

**INTERNATIONAL CONFERENCE**

**SMEs DEVELOPMENT AND INNOVATION:  
BUILDING COMPETITIVE FUTURE OF  
SOUTH-EASTERN EUROPE**

**BOOK OF ABSTRACTS**



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## **CONFERENCE TOPICS**

SMEs Internationalization and Innovation  
ICT impact on the competitiveness of SMEs  
Open innovation for SMEs growth  
Innovation policies in SEE  
Innovation Management in knowledge-based economy  
Challenges of the Social Innovation in SEE

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## **PREFACE**

Nowadays, the South-Eastern Europe (SEE) faces a challenge to increase the innovation capacity as a basic precondition for achieving sustainable growth and competitiveness on the global market. The new strategic direction of the SEE is based upon the ambitious goal to follow the leading world economies and to attain the EU membership. This implies the necessity for SEE countries to adjust towards the main EU developments. In this context, the new EU strategic framework underlines the role of SMEs as a driving force of the European economy. The knowledge intensity and innovation capability of SMEs are becoming the basic pillars for competitiveness and prosperity of the economies. These trends are actually the rationale and idea for organizing a conference that will be focused on further clarification of the role and importance of the innovative SMEs for improving the SEE economic performance.

The main goal of the Conference is to highlight many aspects of the contemporary changes in the SEE countries aimed at increasing innovation and achieving sustainable growth. More specifically, the conference will create a platform for presenting different academic and professional approaches (conceptual, empirical, multidisciplinary, case studies, etc.) and debates about the SMEs innovation developments in the SEE countries. The Conference will provide an opportunity for researchers, practitioners, PhD students and policy makers to give their contribution in considering the issues from theoretical and empirical point of view. In addition, it will offer the possibility to exchange the ideas, build partnerships, share knowledge and experience related to perspectives for improving the SMEs innovation capabilities and enriching the scientific achievements.

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## THE IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES FOR DEVELOPMENT OF IMPORTS (Kosovo Case, period 2006 – 2009)

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### **Abstract**

This paper analyzes the development of import in Kosovo, including the flow and compare import through the years, according to statistical procedures under sections expressed in value and percentages and countries and analyzing the benefits of the agreement CEFTA. The research was done based on secondary data, where we have taken into account a number of indicators of small and medium enterprises, for the years 2006 - 2007 and 2008-2009. Analysis of this work is done by the method of analysis of indicators where import is applied statistical t-test to analyze the impact of the recent financial crisis on developing import in Kosovo. The main findings of this study are concentrated in key activities affecting import: normal imports and imports for domestic processing, including: beverages and tobacco, raw materials, fuel, machinery and equipment. The paper is organized into several main sections, starting with the literature review, research methodology and assumptions, and then provides an analysis of the companies' role of small and medium enterprises in developing import in Kosovo during the period 2006 - 2009, finishing most discussions and conclusions for further research.

***Keywords:*** Imports, CEFTA, Economic Development, Kosovo

**TRANSFER OF THE RIGHT FOR USING A PATENT –  
OPPORTUNITY FOR DEVELOPMENT AND  
INTERNATIONALIZATION OF THE BUSINESS**

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**Abstract**

The right of industrial property, as a separate branch of the Law, regulates the social relations that are having the intellectual goods as their subject of interest, and there are two basic types: a state of their standby and a state of their movement, i.e. their ability to be transferred between the subjects in the world of business. From this arises the process of concluding various legal actions that are producing rights and obligations between the parties, ie they are establishing certain obligatory legal relations. In the modern economic circumstances of activity of the economic entities, the transfer of the right of industrial property is very widespread in the business operations. This is result of one of the fundamental authorizations of the holders of the intellectual property, the right to dispose with their protected rights, which are very clearly defined in our Law on industrial property. The right of disposal of the industrial property, that belongs exclusive to the holder of the intellectual property, allows that not only the holder of the right, but also and the people that will be authorize, to be able to transfer or deviate certain rights to third interested parties. The exclusive right of disposal in terms of its temporal validity shares the same fate and is linked to the lifetime of the legal protection of the right itself. In terms of the territorial validity there are not any limitations on the exclusive right of disposal that allows the industrial property rights to be transferred outside the borders of our country. Therefore, the legal trade or the transferability of the industrial property expresses the “dynamic state” of relations in the field of industrial property rights and is an important characteristic of these rights. Here we separate the so-called patent law, an also a subject of transfer may be and other intellectual property rights.

***Keywords:*** *patent, industrial, license, transfer, business.*

## APPLICATION OF QUALITY INITIATIVES TO IMPROVE EFFICIENCY

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### **Abstract**

Financial institutions in the past were able to increase revenues through increased market share provided by mergers, acquisitions, and through total market growth. In today's economy, firms no longer have the luxury of improving profit simply by increasing revenue. Due to the significant headcount reductions in the financial services industry, these firms needed to improve operational efficiencies and merely support existing processes with fewer resources. Literature has been reviewed to identify some of the critical success factors and challenges that financial service faced by adopting quality initiatives. It explains the benefits of Lean, Six Sigma and Total Quality Management that have improved organizations performance, by cutting costs and waste; improving their products or services as well as enhancing customer satisfaction. In this study the applicability of quality management practices in financial institutions in Kosovo is presented and their efficiency and effectiveness. By analyzing data from Raiffeisen bank Kosovo, this paper highlights the benefits of Individual and SMEs costumer segment as result of organizational change and successful application of quality initiatives from financial institutions in Kosovo.

**Keywords:** *Lean, Six Sigma, Financial Institutions, Efficiency, SMEs*

## THE ROLE OF INNOVATION AMBIDEXTERITY IN COMPANIES DEVELOPMENT

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### **Abstract**

Without innovation of any kind organizations risk their future survival and this goes especially in the case of radical innovations. Organizational capability theorists recognize that organizational culture is not only a mechanism but also a core capability for managing multiple types of innovation including product and process and incremental and radical innovations. Radical innovations require a different organizational culture than incremental innovations. The situation of having a culture that stimulates both incremental and radical innovations in literature is called innovation ambidexterity. In this paper the importance of incremental and radical innovations for the survival of companies is elaborated. Paper further offers insights into strategies needed for simultaneously developing radical and incremental innovations.

**Keywords:** *radical innovation, incremental innovation, ambidextrous organizational culture*

## THE IMPACT OF THE FLAT TAX ON BUSINESS ENVIRONMENT IN ROMANIA

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### **Abstract**

There is no country in the world with a perfect tax system, but each state seeks to adopt one who thinks fits best, at least at some point, if not for a long period of time. Thus, in Romania, in 2005 was introduced flat tax of 16 % for salary income and for the profit of the companies. According to the governors, its introduction has been, among other things, a form of fiscal relaxation, with a role in stimulating the Romanian economy. The aim of this paper is to highlight the impact that the introduction of flat tax of 16 % has had on the business environment in Romania, especially that now it plans to introduce the progressive taxation of incomes. The case study was conducted on a number of small and medium enterprises (SMEs) from Romania.

**Keywords:** *business environment, flat tax, SMEs, fiscal policy*

## THE STRATEGIC PLANNING OF THE INNOVATION PROCESSES IN COMPANIES IN BOSNIA AND HERZEGOVINA

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### **Abstract**

In the turbulent changes worldwide, all organizations are expected to have higher quality, more creative, more competitive and better business operations. In fact, they are expected to be permanent innovative. This emphasizes the necessity of their development on the pillars of strategic planning of the innovation processes (that are the result of knowledge and (indoor/outdoor) innovation), through intensification for creating a favorable social climate and economy based on innovativeness. Since this moment, there has not been performed analysis of the level of innovation in Bosnia and Herzegovina, so this paper presents the first preliminary research results of innovation potential of the country, respectively connection between strategic planning and innovation processes. The sample was composed of: education, scientific-research, RD institutions, as well as the enterprises (small, medium, large) from manufacture and service sector.

**Keywords:** *innovativeness, innovation, strategic planning*

## SME DEVELOPMENT AND FDI: OPPORTUNITY OR NECESITY

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### **Abstract**

SMEs play an important role in economic growth and development. In this way, globalization and trade liberalization have ushered in new opportunities as well as challenges for SMEs. Only a small part of the SME sector is able to identify and exploit these opportunities and deal with the challenges. The majority of SMEs in developing and transition countries, has been less able or unable to exploit the benefits of globalization and, to add to the situation, are frequently under pressure on the local or domestic markets from cheaper imports and foreign competition. Many transition and developing countries, in particular face a need to promote and strengthen the long term development of the SME sector, which requires access to market opportunities, as well as to new technology and management know-how, often in a situation of considerable resource scarcity. This paper aims to focus on contribution for developing the strategies that could help to strengthen the SME sector. From one side it could be done through their promoting of integration into, and potential benefits from external markets. Implementation of the strategies should increase the attractiveness of the transition and developing countries for foreign investors which will improve the capacity of the SME sector. From the other side, the policies will strengthen the benefits from FDI to local economies trough facilitation of SME trade and capacity building of local SMEs to use the opportunities from the external markets.

