertheless, though the European Union is constantly seeking convergence, the members are still divided to modest, moderate, strong innovators and innovation leaders. Therefore, it is crucial to constantly analyse all drivers and determinants of successful national-level innovation performance. The authors of this article suggest that culture is one of the influencing factors because EU countries differ significantly by their social norms, morals, values, traditions and behaviors which may also affect the innovative capacity of a society. Thus, the purpose of this study is to explore the link between nation's cultural background and country – level innovation performance. Systemic review of scientific economic literature, comparative judgement and regression analysis were used in order to reach the conclusions. The data from European Innovation Scoreboard and scores of six Hofstede's cultural dimensions were applied in the empirical analysis. The representative results show that the dimensions of indulgence and individualism are positively while power distance and uncertainty avoidance are negatively related to national innovation performance.*

**Keywords:** EU, innovation, Hofstede's dimensions



# MACROECONOMICS



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## **INSTITUTIONAL GEARING, INNOVATION AND ECONOMIC GROWTH: EMPIRICAL ESTIMATION FOR 32 ECONOMIES**

Original scientific paper  
UDK: 005.94:001.895:330.35  
JEL classification: O31, O43, O54

***Abstract***

*The objective of the paper is to estimate the relationship between institutional gearing and economic growth for 32 economies of the world. For this it is considered that institutional gearing is the positive effect that one institution has over another, but also above all the system that generates innovation. In addition, other variables were included that affect innovation. To do this, we estimate a data model panel with fixed effects for the period 2011-2015. The results show that institutional gearing, high technology exports and capital stock have a positive effect on economic growth. We conclude that the positive effect of the existence of an institution on another institution and on the system of innovation (institutional gearing) has a positive effect on the economic growth of the countries used.*

***Keywords:* institutional gearing, economic growth, innovation**

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## **THE SURVIVAL OF ICT COMPANIES IN BOSNIA AND HERZEGOVINA: RESEARCH AND DEVELOPMENT TAX CREDIT**

Review

UDK: 004:336.564.23

JEL classification: M15, L63, H25, O31

### ***Abstract***

*Research and Development (R&D) Tax Credit is a widely used incentive designed to encourage companies to invest in R&D. The goal is to stimulate and accelerate the development of certain business branches thus affecting the growth of foreign capital investments, competitiveness on the international market, and the employment rate. After years of business uncertainty, Bosnia and Herzegovina (BiH) seems to have found its competitive advantage in the Information and Communications Technology (ICT) industry. Since 2010 until today there has been an increase of 72% in this sector, with most companies being founded between year 2005 and 2016. Immensely competent staff, relatively cheap workforce, a favourable geographical location and adequate Internet and software infrastructure allow the country to compete with the world's largest ICT powers on an equal footing. However, regardless of the potentials of the ICT sector in BiH, there is a lack of governmental support concerning the export of software products, inconsistency and incompatibility of national legislation with world standards in terms of online marketing, the high fiscal costs in the industry, and the brain drain of young professionals. Unless they want to leave to chance the development of the country's strategic sector, the authorized institutions in BiH must immediately create and implement a clear strategy that would determine the direction of development of the ICT sector. Proposed*

*tool is the state program that would enable R&D tax credits under certain conditions for start-up companies, outsourcing companies, and other formal legal structures that bring multinational ICT companies to the domestic market, thus creating a supportive environment for local ICT companies without interfering with their business models, and allowing unhindered private sector growth that would beget economic development.*

***Keywords: Tax incentives, IT management, Innovation and innovative business models, Entrepreneurship***

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**THE EFFECT OF THE FINANCIAL CRISIS ON  
EMERGING MARKETS. A COMPARATIVE  
ANALYSIS OF THE STOCK MARKET  
SITUATION BEFORE AND AFTER**

Original scientific paper  
UDK: 336.76:338.124.4  
JEL classification: G01, G15

***Abstract***

*In this paper the authors present the findings of an analyses carried out to establish whether the BRIC's stock market returns were affected by the U.S. financial stress during the 2008 Financial Crisis. To do this the authors studied the relationship between the U.S. Stock Markets and the BRIC countries' stock and bond market returns. They carried out a regression analysis which consisted of running an equation of the dependent variable - the BRIC's stock market returns, against a number of regressors - explanatory variables, which include the U.S.' industrial production, the U.S.' unemployment rate, the U.S.' S&P500, the Michigan confidence index, the BRIC's consumer price index, the industrial production, the Gross Domestic Product and the consumer price index of each individual country; Brazil, Russia, India and China respectively. Then the authors used a single-equation time series model to explain spillover effects emanating from the US onto the BRIC markets. They analysed the whole data series from 2003 to 2014. Then sub-divided this data to analyse the post crisis effects on the BRICS equity market. The index of Brazil, Russia, India and China respectively. - BOVESPA (Brazil), MICEX (Russia), NIFTY (India) and China Security Index (CSI300) were the dependent variables of the model. Moreover, the model takes the US stock market index, the*



*S&P500 as a benchmark variable. Results obtained, revealed that the BRICs were subject to a spillover effect during and following the financial crisis.*

***Keywords: BRICS, Financial Crisis, Emerging Markets***

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## **RELATIONSHIP WITH EDUCATION EXPENDITURE AND ECONOMIC GROWTH IN OECD COUNTRIES: A PANEL DATA ANALYSIS**

Original scientific paper  
UDK: 37:330.35  
JEL classification: C 33, O10, I22, I25, O47

### ***Abstract***

*From the second half of the twentieth century, human capital has begun to be added in an increasing manner, especially to the basic production factors considered as labor, capital, entrepreneur and natural resource in classical economic theory. With this structural change in production, the development of human capital has become of great importance for internal growth models. Nowadays, as the strength of the arm power is greatly reduced in production, the brain power has increased in importance, and the idea of people investing in themselves has begun to be widely accepted. Education, which is one of the important dynamics of human capital with health, plays an important role in this context. Increasing the level of success with the higher education level, recruitment of qualified workers, better employment opportunities and increased earnings are significant contributors to growth and prosperity*

*in OECD countries. In this study, the relationship between educational expenditures and economic growth for selected 19 OECD countries is analyzed using the panel data method.*

***Keywords: Educational Expenditures, Growth, Panel Data Analysis***

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## **THE MIDDLE INCOME TRAP: AN ASSESSMENT IN TERMS OF TURKISH ECONOMY**

Original scientific paper

UDK: 338(560)

JEL classification: A10, D31, O10

### ***Abstract***

*Middle income trap is the condition of having the per capita income in a specific level and not having any increase in this income level for many years. The concept of middle income trap is a subject that is frequently discussed in the economic literature in recent years. In this study, it is aimed to evaluate whether Turkey is in middle income trap or not. In addition, the effect of manufacturing industry's share in GDP, schooling rate in higher education and the share of domestic savings in GDP on per capita income level was examined by time series analysis in this context and arguments related with the middle income trap was made. The relationship between the variables in the study was analyzed by Engle Granger cointegration and Engle Granger causality analysis methods. According to the obtained results, a long term relationship was found between the variables which we use. The share of the manufacturing industry within GDP occurred as the cause of the per capita income level. No causality relationship was found between the other variables. According to the evaluations, it is determined that Turkey is not in the middle income trap however it has the risk of having middle income trap.*

**Keywords:** *Middle Income Trap, Turkish Economy, Per Capita Income*

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**OWNERSHIP VERSUS EFFICIENCY: A CROSS-  
COUNTRY COMPARISON OF HEALTH SYSTEMS**

Original scientific paper

UDK: 614.2:005.336.1(4-69)

