



**University "St.Kliment Ohridski" - Bitola
Faculty of Economics - Prilep
Republic of Macedonia**



**1stINTERNATIONAL DOCTORAL STUDENT CONFERENCE
CONTEMPORARY RESEARCH ISSUES IN
ECONOMICS, MANAGEMENT AND BUSSINESS**

May 18, 2013



ABSTRACTS



Tempus



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University “St. Kliment Ohridski”-Bitola,
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THE IMPORTANCE OF RELATIONSHIP LENDING
FOR THE DEVELOPMENT OF SME`s IN THE REPUBLIC OF MACEDONIA

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Abstract

We are witnessing a period in which the world is being shocked by political and financial crisis, when large corporations are closing down subsidiaries and letting go employees and the SME`s are not exception.

As the economy slows, the banks are becoming stricter. They are lending less, usually by reserving their funds for larger companies with whom they have built long-term relations. Assessment of client creditworthiness can be performed in four categories, financial statement lending, asset-based lending, credit scoring and relationship lending. Assessments of large company are easy because they have official statements and proper collateral, but SME`s usually have lack of it. The relationship lending is based on built close relations between the bank and the company and relies on soft information, such as the owner`s reputation, society judgment etc. Relationship lending requires continual, personalized, direct contact with SME`s in the local community in which they operate. Built relations ease the collection of information and helps for better knowledge of the company`s business activities which increases the loyalty and ultimately makes credit decision easier and quicker.

Having in fact that the SME`s are the pillar of the economy, their financing is of essence for the growth of the economy and the employment. The aim of this paper is to show how important are long term relations between banks and borrowers for continuance in financing in this turbulent period, and the research should emphasize the existence of relationship lending.

The paper uses data from survey and from existing variables by loan applicants for the past 3 years in Stopanska Banka AD Bitola, and examines relations between those variables using the correlation method.

Although it is difficult to draw causal inferences from these data, existing evidence suggests that the majority of the denied credit requests are to SME`s that are not prior clients. The results show that the best way to secure future funding is to have long term relationship with the bank.

Key words: Relationship Lending, Relationship Banking, Development of SME`s.

JEL classification: L26, G21

ACCEPTANCE OF E-BANKING SERVICES FROM SMALL AND MEDIUM ENTREPRISES

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Abstract

In addition to technological development, Internet, Information systems, E-business and E-payments are becoming part of everyday life of all people. This study discusses and explores the acceptance of E-banking services as well the obstacles in the context of its usage by small and medium enterprises. The aim of this paper is to investigate the factors which influence the acceptance of E-banking services by small and medium enterprises in Mitrovica region provided by banks that operate in Kosovo. For the purposes of this study, a sample of 106 respondents was collected. With the Internet usage period, perceived ease of use; quality of the Internet and demographic factors as independent variables, this paper examines how these factors influence the acceptance of E-banking services from small and medium enterprises. Most of the small and medium enterprises of the sample were E-banking users 72.64% and 27.36% still do not use these services. Small and medium enterprises in the urban area are more likely to use E-banking services than the rural ones of this region. However variable concernedly the Internet usage period shows it is relatively important compared to the two variables as indicated by the results of the correlation coefficients.

Keywords: SMEs, E-banking, Internet, acceptance.

JEL classification: L26, G21,

MONETARY AND FISCAL POLICY IN TIME OF CRISIS. THE CASE OF THE REPUBLIC
OF MACEDONIA

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ABSTRACT

The recent economic crisis, which started as financial crisis in the United States of America, August 2007, rapidly developed in one of the most severe global crisis since 1930s. Advanced economies suffered serious disruptions in financial sector that rapidly weakened their economic fundamentals, imposing complex challenges for monetary and fiscal authorities. Responses on the crisis in these economies employed strong, diverse and often unconventional and innovative policy measures and tools, in order to prevent further sharper, negative effects on the key economic sectors. Developing and emerging economies due to relatively low level of integration in the world financial markets, mainly avoided major instabilities in the financial sector, but the negative impact on the real sector occurred inevitable.

Macedonian economy faced the effects of the global crisis primarily on the real sector, entering recession in 2009. Financial sector was relatively sound, while the threats were imposed from the greater external vulnerability of the economy. This paper analyzes monetary and fiscal policy responses from the beginning and during the crisis, their impact on the financial and the real sector, as well as their overall effects on the output and economic activity in Macedonia. It also focuses on the coordination capacity and complementarities of the key macroeconomic policies in time of crisis. The role of the constraints - exchange rate regime, the current account balance, the public debt - is also explored. These analyses reveal the capacity of the monetary and fiscal policy of the country in undertaking measures that prevent adverse effects on the financial and real sector. It also detects and point out the weaknesses, constraints, challenges and recommendations in the conduct of the key macroeconomic policies in the time of global economic crisis.

Key words: global crisis, recovery, monetary policy, fiscal policy

JEL classification: E61, E62, E63,G01

ANTECEDENTS AND CONSEQUENCES OF ORGANIZATIONAL COMMITMENT: A REVIEW OF LITERATURE

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Since the introduction of human relations school of thought by Elton Mayo, the relationship between management and employees has played an important role in both academic and business world regarding the performance of the organizations and turnover intentions of employees. In previous research, organizational commitment, one of the important concepts regarding the attitudes of employees towards their organization, is found to have a significant relationship with and also affect on the performance of organizations and intention to leave. Consequently, the antecedents of organizational commitment are also important aspects of employee-organization relationship. In the extant literature variety of antecedents for organizational commitment was introduced. Some of the common antecedents to be found in the literature are organizational trust and justice, tenure and work values whilst the consequences are mainly increased employee performance and motivation, lower turnover intentions and organizational citizenship behavior. On the other hand, the concept of job satisfaction is found to be both an antecedent and a consequence for organizational commitment in the literature. The aim of this study is to compare and contrast the findings of the studies in extant literature regarding the antecedents and consequences of organizational commitment in detail. To reveal the specified antecedents and consequences of organizational commitment in the extant literature, a detailed review of literature will be made specifically on this topic. The study is expected to reveal the most commonly found antecedents to and consequences of organizational commitment by the end of research. The research will be carried out by analyzing research papers/articles found in literature. The results of this research are expected to reveal the common antecedents and consequences of organizational commitment and allow the audience to have an idea about the relationship between concepts involved.