**Keywords:** *SME, foreign investors, strategy, globalization, trade*

## HOW TO ACCELERATE EXPORT LED GROWTH IN CONTEMPORARY WORLD?

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### **Abstract**

Globalization brings the threat of a weakened SME sector, since its role in (direct) exporting is less than proportional to its size; this reflects the economies of scale characterizing big markets. But globalization can also increase the importance of a strong SME sector, either where direct SME exports are feasible or where SME subcontractors help keep the country's large exporters competitive. Many markets are too small to have enough large firms to curtail the use of monopoly/monopsony and oligopoly/oligopsony power, so price-competition and quality-based competition tends to come from SMEs. Prices of domestic products on international markets are often underestimated because of the poor reputation or ranking the products with a low degree of processing. Namely, it is necessary small and medium enterprises to make efforts in this domain to contribute in a way that they will make the promotion of domestic products, have organized a joint presentation on external markets, will exhibit initiatives for the creation of distribution centers. In this regard, the entry of FDI in manufacturing is expected to contribute to the production of high quality products, and distinctive products, which would lead to higher absolute prices but higher productivity and lower unit labor costs of products. So the recommendations are on building relationships with financial institutions, especially with banks, to facilitate funding to SMEs. In this context, it is useful to identify where SMEs are dealing in foreign currency and seek opportunities to provide value-adding advice in areas such as managing foreign exchange risks and forecasting currency needs. In this context, the key factors for realization of these aims are innovation and knowledge that would help for increasing competitiveness as the role of FDIs for productivity and efficiency growth, with support of real exchange rate by stimulating the growth of export, too. The domestic industry by using knowledge, innovation development and upgrading the capacity of the small and medium enterprises can take the necessary changes for its output and increase export performance. All of this can contribute to sustainability of the economic growth and economic integration especially of small economies on which mainly this paper is focused with special emphasis on the Macedonian economy.

**Keywords:** *real exchange rate, export, competitiveness, FDI*



## THE IMPORTANCE OF INNOVATION INFRASTRUCTURE POLICY ON THE GLOBAL INNOVATION INDEX OF THE REPUBLIC OF MACEDONIA

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### **Abstract**

Today innovation is the main driving force of economic growth and prosperity. European Union has a long tradition of good performance in research and innovation, and each member state has its own policies and programs on research and innovation. The support and development of innovation performance is one of the priority tasks for the government of Macedonia. One of the most significant indicators for setting up a benchmark in the innovation ranking of nations across the globe is the Global Innovation Index (GII). The GII report discusses about country performance and what companies are doing and should be doing to incentive innovation. The GII relies on two sub indices (the Innovation Input Sub-Index and the Innovation Output Sub-Index) each built around pillars. Each pillar is divided into three sub-pillars and each sub-pillar is composed of individual indicators. Macedonia is on the 51 place in the last edition published in 2013 year. The main objective of this paper is to analyze the innovation performance of the Republic of Macedonian particular on the third innovation pillar - Innovation Infrastructure. So we will explain the significance of this important pillar for the Macedonian economy by determining the strengths and weaknesses of all sub-pillars and respective indicators. The research would make a comparative analysis between innovation infrastructure policies of Macedonia and other South-Easter Europe (SEE) countries. The final aim is to give directions on lowering the influence of the weaknesses and keeping and intensifying the strengths regarding innovation infrastructure.

**Keywords:** *innovation, Global Innovation Index, innovation infrastructure, SEE, economic growth*

## IT SECURITY AS A DRIVER OF ECONOMICS COMPETITIVENESS

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### **Abstract**

The development of information society is an invaluable opportunity to stimulate innovation and competitiveness for South-Eastern Europe. Cyber space offers numerous possibilities for increasing the SMEs business capacity, the economy's competitiveness, as well as develop research and innovation. Considering these benefits, there are new risks and threats to information security, which threaten the economy and its processes as a whole. In this paper, we will present a general overview of the role cyber security plays in the country's economic development with a focus on Republic of Moldova. One prominent change aimed at economic competitiveness raising are new e-services targeted for businesses, especially for SMEs. These ICT based services should have information security assured at an adequate level. However, from the enterprise point of view, small companies do not perceive IT security risk adequately. We will also analyze if SMEs should take into consideration the risks of information security while developing the business objectives, as well as what are the factors that engage companies in achieving this.

**Keywords:** *economic competitiveness, information technology, IT security threats, small and medium enterprise, e-services*

## UNDERSTANDING THE IMPORTANCE OF INTANGIBLE CAPITAL IN SMALL AND MEDIUM ENTERPRISES IN SERBIA

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### **Abstract**

The paper presents initial analyses of the data collected in a survey that was conducted in a set of Serbian firms in 2013. Although initial, the results show some interesting tendencies within the Serbian firms and represent a broad picture on understanding the importance of intangibles in improving firms' competitiveness. In this paper we focus on small and medium size enterprises (SME) that appear in general, to be somewhat lagging behind larger firms in developing and making use of intangible capital. We shall particularly analyse the three segments of intangible capital: (a) internal relations within the firm and investments in human capital (b) marketing practices and external relationships towards buyers, suppliers etc. and (c) innovation and competences as seen by the responders (responders are managers and/or owners of SME). The results will show that although acquainted with the notion and the role of intangible capital SME are still at the rudimentary level of its development. They are particularly lagging in developing sound internal relations with an over-valued role of the owners and poor treatment of labour. They are also behind the average level of marketing practices, which could be understood in small firms but also have pretty irregular and sporadic relations with their customers. Finally, regarding innovation and competencies there are mixed evidence – some firms claim good and probably over-estimated results while other do not recognise the importance of these practices and capabilities. In concluding remarks we give some practical policy advice regarding incentives aimed at upgrading knowledge and use of intangible capital in SME and suggest better connections with larger firms. The latter suggestion is in particular important since up to date stimuli for SME were directed predominantly to their start with no policy engagement in developing proper surroundings of larger firms that can induce and make spill over effects while cooperating with SME.

**Keywords:** *competitiveness, intangible capital*

## THE IMPACT OF E-COMMERCE ON THE DEVELOPMENT OF SMALL AND MEDIUM BUSINESSES IN THE REPUBLIC OF MACEDONIA

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### **Abstract**

The question of the role of small and medium businesses in technological innovation long period inspires. Statistics show that the SMEs are major sources of innovation and they are step forward compared to large companies. Their advantage is mostly related to the flexibility - adaptability to market changes. Thanks to the Internet, many SMEs utilize the opportunities that it offers for the development of their businesses and meeting the consumer's needs. Mostly small and medium businesses use e-commerce for different types of activities that fall between sales and advertising. Today, e-commerce is booming and has a special place regarding of total worldwide trade. But the main goal of this paper will be to determine how the SMEs in Republic of Macedonia are familiar with e-commerce, the opportunities it offers for the business, how they understand it and most importantly, how many of them use it as a basic strategic determination or addition to the core business. The facts that 51% of the population of our country are Internet users, 60% of sold phones of the mobile operators are „smart phones“ and the rise of the mobile Internet for 46.9% indicate the challenges that Macedonian companies are facing. We will explain the advantages of e-commerce for the SMEs in the Republic of Macedonia and how its application can improve the business performance as an innovative way to work. Therefore, managers of SMEs need to focus their efforts on innovation processes, looking ahead in the future, knowing that e-commerce is the future of enterprises.

**Keywords:** *innovation, e-commerce, small and medium businesses*

## MODELS FOR MEASURING OF E-BUSINESS SYSTEMS SUCCESS IN SME`s

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### **Abstract**

There is a lack of empirical evidence to gauge e-business usage and its impact on SME`s performance, partly because of the difficulty of developing measures and collecting data. A related issue is the lack of theory to guide empirical research. Although showing recent signs of advancement, the linkage between theory and measures is still weak in the e-business literature. Clearly, there is a need for a theoretically rigorous and empirically relevant framework for examining the use and value of e-business in SME`s. Today more than ever, information system research face strong pressure to answer the question of whether and how e-business investments create business value. Although innovation diffusion represents a complex process, much of the existing research has focused on the adoption decision and on measures. We need to view e-business diffusion as a multistage process that starts at adoption and extends to usage and value creation. We investigate whether innovation theories can be generalized and empirical findings are applicable in different economic contexts. To achieve this, we study e-business experience of SME`s in developed and developing countries that might represent different stages of e-business transformation, for results in Vojvodina. The gaps in the literature limit our understanding of the process of e-business innovation and consequently of e-business value. Key research questions that motivated our work are: (1) What framework can be used as a theoretical basis for studying e-business use and value? (2) Within this theoretical framework, what factors can be identified as key antecedents of e-business use and value? (3) How would these factors vary across different economic environments like Vojvodina? To better understand these issues, we developed a conceptual model for e-business use based on the technology-organization-environment (TOE) framework.

**Keywords:** *Knowledge Managemet of SME`s, Quality, Competences, e-economy*

## ARE WE PREPARED FOR THE KNOWLEDGE BASED ECONOMY?

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### **Abstract**

Increasing the competitiveness of SMEs is only possible with the investment in innovation and knowledge. Therefore, in order to perceive perspectives of development of a country, as well as small and medium-sized enterprises in it, it is important to see how country refers to knowledge and innovation. Parallels need to be made in relation to neighboring countries but also in relation to EU Countries. Although it is important how much companies specifically invest in innovation and how much collaborate with innovation centers, more important is the role of the state in the whole process, which is a multiply. The state should set aside money that would be directly invested in innovation, education, development of science and technology, but it need and to create an environment that will favor the development of the knowledge based economy, as well. This paper will discuss what is going on with the Global Competitiveness Index of Serbia, according to the World Economic Forum, since 2008 until now, and with respect to the innovation, that has been seen as the 12th pillar of competitiveness, what is position of Serbia. Also, the comparison will be given in relation to neighboring countries ie. in relation to the former Yugoslav Republics. Comparison with others is a necessary first step, in order to actually be able to look at the situation in which we find ourselves, as well as to define future activities.