JEL classification: C14, H44, I11, I18

***Abstract***

*Introducing market mechanisms to the health systems of transition countries in Central, Eastern and South-Eastern Europe (CESEE) after 1990, has not met expectations and the biggest changes are yet to come. The main objectives of this paper are to compare health systems' efficiency of CESEE countries and in the second stage to analyze whether the different ownership of health care providers is associated with the health system efficiency. Therefore, the relative technical efficiency of decision making units (DMUs), i.e. health system in CESEE countries, is obtained from the BCC model using data envelopment analysis (DEA) technique. The analysis of efficiency level of health systems in CESEE countries offers valuable information on possibilities for improving the efficiency. Furthermore, analyzing the impact of different ownership of health care providers on the efficiency is an important step towards improvement of the health system, on the basis of which it is possible to define the desired state as well as the way to achieve it.*

***Keywords:*** health system efficiency, ownership, transition economies

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# **MONITORING OF THE EU REFORM AGENDA IN BOSNIA AND HERZEGOVINA**

Review

UDK: 316.422.4(497.6)

JEL classification: C10, H11, H83, J48, P41, P52

## ***Abstract***

*The Reform Agenda became a buzzword in the political life of Bosnia and Herzegovina since it became the European Union requirement in front of domestic authorities. The key idea is to open a way towards a modernisation of the economy and more efficient social protection system. To be implemented, the reform measures listed by the Reform Agenda are transposed into detailed Work Plans with concrete actions, and deadlines for implementation and adopted by national governments, whilst its monitoring remains a challenge. This research proposes construction of the Reform Index that will monitor the progress and impact of implemented policy measures. Such index should be able to periodically monitor the reforms, but also compare the situation in B&H with other countries. In order to draw comparisons, indicators used in constructing the Aggregate Reform Index are selected among those provided by various international institutions (e.g. World Bank, International Labor Organization, Heritage Foundation, Transparency International, etc.) that use specific measures for ranking the world countries according to a set criteria.*

***Keywords: policy development, reforms, impact evaluation, development indicators***

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**THE EMPLOYMENT OF WORKFORCE AGE 50 plus  
IN THE V4 COUNTRIES**

Preliminary communication

UDK: 331.522.4-053.8

JEL classification: M51, M54, O15, J14, J21

***Abstract***

*From an economic perspective, the current trend of European population ageing, perceived as a serious problem, because of the rising costs of social security, pension policy of the state, long-term health care, employee training and not least the growth of unemployment benefits. The aim of paper was to identify and compare factors affecting age management and employment of workers age category 50+ in the V4 countries. On the basis of secondary data gained from statistical portals were assessed the current employment situation of workforce category 50+ in the V4 countries, the Czech Republic, Hungary, Poland and the Slovak Republic. The obtained data were organized and processed into graphic form. To determine differences and dependent variables of interest were used two-dimensional contingency tables. For the analysis of contingency tables were used chi-square test, and the actual and expected values were compared. Results of testing and validation of hypotheses were discussed and processed into conclusion.*

**Keywords:** *age management, employment, workforce 50+*

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# **GENDER UNIQUE HUMAN CAPITAL AND LABOUR MARKET RETURNS**

Preliminary communication  
UDK: 331.5  
JEL classification: C14, J16, J24, J31, M51

## ***Abstract***

*The purpose of a research is to better understand the possible reasons behind gender wage disparities, focusing on the unique features of male and female human capital and their labour market returns. The research relies on application of the PIAAC (The Programme for the International Assessment of Adult Competencies) database allowing to measure individual cognitive abilities in literacy, numeracy and problem solving. Several methodological approaches including also non-parametric matching based decomposition are applied towards identifying a role of human capital in wage disparities. The results showed that skills are valued at a labour market often more than formal education, hence men's better numeracy and problem solving abilities help them to attain higher wage, despite lower formal education. Effective policy aiming to support development and efficient use of existing human potential, should consider reasoning of females' "brain drain", e.g. on-job training, welfare system, norms and several non-cognitive factors.*

**Keywords:** *human capital, cognitive skills, PIAAC, Nordic region*



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## MARITIME DOMAIN AS PUBLIC PROPERTY, THE RESULTS OF STRATEGIC PLANNING OF NATIONAL ECONOMY DEVELOPMENT, OR?

Preliminary communication

UDK: 351.711:005

JEL classification: O21, H41

**Abstract**

*The management of the macroeconomic system and its management of the development of a transition economy should be oriented towards the development of a market-oriented economy. In this way, resources constitute an economic basis which needs to be valorised, protected and managed in an appropriate and sustainable manner. Of course, the systems and solutions of developed economies in Europe were reconciling the interests of all of the local population and all stakeholders. Strategic resource and legal regulation frameworks adapted to them, with an adequate vertical management system in which training and central government budgets play a central role, modelling a viable and efficient management system. Analysing the maritime domain, one of the fundamental resources of the Republic of Croatia is the issue of how to manage it. Frequent changes to legal regulations should be the result of a dynamic sustained and efficient model of maritime governance, but the question is whether Croatia has a sustainable and efficient management model. What management does this macro system do? What are the goals and how is the planning system developed? This is the issue the subject of research which will deal with this paper, and hypothesis should be that the reform of the "Maritime Domain and Seaports Law" result of deliberate strategic policy of the Republic of Croatia, and this policy that permeates and connects all stakeholders this development systems and models.*

**Keywords:** *maritime domain, a national model of management of the maritime domain, management of macroeconomic system*

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**WELFARE AND GOVERNANCE CRISES OF  
NEOLIBERAL GLOBALIZATION: THE NEW  
INSTITUTIONAL ECONOMICS PERSPECTIVE**

Review

UDK: 339.9:316.42

JEL classification: B52, F60, P10

***Abstract***

*This paper focuses on why the debate over neoliberal globalization is so popular around the world at the beginning of the 21st century and investigates the new institutional economics responses. Crises are not new to capitalism, but we all have been witnessing devastating economic, social, cultural, and political fluctuations in the global economic order. Classical welfare economics ignores distributional effects of theory and morality. Global poverty, inequality, unemployment, unfair trade, migration, environmental disasters etc. are paradoxes or evils of neoliberalism and not sustainable for future of humanity. In order to explain evolution of major causes of the conflicts related to globalization historically, we review a wide range of the literature and analyze the recent discussions of controversial topics on global welfare and governance implications of neoclassic economic thought. The study concludes that there is a growing consensus on the inadequacy of welfare economics in global society. Technological progress and corporate-led economic globalization in real World result in economic nationalism. Retreat from globalisation may be the beginning of a new phase of capitalism. The*

*new instituonal economics says that institutions and social order matter on well-being and development. So we should rethink losers and winners from neoliberal globalization and reshape rules of global economic order in favor of global losers.*

***Keywords: New Institutional Economics, Globalization, Neoliberalism***



# MANAGEMENT AND ORGANISATION



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**PSYCHOLOGICAL AND SOCIOLOGICAL  
DETERMINANTS OF EDUCATIONAL  
MANAGEMENT AND LEADERSHIP IN CROATIA  
AND BOSNIA & HERZEGOVINA: RESULTS OF  
EMPIRICAL RESEARCH**

Original scientific paper

UDK: 37.091.113

JEL classification: D73, I21, L32

***Abstract***

*In this study, authors analyze the practices and effectiveness of educational management and leadership, according to the selected psychological and sociological characteristics of school principals in Croatia and Bosnia & Herzegovina. The selected psychological traits have been already analyzed in the case of entrepreneurial orientation and proved to be relevant for differentiation of schools and principals, according to their inclination to entrepreneurship. In this paper, more comprehensive, analytic criteria are used to explore the effectiveness of educational management and leadership practices in the sample of Croatian and B&H principals. The objective of the study is to determine the significance of the psychological and sociological variables for the practice of school management and leadership, as well as to suggest potential implications for school leaders' professional orientation and development.*