Keywords: Organizational commitment, antecedents and consequences, employee, performance, turnover

JEL classification: L29, J24

INTERNET, E-COMMERCE AND SOCIAL NETWORKS AS A CONDITION FOR BUILDING ICT INNOVATION IN THE ORGANIZATION

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Abstract: Internet, e-commerce and especially social networks attract a huge number of visitors. Furthermore, they are spreading rapidly and many of them cater to a specific segment of the population (e.g., music lovers, travelers, car fans, etc.). A large proportion of the visitors are young, but in the future that will change. Many believe that the social networks, blogging and internet will play major role in the future e-commerce. This opens the door for several ICT innovations in the organization.

The innovation has the central importance for survival of the organizations in the rapidly changing competitive environment by changes and developments on products, services, sales and manufacturing processes. The perceived importance of innovation for long-run economic growth is such that many governments have introduced new policy targets for research and development (R&D) expenditures. It becomes clear that ICT and business innovation are closely coupled and the ability to capture the opportunities of innovation are contingent on approaches to investment and management of ICT capability.

Connection with social networks and ICT innovations is one of the most important achievements for development the organization.

The paper reviews one of the important fields of study in contemporary economy—social networks, internet and e-commerce in the sphere of ICT innovation in the organization. Besides basic theoretical and methodological conceptions in studying that originate from general knowledge and special economy disciplines most important fields of study of social networks, internet and e-commerce in ICT innovation in the organization are presented. Some influential studies are analyzed; some key weaknesses are pointed out, as well as possibility of their future development.

Key words: social networks, internet, e-commerce, innovation

JEL classification: O32, M20, M1

THE IMPACT OF THE EUROPEAN DEBT CRISIS ON THE MACEDONIAN REAL ESTATE AND FINANCIAL SECTOR

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ABSTRACT

The large debts, unproductive spending, high budget deficits and low economic growth, have generated a debt crisis in some countries in the Euro zone, which had implications on the overall financial system of Europe and wider. The emerging of the European sovereign crisis conducts some serious issues to European financial and real estate sector. The negative effects of the European debt crisis are quite large, considering that the crisis has emerged as an accumulation of global economic crisis from the 2008.

The aim of this paper is to analyze the effects and the consequences from the contemporary sovereign crisis on the Macedonian financial and real estate sector. The basic research goal of the paper is to analyze the actual conditions in the Macedonian economy, and to suggest some solutions for macroeconomic and microeconomic activities to overcome the situation. The research, at first, investigates the impact of the crisis on the Macedonian financial sector, analyzing the structure and the resistance of the financial sector in the Republic of Macedonia. Regarding the impact of the crisis on the real sector, the interdependence between the Macedonian and European trade, and the structure of export and import of the Republic of Macedonia, is going to be analyzed, in order to fulfill the research goal. The basic methods, used in this paper are: analytical method, applied research method and descriptive method. This paper should give clear signals to the macroeconomic and microeconomic policy makers how to deal with the problems, how to stabilize the financial and real estate sector, and how to generate growth

Key words: European sovereign debt crisis, budget deficit, trade deficit, capital adequacy ratio, fiscal policy.

JEL classification: H50, H63, E62

A WAY AHEAD FOR THE MACEDONIAN TOURISM INDUSTRY: FROM
TRADITIONAL TO DIGITAL BUSINESS MODELS

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This paper explores the possibilities for Macedonian tourism to fully extend the offer of tourist experiences online. It focuses on the differences and similarities between the traditional and the digital business models in the tourism industry in Europe with Macedonia in the focus. The paper will be combination on secondary data analysis as well as the grounded research theory approach on available case studies on European tour operators. The research work anticipates development of case study of Macedonian online tour operator Exploring Macedonia. The paper will focus on the benefits from the service digitalization of the tour operators. The research aims at producing recommendations for the Macedonian tourism industry and their future integration in the wider digital networks that successfully operate in Europe.

Keywords: *business model, digital business model, tourism, network, cluster*

JEL classification: L83, Z18

MICROINSURANCE: A NEW RISK MANAGEMENT TOOL

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Poor people are exposed to different types of risks, which impact on their financial condition. Since the last decade, a new risk management tool has been promoted worldwide, called microinsurance. This new kind of insurance can improve the well-being of the poor. The aim of this paper is to present the characteristics of this new tool in order to become familiar to a wider population, as it will become a part of our society. The main study is based on desktop research, which included a lot of recent research papers and case studies, as well as reports of many international institutions that are involved in the process of international promotion of microinsurance. The goal of the conducted research is presenting microinsurance benefits for the poor population in Republic of Macedonia, and also for the insurance industry itself. Firstly, the research results are expected to show that microinsurance is an inefficient strategy tool for coping with risks intended for poor people. On the other hand, introducing microinsurance in insurance companies allows them to reach an untapped market. It is expected, that this paper will provide ideas for introducing this new risk management tool in our country, which is also a recommendation of the International Association of Insurance Supervisors and European Commission.

Keywords: microinsurance, risk management, poor people, insurance company, risk management tool.

JEL classification: G22,O10

THE PROCESS OF KNOWLEDGE MANAGEMENT AND ITS IMPACT OF A SMALL AND MEDIUM ENTERPRISES AND MARKET DEVELOPMENT

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Abstract

This paper explains the meaning of the term of the knowledge management and what is the process of knowledge management. Also it will be explained why process of knowledge management should be implemented in the small and the medium enterprises and what kind of benefits these enterprises will get if they implemented this process.

The aim of this paper is to contribute for raising the awareness of the small and the medium enterprises for appreciation of the knowledge which they possess and the importance of efficient and effective managing with it.

After the theoretical research, the practical research will be done in the small and the medium enterprises in the Republic of Macedonia. The main research goal is to get perception of familiarity of the process of the knowledge management in the enterprises and its use.

The practical research will be done with questionnaires. The methodology of the research will be with going into the topic with general questions, and then with specific questions with which we can go deeply in the problem and discover the real situation in the enterprises about the knowledge management and its impact of the improvement, profit and market development in the enterprises. The information of the research will be processed with SPSS, the statistic software application.