**Keywords:** *innovation, knowledge, environment, Global Competitiveness Index.*

**THE APPLICATION OF MULTIVARIATE STATISTICAL ANALYSIS  
METHODS TO ANALYZE THE SITUATION OF WOMEN IN THE  
LABOR MARKET OF SERBIA AND THE COUNTRIES OF  
SOUTHEAST EUROPE**

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**Abstract**

The position of women in the labor market is one of the key factors of economic stability and social status of women. It is actually a very significant sphere to establish gender equality in society. Statistical data for many years indicate a very unfavorable trends in the labor market in Serbia, which are the main determinant of growth ( already high ) unemployment rate and the presence of low labor engagement of the population, while the status of women in the labor market is one of the aspects of long-term adverse trends. The purpose of this paper is in economic, legal and social analysis of the situation of women in the labor market in Serbia, based on official statistical data, point to the importance of gender equality issues . The analysis will be carried out by using methods of multivariate analysis. The ultimate purpose of the conducted analysis is reflected in the formulation of recommendations that will contribute to improving the status of women in the labor market . The paper is devoted to comparative view the status of women in the labor market of Serbia and the countries of Southeast Europe. The aim of this withdrawal parallels consisted in finding similarities and differences when observing the above issues at stake, and all, again, with the aim of overcoming the evident problems, when women and the labor market are concerned.

**Keywords:** *labor market, position of women, multivariate analysis, gender equality.*

## STIMULATING THE COMPETITIVENESS OF THE MACEDONIAN ECONOMY THROUGH THE PROCESS OF STIMULATION THE INTERNATIONALIZATION OF THE COMPANIES

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### **Abstract**

The research in this paper is to be focused on examining the internationalization of the Macedonian companies as a prerequisite in improvement of Macedonian competitiveness. Internationalization as a process of integration in international economic activities contributes to overcome limited size of national markets. So, according to the World Economic Forum (WEF) the size of the market is one of the pillars of competitiveness and it is revealed as one of the limitation of the competitiveness of Macedonian economy. The contemporary theories of competitiveness recognize the necessity of quantitative and qualitative improvement of the process of internationalization of the companies. Quantitative improvement means involving not only trade but also outward FDI and the new quality signifies the necessity of restructuring the economic activities towards employing and creating innovation based processes, because as Porter says (1990) “a nation’s competitiveness depends on the capacity of its industry to innovate and upgrade”. Using data of some target South-East and Central European economies, will be examined interrelationships between the internationalization and competitiveness and set of policies that influence the improvement and stimulation of internationalization process.

**Keywords:** *competitiveness, internationalization, trade, outward FDI*



## IMPORTANCE OF THE CONCEPT OF SOCIAL CAPITAL FOR MULTIDISCIPLINARY RESEARCH OF THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN SUSTAINABLE ECONOMIC DEVELOPMENT

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### **Abstract**

The paper provides suggestions for a multidisciplinary conceptual framework that links social capital to entrepreneurship of small and medium enterprises (SMEs) in the context of a deeper questioning of their relationship nature. In a large number of discussions concerning social capital, defined in a number of different but mutually close meanings, detailed arguments have been presented that social capital is one of important conditions for sustainable economic development. However, it is evident that some economic discussions on the role of social capital in economic development do not provide detailed explanations of a multidisciplinary approach. This is primarily due to insufficient discussion of a sociological dimension of this concept that has strongly developed in the last two decades. Namely, social capital is not only an economic concept, but above all a sociological or socio-economic concept that has significant economic and non-economic, that is, social implications. This is proved by the fundamental outline of the history of this concept, introduced by the sociologist Robert Putnam and further elaborated by other sociologists and economists that fostered a multidisciplinary approach in understanding the notion of sustainable development. The conceptual insight that social capital, which includes trust, norms, and networks that enable collective action, is directly related to entrepreneurship and economic development of SMEs, needs to be further expanded by socio-economic and socio-epistemological arguments. A significant potential of the concept of social capital is evident precisely in its multidimensional characteristics indicated by new economic sociology (Richard Swedberg) and sociology of globalization. The conclusion is that by a multidisciplinary discussed concept of social capital it is possible to improve our understanding of mutual relationship between SMEs entrepreneurship and recent concepts of sustainable development.

**Keywords:** *social capital, entrepreneurship, small and medium enterprises (SMEs), sustainable development*

## MANAGERIAL DECISION MAKING FUNCTION OF FIRM PERFORMANCE

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### **Abstract**

The decision is an important segment in the management of any organization or company, such decisions should be timely and correct. Managers throughout their operations are constantly faced with the need to make certain decisions, which often have a crucial influence on the future of the organization make decisions that shape the outcome of the business that you run, decisions that deeply affect organizational effectiveness and certainly have a major impact on the achievement of performance goals that the company has set. Deciding a continuous and daily process in which managers identify problems arising from the operation of the company and at the same time explore opportunities are created in the performance of their functions, which include efforts before and after the selection decision. Deciding Manager affect the overall success of the company, as it appears in all aspects relating to management functions . One of the assumptions of the existence of differences in the performance of firms is how the decision making of managers, which create an overall policy on operation of the company as a whole determined by their ability to recognize and decision making that can be reached in such conditions stable environment and working conditions, or under conditions of uncertainty caused by market conditions or to make programmed or un-programmed decisions . The decisions of the Manager have always invaluable to the functioning of the organization that leads , looking from the aspect of the company , which may lead to the same situation as in the creation of a great financial success , progress and market penetration of goods and services, or can lead to financial loss and failure of the same.

**Keywords:** *decision, manager, company management, unprogrammed decisions, organization, effectiveness*

## THE ROLE OF INNOVATIONS ON THE SME<sub>s</sub> COMPETITIVENESS

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### **Abstract**

Small and medium-sized enterprises are particularly important for the national economy. In order to maintain or improve their market position in a changing and competitive environment, SMEs must be constantly innovative. Innovation is a key factor for improving SMEs performances, for increasing their competitiveness and for their survival on the market. Innovation is a multifaceted concept and it can be classified according to the object, the field, their relevance and their origin. As a result of innovation, SMEs improve product quality, reduce production costs, increase the range of products, replace outdated products, improve their performances and thus enhance their competitiveness. This paper treats the complex problematic of the innovation impact to the SMEs performances and their competitiveness, with special review for the territory of the Republic of Macedonia.

**Keywords:** *innovation, SMEs performances, competitiveness, Republic of Macedonia*

## INVESTOR RELATIONS STAGES DEVELOPMENT OF TRANSITION STOCK MARKETS

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In this paper we analyse investor relations (IR) development of four transition stock markets, namely, Serbian, Macedonian, Montenegrin and Bosnian stock markets. We address IR efficiency of listed companies on regional stock exchanges which are within representative stock indices (Belex 15, BelexLine, MBI, NEX20, SAX10). The main goal is to determine how and in what way our listed companies communicate with their key stakeholders – shareholders. Our research focus is on communication tools that are used to inform financial public about all relevant events regarding the company's business. Based on relevant methodology, IR development level in Balkan's transition economies is determined and further improvement directions are recommended.

**Keywords:** *investor relations, stock markets, shareholders, communications, internet*

## INTERNET PURCHASES IN THE SOUTH-EAST EUROPEAN COUNTRIES: COMPARISON BASED ON MULTIVARIATE ANALYSIS APPROACH

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### **Abstract**

Economic and Information and Communication Technology (ICT) development result with an increase of Internet purchases by individuals in countries all over Europe, and so it is true for South-Eastern European countries, too. In this paper recent dynamics of Internet purchases in selected countries is described, and afterwards the regression analysis based on selected independent variables in 2011 is conducted. The official World Bank and Eurostat data are used. The best fitted regression models are tested for diagnostics, and discussed in details. A multiple linear regression model shows that the variable individual's computer skills, indicating ICT development level, is statistically significant for explaining the Internet purchases by individuals, confirming the first research hypothesis. Correlation and regression analysis confirmed the second research hypothesis that the Internet purchases in analyzed countries is positively correlated with statistically significant economic development indicator Gross Domestic Product per capita in Purchasing Power Parities (GDP per capita in PPS). Cluster analysis based on Euclidean squared distances and Ward linkage shows the clusters of similar countries.

**Keywords:** *South-Eastern Europe, ICT, Internet purchases, multiple linear regression model, cluster analysis*

## STRUCTURE OF ALBANIAN SME, THEIR ECONOMIC CONTRIBUTION IN GROSS VALUE ADDED AND EMPLOYMENT, ABSORBING INNOVATION AND HUMAN CAPITAL

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### **Abstract**

Endogenous growth models (Romer, 1986; 1990; Lucas, 1988) offer a vast understanding how R&D sector and human capital can influence economic growth. Enterprises, in order to achieve profits and larger market share, use the best techniques investing in stock of capital formation and manufacturing products by incorporating technological innovation and human capacity. Innovations could create additional value added in horizontal way offering new products (Romer, 1990) and in vertical way by “schumpetian creative destruction” (Aghion & Howitt, 1992). The aim of this paper would be representing a detailed background of SME in Albania. According to structural survey of enterprises (INSTAT, 2013), the Albanian economy is dominated in more than 99.5 % of the total by SME-s. Generally, those companies perform their competitive conditions with others, and maybe they find difficulties to create economies of scale in the implementation of their products. Good opportunity remains Innovation that can use creating product differentiation and increased value added, support them with appropriate forms of human capital by taking into account the financial capacity. In achieving this, we have to use information from Structural Survey of Enterprises, Business Register offered by INSTAT and other database sources. This study will perform in comparative analyses among different groups of enterprises in cross-sectional and time series data. For 2012, enterprises with 1 to 4 employed have realized only 5 % of the total investments, while the ratio VA / Production is 58.7 % which is 4 percentage points on average. This figure highlights the importance of employment factor in the creation of value added. Would be usefully finding innovation and human capital indicators, rising fundamental conclusions for them.