***Keywords: school principals, psychological traits, social relationships***

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**TOWARDS THE MODEL OF SELF-TUNING  
BUSINESS PROCESS MANAGEMENT**

Preliminary communication

UDK: 005.2

JEL classification: M11

***Abstract***

*The interest in Business process Management (BPM) has flourished in the last decade as the adverse business conditions forced corporations to improve efficiency and effectiveness in daily operations. Though BPM can deliver significant business value, in practice it revealed challenges that prevented businesses from successful adoption. The modelling process has four distinct phases which leads to a lengthy implementation and often renders the processes too constrained for real life situations. This paper proposes a bottom-up approach based on actual daily activities logged by underlying monitoring infrastructure. If a number of activities form a repeatable sequence, they can be declared as a business process. A process may be identified by a single activity of the same type and source and destination in the Organizational Breakdown structure. Different repetitions of the same process can be compared and variations recorded. If the same variation is detected multiple times, the process definition can easily self-modify to become the new standard.*

***Keywords: business process model, business process monitoring, business process self-tuning***



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## **CIVIL SOCIETY ORGANIZATIONS INFLUENCE ON THE DEVELOPMENT STRATEGIES FORMULATION PROCESS AT THE MUNICIPAL LEVEL**

Original scientific paper

UDK: 347.471

JEL classification: L31, R58

***Abstract***

*This research is aimed at analyzing the rate and mode of Citizens Society Organizations' (CSO) participation in the process of development strategies formulation in the Central Bosnia Canton (CBC), as well as to measure their impact on the actual substance of development strategies. To get a deeper insight into research topics, a questionnaire was developed and sent out to more than 300 CSOs from the CBC, yielding 117 valid responses. The research results show that 39.2% of the surveyed CSOs participated in the development strategies formulation process in the CBC, where the most common mode of participation was public consultations and debates. The research also revealed that the more proficient CSOs' contribution to the process is, the greater influence on the development strategy substance they have. The main implication of this research is better understanding of the development strategies formulation process at the municipal level, and a deeper insight into the nature of relationships between municipalities and CSOs in regard to that process.*

***Keywords: Civil Society Organization, Development Strategies, Municipalities***

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**MANAGERIAL SKILLS IN HOTEL INDUSTRY –  
EVIDENCE FROM CROATIA**

Original scientific paper

UDK: 65.012.4:640.4

JEL classification: L83, M54, J24

***Abstract***

*Regardless of the type of organization and management level, the basic task of the manager is to give a prompt and proactive answer to any kind of pressure which is a part of his/her daily business, with the final aim of providing adequate service to customers (clients, consumers, businesses...). Over the decades, the hotel industry has experienced continued evolution by becoming one of the fastest growing industries worldwide. Today, the hotel industry is exposed to dynamic changes and great market heterogeneity, and, therefore, managers in the hotel industry need to be in a constant race for competitive advantage achievements. Among the numerous sources of competitive advantage, managerial skills also stand out because they produce higher value and affect organizational performance. It is well documented that skilful managers are the key determinants of organizational success. Unquestionably, only skilful managers could become effective managers, and effective managers are crucial for organizational success. An effective manager is the one who should have an extensive set of developed skills in all essential areas of managing which, with the company's growth and progress, become more complex and demand more attention. This paper focuses on the*

*managerial skills, considering the main skill areas of management. The main aim of this paper is to analyse managerial skills in the Croatian hotel industry, specifically in large hotels in the Split-Dalmatia County. The main research question is: whether the level of managerial skills relates to organization effectiveness - is there a relationship between managerial skills and organizational performance in large hotels in the Split-Dalmatia County? In the light of posed research questions, two hypotheses are settled. Quantitative research was conducted and interesting results were found. To collect data, a questionnaire was used as the main research instrument. Out of 61 questionnaires that were sent, a total of 36 correctly completed questionnaires were used for analyses, yielding a response rate of 59%. Two hypotheses were accepted and the research question positively answered. Results showed that managerial skills are well developed; that organizational performance of large hotels in the Split – Dalmatia County depend on managerial skills in directing them to compete on the market. In addition, the research result pointed out that the effect of communication skill is larger than any other.*

**Keywords:** *managerial skills, effective managers, managers in the hotel industry*

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**TEAM EMOTIONAL INTELLIGENCE:  
LINKING TEAM SOCIAL AND EMOTIONAL  
ENVIRONMENT TO TEAM EFFECTIVENESS**

Original scientific paper  
UDK: 005.64:159.142]:005.336.1  
JEL classification: J24, M54, Z13

***Abstract***

*Work teams are labelled “emotional incubators” because of the ubiquitous emotion generated as team members work together. Although this emotion affects team processes and effectiveness, little theory or research has provided practical information about how teams can manage emotion so that it supports, rather than hinders, team effectiveness. To solve this problem, we draw on social psychological theory suggesting that emotion in teams primarily comes from whether team members’ social and emotional needs (i.e., belonging, shared understanding and control) are satisfied by the team. We then present a study conducted with teams in six U.S. based (four global) companies, testing the relationship*

*between six emotionally intelligent team norms aimed at satisfying team member needs. We hypothesize that incorporating these six norms will lead to high levels of team effectiveness through their influence on the emergence of a productive social and emotional environment (i.e., team psychological safety and team efficacy). Hypotheses are primarily supported. Our study contributes to current knowledge about human social and emotional needs and the influence of emotion and its management on team effectiveness.*

***Keywords: teams, effectiveness, emotional intelligence***

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## **CONTEMPORARY LEADERSHIP CHALLENGES IN HOSPITALITY ORGANIZATIONS IN TIMES OF UNCERTAINTY AND CHANGE**

Original scientific paper

UDK: 640.4:65.012.4

JEL classification: L83, M54

### ***Abstract***

*Traditional approaches to leadership in the hospitality industry are becoming less and less effective in engaging, empowering and energizing its workforce of today, especially when taking into account the growing complexity of the contemporary world and its associated political, cultural, economic and environmental dimensions. As the importance of hiring a highly motivated and educated workforce becomes paramount in creating a competitive organization, it is imperative that hospitality providers implement the best leadership styles in order to boost employee satisfaction and retention. Addressing a dearth of information in the literature, the purpose of this paper is to provide exploratory research regarding the most effective leadership approaches employed by front-line managers in hotels operating in volatile environments; those hotels, for example, that are located in highly seasonal locations. Front-line employees at ten Dubrovnik, Croatia hotels, hotels operating in a highly seasonal environment, were surveyed as to the leadership styles of their respective employers and their accompanying levels of overall job satisfaction. Additionally, distinct demographic profiles associated with observed leadership styles were identified. The results indicate that managers use a combination of transformational and transactional leadership. Contradicting some previous studies, seasonal workers were not found to be less satisfied than full-time workers, were not more*

*satisfied in a Transactional versus transformational environment, and did not express higher levels of job satisfaction as associated with length of employment. The results of this study offer an insight into how to form and foster a strong hospitality corporate culture that is ready to offer new value in volatile environments.*

***Keywords: contemporary leadership styles, employee satisfaction, hospitality industry***

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## **CONTROLLING AS A FUNCTION OF SUCCESSFUL MANAGEMENT OF A MARINA**