The expected results are that the enterprises of the Republic of Macedonia do not pay enough attention of the impact of the process of knowledge management of their progress in the way of working and development of the new markets. This is the main hypothesis, we will see if this hypothesis is true after getting and processing the results.

Key words: knowledge management, small and medium enterprises

JEL classification: L26, D83

PROBLEMS ON PRODUCTION AND PRODUCTIVITY IN MEAT *FILIERE* IN ALBANIA

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Abstract

Background: The livestock products sector is considered a priority in Albania, since Albania has quite optimal conditions for livestock breeding. Nevertheless, production and productivity in this sector are quite low. This situation is determined by the fact that livestock production farms have as main objective milk production. The meat production represents a secondary objective. In this context, the support of the meat production industry and the good management of value chain are two fundamental problems.

The paper is focused on a particular value chain (meat *filière*). International experiences have often demonstrated that chain analysis can be important tools in efforts towards the enhancement of performance of agricultural, food and fiber systems (Da Silva, *et al.* 2007).

Purpose: To identify the factors that affects the production and productivity in meat *filière* in Albania. This assessment, among others accomplishes these objectives: (1) to identify factors that affect the efficiency and the competitiveness of the chain; (2) to contribute to the improving of the economic and financial performance of the parties involved in the chain; (3) to contribute towards a permanent dialogue between stakeholders in the chain and public policy makers; (4) to propose a series of recommendations for public and private sector.

The applied methodology/approach included: intensive expert talks with Ministry of Agriculture, Food and Consumer Protection staff; individual meeting with leading representatives of the meat processing industry (including visits of slaughterhouses); representatives of associations, traders and importers; farm visits; focus group meetings in all major geographical areas.

In order to make this study transparent the authors are focused on cattle, sheep, goats, pigs and chicken only; other animal origin sectors (horse, goat, buffalo, ostrich etc) have not been included.

Findings: Value chain analysis highlights significant opportunities to improve the performance, profitability and relationships of actors in meat *filière*.

Keywords: *filière*, value chain, production, productivity.

JEL classification: Q12,Q18,

THE INFLUENCE OF THE ENTREPRENEURSHIP DEVELOPMENT ON THE INNOVATION PROGRESS

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Abstract

The purpose of the paper is to examine the influence of the entrepreneurship factors on the innovation progress in Macedonia. The paper at first explores the innovation progress of Macedonia in comparison with other SEE countries and then it tries to find if the determinants of entrepreneurship such as: regulation & taxes, permits & licenses and access to finance, stimulates / underpins the level of innovation in the country. The data analysis is conducted based on the OECD indexes for measuring entrepreneurship and the indicators for measuring innovation according to the World Bank ‘DoingBusiness’ reports and databases. Descriptive and regression analysis together with multiple country analysis with their variety of statistical techniques are used since their common objective is to represent a broad set of variables in terms of a smaller number of hypothetical variables. Although comprehensive understanding is still lacking concerning the interface of entrepreneurship, innovation and growth, the findings show that there is a relationship among the entrepreneurial determinants that impact on the job creation and economic growth and innovation development in Macedonia.

Key words: entrepreneurship, innovation, economic growth

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JEL classification: L26, O31,

THE IMPLICATIONS OF DIGITAL TECHNOLOGY ON THE LABOR MARKET – CASE
STUDY FOR MACEDONIA

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Abstract

The aim of this paper is to analyze the development of digital technology and its implications on the labor market. The consequences of digital technology can be detected such as changes in structural employment in the specific economic system. The development of new technologies generates new jobs, which are in continuity with progressive changes in the information society. On the other hand it causes unemployment in those industries which become less attractive or they are already adapted to these digital streams where information technologies have already been implemented. In this context, we will apply the Schumpeter's hypothesis of „creative destruction“ as a theoretical concept that explains these patterns. Furthermore we will elaborate the impact of digital technology on the Macedonian economic system as well as the consequences that affect the labor market performance. For this purpose we will use scientific methods of comparative analyses, literature review, internet research, graphic analyses, etc. Finally we will present conclusions and purposes policy, recommendations that will promote more balanced economic development.

Key words: digital technology, creative destruction, labor market, unemployment

JEL classification: J40, M15

COOPERATION – A WAY OF INCREASING THE EXPORT PERFORMANCE OF COMPANIES - REVIEW OF MACEDONIAN COMPANIES

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ABSTRACT

Foreign markets entry mode decision is usually a very significant decision for the company because it has far-reaching consequences on a firm's performance and survival. Entry mode is one of the most critical strategic choices, because it affects the firm's future decisions and operations, growth and development. Once the firm has decided to enter a foreign market, it has to select an appropriate mode of foreign entry.

Cooperation, as an entry mode represents one of the most important strategic decision for a firm seeing to internationalize its operation. Companies located in a small industrial district such as Macedonia have limited resources, limited finance and they can't afford mistakes in the performance of foreign markets. These types of companies have low level of performances, so an insufficient or wrong mode of entry decision will mean at least quite difficult future company performances or in other words company liquidation. It shows that the entry mode selection is therefore, a very important and it's one of the most critical strategic decisions for the firm.

The main objective of the paper is to outline and discuss the relevant Macedonian issues and challenges from a theoretical viewpoint related with the possible entry modes into international and global markets. Macedonian companies are not able to make any further more complex market research since they have limited financial resources. Therefore, the mutual cooperation between the Macedonian companies is needed for better presentation in the foreign market. This cooperation should vary in multiple spheres despite the company differences, starting from joint market research ending with joint company performance in foreign markets.

Expected outcome of this research is an outline of the positive sides of the cooperation that will be defined with analyzing some international experiences and create an attractive entry model for Macedonian companies. In reviewing the current state of the Macedonian economy I will try to build a framework and show the best form of cooperation for successful appearance in the foreign markets.

Keywords: cooperation, limited resources, foreign market entry mode.