**Keyword:** *Value Added; productivity; Employment; Innovation.*

## THE IMPACT OF UNCONTROLLED INTERNAL POPULATION MOVEMENTS ON REGIONAL LABOUR MARKETS IN ALBANIA DURING THE TRANSITION PERIOD

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### **Abstract**

In a long-lasting transition period, Albania has experienced big demographic changes that are mainly related to lower fertility rate, high migration rates, and a high rate of internal population movement. We focus on the internal population movement and analyse its impact on the regional labour markets in Albania, by using spatial analysis and multivariate data analysis tools. We cluster the labour markets in regional areas which are the “losers” and the “winner” in terms of labour force and we go deeper in identifying skills transfer and skills mismatches enhanced by the hosted labour markets. The 2001 and 2011 Albanian censuses data and the 2002-2012 LSMS data are used for defining the models of internal movements of the population and their characteristics, as well as the impact on the regional labour markets.

**Keywords:** *regional labour markets, internal population movement, clustering, spatial analysis, employment rate, unemployment rate*

## **BOSNIA AND HERZEGOVINA'S TOURIST PRODUCT AS AN INCENTIVE FACTOR FOR INTERNATIONAL MARKET ENTRANCE**

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### **Abstract**

As a tourist destination Bosnia and Herzegovina is at the stage that requires inclusion of tourism in European and world trends in a direct and effective manner by creating favorable conditions for attracting foreign capital and its investment in the development of tourism, the development of small and medium enterprises, to raise the quality services, and to conserve natural and other resources as the fundamental premises of tourism prosperity. In order to get Bosnian attractions integrated into European and World's attractions as soon as possible as well as meeting increasingly challenging demands of tourism source countries, there is indispensable necessity of seeing and applying travel experiences of developed countries with the aim of bridging the gap between the diversity of supply of developed countries and poverty of own offers. Tourism in Bosnia and Herzegovina due to a number of comparative advantages in relation to other activities, can serve as one of the most reliable and efficient "channels" to enter the international market. With regard to this purpose there is increased need for introducing the basic determinants of the tourism product as the main premise in order to encourage future development of tourism.

**Keywords:** *tourist product, tourist demand, international tourism, WTO (World Trade Organization), WTTC (World Travel and Tourism Council)*



## **ADOPTION OF A NEW INNOVATION POLICY IN SERBIA – NECESSITY FOR COMPETITIVE AND EXPORT ORIENTED ECONOMY**

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### **Abstract**

Development of modern economy in most depends on its capabilities to produce, transfer and implement new knowledge through technology development and innovations. Key role in this process has Small and Medium size enterprises (SME's) and especially high growing innovative companies that are the main source of new value added. Importance of effective Innovation Policy is already recognized and implemented by EU and OECD countries where this policy is one of the key elements for their competitiveness. Innovation Policy has become important element of development strategies in the EU (like Lisbon strategy and Europe 2020). Through stimulant innovation policy EU countries tries to upgrade business environment, to rise number of new companies and to commercialize innovations at the market. New European industrial innovation policy has the goal to improve and speed up commercialization of new products and services and to better use technologies that enable radical improvements of production and management, so that global competitiveness of European market could be also improve. In Serbia, in spite the fact that some of documents has been adopted (like Strategy of scientific and technology development 2010-2015, Strategy of development of competitive and innovative SME's 2008-2013 and adopted Law on innovation) there is still no effective innovation policy. New innovation policy in Serbia needs to be based on systematic approach that includes favorable environment for creation of innovations and better framework for new instruments and measures for implementation of policy, defining of priorities, bringing key – strategic decisions and coordination with other development policies (regional development, export promotion, improving competitiveness...). New innovation and complete development policy of Serbia also needs to be coordinated with EU policies as Serbia could equally be integrated in unique economic, research and political European territory.

**Keywords:** *Innovations, Policy, SME's, Competitiveness, Development*

## CONTRADICTIONS AND DISPARITIES OF THE PROCESS OF GLOBALIZATION IN THE WORLD ECONOMY

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### **Abstract**

Globalization is the process by which the world is interconnected through technology and powerful infrastructure for the purpose of communicating and managing resources. Globalization seems to talk about several vibrant phenomena which ensure two major components. Firstly, they function across national boundaries and secondly, they result in higher incorporation or interdependence of human societies. It is therefore one aspect of development that affects the world in general, from every point of human view. From a historical perspective, financial globalization is not a new phenomenon, but the depth and breadth of globalization today are unprecedented. The recent wave of globalization has generated an intense debate among economists, attracting both strong supporters and opponents. This paper tries to present a balanced view of financial globalization, outlining the benefits and risks that globalization entails for developing countries and emerging markets. The paper revisits the arguments and evidence that can be used in favor of and against globalization.

**Keywords:** globalization, economic disparities, world economy, financial globalization

## CHALLENGES OF SOCIAL INNOVATION IN THE BALKAN – THE CASE OF ALBANIA

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### **Abstract**

Chasing the goal of European Union accession, the Balkan countries face multi dimensional targets, among which performance in the Research and Development and innovation expenditures and functioning. Improving knowledge capacity and innovation serves the purpose of moving from ideas to market and strengthen country's comparative advantage and business investment. This paper provides a comparative analysis of the challenges that the Balkan countries are facing in the light of fast developments of the knowledge sourcing. Several aggregate indicators, as well as other measures that relate innovation systems to the human capital will be compared. In this context, the challenge that Albania faces in capturing its neighbouring countries as well as EU region will be identified. Given the actual level and source of spending on R&D and innovation, public spending could be directed to a more qualitative human capital formation that fosters innovation, initiatives that promote collaboration and networking among private firms, as well as between them and national and international consortia.

**Keywords:** *innovation, R&D, SEE, Albania*

## THE IMPORTANCE OF SMEs INNOVATION FOR ECONOMIC GROWTH

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### **Abstract**

The process of globalisation of world economy, and thus product and service markets, is accelerating. European companies, in particular small and medium enterprises (SMEs), are facing increasing competition, not only for sales of goods and services, but also for technical know-how and entrepreneurship skills. SMEs play increasing role in innovation process, driven by changes in technologies and markets. Whilst some spin-offs and high growth firms are having remarkable success, the broad bulk of small firms are not capitalising on their advantages. In today's changing environment, competitiveness at the company level depends crucially on the speed with which new products can be brought to the market place and new cost-saving improvements made. The creation of wealth and employment depends to a very large extent on the speed with which scientific and technological breakthroughs are converted into practical and attractive solutions. Innovation, the ability to reap the rewards of scientific achievements, requires much more than the ability to turn a new idea into a working product. Efficient flows of technology are not enough - ready supplies of finance and of business skills are also needed. The governments must obtain accessible protection for intellectual property, and adequate incentives for entrepreneurial drive. In short, what is needed is a dynamic, self-sustaining culture of innovation. This paper explores the importance of boosting innovation by improving the environment for entrepreneurship and small firm development and increasing the innovative capacities of enterprises. The main findings and recommendations are presented in three key areas: embedding firms in knowledge flows; developing entrepreneurship skills; and social entrepreneurship. The paper provides an overview of the situation with SMEs in Republic of Macedonia, and their battle in transforming everyday processes into better, innovative and safer products, improved competitiveness and new jobs.

**Keywords:** *SMEs, innovation, know-how, entrepreneurship, scientific*

## CHALLENGES OF INNOVATIVE MANAGEMENT IN DEVELOPING ECONOMIES: CASE STUDY OF MACEDONIA

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### **Abstract**

The fast pace of the ever-changing global economic environment has been always a challenge to companies, pushing them forward to innovate, thus, contributing to global economic growth. Small and medium sized enterprises (SMEs) had to innovate in order to survive. Therefore, developed economies have turned to introducing innovation management to SMEs. Innovation management can be best described as business process of developing an innovation within the organization. Innovation management has been, creating a valuable chain of innovation which thus has lead to economic growth in developed countries. However, the situation is not the same in developing countries. Unfortunately, in developing countries, such as the Republic of Macedonia, more than 90% of the economy is based solely on the work of SMEs. In order to push growth in the economy, innovation is needed, and it is required not only by large corporations, which account for a small percentage of the economy, but by SMEs as well. Therefore, innovation management needs to be fully operational in SMEs. However, challenges occur which impede the process of innovative management. This paper will focus on the challenges and obstacles innovation management meets in SMEs in Macedonia. Challenge factors will be divided in two groups: external and internal challenges, and will be subsequently thus analyzed. External challenges in Macedonia include, but are not limited to the political (in) stability, regulations, especially innovation protection policies, geographical position, financial prospects for funding innovation and more. In terms of internal challenges to innovative management, the focus will be on execution of innovation management as a problem in SMEs – in terms of managerial culture and practices, as well as employee understanding and embracing of innovation. The goal of the paper is to offer suggestion on overcoming the outlined challenges, and improving innovation management in SMEs in Macedonia as a developing economy.

**Keywords:** *SME, innovation management, developing economies*

## THE IMPORTANCE OF THE OPEN INNOVATION CONCEPT FOR THE GROWTH OF SMEs

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### **Abstract**

Over the last years the absorptive capacity of SMEs has greatly increased, due to the changes in the innovation paradigm. Consequently, the literature of innovation has introduced the new, open innovation, method, which becomes mainstream concept. Contrary to the internally oriented closed innovation, the novelty of this concept narrowly represents a two-way process of inflow and outflow of the knowledge. No matter the industry and type the SMEs belong to, they need to be able to adapt their managerial systems to facilitate the open innovation strategy. Therefore, the purpose of this empirical paper is to explore the SMEs managerial system capability to provide the needed platform for applicability of the open innovation. We argue that the implementation of this network-based approach requires re-design of the current organizational structure to enable the SMEs to achieve higher growth from the new innovation model. The research by its nature is exploratory and applies the case study methodology. The paper contributes to the research of how open innovation improves SMEs performance and competitive advantage, while, from practical perspective, it gives the entrepreneurs and managers insight into how to introduce the new innovation practice into their organizational systems.