Review

UDK: 65.012.4:725.87

JEL classification: M10, L83

### ***Abstract***

*Controlling, as a management function, is often absent in the practice of economies in transition. The reason for absences mostly due to the lack of knowledge, but also occurs as a result of managerial operative which is burdened by a series of other problems, such as the billing, transparent business, liquidity, seasonality, and others. Due to the duality of this management problem, which often makes controlling seen as a „waste of time” while asserting that there are more important things to be addressed puts the functionality of controlling into question. Commercial private marinas, which are examples of successful operations of the Croatian economy, are a good case for studying the role of controlling in the formation of complete and successful management. The administrative system is a marina, and their management, especially during the season, are operating almost 24 hours, thus intensifying the control over the actions of every operational task, as well as harmonization of all processes and tasks. Starting with the arrival of the yacht in the marina, alongside of all other services, to the billing and the departure of the yacht, a system of activities was designed in the marina, which must be carried out in order to satisfy the yachtsmen and the guests. Practice has shown that the establishment of an effective system of management and processes in the marina, is very dynamic and demanding, and in regards to the seasonality, extremely dynamically oscillatory. This raises a number of research questions, (1) how and in what way does controlling, as a function, contribute to the success of the management of the marina, (2) whether, and in what way, controlling can contribute*



*to solving the current daily problems which seem to be “higher priority” than controlling, (3) what are the characteristics of controlling, of different types of marina, such as the city marinas, or the marinas at smaller destinations away from the city. This work/study will answer the questions mentioned above, which will, through the understanding of controlling, contribute to the success of management of Croatian commercial marinas.*

***Keywords: controlling, management, marine, seasonality, control and harmonization of processes in the marina***

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**SOCIAL NETWORKS – POTENTIAL AND  
CHALLENGES IN BOSNIA AND HERZEGOVINA  
GOVERNMENT INSTITUTIONS**

Original scientific paper

UDK: 004.738.5:3.07

JEL classification: L86, H70, Z13

***Abstract***

*Bosnia and Herzegovina is a country with complex and asymmetrical structure (two entities, District Brčko, and cantons with own government and ministries), The number of ministries in the BiH is enormous. Coordination between so many governments and ministries is demanding while most of the citizens are completely lost in that institutional labyrinth. One of the possible ways how governments and their institutions could help citizens, ensure direct communication with them and improve mutual coordination is more intensive use of social networks (Facebook, Twitter). Social networks have potential to increase visibility and transparency of the work of governments and their institutions. Also, they could make policy processes more inclusive and increase confidence between governments and citizens. The main goal of the paper is to explore presence and activity on social networks in BiH government institutions, to discuss major challenges and to propose potential options for better implementation of social networks in these institutions.*

***Keywords: Social Network, Government, Web 2.0***

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**THE LEVEL OF CORPORATE GOVERNANCE IN  
BOSNIA AND HERZEGOVINA**

Original scientific paper  
UDK: 65.012.4(497.6)  
JEL classification: G28, G34, K20

***Abstract***

*A developed system of corporate governance is a fundamental prerequisite for sustainable economic growth, increase in economic system efficiency and a guarantee for easier access to the foreign sources of capital. The specificity of Bosnia and Herzegovina is two separate legal corporate governance systems, which is a consequence of the entity-based structure of the state. Corporate governance quality level is defined as the degree of compliance with set corporate governance standards defined at the international and national institutional levels. Guided by previous theoretical and empirical findings, Bosnia and Herzegovina has characteristics of a closed corporate governance system in both entities. Corporate governance in Bosnia and Herzegovina is measured by the level of the corporate governance (abbreviated LCG) index, which is created from six categories containing 46 criteria by which corporate governance is analyzed and assessed. Its value can range from 0 to 100%. The measurement of corporate governance provides a clear picture of strengths and weaknesses of the corporate governance system in corporations in Bosnia and Herzegovina. Also it is the*

*foundation of long-term sustainable and socially responsible growth and development of the entire economic system in Bosnia and Herzegovina.*

***Keywords: corporate governance, corporate governance system in entities of Bosnia and Herzegovina, quality of corporate governance in Bosnia and Herzegovina***

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**CONTEXT-APPROPRIATE IMPLEMENTATION OF  
BLENDED LEARNING IN HIGHER EDUCATION IN  
WESTERN BALKANS**

Preliminary communication  
UDK: 37.018.4:004:378  
JEL classification: A22, D83, I23

***Abstract***

*This paper discusses the challenges of context-appropriate implementation of blended learning in contemporary higher education. The faculty analyzed is of economics and management. Having in consideration that the 21st century professors are facing a continuous challenge to co-create a learner-friendly class environment, and maximize the educational outcomes, special attention has been paid to the blend composed for contemporary teaching, learning and communication; accompanied by existing ICT disruptive technologies and E-learning platforms, combined with the traditional educational processes and vehicles. Crucial challenge in this context is designing the optimal mix of applicable disruptive technologies, having in mind constricted funding, high competitiveness in the higher education, specific student profile etc. The blended learning 'mashup' investigated from theoretical and practical point of view has been sustainably implemented in a Western Balkan's higher education institution for several academic years. Some key findings and lessons learned in this context are presented further in the paper.*

***Keywords: blended learning, instructional technologies, educational management***

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**MANAGERIAL STRESS – EFFECTS AND  
CONSEQUENCES**

Review

UDK: 159.944.4:005

JEL classification: I12, M12, M54

***Abstract***

*Modern managers operate in terms of globalization which presents them with larger and more difficult challenges that sometimes are not in accordance with capabilities of an individual, causing stress. Some amounts of stress can be effective in the work performance of an individual, but problem arises when the amount of stress exceeds a certain critical point and leads to the burnout syndrome, whose victims are mostly managers. The roles of managers, their skills, functions and modern management trends are determinants of every manager's job from which various stressors arises, i.e. sources of stress at work. Depending on their intensity and frequency, in rare cases stressors motivate the manager, while in most cases, they result in managerial stress. The biggest consequence of continuous exposure to this type of stress is popularly called the burnout syndrome.*

***Keywords: managerial stress – effects and consequences, burnout syndrome, stress management***

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**KNOWLEDGE AS A SOURCE OF COMPETITIVE  
ADVANTAGE  
IN KNOWLEDGE BASED COMPANIES**

Review

UDK: 005.941

JEL classification: D83, L25, O31, M14

***Abstract***

*Modern company in today's economy is no longer solely dependent on its tangible assets such as real estate, factories or facilities. Doing business in today's global economy creates new types of companies which are becoming increasingly dependent on their intangible assets such as information and knowledge. Today's new economy has become global and information driven, and the first time in the history of the organization theory knowledge becomes companies the most valuable resource. Knowledge affects the creation of new value in the company, but it also affects on the creation of new knowledge. The use of the Internet enables its distribution in the global context. Knowledge can not be fully diminished. On the contrary, the more being used, it increases, expands and deepens. Therefore modern knowledge based companies need to continually work on their knowledge-based strategy as a source of the competitive advantage. This paper discusses the impact of organizational culture on creation of such companies.*

***Keywords: knowledge, organizational learning, knowledge based company, competitive advantages***

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**PERSONAL DYNAMIC CAPABILITIES IN THE  
CONTEXT OF A CORPORATE SUCCESS**

Review

UDK: 005.966

JEL classification: J24, M12, M54

***Abstract***

*The aim of the paper is to assess if/how the concept of dynamic capabilities (DC) can be applied to personal level, specifically to people oriented at dynamic career in corporations in Europe. The paper is conceptual in nature, and it is based on, on the one hand, a literature review in relation to dynamic capabilities, and, on the other, results of unstructured interviews conducted with young people enrolled in postgraduate studies in the area of Business English. Our study suggests that personal dynamic capabilities are very important for career in nowadays corporations and they are based on such people attributes as: ability to work hard and learn, strong intrinsic motivation, good knowledge of English, ability to work in teams, flexibility, change and ambiguity tolerance.*

***Keywords:*** *dynamic capabilities, personal, career*



# MARKETING



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## THE EFFECTS OF FOOD AESTHETICS ON CONSUMERS. VISUAL STIMULI AND FOOD MARKETING