JEL classification: D70, F23

CAUSAL RELATIONSHIP BETWEEN WAGES AND PRICES IN R.MACEDONIA:
VECM ANALYSIS

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ABSTRACT

In this paper the issue of causality between wages and prices in the Republic of Macedonia has been tested. OLS relationship between prices and wages is positive; productivity is not significant in determination of prices or wages too. The relation (causation) between these two variables is from $\log\text{CPI} \rightarrow \log(\text{average})$ real wage, but also granger causality test proved that there exist causation in opposite way also from average wages to CPI, and also productivity even though insignificant in the OLS regression, causality test proved that productivity does granger cause average real wages, and does not granger cause CPI. While CPI granger cause productivity at some level of statistical significance ($\text{prob} > \chi^2 = 0.122$). Engle-Granger test proved that variables of interest CPI and average real wage are cointegrated, i.e. there exists long run relationship between those variables, when first differenced. While, their levels are not cointegrated. ARDL regression proved that between CPI and average real wage there exists almost significant long run relationship ($t_{\text{stat}} = 1.60$), and coefficient is of size 0.3353 at one lag. Unit root test showed that CPI and average real wage are I (1) variables. Johansen's test of cointegration showed that we cannot reject the null hypothesis of having rank 1 ($\text{rank} = 1$) and therefore the number of cointegrating vectors is one. Optimal number of lags according for VARs and VECMs is 1. From the VECM model we can see which variable responds more if there is shock in the system, and it seems that average real wage responds more on the shock in the system.

Keywords: Granger causality, wages, prices, cointegration, VECM

JEL classification: C50, E31

COSTS AND INVESTMENTS FOR INFORMATION SYSTEMS IN SMALL & MEDIUM ENTERPRISES

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ABSTRACT

Assessing of costs in SMEs is a difficult endeavor. There are several factors that contribute. Many of these factors are of a technical nature, such as development costs or integration costs. A substantial part of the costs are caused by organizational factors such as changes in the introduction of an IT system on business processes or the cost of training system of employers and employees in SMEs.

This paper proposes analyze for IT cost & investment. Integrates factors by existing IT costs estimation, frameworks to be able to take into account technical and organizational factors related to IT costs in SMEs. That assists in quantifying of these factors together with the costs that affect to investment decisions. The paper also describes the usefulness of methods for evaluation of investments in information systems implemented in SMEs.

KEY WORDS: Costs, Transformations, Factors, Investments, Methods

JEL classification: L26, M15

THE INFLUENCE OF PROJECT MANAGEMENT SOFTWARE APPLICATIONS
IN ENTREPRENEURSHIP DEVELOPMENT

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ABSTRACT

Generally, small businesses are one of the key engines of growth (in many developing countries) contributing to employment creation. In this paper, it is argued that SMEs cannot grow or succeed unless they are entrepreneurial and uses information technology. Also, main emphasis is placed on the development and entrepreneurial behavior in small businesses which tends to achieving growth in Western Balkans countries.

Emerging business patterns in Macedonia show that small businesses will continue to be the source of jobs and growth in the economy. Many activities have been undertaken and are associated with small businesses, such as finance and access to them, market information, managerial skills, implementation of information technology, software's and etc. So, this paper provides a description and analyses to entrepreneurship where using software applications for management projects in SMEs are the underlying factor to the development of any business.

KEY WORDS: Software Application, Project Management, IT, Entrepreneurship, Business Development

JEL classification: L26, M15

THE NEW ROLE OF HUMAN RESOURCE MANAGEMENT

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ABSTRACT

Academic writers argue that employees should become a company's core assets in company consequently, the HR department would need to take on a central role in assisting the company to fulfill its highest-level strategic objectives. However, to transform these ideas into reality has never been easy. As a result, the HR departments in most companies remain focused on administrative and operational tasks. The overall aim of this research is to analyze whether Strategic Human Resource Management is as a competitive advantage in retaining and motivating employees, and has positive impact on the overall company's improved performance. The research objectives are to describe major themes that emerged from the research which are important items for consideration in the development and implementation of the new role of management, to analyze the human resource policy patterns and strategic management of two different organizational performances, to describe the latest trends and developments in HR functions highlighting the significant role that employees play in organizational performance. The research topic is presented as a structure, which will compare IPKO Telecommunication Company in Kosovo with Primo Telecom Company in Albania, with the literature on the subject of Strategic Human Resource Management. The study approach adds depth to the paper, introducing real life scenarios, presenting how companies embrace the change and react to them. The research designs and executes a quantitative and qualitative evaluation, discusses the effectiveness of a HR functions, and proposes possible future improvements to the HR system. The analysis of major themes that emerge from the research, are the important items for consideration in the development and implementation of the new role of management, the SHRM, and areas for possible future improvements to the HR system in Kosovo companies. This entire study intends to broaden the field for the potential use of tailored SHRM.

Key Words

HR: Human Resource; HRM: Human Resource Management SHRMs: Strategic Human Resource Management

JEL classification: O15, M12

TRADE DEFICIT OF THE REPUBLIC OF MACEDONIA REFLECTION OF THE
STRUCTURE OF ITS ECONOMY

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The purpose of this paper is to present the most important movement and structural features of the economy, i.e. the foreign trade exchange and the deficit that Macedonia has continuously for a longer period of time. The analysis in this paper will address the trends in global trade and general trends in the foreign trade of the Republic of Macedonia in the first part, then draw to structure of the economy in general, economic entities, import dependence, problems in the production and value of final products, so at the end it will give a recommendations for further action to reduce trade deficit in foreign trade. Scope of this research will also analyze the needs for new investments in business entities for the achievement of the required asset that can, and should be further affecting the reduction of the trade deficit in the trade in general. Also in this paper we give a review of the policies undertaken by the state to improve the performance of its own export or promotion of exports of Macedonian products.

Keywords: foreign trade deficit, import, export, economy, investments.

JEL classification: F13,F14,F15

SUPPLY CHAIN MANAGEMENT AND ITS IMPLEMENTATION IN THE ORGANIZATIONS IN MACEDONIA

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Abstract

Global expansion, sourcing, rapid growth, and partnership, are some of the world’s emerging trends for which every organization is striving and they can be achieved by following the “right” strategy. One world-wide concept is the supply chain management. The importance of this concept results from the need for maximization of customer’s satisfaction and value, sustainable competitive advantage, effective coordination of all the activities involved in their operations, from product design to product delivery.