**Keywords:** *open innovation, SMEs growth, managerial system capabilities*

## INCREASING THE ABSORPTIVE CAPACITY IN SMEs FOR INNOVATION IN MACEDONIA

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### **Abstract**

The creative contemplation as determinant of innovation theory is crucial concept of the organization in every competitive company. The introduction of new technologies, techniques and methods marginalizes the current and clears the path for competitive strategy of innovation. The aim of this paper is to analyze the innovation through the technological perspective in small and medium sized companies. The analysis shall present the meaning of several fundamental questions: are the small and medium sized companies prepared to absorb the technological changes, the level of innovation implementation as part of the strategies of the small and medium sized companies, are the small and medium sized companies prepared to accept innovations, etc. The research shall present the flexibility level which small and medium sized companies manifest towards the innovation as a category. These are some of key issues that this paper will try to elaborate, using the scientific methods of comparative analysis, literature review, survey, internet research, etc. in order to present not only secondary data, but also to gather and analyses primary data that would be further used for final conclusions.

**Keywords:** *innovation, strategy, technological changes, absorptive capacity*

## **SOCIAL MEDIA ANALYTICS/ A MEANS FOR BUSINESS IMPROVEMENT**

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With emerge of big data (high volume, velocity and variety of information), actuated also by the social media, data has evolved from having a crucial role in decision making to being an asset of a company. However, for a business success sole access to big data is not enough. Businesses have to know which data to use, what the adequate way of analyzing data is, and how to separate valuable information from a multitude. In addition, as the most important part of data analysis a company has to ask the right business question and create the right measure/metric for it. This approach to data and its analysis will enable new market opportunities, better decisions and consequently better competitiveness. The paper illustrates the importance of social media in nowadays business, how it can help to increase brand awareness, purchasing intent, improve customer relationship management, and the role of social media in business predictions.

**Keywords:** *social media analytics, big data, business improvement*



## BUILDING COWORKING PLACES INSIDE THE BUSINESS INCUBATORS IN SERBIA

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The purpose of the paper is to determine the possibilities of building coworking based relations in business incubators in Serbia. The basic hypothesis was the supposition that creating or improving internal business incubator network of cooperation will improve and build the coworking facilities too. Design/methodology/approach – The approach involves review and analysis of the business incubators in Serbia with special focus on determining the need for collaboration of tenants and possibilities of extension with coworkers as new form of service. We collected data based on method of questionnaire and different observation techniques, experimental learning from initial results, stakeholder mapping. Findings –The need and also the possibilities for coworking exists in Serbian business incubators. It is just question of additional measures of organizational change and development to expand services of incubators with offer of coworking place. Practical implications – These findings will help practitioners in understanding the importance of extension of organizational boundaries and to develop a new appropriate forms of cooperation an coworking as well as for new training and development strategies. Social implications would be the development of coworking as a new type of employment within the existing facilities of business incubators. Originality/value a new aspects of work functions and definition of potential new services for incubators are offered.

**Keywords:** *Business incubator, coworking, organizational change, stakeholder analysis*

## THE IMPORTANCE OF DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISE (KOSOVA CASE, PERIOD 2006 – 2009)

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### **Abstract**

This research evaluates the development of small and medium enterprises in Kosovo, including structure of economic activities, the number of registered enterprises and enterprises terminated legal form of organization, categorization by number of employees and by municipalities. The main findings of this analysis are concentrated in five economic activities in Kosovo: agriculture, hunting and forestry, processing industry, construction, and wholesale and retail trade, hotels and restaurants, transport, storage and communication resulting in him that there was no difference significant statistically. The survey was conducted using secondary data, where we have taken into account a number of indicators of small and medium enterprises for the years 2006 -2007 and 2008-2009. Realization of this work has become the method of analysis of the economic indicators of enterprises, where is applied statistical test-t to analyze the impact of the recent financial crisis in the registration and termination of small and medium enterprises in Kosovo. The paper is organized into three main sections, starting with the literature review, research methodology and assumptions and afterward provides a comprehensive analysis of small and medium enterprises in Kosovo during the period 2006-2009, ending with discussions and conclusions for further research.

**Keywords:** *Small and Medium Enterprises, Economic development, Kosovo*

## THE IMPORTANCE OF INNOVATION POLICY IN SOUTH EASTERN EUROPE: THE CASE OF NORTH CYPRUS

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### **Abstract**

Entrepreneurship is acknowledged as a driver in economic development, recommended as an integral element to boost economic prosperity (Minitti & Arenius, 2003). A government needs to nurture entrepreneurship, through financial policy, economic policy, policies on education and technology, and regional development (Skoko, Wright & Santa, 2010) to promote growth and diversify the economy. While most countries make provision and legislate for the benefit of entrepreneurs, the Turkish Republic of Northern Cyprus has not made specific points of policy aimed at reinforcing the interests of its entrepreneurs. The TRNC is a de-facto state created after the partition of Cyprus in 1974. Recognised only by Turkey, the region suffers from severe economic international embargoes, neglected for nearly 40 years in terms of infrastructure and investment. In spite of these serious economic hardships, the economy continues to grow. This is mainly due to entrepreneurs and small businesses in the region, with growth in particular in tourism and higher education. A survey of 1000 entrepreneurs in the region highlighted the Turkish Cypriot entrepreneur as pulled into entrepreneurship despite the difficult economy, with high levels of entrepreneurial exposure, financed and supported by close family. However, the sample group stated that they were not attracted by new technology, and they are not looking for new opportunities. This is puzzling, and a very serious issue that needs addressing if entrepreneurs are to be part of the future economy that will witness a reunified Cyprus in the larger EU economy. This paper aims to make policy recommendations that will support these entrepreneurs, and encourage both innovation and entrepreneurship in the region.

**Keywords:** *Entrepreneurship, innovation policy recommendations, South-Eastern Europe, North Cyprus*

## GAINING COMPETITIVE ADVANTAGE USING INNOVATIVE WEB 2.0-BASED SIMULATION TOOLS AND SERVICES

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Gaining a competitive advantage over business opponents has always been a highest-priority task for each single enterprise. This is an especially important issue with SMEs, which have to exhibit maximum agility and flexibility to quickly reorganize and adjust their production capacities, as well as to maximize their operational efficiency in order to cope successfully with ever increasing demands being posed by the globalized business environment. The appliance of innovative information technologies through scientifically-based modeling and evaluation of business processes can significantly help SMEs in achieving their strategic business goals: reduction of costs, preservation of resources, and growth of effectiveness. All these effects contribute to improvement of overall SMEs' performances, thus directly affecting SMEs' competitiveness. The paper aims are twofold: to elaborate the recent increasing involvement of computer simulations within SMEs as a long-term strategy for achieving and retaining higher levels of competitiveness, as well as to point out the potentials offered by the innovative, Web 2.0-based simulation-oriented technologies, as being an alternative approach to traditional computer-based modeling and simulation assessment of business processes. In particular, the potential benefits of such approach have been practically shown using the Insight Maker®, a general-purpose online modeling and simulation environment, and the systems thinking methodology.

**Keywords:** *competitive advantage, SMEs, Web 2.0 paradigm, Web-based simulation (WBS), Insight Maker®*

## INTERNET MARKETING AS A DRIVING FORCE OF SMEs DEVELOPMENT AND COMPETITIVENESS

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### **Abstract**

The introduction of information and communication technology (ICT) have changed the nature of competition, led to new business models and the ability for consumers to compare prices, as well as creating new opportunities for relationship marketing. The focus of this paper is the effect of ICT on Small to Medium Enterprises (SMEs). SMEs have been chosen for examination in this paper as they firstly comprise a large proportion and contribute significantly to the success of regional economies. Secondly SMEs often have inadequate skills and insufficient resources (both money and time) to respond to ICT adequately. The most significant opportunity SMEs get from the internet marketing is to outperform large competitors regardless of relatively smaller capacity of human and financial resource. The internet marketing and technological innovations are providing SMEs with new opportunities to develop customer's loyalty as a factor for their competitiveness. The paper identifies the influence of the internet marketing strategies on the different types of customer's loyalty. The primary objective of this paper is examining the effects of the strategies of internet marketing on the: preference loyalty; complaining behavior and price tolerance. SMEs are provided with internet marketing strategies on how to immunize online customer's loyalty against switching behavior and price sensitivity. CRM (Customer Relationship Management) has been increasingly recognized as a business strategy to effectively understand, manage and sustain customer relationship with advanced information and communication technologies. Rapid development of CRM applications have seen the trend that more and more SMEs are seeking to implement CRM in order to survive and compete in the world of e-Business.

**Keywords:** *internet marketing, SMEs, competitiveness, customers*

## UNDERSTANDING ORGANIZATIONAL CAPABILITIES IN THE CONTEXT OF MICRO ENTERPRISES

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### **Abstract**

This research explores the relevance of Organizational Capability concepts in micro enterprises. Today's we live in exponential times where change in products, economy, politics, society is fast and unpredictable. In order to survive in and adapt to this changing environment, firms have to revise and change their competencies and capabilities by developing their operational and dynamic capabilities. Despite growing interest in the field of dynamic capabilities, majority of this research seem to have focused mainly on large companies and ignored the micro enterprises. However, micro enterprises contribute to county in terms of employment, GPD, economically and socially. This research explores the relevance of organizational capability concepts in micro enterprises. Literature is reviewed around SMEs and micro companies exploring their characteristics resulting in an initial understanding of the key differences between these enterprises. However, an empirical research is conducted to understand micro companies to fulfill that gap on the literature. In respect to these differences, a model will be developed from organizational capabilities literature. As a result of this research, micro enterprises will be able to improve their business, and respond market changes or customer requirements. This will also contribute to economy. Furthermore, DCs literature does not capture micro companies, this research will try to fulfill this gap. In this paper, a research agenda will be represented to show that how can operational and dynamic capabilities of micro enterprises be developed over time.