Review

UDK: 658.89:641

JEL classification: M31

***Abstract***

*In this study we analyze how the visual impact influences consumers, in particular considering the way a food is presented, exploring in this way how food marketing is also a question of food appearance. Do we eat firstly with our eyes? And if yes, which are the consequences of this process on food marketing strategies? Literature highlights that the way food is presented produces effects from a cerebral and a physiological point of view, but also how it affects taste. In the first part of this research literature has been explored, paying attention in particular on hunger as a process which begins from eyes and, secondly, on how neatness makes food more desirable. The second part of the study shows our experiment on consumers. Specifically 71 subjects were involved, divided into four groups, that had to observe and evaluate some plates of fruit and bresaola, once arranged neatly, once disorderly. Data have been gathered and analyzed, in particular highlighting consumers' expectation about the tastiness of the food and how much they would*

*have spent to eat that food. Finally we discuss about the findings, in particular underlining how neatness counts in the presentation. From the point of view of managerial implications, these findings may be useful to understand the role of appearance to implement a winning food marketing strategy.*

***Keywords: Food Marketing, Cross-modality, Visual hunger, Food aesthetics, Neatness***

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## **MECHANISMS STIMULATING ACTIONS CUSTOMER - DECISION MAKER ON THE MARKET: MARKETING MIX INSTRUMENTS**

Review

UDK: 339.138

JEL classification: M31

### ***Abstract***

*One of the marketing aspect are its instruments, which are used in the process of making strategic decisions both from the perspective of customers and decision makers. Indeed, this issue is considered in the literature, but usually separately for each market exchange entity. The consequences of such an approach to the analysis provide a gap research. Accordingly, the author has attempted to identify marketing mix instruments dedicated to customers and decision-makers on the market. This article is the first in a series of publications in the specified scope. The purpose of this particular article is to identify a background research for the identified scientific problem concerning the analysis of the symbiotic relations between the customer and decision maker in terms of mechanisms stimulating their decisions and behavior on the market. In the article, the author presented selected compositions engaging mechanisms to stimulate market behavior of customers and decision makers. Among the recognized concepts, the simple construction marketing mix is distinguished, which, depending on the adopted perspective of the analysis differ from each other. The study has attempted to identify and compare these mechanisms, which is the author's original contribution.*

***Keywords: marketing mix, perspective of customers and decision makers, mechanisms to stimulate market behavior***

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## **SERVICE QUALITY DIMENSIONS AS PREDICTORS OF PERCEIVED SERVICE QUALITY IN RETAIL ENVIRONMENT**

Original scientific paper

UDK. 330.123.6:658.87(697.6)

JEL classification: L81, M31

### ***Abstract***

*The purpose of this paper is to determine service quality dimensions as predictors of perceived service quality in retail environment. Recent studies emphasised the multidimensional nature of service quality and multidimensional service quality measurement models. Literature reveals that SERVQUAL (Parasuraman et al. 1988) and RSQS (Dabholkar et al. 1996) are the most common instruments used to measure service quality in retail. Considering different market environments neither SERVQUAL nor RSQS should be solely applied to different service environments and in different cultures assuming that customers behave in the same way. Research should focus on discovering service quality dimensions that are adapted to specific environments and to adapt service quality dimensions to different cultures. Therefore, by using exploratory factor analysis service quality dimensions are determined in the Federation of Bosnia and Herzegovina (hypermarket stores' market). Those are: merchandising, physical environment and interaction with employees. Understanding service quality dimension as predictors of total service quality and their successful management is precondition for successful planning and implementation of service marketing activities in hypermarkets.*

**Keywords:** *dimensions of service quality, retail, hypermarkets*

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**CHARACTERISTICS OF PERSONAL  
CONSUMPTION IN BOSNIA AND HERZEGOVINA**

Preliminary communication

UDK: 330.567.22(497.6)

JEL classification: E01, E21

***Abstract***

*Personal consumption represents one of the most important components of aggregate demand. Calculations of GDP by expenditure approach includes consumption that makes the biggest GDP component in the most countries. As a part of aggregate demand and GDP consumption has multiplier effects on employment, investments and savings. Financial crisis that hit the world economy in 2007-2008 has caused consumption decrease that had negative, short- or long-term, consequences. For that reason there is consensus about the need of consumption increase and re-growth of world economy. According to IMF and EUROSTAT data Bosnia and Herzegovina is at the bottom of the European countries by consumption and standard of living, components that show slow improvement due to significant income decrease, high unemployment rate and small FDIs. The aim of this work is to show characteristics of personal consumption in Bosnia and Herzegovina regarding changes of personal consumption values and its share in GDP. This paper will give insight into changes of consumption values and its impacts on GDP in the period 2007-2015 with the reference to the countries of region and EU.*

***Keywords: consumption, GDP, expenditure approach***

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**DETERMINING CUSTOMER EXPERIENCE  
INNOVATION: EXPLORING A DYNAMIC MODEL  
OF CUSTOMER RESPONSES IN NEGATIVE  
SERVICE ENCOUNTERS**

Original scientific paper  
UDK: 659.113.25:159.942  
JEL classification: D12, M31, L80

***Abstract***

*Given a volatile business environment, enhancing customer experience has become a key resource that has transformed service innovation for business growth. While recent studies have investigated customer value co-creation, there is less knowledge about potential value co-destruction which is that customers respond to negative service encounters in vindictive and aggressive ways. This study aims to examine key triggers of customer negative emotions and propose human needs threat (HNT) as antecedents. This study has two stages. Firstly, the critical incident technique was used as the preliminary study. Secondly, empirical research involved the survey using online panels. Data from 318 respondents of various service contexts were analyzed through structural equation modeling. Finally, this study finds that HNT is a trigger for customer rage in service recovery failure. The findings highlight the challenges for service organizations in managing standards of customer service and ensuring that their employees, especially frontline employees, can monitor customers' responses based on HNT. This study focuses on social psychology studies and examines that customer rage arises when individuals feel alienated and excluded in service recovery context as do in groups or in their personal relationships.*

***Keywords:* customer value co-destruction, customer rage, service recovery failure, customer experience innovation, human needs threat (HNT)**



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## **PLAIN PRODUCTS – A COMPREHENSIVE ANALYSIS OF CONSUMER PERCEPTIONS VS. BUSINESS IMPLICATIONS FOR COMPANIES**

Review

UDK: 366.12:621.798

JEL classification: M31, M38, K23

***Abstract***

*This scientific paper is focused on analysis of plain product concept, by taking in consideration relevant perspectives – a policy perspective, related to the measures and regulations regarding the plain packaging; consumer perspective - behavior, perceptions, associations and other prerequisites for building a consumer loyalty, in terms of branded vs. non branded products and plain packagings, and the companies perspective, through taking in consideration the implication for businesses caused by literal un-branding of these sensitive products. The plain product concept has a significant influence on consumer behavior, and the brand building and loyalty-strengthening processes. It refers to application of generic packaging for potentially harmful products, as well as removal of brand elements, features and/or trademarks that would be attractive or appealing to consumers, due to institutional environment and policy regulations. Particular attention will be paid to analysis of actual application of this concept in practice.*

***Keywords: plain packaging, demarketing, non branding***



# MICROECONOMICS



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## **THE ADVENT OF INDUSTRY 4.0 IN MANUFACTURING INDUSTRY: LITERATURE REVIEW AND GROWTH OPPORTUNITIES**

Review

UDK: 004:658.5

JEL classification: O14, O25

***Abstract***

*Nowadays, the value creation process is based on management of a large amount of data, the Big Data, which are able to connect businesses and customers from all over the world (Xie et al., 2016). Considering the managerial and industrial points of view, Industry 4.0 is a new economic model for the industrial world (Peressotti, 2016), based on the evolution of production paradigm, technological change and process logic adoption: companies should change their business models, invest in staff training, adopting new managerial tools. As a result, the change of the market (from standardized to diversified) with the production of customized products. Machines and robots are able to communicate each other, to take decisions and to self-update. The production lines are automated: control and maintenance tasks can be performed remotely. As a consequence, the creation of the agile value chain: it allows you to monitor large amounts of data in real time, to track status and location of goods, to control the production process distantly. To study the level of adoption of 4.0 industrialization plans, two global indicators have been*