Its complexity and difficulty to implement have great influence on the organizations in Macedonia. Additionally, since Macedonia is a relatively small and undeveloped country, organizations are fighting back the supply chain implementation given that information must be shared with the other parties involved to assure its effectiveness. All this results with low level usage of the supply chain management by the organizations in Macedonia.

The purpose of this research is to explain the concept of supply chain management and the opportunity for its implementation in Macedonian enterprises. To fulfill the purpose of the research, several goals must be completed: to define supply chain management, to determine the advantages from its implementation and its impact on organizational performances and to analyze the opportunity for its implementation in Macedonian enterprises. The research is based on qualitative approach, and uses the methods of analysis, synthesis, induction and deduction. Our expectations are that supply chain management has a positive impact on organizational performances and implementation of this concept can help Macedonian enterprises achieve better business results.

Key words: supply chain management, competitive advantage, organizational performance;

JEL classification: L29, M10

REGIONAL DEVELOPMENT ECONOMIC DETERMINANTS IN INDUSTRIES OF
WESTERN BALKANS COUNTRIES

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Abstract

Industrial policy is, above all, aimed at both enhancing industrial growth and overall regional development and creating conditions for the realization of industrialization goals in Western Balkans countries. It is of vital importance that the main goals of industrial policy are compatible with other economic and development goals of the society. Namely, industrial policy should contribute to overall economic growth, financial stability, healing of balance of payments, full employment and improvement of the quality of life in all countries of the Western Balkans. Introduction and administration of the goals of industrial policy is a very complicated task that implies taking many actions in various domains. Very important are the coordination and inclusion of a large number of institutions and optimal set up of all measures of economic policy. Application of adequate measures and instruments of industrial policy should improve the effectiveness of industry and its faster development in all Western Balkans countries.

Key words: Industry, industrial policy, regional development, economic growth, financial stability.

JEL classification: L26, O23

THE BUSINESS CLIMATE IN WESTERN BALKAN ECONOMIES: THE CASE OF MACEDONIA

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Abstract

All countries of the Western Balkan aspire to be an integral part of the European Union, among which is Macedonia. In order to fulfill the membership's conditions, the government of Macedonia has made a series of changes in its legislation and institutional system. That is, in last ten years, a variety of measures was implemented so as to improve the country's political, social and economic status. The changes in the economic sector mostly refer to the creation of a free and competitive market, the support of the entrepreneurship, and the development of the private sector with an emphasis on Small and Medium Enterprises (SMEs). A crucial aspect with respect to the size of the SME's sector in Macedonia is the positive business environment. In fact, a friendly business climate and better competitiveness will motivate enterprises to meet the new market challenges, develop and expand their production, create jobs or, ultimately, to survive different situations.

In this paper, the main research goal is related to the analysis of the effectiveness of the policies implemented in order to create an entrepreneurial environment in Macedonia. Therefore, the following research question is posed: whether the main regulatory reforms have made a better investment environment in Macedonia. The data for the research is taken from official web sites and the Doing Business Report. The results obtained show an improvement in regulatory environment. Finally, conclusions and some recommendations for policymakers are made.

Keywords: Macedonia, SME's, reforms

JEL Classification: L26,O10

THE LABYRINTH OF EXTERNAL SUPPORT TO SME'S GROWTH: THE RECENT ENDEAVOURS OF MACEDONIAN POLICY FOR REGIONAL DEVELOPMENT

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Abstract

The paper aims to assess the correlation between external support to SMEs growth and the actual growth of the SMEs in terms of employment and profit through indirect variables on regional level such as unemployment rate and GDP per capita. Before introducing the model that tests the influence of the five-year policy for balanced regional development on SMEs growth in Macedonia, an overview on recent findings related to different types of external support to SMEs growth is presented. Moreover, short summarized outline is demonstrated on the different theories on regional economic development as an overture to the model testing the effectiveness of the policy on SMEs growth. The model is expected to set two-folded results. Firstly, it opens area for researchers to test other policies and their impact on SMEs growth. Second, the results from the model testing on regional development policy in Macedonia can be used as a starting point for policy makers in the new programming process of strategy design in line with Europe2020 agenda for smart specialization strategies of the regions.

Key words: SMEs growth, regional development, Macedonia

JEL classification: M11, O20, O10

REFORM OF THE INTERNATIONAL FINANCIAL SYSTEM:
IMF CHANGES THE PATH OF THE GLOBAL ECONOMY OR VICE VERSA?

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Abstract

In the post-crisis period, policymakers around the world are looking for ways to upgrade and improve the functioning of the international financial system: to better regulate the financial institutions, to address the risks more effectively and to better actuate the economic cooperation. This paper attempts to gather information about the present efforts to reform the international financial system, with a focus on the IMF's changing role and its responses to the global economic crisis. The strong dominance of neo-liberal economic philosophy of the IMF leads to a negligence of some basic economic problems the modern economies face with, but on the other hand, the Fund's surveillance of macroeconomic issues has expanded to cover topics with a relevance to its mandate. Therefore, with well-managed reform, the Fund could play a useful role in resolving global economic imbalances. Empirical analysis is used to describe the information sources utilized, given the results of the economies of the IMF country members during and after the crisis. The main subject of this paper is the analysis of the proposals, scenarios and possible directions to reform the Fund and the prediction of its "new" role in the international monetary and financial system.

Keywords: Global economy, IMF reforms, Crisis

JEL classification: G20, F33

MANAGEMENT AND TRAINING OF WORKING GROUP INSIDE THE ORGANIZATION

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Abstract

Human resource management is a big challenge and a difficult task in the work of managers, reflects the importance of workers or practitioners as an important source for the organization. In addition, it is considered to be part of the process of fulfillment of the objectives realized through research, development and correct use of human resources inside the organization. Managers also need to know and apply what skills within the organization or institution through surveys and different standards. Management of a study on specific groups requires experience, knowledge and practical work. Based on this analysis, managers can build a development and training program in the general preparation of the working group for current and future work.