**Keywords:** *Organizational Capabilities, Operational Capabilities, Dynamic Capabilities, SMEs, Micro Enterprise*

**THE IMPACT OF THE INTELLECTUAL PROPERTY LAW,  
INNOVATION AND COMPETITION LAW, UPON THE  
DEVELOPMENT OF THE SOFTWARE PRODUCING COMPANIES**

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**Abstract**

The software industry is reported to be one of the fastest growing in many relevant journals. This growth is related to the accelerated development of the IT technology, entertainment industry etc. Software development raised a lot of companies from bottom to the top, such as Google, Microsoft, Facebook etc. However, building a small business in this industry is quite challenging effort taking into consideration all the intellectual property rights, competition law, and management of innovations. This paper is analyzing the software industry in Europe, and is providing an insight in the relations between above stated factors, and points out important factors for development of stable market such as: balance between the Intellectual property rights, competition law, and imposed standards by the market leaders. The software industry is analyzed by using two approaches: legal and economic, which are mutually interdependent, with both positive and normative inquiry. At the end, we will make an attempt to provide answer to the following questions: First, will there be an incentives to innovate without the financial benefits raised from the intellectual property rights? and second, are these rights slowing down the industry growth?

**Keywords:** *Innovations, Intellectual property rights, monopoly, incentives, development*

## SMEs NETWORKING – KEY SOURCE OF INNOVATION

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Small and medium-sized enterprises (SMEs) are key players in this type of innovation. Poor competitiveness of most domestic companies or their products and services way, but more in the domestic market is one of the biggest problems in the Republic Macedonia. One of the objectives of the Government of the Republic of Macedonia is that SMEs achieve international competitiveness. In a knowledge-based economy competitiveness is becoming more dependent upon the ability to apply new knowledge and technology in products and production processes. This paper is focuses on increasing the contribution of new entrepreneurial ventures and small and medium-sized enterprises (SMEs) to innovation. For complementary knowledge and know-how, they increasingly rely on collaborative arrangements, in addition to market-mediated relations (e.g. purchase of equipment, licensing of technology). Inter-firm collaboration within networks is now by far the most important channel of knowledge sharing and exchange. Interactions are also intensifying between firms and a number of other institutions involved in the innovation process. The paper's aim is to gain understanding of networking in SMEs and how networking contributes to the companies' growth.

**Keywords:** *enterprises, networking, innovation, knowledge*



## SOCIO-CULTURAL INFLUENCE OF TURKEY AND ITS RELATIONS WITH THE WESTERN BALKANS

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### **Abstract**

There are many significant changes in the Western Balkans after 1991. Even after 24 years of democracy, Balkans has not provided yet a sustainable economic and political development. A huge number of external factors are affecting the socio-cultural life of the Balkans. Besides pluralism, the changes on the last decades appear as a result of Euro Atlantic integrative processes. Nowadays, there are some new influences which are results of Turkey's policy towards its former colonies. There are many debates and polemics among scholars, politicians and journalists related to Turkish present and future influence on Balkan's historical context. Some of them call it neo- ottomanism, some of them do not agree with it, but anyway there are many significant indicators of its expanding influence in education and culture. This paper will deal with the issues of social change in the Western Balkans and Turkey's influence through economic, cultural and political collaboration. Ahmet Davutoglu in his book states that Turkey's influence on Balkans is not neo-ottomanism (Davutoglu, A. 2012). On the other hand, Edvard Said (2008) declares that Turkey's impact is not well accepted by Europe. He points out that these relations are considered as difficult academic issues. For data collection the research will use the Likert scale in order to gather quantitative data of the citizens' perceptions related to the socio-cultural impact. The questionnaire will elicit how much this Turkish influence increases the economic development and decreasing the poverty? How much is invested in mosques and schools? Does Western Balkans represent a bridge between Occident and Orient? Integration of Balkan countries into EU has stagnated and the East expands its influence through the movies, books, products, visits of politicians, etc.

**Keywords:** *socio cultural, influence, neo-ottomanism, Turkey, Western Balkans*

## CHALLENGES OF INSTITUTIONAL FRAMEWORK AND SUSTAINABLE GROWTH IN THE WESTERN BALKAN COUNTRIES

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### **Abstract**

It is well known that the current institutional framework in Western Balkan countries is exceedingly complex; extremely costly, creates and suffers from a general lack of harmonisation. This study will try to provide some insights about the role of institutions on economic performance and overall stability with special reference to Western Balkan countries. More specifically, the aim of this research is to investigate the impact of the current institutional framework in Western Balkan countries and its impact on economic growth and stability. In order to get more complete results, a comparative analysis between the Western Balkan countries and most successful transition countries with EU membership will be undertaken to present a success rate of the functional symbiosis between institutional framework and economic stability. Among other factors we argue that all Western Balkan countries urgently require establishment of institutional framework necessary for successful economic development and accession to European Union. Empirical research and contemporary economic theory generally suggest that a nation's institutional framework is an important factor determining economic performance as well as success in the overall processes of economic growth. Unfortunately, there is little empirical research for transition countries (compared to the existing applied work on developed and developing economies) that analyse the importance of institutions for economic development. We argue that institutional weaknesses in Western Balkan countries are rooted from the internationally driven institutional change processes and extremely swift modifications and adaptations to institutional frameworks of West European countries. Rather than having slow and gradual transformation of institutions from within driven by domestic factors, institutions have become overburdened by the inability to swiftly adapt to free market system and Western European developed political and economic systems.

**Keywords:** *institutional framework, sustainable growth, economic stability, macroeconomic stabilization institutions, macroeconomic management*

## PROBLEMS IN DISTRIBUTED COOPERATIVE SOFTWARE DEVELOPMENT: A REVIEW

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### **Abstract**

In the world of communications and globalization, software development projects are often implemented in cooperation of distributed teams and software companies. There are several issues that arise from such an organization - in technical, psychological, social and project management areas. This paper presents results of a review of research results in this area and suggests directions for further development.

**Keywords:** *Distributed teams, cooperative software development, project management*

## PERSONAL CHARACTERISTICS THAT DIRECT THE ANSWER TO THE QUESTION: COMMERCIAL OR SOCIAL ENTREPRENEURSHIP

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### **Abstract**

Although there is a scientific consensus that personal characteristics cannot be the only explanatory factor of entrepreneurial intention, they might still play an important role in shaping the decision about the type of entrepreneurship that one wants to pursue. On average, the students of entrepreneurship have greater entrepreneurial intentions and a better understanding of the differences between commercial and social entrepreneurship compared to the general population. Thus, they were chosen as an appropriate sample for this research whose main goal is to examine the personal differences that might determine whether a person wants to become a commercial or a social entrepreneur. These personal differences were identified based on the available literature and adequate measurements for them were included in our questionnaire. The data was collected on a sample of graduate students majoring in Entrepreneurship in Varaždin and Osijek, Croatia. Our data analysis will encompass the comparison of personal characteristics between the students that want to become commercial entrepreneurs and those that want to become social entrepreneurs, as well as the comparison of these two groups and the rest of the students, who do not have entrepreneurial intentions of any kind. The factor analysis and the test comparing the arithmetic means of the samples will be used. We hope to gain a better understanding of the personal characteristics that direct the career choices of entrepreneurship majors. Since both study programs' curricula include learning about social entrepreneurship, these research results will also represent an important feedback on the existing social entrepreneurial intention of these students.

**Keywords:** *social entrepreneurship, entrepreneurial intention, personal characteristics*

## THE CHALLENGES OF BUSINESS-TO-BUSINESS MARKETS AND CREATING PERMANENT PARTNERSHIPS THROUGH STRATEGIC RELATIONSHIP MARKETING

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### **Abstract**

Today's business marketing strategies apply modern marketing relationship, for creation and sustainability of long-term value for companies, i.e. search and establishing permanent partnerships with customers. Strategic Alliances appear in different types of agreements among different manufacturers, manufacturers and consumers, manufacturers and suppliers and manufacturers and intermediaries. The issue treated in this paper, is building long-term relationships with customers as a necessity in the global world, because these relationships offer a way that provide a competitive advantage, and can be hardly copied by competitors. More often business-to-business markets want to have permanent relationship with an organization, rather than switching constantly among providers in their search for value. The issue in this paper is thoroughly examined through the matter of strategic partnerships and implementation of marketing relationship, as a fusion which allows the creation of a strategy that focuses on keeping and improving relationships with current customers. Through *a case study*, the paper has explored the ways that retailers determine their most profitable customers or how they improve their experience with the customers and business with them. The goal is to answer the question whether the creation of partnership alliances will enable companies to reinforce what they do well with clients, who possess additional skills. The research results may serve as a basis for significant solutions to enhance business partnerships, in which relationship marketing is implemented. The conclusions in the paper should confirm the thesis that customer retention should be a core value of the company and a popular business concept. Strategic partnerships with incorporated marketing relationship, should represent a process of negotiation and interdependence among partners, adjustment, creating shared value, respond to conflicts and overcome their differences. If business-to-business markets include multicultural, cross-cultural and international perspectives and such behavior that conducts business, then in the future this can offer permanent partnerships.