*analyzed: they identify the placement of the largest industrial powers as a result of their industrialization policies adoption. Since the literature review shows few academic contributions and the subject is studied from engineering, computer and industrial design points of view, the objective of the work is to provide a theoretical contribution to managerial and industrial studies: the adoption of innovation in economic policy represents an opportunity to improve the country identity and the competitiveness level. So it is essential to encourage companies to adopt innovative tools, making the production automated. The methodology used is the content analysis technique: literature analysis, reports, conference proceedings, publications and websites are consulted. The originality of the work is to investigate a topic developed recently in Italy.*

**Keywords:** *Industry 4.0, smart factory, supply chain*

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## **INDUSTRY 4.0 – AN OPPORTUNITY TO REALIZE SUSTAINABLE MANUFACTURING AND ITS POTENTIAL FOR A CIRCULAR ECONOMY**

Preliminary communication  
UDK: 004:658.5  
JEL classification: Q01, L23, 014, O33

***Abstract***

*With an increasing growth of human population, rising GDP levels and more affluent lifestyles, the human race is consuming more and more which leads to a continuously growing demand for renewable and non-renewable resources. Therefore the issue of resource scarcity is emerging, because it is questionable whether economic growth can be sustained in a world with finite natural resources. The main purpose of this work is to analyze the potential of Industry 4.0 applications to realize a more sustainable manufacturing and to create a circular economy (CE). Even if the economy nowadays is still locked into a system favoring the linear model of production and consumption, tighter environmental standards, resource scarcity and changing consumer expectations will force organizations to find alternatives. To do so, new technologies can be used to trace materials through the supply chain and to track product status during its life cycle. This development will create opportunities to accelerate the transition towards the model of a CE. Case examples show that companies are starting to capitalize on the potential of emerging technologies to rearrange production, services, business models or whole organizations in a more sustainable way. Main conclusions of this research are that there is a high potential of Industry 4.0 to ensure more sustainable manufacturing methods or a CE. This is shown by analyzing the value drivers of Industry 4.0, the potential*

*of rearranging value chains and emerging business models. Overall, smart products and Industry 4.0 technologies could generate significant economic, environmental and social benefits and are able to contribute to strive towards a CE.*

***Keywords: Industry 4.0, Circular Economy, Sustainability***



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## **OWNERSHIP STRUCTURE AND TOTAL FACTOR PRODUCTIVITY: DIFFERENCES ACROSS INDUSTRIES IN CROATIA**

Original scientific paper  
UDK: 005.61:33.012.3  
JEL classification: D24, L25

***Abstract***

*Factors explaining productivity growth include internal and external categories, such as quality of management and labour, product innovation and competition. However, ownership structure is rarely mentioned as a potential factor for impacting productivity growth. On the other hand, it is often assumed that private firms are more productive than state-owned, the argument frequently additionally emphasized in the public discussions in (post)transition economies. Since aggregate data hides developments in individual sectors, it is important to investigate the relationship between ownership and productivity on the industry level. Hence, in this article we investigate trends in productivity related to the ownership structure across industries using data for Croatia both during the boom and recession phase. Results show higher increases in productivity in the observed period in the public, not private, sector and that TFP path at the sectoral level in the state-owned firms is more erratic than in the private segment of the economy.*

***Keywords:*** TFP, ownership structure, industries

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## **TRADITIONAL ACTIVITY INDICATORS IN THE FUNCTION OF DETERMINATION OF MATERIAL MISSTATEMENT IN THE FINANCIAL STATEMENTS OF THE COMPANIES**

Original scientific paper  
UDK: 658.14/.17(047.32)  
JEL classification: M40

### ***Abstract***

*The financial statements of general purpose are important source of information for purpose of business decision-making. Therefore, it is important to present financial statements fairly and faithfully without material misstatement. The subject of this paper is to explore the impact of traditional indicators of activity on the determination of material misstatements in the financial statements. The main objective of this research is to create a model of an impact of the traditional indicators of activity on determination of material misstatement in financial statements of the companies. Identification of traditional indicators of activity that contribute to the determination of material misstatements in the financial statements is also one of the objectives of this research. The collected data were analysed by inferential statistical methods, and the tables have used to present the research results. Research results revealed that the traditional indicators of the activity contribute to the determination of material misstatements in the financial statements of the companies.*

***Keywords:*** *financial statements, material misstatements, traditional indicators of activity*

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**BUSINESS GROWTH IN UNDERSERVED  
MARKETS: DOING WELL AND DOING GOOD  
THROUGH GREATER UNDERSTANDING OF  
VULNERABLE POPULATIONS, FOOD DESERTS,  
AND BOTTOM OF THE PYRAMID CONCEPTS**

Review

UDK: 364.65-058.5

JEL classification: I31, O12

***Abstract***

*This paper, guided by the literature concerning vulnerable populations, food deserts and bottom of the pyramid markets, presents a new conceptual model to further our understanding of how businesses can do good, while doing well in under-served/under-nourished/under-employed markets that exist around the world. Practical implication and calls for further research based on the proposed model are also offered.*

***Keywords: Vulnerable Populations, food deserts, bottom of the pyramid markets***



# PUBLIC FINANCE



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**REVISITING THE EFFECTIVENESS OF THE  
HEALTH INSURANCE TAX CREDIT**

Original scientific paper  
UDK: 364.32:336.564.23  
JEL classification: I13

***Abstract***

*With the push to repeal the Affordable Care Act (ACA) and replace it with the American Health Care Act (AHCA), there is renewed interest in using tax credits to increase health insurance coverage. A similar tax credit-driven policy, the Health Insurance Tax Credit (HITC), was implemented from 1991 to 1993. To date, only one paper (Cebi & Woodbury, 2014) has analyzed the effectiveness of the HITC in increasing health insurance coverage. This paper re-examines the efficacy of the HITC by using a different data set from the Survey of Income and Program Participation (SIPP). This examination yields similar results to those in Cebi & Woodbury (2014), which is that the HITC increased health insurance coverage among single mothers by about 6.6 percentage points. Further, this study finds that the HITC appeared to influence the rates of usage of health care services. This paper concludes by discussing the implications of these findings for the broader debate surrounding health care reform in the present moment.*

**Keywords:** *Tax credits, Health insurance, Health care utilization*

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**PUBLIC DEBT DYNAMICS AND POSSIBILITIES  
FOR ITS PROJECTION – THE CASE OF THE  
REPUBLIC OF MACEDONIA**

Original scientific paper  
UDK: 336.27(497.7)  
JEL classification: H63

***Abstract***

*In case when an economy of a country is in crisis, the country by indebting itself creates a possibility of taking some investment projects into realization all for the purpose of having them act as stimulators of the economy. Excessive indebting or the irrational use of borrowed funds can have negative consequences for both the domestic economy and the future generations as well. Thus, it is of great significance to determine public debt dynamics and to establish basis for giving projections of its trends in future. The projections about the trends of the economic variables represent very complex operations. For the purpose of making such projections, the economics relies on econometric modeling. These projections are further subjected to additional practical and theoretical processing all for the purpose of obtaining as relevant and as precise results as possible. The research gives a detailed analysis of the public debt dynamics and its structure in the Republic of Macedonia for a period of 16 years. Then, a close inspection is given to the way certain factors influence the public debt in order to project its trend in the future by making use of an econometric model. The projections obtained in this manner can further represent a basis for further decision-making on behalf of the fiscal policy makers in the country.*