Key words: Management, Working Groups, Analysis, Organization, Development, Qualifying

JEL classification: M53, J50

THE ROLE OF SOCIAL MEDIA IN TECHNOLOGY ADOPTION THROUGHOUT THE PRODUCT LIFE CYCLE

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Abstract

Contemporary digital and Internet culture enables higher level of interactions between customers and companies, as well as among customers themselves. These trends are followed by faster technology adoption and innovation diffusion. The aim of this paper is to show the influence of social media in adopting technology during different phases of a product life cycle. Empowered by social media, customers communicate, share experiences and knowledge in their networks, and become more informed and active. Companies have to listen to their customers, to understand their needs and build close relationships with them, having in mind how to reach distinct customer types. Technology adoption life cycle, with the support of social media, can be considered as a successful management and marketing strategy tool for innovative products and services. Current literature is going to be reviewed, and suggestions for possible further research in this area will be given.

Keywords: Social media, Technology adoption life cycle, Customer innovation

JEL classification: L82, D87

AN ANALYSIS OF THE MISMATCH BETWEEN SUPPLY AND DEMAND ON THE MACEDONIAN LABOUR MARKET

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Abstract

The unemployment represents one of the crucial economic and social problems in the Republic of Macedonia. This issue is particularly interesting for academic research due to the persistence of high unemployment rate during a relatively long period of time. In addition, Long-term unemployment has significantly contributed to an erosion of skills and motivation of unemployed workers, making them less employable over time. We argue that the mismatch of the supply and the demand on the Macedonian labor market is one of the key aspects of the unemployment problem. This paper will analyze the labor supply and demand on the Macedonian labor market by emphasizing various socio-demographic characteristics. For this purpose we will use the officially published data by the Macedonian Statistical Office, as well as other academic sources. The analysis will aim to reveal the eventual existence of structural mismatch between labor supply and demand. Accordingly, we will attempt to create policy recommendations and will address several issues in terms of overcoming the mismatch between supply and demand on the Macedonian labor market.

Keywords: Labor market, unemployment, supply, demand, mismatch.

JEL classification: J22, J23

TRIGGERS OF THE SUBPRIME MORTGAGE CRISIS,
STILL NOT DEFEATED BY THE WORLD

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Abstract

The subprime mortgage crisis in the USA cascaded through the world an ambience of helplessness, dependence, inability, collateral damage and “what-went-wrong” notion in almost every citizen and entity in the world, one way or another. The principles of Trust, System, belief in the Guidance and the Rules were shattered and the existing Paradigm regardless of its name and economic theory affiliation became too metaphysical to be carried on in the future. This paper tends to point out the general triggers of the crisis, analyzed in comparison with the conservative (and, from this point in time: vigilant) approach in: Banking, Economy, Accounting and Auditing, Government, Monetary Authority and last but not least, Stock Market Instruments. I am placing under observation and examination the divergence between the actual realism of the above mentioned areas which contained the causes of the crisis and the scientific and practical reasoning and acting. This breakdown of the reasons for the subprime mortgage crisis is performed with the goal of equipping the businessman of the presence with the conviction that at least every Individual action, let alone, every Government and Authority action can and should be based on “common sense” which is, evidently, not-so-common nowadays. The capitalism in its most sophisticated and complex form showed once again its distinguishing feature – “the Selfish Individualism”, cunningly hidden under the veil of Common Welfare. When we, as “advanced” citizens of the world, are erudite of the “snowballs” and “bubbles”, of their true nature, benefits and dangers, we will be more prudent in every relation and action we take, on behalf of ourselves, our businesses and institutions, and the states we live in.

Keywords: Subprime mortgage crisis, Triggers, Bubbles

JEL classification: G15, P17

THE IMPACT OF INNOVATION IN SMES PERFORMANCE

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This paper explores the impact of innovation in the performance of Small and Medium Enterprises, by focusing on different types of innovations in order to be competitive in this dynamic world.

This paper presents the SMEs contribution in economic growth, as well as various innovation types used by SMEs to achieve business performance. A thorough research of secondary data has been undertaken for the SMEs in Kosovo. The main contributor is the Business Support Centre Kosovo, who developed a survey for 500 SMEs in Kosovo carried out in December 2011 with the aim to analyze the profile of entrepreneurship and SMEs in Kosovo. From this survey, empirical findings related to the innovation activities are presented.

The results show that based on the degree of innovation development in SMEs in Kosovo, they are focused mainly in the improvement of the existing products. The results of this paper illustrate that only 19.6% in 2010 of SMEs conducted some entrepreneurial activities during the past three years, such as creation or modification of the current products, services and processes, while in 2011, it increased to 22.1%. On the other hand, during the past three years, 15.9% of new products and services were introduced in SMEs in 2010, while in 2011 there is a decrease to only 8.5%. Another finding includes the lack of high cooperation of the SMEs when conducting innovation activities.

This study provides findings which are valid for SMEs in Kosovo, and should not be generalized to the SMEs in the region or beyond. However, more research for SMEs might be conducted in other countries to compare the results.

This paper will have significant value to the SMEs by understanding the innovation types that lead to performance.

Keywords - SMEs, innovation, business performance, economic growth

JEL classification: L20, M10

MAIN FACTORS THAT INFLUENCE FAILURE OF SMES IN KOSOVO

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Abstract

This study attempt to identify factors that are affecting business failure of small and medium enterprises (SMEs) in Kosovo. Based on the literature review on the empirical studies utilized in identification of factors that lead to success or failure by emphasis in Small and Medium Enterprises (SMEs). From the literature review, it became clear that there are a numerous advantages and disadvantages associated with operating SMEs. Recently, in developing countries Small and Medium Enterprises have the most important role of employment opportunities. Despite this fact for new opportunities for employment, economic growth, employment generation, subcontracting for larger organizations, providing new products and services, the SMEs in Kosovo have faced such difficulties, especially financing. The environment for doing business in Kosovo is such that it constrains businesses and hauls them into failure.

The methodology used in this paper is secondary data provided by Riinvest Institute, BSC Kosovo we provide that these possibilities for funding are very difficult to build the capacity of enterprises in Kosovo. This statement derived from the fact that interest rates of commercial bank-the main source of financing are very higher and often unaffordable by enterprises in general.

This study intends to fill the gap in studies on factors influencing SMEs failure in Kosovo and also to provide the understanding on helping people to reduce the risk of failure and increase chances of success.