**Keywords:** *Profit-enhanced strategies, multicultural perspectives, disintermediation, strategic partnerships and sustainable channels.*

## **SME's DEVELOPMENT IN THE REPUBLIC OF MACEDONIA – ECONOMIC MEASURES AND REAL EFFECTS**

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### **Abstract**

We are witnesses of the time when the world economy is undergoing of significant shifts. Effects from the last credit crunch and recession still have adversely affected economic activity both in the major industrial and the developing economies. Policymakers are faced with the challenge to continue with the structural reforms and vital investments in their countries needed to provide favorable business environment in order to increase the competitiveness of their economies. Macedonian experience is not an exception. Macedonian government has undertaken a wide range of economic measures to improve the business environment and to support the economic activity. A lot of economic measures were focused to support the growth and performances of SMEs. But, the analysis of the outcomes of these measures cannot unambiguously confirm the positive impact over performances of Macedonian economy, and in particular over the performances of SMEs. Anemic growth rate, high level of unemployment and unfavorable export's structure has remained as key marks of the economy. Some of the reasons for weak performances we can find in the miss coordination of economic policies and measures and the low level of efficiency in their implementation. A strong, dynamic and efficient SME sector will ensure the sustainable, inclusive and broad-based economic and social development in Macedonia. However, what needs to be done is to create and promote a SME development planning methodology in our country, which will define and efficiently implement the most urgent reforms related to SME development. This methodology can be achieved through structured and organized action plans and development initiatives, including introduction of wide-ranging capacity building and fiscal and financial incentive programmes, with SMEs and their entrepreneurs as the main target beneficiaries.

**Keywords:** *economic policies and measures, competitiveness, economic growth, SMEs performances*

## OPEN INNOVATION IN SMEs

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Open innovation inspires business to take risks in order to be innovative in developing new products and in the process to work together with other organizations in the form of universities, other firms and innovators. Although there is an increased interest in open innovation to the SME it hasn't been in literature very often. But for it is still ongoing issue the topic deserves addressing from a SME prospective. When open innovation is talked about it is mainly in contest with high-tech, multinational enterprises. This paper however looks at the topic as one possibly applied by small- and medium-sized enterprises (SMEs). Eight innovation practices are mostly relevant for open innovation which is in context with technology exploration and exploitation in SMEs. There aren't any major differences between manufacturing and services industries but medium-sized firms are more involved open innovation than their smaller counterparts.

**Keywords:** *Open innovation; SMEs; Motives; Managerial challenges*

## MARKETING STRATEGIES IN ORDER TO ENTER NEW MARKETS AND THE POSITION OF THE MACEDONIAN COMPANIES

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The basic motive for this research paper is to show the importance of implementation the marketing strategies and their proper selection for successful internationalization of Macedonian companies. The experience of high industrialized countries shows that, through market adjustment and the use of various marketing strategies companies can ensure growth and development. Also, the purpose of this paper is to present the need and the role of the marketing strategies for entering in a foreign markets used by the Macedonian enterprises. The analysis in this paper will address the trends in global trade and general trends as an example for the problem in the first part of this research, then draw to structure of the enterprises in general and how Macedonian companies has to act in global market. Scope of this research will also be analyzes the needs for using new strategies by the business entities for achievement of the required asset that can and should be further affects for the maximization of the export in general. Also in this paper we will 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:** *marketing strategies, internationalization, foreign trade, import, export, economy.*



## WOMEN ENTREPRENEURSHIP IN THE REPUBLIC OF MACEDONIA-CURRENT SITUATION AND OPPORTUNITIES

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### **Abstract**

Women entrepreneurship has been recognised as an important source of economic growth. Women entrepreneurs create new jobs for themselves and others and also provide society with different solutions to management, organisation and business problems. However, in the Republic of Macedonia they still represent a minority of all entrepreneurs. Women entrepreneurs often face gender-based barriers to starting and growing their businesses, like discriminatory property, matrimonial and inheritance laws and/or cultural practices; lack of access to formal finance mechanisms; limited mobility and access to information and networks, etc. Women's entrepreneurship in the Republic of Macedonia can make a particularly strong contribution to the economic growth, well-being of the family and communities, poverty reduction and women's empowerment, thus governments as well as various developmental organizations should actively undertake promotion of women entrepreneurs through various schemes, incentives and promotional measures. In this way, the new information economy offers many possibilities. Also, the new economy offers a number of opportunities for women. The paper methodology will be largely based on the classical methods of desk-based research of the available literature and data.

**Keywords:** *women entrepreneurship, economic growth, government promotion, information economy, SMEs development*

## REGIONAL DIMENSIONS OF ENTREPRENEURSHIP EDUCATION IN THE SUBJECT AREA OF SMALL AND MEDIUM ENTERPRISES (SMEs)

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### **Abstract**

Education is considered in general, as well as its application in the field of economics. It can be assumed that the poor situation in the sector of small and medium enterprises /SMEs/ is caused by the insufficiently good organization of the education in entrepreneurship. Moreover, in medium and long term, the development of the entrepreneurship, as a whole, leads to the development of the big and small businesses. Supporting entrepreneurship is the basis for the overall development of the economy, including its competitiveness. The end result of the education is the professional competence of a different kind and degree. The basic concepts of entrepreneurial knowledge, skills, attitudes and behaviours shall be taught earlier than the upper school level. In this sense the formation of modern economic culture should start quite early, based on the evolutionary principle of knowledge. First the report examines the Design and Technology classes as part of the technological education. Then it reveals the best pedagogical practices in entrepreneurship within Blagoevgrad as it is taught in the Professional High School of Economics "Ivan Iliev". In the field of higher education, entrepreneurship is taught in the region at SWU "N. Rilski". A course in Entrepreneurship is mandatory in the syllabus of major "Marketing", Faculty of Economics, third year. The aim of the course is to provide students with in-depth knowledge of the theoretical and practical problems of entrepreneurship and explore basic approaches to its implementation in the current conditions. Its benefits to the SMEs are also viewed. Object of the study is the entrepreneurship education. The aim is to show the best experience, in order to be applied in similar situations. The methodology used is the analysis of the existing situation in entrepreneurship education, the study of the legal framework and the transformation of the results into conclusions and recommendations.

**Keywords:** *education, entrepreneurship, small and medium enterprises*

## INTERNATIONAL REPORTING FRAMEWORK FOR SMEs

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### **Abstract**

The international reporting framework for SMEs is a cost-beneficial solution for management, owners, and others who require financial information's that are prepared in a relevant, reliable, and useful manner. A standard definition of small- and medium-sized entities does not exist, but most definitions based on size use measures such as number of employees, balance sheet total, or annual turnover. The main objective of large companies is to meet the information needs of the investors in international capital markets, and the international accounting standards are increasingly designed to fulfil that role. There are a number of accounting standards and disclosures that probably do not provide useful information for the users of SME financial statements, such as the requirement to produce consolidated accounts, to provide for deferred taxation, and to recognize profits on long-term contracts, which is a main interest of directors acting on behalf of institutional investors who own the majority of shares. This paper will put accent on accounting principles that are appropriate for the preparation of small- and medium-sized entity financial statements, based on the needs of the financial statement users and cost and benefit considerations.

**Keywords:** *accounting standards for SMEs, harmonization, IFRS, IASB*

**TOBIN'S q AND R&D INVESTMENT IN CESEE COUNTRIES****Koteski Cane**

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**Abstract**

In this paper Tobin's and R&D investment issue has been subject of investigation. Tobin's q quotient is derived by the ratio of market value (market capitalization of listed companies excluding investment companies and mutual funds) and replacement value of capital used in production (Adjusted savings: consumption of fixed capital). Further, the influence of democracy indices Freedom House political rights and Freedom house civil liberties as proxies for democracy has been investigated along with the some government related variables as well as other macroeconomic variables. The basic idea of this paper is being derived from Arrow paper. Zvi Griliches first introduced production function that relates market value of the firms, tangible and intangible assets. This model also can be applied in a small and simple Keynesian framework, where change in capital stock (investment) is a function of the difference between actual q and normal  $\bar{q}$  i.e. normal  $\bar{q} = 1$ , and some natural growth rate (actually fitted values of the output growth), when  $q = \bar{q} = 1$  investment equals savings, i.e. there exists macroeconomic equilibrium. In the empirical section theories had been tested on a pooled data from sample of 12 CESEE countries. Besides seemingly unrelated regression panel technique, separate VECM's of the relation between Tobin's q and R&D will be estimated for every country, to see the departure from the equilibrium.

**Keywords:** *Tobin's q, R&D, Market value, Replacement value, CESEE countries*

## **IMPACT OF CLOUD COMPUTING IN RESOLVING OPERATIONAL, TACTICAL AND STRATEGIC ISSUES IN SME's (CASE STUDY OF DONIA DOO – FOOD PROCESSING COMPANY)**

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### **Abstract**

Internet technologies at this point are a prerequisite without which you cannot imagine the functioning of certain modern companies and their communication within the company, with the market and the world. The cloud technology i.e. the cloud computing technologies as the latest way to using the Internet as a technology are a step forward in modernizing the work of companies, in their access to information and assistance offered by these technologies in the everyday processes, information flow and also the decision making. The speed of accessing certain key information by the management and their modeling in the information input when making certain decisions and solutions make the cloud computing and the cloud application an ally that is subtle and information unlimited for every manager. The knowledge of these technologies, or the knowledge of the way in which they can be used in their everyday work in companies means strengthening the strategic potential of a company on the market. The paper is a case study for an actual example of using the Google cloud technology and the tools it offers for the operation in Donia - food processing company. The main aim is to recognize the positive aspects of the implementation of cloud technology in the real and daily operations and the contribution it provides for the adoption of better and more objective decisions by management and actual information flow in real time.

At the end of the paper will be presented the company main advantages gained by using free Google cloud computing in the SME's.

Additionally, the fact that most of the tools referred to in the paper are free and opened for modification increases even more their importance and potential for companies.