***Keywords: public debt, dynamics, Republic of Macedonia***



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## **ECONOMIC AND SOCIAL IMPACT OF ALCOHOL TAXATION IN THE BALTIC COUNTRIES**

Original scientific paper  
UDK: 336.226.331:663.5  
JEL classification: H21, H30, F13

***Abstract***

*This paper is focusing on alcohol taxation in the Baltic countries. The purpose of the study is to demonstrate alcohol taxes regressive characteristics across various income groups. Alcohol taxation is rather sensitive issue in the Baltic countries – alcohol consumption level is relatively high and public sector revenue depends significantly from alcohol related taxes. Therefore, a system of alcohol taxation in the Baltic countries should consider multiple aspects, such as taxation's social impact, public sector revenue and other theoretical foundations for allocating alcohol taxes over different income groups. Paper's statistical analyses is conducted on the basis of a consumer survey, carried out in all three Baltic countries during 2015-2016. As the study results demonstrate, alcohol taxation is regressive in the Baltic countries and the future tax policy should consider the above-mentioned taxation principles.*

**Keywords:** *alcohol taxation, tax burden, tax progressivity*



# TOURISM



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## **FORECASTING TOURISM DEMAND – THE CASE OF THE CITY OF RIJEKA**

Original scientific paper  
UDK: 005.521:338.48  
JEL classification: L83, Z32

***Abstract***

*Tourism demand, as a set of goods and services people consume during their travels, greatly affects tourism development in a destination. Hence, forecasting tourism demand is the subject of numerous studies in the field of tourism. Many of these studies use a time series analysis approach to examine tourism demand, foremost through tourist arrivals but also through the number of overnights and tourist expenditure. The purpose of this paper is twofold: to examine trends in tourist arrivals in the city of Rijeka, Croatia over the last ten-year period and to forecast tourist arrivals in the near future. The time series analysis method is applied to this end, with tourism demand being measured by the overall number of tourist arrivals. The research findings provide deeper insights into, and a better understanding of, tourism demand forecasting as a factor of efficient tourism planning.*

**Keywords:** *tourism demand, forecasting, destination, tourism development*

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**ASSESSMENT OF TOURIST GROUPS VISITING A  
REMARKABLE INTERNATIONAL SKI TOURISTIC  
CENTRE**

Review

UDK: 338.48:796.9(436)

JEL classification: L83

***Abstract***

*My essay is the third part of the survey which analyses the tourism of Austria and are systematically based on each other. My present survey is the result of the research and market research which was conducted at the beginning of February 2014. Timing and the ski region Obertauern made us possible to study the operation of the sub-branch in weather conditions which are characteristic of the main season in an internationally recognised ski resort. First of all, I wanted to find out the size of the area is that is affected by the demand of the destination, how long tourists stay in Obertauern, which accommodation they choose and what inspires them to opt for this ski centre. In addition, I analysed the basic difference between the possibilities offered to domestic and foreign tourists. As a final conclusion I was interested in the issue if there are any differences between the Austrian destinations which were analysed before and the currently studied destination.*

***Keywords: ski, Austria, destinations***

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## **TERRITORIAL COOPERATION FOR THE DEVELOPMENT OF NAUTICAL TOURISM IN THE SOUTHERN BALTIC RIM**

Review

UDK: 338.48:797.1

JEL classification: Z32, O10

**Abstract**

*The main aim of the article is to present the results of the analysis concerning the role of territorial cooperation in the development of nautical tourism in the Southern Baltic rim. The Member States of the European Union have the opportunity to obtain financial support for the implementation of various types of projects. Many projects are realized in the cross-border, transnational and inter-regional cooperation. Examples of such projects include activities aimed at popularizing cross-border water areas, building new yacht ports and modernizing and developing existing port infrastructure. The aim is to increase the competitiveness, cohesion and sustainable development of the South Baltic Sea Region, as well as strengthening the integration of people and institutions. The analysis presents two international projects: MARRIAGE and South Coast Baltic implemented by states located in the Southern Baltic rim to develop nautical tourism in this area. The article also highlights the selected aspects of managing European programs and projects.*

**Keywords:** territorial cooperation, nautical tourism, management

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**GENERATION INVESTIGATIONS IN THE  
WELLNESS TOURISM IN HUNGARY**

Original scientific paper

UDK: 338.48-6:615.8(439)

JEL classification: L83, I10

***Abstract***

*In the initial phase of our research we investigated the spectrum of health tourism. We reviewed the related international reference literature and its conceptual development. We conducted a large sample survey based on Ardell's model for the analysis of the Hungarian wellness tourism. Our research results showed significant differences in the wellness habits of the different generations. Due to this we paid special attention to Generation Y. Using our primary and secondary research work we investigate that to which extent does the wellness philosophy apply to Generation Y of the Hungarian wellness tourists. The results of our questionnaire survey may contribute, as a guide, to the deeper knowledge of the relation of the inland tourists from the Hungarian Generation Y to the wellness and their needs. We model our empirical research results in an innovative way using the five love languages, which may be a practical guide for the providers to raise the interest of and address Generation Y in wellness facilities. According to our observation this may contribute to the reinforcement of the individuality of the wellness providers. Due to this the service is coupled with such a unique function which makes the provider unique and its service can appear on the market as a Unique Selling Product.*

***Keywords: wellness models, Generation Y, five love languages***



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## **REDESIGN OF SEAPORTS MANAGEMENT MODEL FOR THEIR TRANSFORMATION INTO PROFITABLE CENTERS**

Review

UDK: 656.615:005

JEL classification: L92, M10

***Abstract***

*Seaports and port systems have become the center of modern transport systems nowadays. For each country, including the Republic of Croatia, the development of ports and port areas is determined by the growth of economic activities with multiplier effects on the whole economy. The port authority is a public institution that is responsible for port management. The question is how to transform the seaport model management into a profitable entity and maximize its benefits for all stakeholders in a particular port area. Thereby, the financial capacity of the port authority is one of the major keys of the management factors that determine how the port authority can achieve its own goals and optimally perform their function. It follows that the profitable operation of the port authority is one of the fundamental elements for the optimal functioning of the whole port system.*

***Keywords: seaport, mangment, profitable***

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## **APPLICABILITY OF AMERICAN WELLNESS RESEARCH METHODS IN CASE OF CENTRAL- EUROPEAN COUNTRIES**

Original scientific paper

UDK: 338.48-6:615.8(439)

JEL classification: L83, Z31

### ***Abstract***

*The last two decades experienced an explosive development in health tourism in Hungary, which also implied the rapid transformation of the offers of the wellness services. After the overview of the theoretical and conceptual background of the health tourism and wellness we conducted a questionnaire survey based on Ardell's model, which showed significant differences between the different generations, particularly in case of Generation Y. This result induced us to pay special attention to the young. Several American researches investigated the health conscious lifestyle of the youth along the wellness philosophy. Based on these we established our models aligning to the Central European peculiarities then we conducted questionnaire surveys at college institutions of some Central European countries. In our work we present the results of the research, that is the general well-being feeling of the young along the holistic wellness philosophy. The practical applicability of the research lies in that it provides a guideline for the examined age group with regard to what areas of the wellness lifestyle have any deficiencies and where does one need to change in the lifestyle for a healthier life. This leads to a kind of balance which provides the fulfilment of the 'body-soul-spirit holistic model' in the individual's professional and private life.*