Key words: success, failure, Small and Medium Enterprises, environment, factors, finance, economic condition, Kosovo.

JEL classification: L26, G21, O44

THE POTENTIAL ADVANTAGES AND DISADVANTAGES OF CONTRACT FARMING

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Abstract

In most of the Albanian regions, the relationships among suppliers, farmers, and intermediaries are not based on formal contracts. Usually input suppliers and intermediaries act in their own interest only, without considering the long-term business relationship aspect with the farmers. In this context displayed the need of an instrument that could integrate the farmers vertically in the value chain. One of the well-known ways of vertical integration is contract farming. Furthermore, farmers are increasingly facing with high cost of production. As a result, the main purpose of this paper is to deal with the problem of agricultural inputs at the farm level, in the context of the profitability of the use of these inputs and making evident some potential advantages and disadvantages of contract farming. In order to reach this purpose, this study is based on primary and secondary data. The primary data have been collected through focus groups and in-depth interviews with farmers and input suppliers in the rural area of Grabjan in Lushnje. The secondary data have been secured by previously conducted studies such as the statistical yearbook of the Albanian Ministry of Agriculture Food and Consumer Protection (MAFCP), which offer the prices trends of the input and output at the farm level.

This paper suggests that farmers of Grabjan area should integrate vertically by establishing contracts especially with intermediaries, who can provide for them also inputs. Farmers' participation in contracts provides them with several advantages such as reduced risks, financing opportunities, access to market information, increase revenues, etc.

Keywords: Contract farming, agricultural input, financial profitable, economic profitable.

JEL classification: Q10, G20

SUPPLY CHAIN MANAGEMENT –A COMPETITIVE ADVANTAGE FOR
SMALL AND MEDIUM ENTERPRISES (SME’S)

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ABSTRACT

The purpose of this study is to present the development and applicability of supply chain management practices in Small and Medium Enterprises (SME’s). Effective supply chain management (SCM) has become a potentially valuable way of securing competitive advantage and improving organizational performance since competition is no longer between organizations, but among supply chains. Literature has been reviewed to identify some of the critical success factors and challenges that SME’s faced by adopting SCM strategic advantages. The results of this study illustrate that SCM strategies are tremendously important for the SME’s in order to remain competitive and profitable. In this paper, we will first analyse the concept of SCM in general and then explain its application in the case of SME’s.

Keywords: Supply Chain Management, Small and medium enterprises (SME’s), competitive advantage.

JEL classification: L81,M20

RECONDITIOTNS THAT ENABLE SECURITY ENVIRONMENT IN ELECTRONIC COMMERCE

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Abstract

Electronic commerce now and in the future will be an attractive topic, as shown by the fact that more and more companies have their own sites through which advertise, receive orders and charge and so on. The biggest dilemma for buyers is that how safe online shopping is? And the biggest challenge for the vendors is to provide security for the buyers when they are buying online. This paper handles exactly the preconditions that enable security in electronic commerce. The aim of this research is to show which are the preconditions for security e-commerce are and how much they are implemented in our country. This descriptive research paper will help both buyers and sellers for constructive security environment in electronic commerce.

Key words: electronic commerce, preconditions, security, buyers, sellers.

JEL classification: M15, O30

BUSINESS INCUBATOR AS AN ECONOMIC DEVELOPMENT STRATEGY: CASE STUDY OF BUSINESS INCUBATOR IN BITOLA

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A business incubator is a fertile environment for start-ups and entrepreneurs to transform their ideas and innovation into self-employment and growing companies. Entrepreneurs and small businesses receive support and guidance to be able to start up their business concepts, operate effectively and be competitive on the market.

Business Incubator from strategic point of view supports diverse economies, new technologies, job creation and sales increase. The aim of this paper is to present the support of business incubation – business planning, consultancy, financing, technology transfer, networking to SME's. It will be presented through the process of establishment and growth of companies and analyses of empirical data collected in 2 year period of implementation of project for SME support in the Pelagonia region. Furthermore, the experience and achieved results of the existing incubator model in Bitola can serve as a tool for local and national economic development. The expected outcomes of the study supports the facts that the quality initiatives and careful planning of incubator may present a pathway to stimulate an economy and in particular to transfer the international donor experience in local environment. The findings of this case study can help policy makers, local governments, practitioners to increase their knowledge for SME support and implement the already proven incubator program.

Business incubator, business support, economic development strategy

JEL classification:R11, D85

IMPLEMENTING CONTEMPORARY SOLUTION TO SMEs MARKETING

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Abstract

Decreasing the level of marketing expenditures becomes an important task, especially in the time of economic crisis. Although small and medium enterprises are more flexible in changing the business processes and they can easily adapt to the new conditions, still they are not immune to the bigger impact coming from the outside as well as the other things they cannot control. But there are some things which can be controllable by the SMEs, and that are related to the marketing expenditure. The technology advancement, newest achievement and increased level of technical knowledge by the target audience are the opportunities to catch in order to survive on the market. This paper concerns the ways of applying different marketing strategies and using different marketing tools with a goal to achieve the same results with a lower financial resources needed than the conventional marketing programs. Social media, on-line marketing, search engine optimization and well structured web pages are just few of the modern tools to boost the sales and in the same time to save part of the marketing budget. This paper will present the cutting edge technologies, mobile device and mobile services which can contribute to the efficacy of the marketing programs. The goal is to find out the most efficacy combination of e-marketing tools which can be used by the SMEs, at the same time achieving better impact for their implemented marketing strategies. The goal will be achieved through systematic approach to every e-marketing tool, finding out their advantages and drawbacks.