**Keywords:** *wellness, holistic model, Generation Y*

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## SYSTEM DYNAMIC MODEL OF MARKETING IN HOTEL COMPANY

Preliminary communication

UDK: 339.138:640.4

JEL classification: C61, C63, L83, M31

**Abstract**

*The subject of this paper is qualitative as well as quantitative system dynamics modeling of the marketing department in a hotel company. It is known that there is an increasing number of tourists in Croatia and also that in some regions hotel capacities are insufficient so hotel management has a major challenge to make decisions about increasing hotel capacities. The dynamic model, in this study, is oriented towards building new hotel capacities according to the increased demand. The paper describes a dynamic model of the marketing department of the hotel company that allows simulation of its dynamic behavior. The dynamics of events and the complexity of the process in the hotel company and the marketing department are shown with mathematical model, mental-verbal model and flow charts. The graphic of the system dynamic structural model of marketing department illustrates the important factors influencing the discrepancy between the desired and actual hotel capacity and between supply and demand for hotel capacities. The mathematical model enables practical insight into the dynamic behavior of the observed system, i.e. the analysis of the marketing department of hotel company and observation of mutual correlation between input, output and internal variables of processes occurring in the observed system.*

**Keyword:** system dynamic model, hotel company, marketing



**TRADE**



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## ANALYSIS AND PROSPECTS OF DEVELOPMENT OF WINE EXPORT FROM PREFECTURE OF DRAMA

Review

UDK: 663.2:339.564

JEL classification: L66, Q11, R38

***Abstract***

*One of the reasons of the crisis we are experiencing today is the dramatic reduction of the primary sector. However, in regions such as the prefecture of Drama, there is the possibility of developing and strengthening of the primary sector in the wine domain. This study presents the development of wine industry and its recent export activity. More specifically, it analyses the wine domain existing situation in the prefecture of Drama and the export activity from 2009 to 2015. There is a trend going around favoring extroversion in the Greek winemaking industry after the advent of the economic crisis in Greece in 2009. It also analyses the wine sector's existing situation in global, national and regional level, especially in the prefecture of Drama. The survey highlights useful conclusions concerning the production, the consumption, the stocks, the imports and exports of wine and the obstacles encountered in the export activity.*

*Moreover, the dynamics of Drama's winery and activity, including wine exports for the six years 2009-2015 both to the EU countries and with the third countries after the collection of secondary data, are presented and analyzed. Finally, it presents the export activity of prefecture of Drama in comparison to domestic/national export activity is also analyzed for the same period of time. Although the survey was conducted in a particular region, it draws useful conclusions which can be exploited for generalization in future work.*

***Keywords: Wine exports, Drama's wine exports, Wine market***



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**BOSNIA AND HERZEGOVINA'S FOREIGN  
TRADE: SOURCE OR BARRIER FOR ECONOMIC  
DEVELOPMENT**

Review

UDK: 339.5(497.6)

JEL classification: F14

***Abstract***

*Bosnia and Herzegovina (B&H) is a small and open country where foreign trade plays an important role. Unfortunately, we have a continuous foreign trade deficit. As it is known, export growth as an autonomous component of aggregate demand, has a multiplicative effect on the growth of national income, but in open economies foreign trade effects on income depend also on marginal propensity to import. Export to foreign markets for many domestic companies is difficult due to their low competitiveness and many non-tariff barriers. Main characteristic of B&H foreign trade, except continuous deficit, is also having European Union (EU) as the most important trading partner. What can be done to improve our position in international trade? The countries in the region have expressed their aspiration to join the EU by CEFTA and Stabilization and Association Agreement (SAA). Integration is intertwined with trade-relations. So, how Adopted SAA that entered into force on February 1, will affect our foreign trade balance? Will it stabilize our economy and be a development basis, or will it put B&H exporters in even harder position? Progressive liberalization may have unintended consequences. Analysis of B&H foreign trade in the light of the EU association process, indicators of production and geographical structure and suggested answers on mentioned questions are given below.*

**Keywords:** *foreign trade, deficit, Bosnia and Herzegovina*

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## **THE DETERMINANTS OF HIGH-TECHNOLOGY EXPORTS: A PANEL DATA APPROACH FOR SELECTED OECD COUNTRIES**

Preliminary communication

UDK: 339.564:004

JEL classification: O30, O40, L63, F14, C33

### ***Abstract***

*This paper uses a panel data approach to analyze the determinants of high-technology exports in selected OECD countries between the years 1989 to 2015. We used High-technology exports (current US\$) as dependent variable and FDI (foreign direct investment), patent application of residents, GDP growth rate and Gross capital formation - % of GDP as explanatory variables. The export structure of countries is increasingly moving towards technology-intensive products such as ICT (information, communication technology), aerospace, computing and office equipment, electronic, chemical products, pharmaceutical electrical machinery. The Export structure had an important role in the economic growth theories of many countries since the 1960s, as export growth has been associated with faster productivity and GDP growth. We aimed to find out the relationship between the high-technology exports and explanatory variables which we listed for selected 14 OECD countries (Canada, Denmark Finland, France, Germany, Israel, Korea, Netherland, Norway Switzerland, Sweden, Turkey, UK, USA).*

**Keywords:** *High Technology Export, GDP Growth, FDI, Panel Cointegration*

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## **ESTIMATING ENVIRONMENTAL KUZNETS CURVE: THE IMPACT OF ENVIRONMENTAL TAXES AND ENERGY CONSUMPTION IN CO<sub>2</sub> EMISSIONS OF OECD COUNTRIES**

Original scientific paper  
UDK: 336.226.44:614.72  
JEL classification: Q50, Q53, Q58, C23

***Abstract***

*The objective of the paper is to estimate the relationship between CO<sub>2</sub> emissions per capita, GDP per capita, energy consumption and environmental taxes for OECD countries in the period 1994-2014. To perform the above, we estimated a static and dynamic panel data models. The results show that the Environmental Kuznets Curve is verified for OECD countries, and environmental taxes have a negative impact on CO<sub>2</sub> emissions (static model). On the other hand, the consumption of energy from fossil fuels has a positive impact on CO<sub>2</sub> emissions. We conclude that while the Environmental Kuznets Curve is met, government plays an important role in improving the environment, because environmental taxes have a negative impact on CO<sub>2</sub> emissions.*

***Keywords: Environmental taxes, trade, CO<sub>2</sub> emissions, Environmental Kuznets Curve***

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## **ECONOMIC DEVELOPMENT AND INCIDENCE OF FATAL OCCUPATIONAL ACCIDENTS: EVIDENCE FROM THE SELECTED OECD COUNTRIES**

Original scientific paper  
UDK: 331.46:330.34  
JEL classification: I15, C22, J28, O15

### ***Abstract***

*Occupational accidents cause significant social and economic problems by the fatal and non-fatal injuries, and are parts of the individual and social costs of production. In this context, we explore the relationship between fatal occupational accidents and economic development for a selected 21 The Organization for Economic Co-operation and Development (OECD) countries over the period of 1995-2013 by performing panel cointegration techniques. The results indicate that cointegration relationship exists among the variables in consideration and by employing pooled mean group estimator method and the results reveal that as an indication of economic development GDP per capita is positively related with fatal occupational accidents in the short-run, however, in the long-run the relationship turns into be negative.*

***Keywords: Economic Development, Fatal Occupational Accidents, Panel Cointegration Tests***

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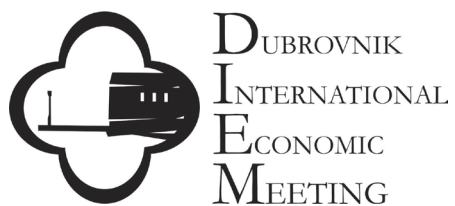
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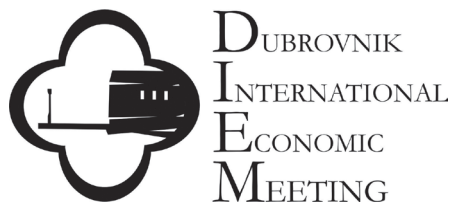
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## NOTES

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