Keywords: e-marketing, mobile marketing, SMEs, social media,

JEL classification:L25, M31, M37

THE BLUE OCEAN STRATEGY CONCEPT APPLICATION IN MACEDONIAN SMEs

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Abstract

The paper aims to explore the awareness of Macedonian companies about the relatively new marketing concept "Blue Ocean Strategy". It tries to depict the level of overall knowledge of the meaning of this strategy by the companies, the level of its application, the advantages they could gain and the readiness to accept and apply this new marketing concept. In order to accomplish the goal of this research, primary and secondary data are used. A sample of randomly selected companies was created and survey was done. For this purpose, questionnaires were sent to 152 business subjects (Macedonian SMEs) by e-mail of which 95 responded and represented the base for our analyses. The questionnaire was designed for respondents who indirectly could indicate possibility of the existence of "blue-ocean" in their organizational structure, in their daily operations and market in which they act. We also did an extensive survey of secondary data, the existent literature and online databases on the topic of applying of this new marketing concept. The goal was to provide a preliminary theoretical framework about its application in SME segment. The paper will try to reach the conclusion regarding the need of a systematic approach in terms of The Blue Ocean Strategy to be applied in order to define the potential, first of the national economy, and then of the interested companies, to increase their competitiveness outside the Republic of Macedonia and stimulate the creation of blue oceans in those segments of the economy and those businesses that have a major objective chances for success of regional and global markets.

Key words: blue ocean strategy, competitiveness

JEL Classification: M13, O31, M30

ISSUES AFFECTING THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KOSOVO

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Abstract

The objective of this paper is to describe and analyse the obstacles impacting the growth of small and medium enterprises in Kosovo. In the process of the transition from communism to a market economy, Kosovo experienced a very difficult war, international governance and subsequently, the declaration of its independence. The Government is trying to position small and medium enterprises (SMEs) at a central point and make them a key factor for economic development in the country. These enterprises are being given increasing attention in recent years; however, findings indicate that there are a number of significant factors affecting the growth of small and medium enterprises in the country negatively. The most important factors that need to be addressed are: lack of access to finance, competition, corruption, globalization, laws and regulations, management competence, lack of skilled labour as well as low investment in innovation, technology and marketing etc.

The empirical data for the description is primarily provided by the World Bank and statistical office on Kosovo.

The overall objective of the research is to say something about the particular obstacles and institutional settings of Kosovo, and not to provide generalisations about national government systems.

Key words: SMEs, growth, entrepreneurship, economic development in Kosovo

JEL Classification: L26, O20

THE BENEFITS OF STANDARDIZATION FOR BUSINESS INTELLIGENCE TOOLS

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Abstract

Implementation of standards for business intelligence in the company can result in significant cost savings, greater control over information, and better alignment with business users. All this, leads to increased competitive advantage of company by exploiting the benefits of the implementation of business intelligence systems. But the implementation of standards for business intelligence requires pragmatic phased approach that takes into account the organizational structure of the companies and business value of existing applications for business intelligence.

Sometimes standardization is seen from a negative aspect, because people think it means using only one tool and the exclusion of all others. Other terms that can be used for the standardization of business intelligence software is rationalization of business intelligence, business intelligence consolidation, but no matter which term is used in the end you get the same benefits. According to Forrester, over 2000 global companies use between five and fifteen reporting and analysis tools¹. The purpose of standardization of business intelligence is to reduce the number of these tools and to build a portfolio of software tools for business intelligence that will overlap as little as possible. Gartner estimates that companies that provide resistance to standardization of business intelligence will be able to strategically deploy them and make 50% more cost for each additional tool (with a probability of 0.8)².

JEL Classification: M15,L15

¹ www.foresters.com

² Sallam R., Richardson J., Hagerty J., Hostmann B., Magic quadrant for business intelligence platforms, Gartner, 2011

IMPACT OF THE BUSINESS ENVIRONMENT IN PERFORMANCE OF MANUFACTURING FIRMS IN KOSOVO

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Abstract

Due to the poor business environment, manufacturing firms in Kosovo suffer the lack of investments, which remains underdeveloped sector. The aim of the paper is to explore the level of impact of poor business environment in the performance of manufacturing firms. Research objectives include identification of the literature review outcomes for the manufacturing sector in Kosovo, barriers of external factors that manufacturing firms encounter during the development of entrepreneurial activities, the importance of manufacturing firms in developing countries, and the impact of business environment to the manufacturing firms.

Using secondary data, this paper analyzes the impact of business environment on manufacturing firms in Kosovo, which is an important sector for economic growth. Particularly, it analyzes the influence of several external factors that are key important to development of manufacturing firms. Among the factors to be investigated are regulation, access to finance, infrastructure and informal economy.

The results from this paper include several constraints of the business environments on manufacturing firms in Kosovo. The main ones are high interest rates, informal economy and corruption. Because of the poor institutional environment for doing business, other constraints include supply with electricity, fiscal evasion, crime and administrative borders. Another finding includes higher cost of doing business because some firms operate informally.

Even though this study makes significant contribution to the academic knowledge, which helps manufacturing firms to identify and search for approaches to mitigate these barriers caused by external factors, this study has limitation because it is only valid for manufacturing firms in Kosovo.

Key words: business environment, manufacturing firms, economic growth, performance

JEL Classification: O14,L26

ADVANTAGES OF IMPLEMENTATION BRAND-PORTFOLIO STRATEGIES ON THE CASE OF MACEDONIAN COMPANIES

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Abstract

Nowadays, the usage of strategic approach in brand-management is crucial for every company that aims to reach competitive advantage. This paper focuses on remarkably delicate matter that is very current and widely evident. Namely, the paper discusses the elaboration of distinctive area in the brand-management that is concerned with designing brand-portfolio strategies for optimizing the companies' brand-portfolio, as well as their implementation in the corporation brand-strategies. A special attention is given to Macedonian companies that can achieve their competitiveness in the long-term, only through updating positive experiences and practice in this branch.

This paper makes effort to merge the research aspects with the management reality. The main objective of the research is to analyze the current state of the brand-management strategies, i.e. their contribution in the creation of the companies' maintaining competitive advantage, especially Macedonian companies that need to learn from the experiences of the successful worldwide companies. The paper objectives are mainly concerned with detecting the implications of the effective brand-management on the costumers and the company, along with the role of the brand-strategies in creating value for the customer and profit for the company.

The research was conducted with various research methods for data collection. In this context are used the methods of analysis, synthesis, comparison and case study, as well as other methods that are applicable in this branch.

The results from the research point out that the implementation of brand-portfolio strategies leads to enhanced efficacy and efficiency of the company, likewise synergy. Furthermore, there are separate considerations that enable to make references to Macedonian companies for the creation of effective brand-portfolio strategies.

Key words: brand, strategy, synergy, brand-portfolio.

JEL Classification: G31,L15