**Keywords:** *SME's, cloud technology, ICT, information, Google*

## IMPLEMENTING AND COMPARING OF THE E-GOVERNMENT LIKE INNOVATION IN THE SEE COUNTRIES

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### **Abstract**

Innovations are essential for the development of people and humanity in general. Although, very often innovations are connected with the technology, innovations are still present in all spheres of human life. Therefore, we can say that innovation does not only consider patents and licenses that are used to manufacture a new product, but as innovation is considered and the way of producing the product or innovation can be the process of organizing, managing and conducting the things in the manufacturing process. Therefore, we can say that the process of introducing new management in a country to be considered as innovation. We are witnesses of great progress, development and use of information technologies now-a-days with discovering of the Internet. The use of the Internet, information technologies have invaded in every pore of the work of people and reorganize their previous way of working. In that sense, all previous commitments and professions received an "e" prefix, which actually is the explanation that it is done electronically and to that purpose we can say that we have an e-business instead of business; e-management instead of management; e-banking instead of banking etc. Therefore, the governments in many countries have changed its operations with a touch of the use of information technology and the Internet, specifically the introduction of electronic operation. The so-called e-government and e-society is accepted in almost all countries in Southeast Europe. To get a better picture and to understand it we will elaborate e-government in Republic of Macedonia, and we will do comparison to other countries in Southeast Europe. Here, will be analyzed predispositions of the countries in which is implementing e-government, the strategies and the ways that provided it to perform, as well as comparing the implementation in the Republic of Macedonia with other Eastern European countries.

**Keywords:** *Innovations, Information technologies, e-Government, Southeast Europe countries, comparison*

## DIFFERENTIATION STRATEGY – CHALLENGES AND POSSIBILITIES FOR ALBANIA COMPANY

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### **Abstract**

Many well-known business book authors and CEO of corporations have elaborated their ideas regarding the importance of each employee's team work ability. I would like to raise a question in this article regarding employee treatment in team. People differentiation is a process required from managers, in which employees are categorized according to their performance. Employees with very good performance (successful), in first category, counting for 20 % of the total number. Employees with average performance, in second category, counting for 70 % of the total number. Employees with bad performance, in the third one, who should be replaced. Classifying employees, is not made with the only purpose of identifying performance, but also for decision taking reasons. It is fair to ask if different treatment demotivate team work. Majority of people are inclined to consider this as a division in 2 groups: strong and weak, powerful and fragile, winners and losers. But this way of thinking it's not right. It is based more on power than in principles. Single function and cross functional team are wide spread forms of team organizations in the word of business. In the first category are classified the teams created within departments, where every member has the responsibility to reach his on targets in the region he covers. Meanwhile, second category teams, multifunctional, are the ones in the high level of management. We think that the differentiation process, in the single function teams, is an effective process. Increasing competition between team members with the purpose of increasing commitment will result in increased revenues for the company. Meanwhile, in cross functional teams, implementing the differentiation process would increase competition, but would negatively affect collaboration between members. We think that team organization it's a key factor to decide when implementing differentiation process.

**Keywords:** *working, motivation, strategy, differentiation*

## **SMEs OPEN INNOVATION MANAGEMENT: STRATEGY MAP FOR INNOVATION DRIVEN COMPANY**

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### **Abstract**

Over the last few years the open innovation paradigm has gained significant attention among many researchers who are studying on strategic management and innovation. Current research emphasizes that companies adapt their business models to profit not only from internal but also from external knowledge and ideas. The aim of this article is to help the management team to cope with the use of the balanced scorecard for implementation of open innovation strategies in small and medium-sized enterprises (SMEs). One of the ultimate goals is the construction of strategy map and inclusive measures of open innovation management. The implementation of open innovation strategies in small and medium-sized enterprises is a complex, mental and a highly professional activity that is directed towards the determination of the future objectives for the company growth. Hence, in a broader sense, this paper has to formulate the need for using the balanced scorecard as a guiding principle to build a strategy map, draw up an action plan for measuring key drivers as well as determine of critical success factors aimed at open innovation driven company.

**Keywords:** *balanced scorecard, open innovation, strategic management, strategy map*



## ANALYSIS OF SMEs INNOVATION CAPACITY CONTRIBUTION TO VALUE ADDED CREATION IN THE SEE COUNTRIES

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### **Abstract**

Small and medium enterprises (SMEs) are drivers of economic development, users and creators of technological knowledge, and implementers of innovative activities and technological changes in new era - knowledge economy. The level of SMEs' development is significantly determined, among other things, by the level and success of their innovative activities. This paper analyzes the achievements of the SMEs' sector in South Eastern European (SEE) countries in various aspects of innovative activities, and examines the contribution of innovation capacity of these enterprises to created value added. The aim of the research is to identify the key segments of innovative activities of SMEs in the SEE countries in the sense of aforementioned contribution, as well as to determinate the elements of stimulating policies and development strategies of SMEs for future innovation capacity and capability strengthening.

**Keywords:** *small and medium enterprises, innovation, value added*

## THE PATHWAY FOR GROWTH AND SUCCESS OF ALBANIAN SMEs

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### **Abstract**

Entrepreneurs and small firm success and failure have been the subject of extensive research. It is important to understand the external, internal and motivational factors in their endeavours for growth, the barriers faced during this journey and the assistance needed. In this paper we aim to outline and integrate the most important factors that affect the Albanian SME-s in their path for growth and success. Based on a random sampling of 69 enterprises marked as successful are selected. This research contributes to our understanding of barriers in several ways, some of which are considered here. First, it shows that owner-managers perceive certain barriers to be important and can make distinctions between barriers within and across classifications of barriers in terms of their importance to growth and development. Second, it suggests that characteristics of firms - age, size and sector - may affect perceptions of barriers. Third, it suggests that many barriers to growth are related, although these relationships do not tend to be examined. As suggested, financial barriers such as access to finance are related to institutional barriers. Also, access to finance may depend on skills or experience of owner-managers. It was also noted that access to skilled labour may depend on financial resources, and the ability to compete may depend on management skills, access to finance and regulation.

This findings suggest that the growth of Albanian companies was conditioned by some factors as: the experiences and management capacities of the owner/manager; the general and technical educational level of employees and employer; the strategies the use to gain competitive advantage, the traditional relationship between employers and employees, the organizational culture and the predominant values; the legal and regulatory framework.

**Keywords:** *entrepreneurs, small business, management skills, performance, competitive strategies, barriers to growth.*

**“INNOVATIVE POLICIES AND ENTREPRENEURSHIP “- SPECIAL  
OVERVIEW IN THE REPUBLIC OF KOSOVO**

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**Abstract**

The Republic of Kosovo is the newest state in the South East Europe. And by knowing this it's understandable that it has more economic problems than other countries in the region. More than 99% in Kosovo are SME-s. According to this percentage we know that the SME-s development has a key role in the economic development of our country. There are a lot of problems that the businesses are facing every day in our country. And this is the reason why we chose to do a research in the field of innovation policies and entrepreneurship. As we know, innovation activities that the businesses will undertake – stimulate entrepreneurship and by all this we will have economic growth. If there are strong innovation policies, there will have new business ideas, new products in the market, new technology usage... Without innovation the businesses will not have any change, as Albert Einstein said: *“If you always do what you always did, you will always get what you always got”*. This paper is more focused to study the situation of innovation in the Republic of Kosovo, but I will link it with entrepreneurship because as Schumpeter argued that an entrepreneur is an innovator, I think that the entrepreneurship and innovation do not exist without each other. Also my research will be focused on legal acknowledge of innovation and entrepreneurship in RKS. The paper will be divided in two parts: the theoretical part which will include definitions related to entrepreneurship and innovation from different authors, and the second part will be a research in the Republic of Kosovo. For the theoretical part I will use a secondary data and for the research part I will use secondary and primary data. The primary data I will get from the survey that I'm doing through a questionnaire in 200 SME-s in my country.

**Keywords:** *Innovation and Entrepreneurship, Government Policies and Law's, Risk Factors, Influencing Factors, Expectations*

## GLOBALIZATION AND ENTREPRENEURSHIP: NEW NEEDS FOR EDUCATION AND INFORMATION TECHNOLOGY

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### **Abstract**

The globalization of markets affects and will affect the future of small and medium-sized enterprises (SMEs) directly and indirectly. Directly, as producers or consumers, and indirectly as companies from different countries or regions that offer their products or services in the international market. However, to SMEs in such market emerged and survived, SMEs will have to pay attention to the really important things, such as innovation, creativity, marketing ... because the most attractive ideas and creations does not mean much if it turns in innovation , and innovation to find way to positive change in the organization, access issues, education and relationships. All these innovations and news have become the tool of every entrepreneurial managers in its activities to increase business performance of SMEs. In a global environment characterized by structural changes and enhanced competitive pressures, the role of small and medium enterprises and entrepreneurs to the national economy is becoming more important, because it is about subjects that expand employment opportunities, and play an important role in the development of local and regional communities. Thanks to the dynamism and flexibility of small and medium-sized enterprises, it is expected that Europe will better manage under conditions of uncertainty that characterize the global economy. Development of science and technology conditioned to understand the need for modern education. Today, new technologies are being introduced in ever shorter intervals, which impose the need for continuous training of human resources. Entrepreneurs learn to manage information technology will be a great advantage over its competitors by creating a strategy that will be improved by the introduction of new technologies that will lead to the development of innovative abilities of employees, and to strengthen the architecture of information technologies.

**Keywords:** *globalization, entrepreneurship, education, information technology, competition*

## IMPACT OF IS NETWORK VIRTUALISATION (SDN) ON BUSINESS IMPROVEMENT

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### **Abstract**

The research problem is expressed in the question, how in the long term, improve the overall business process management systems ie . to meet the special needs of small and medium-sized enterprises and thus increase productivity and profitability. A possible solution to this problem is adequate information technology that includes and regulates all relevant activities of a given business system. It should be noted that the accelerated development and wider acceptance of the concept of automation of business processes using ICT, information systems architecture is becoming more complex and maintenance in order to function properly is more difficult. It is now one of the biggest unsolved problems in which the constant work and looking for more modern solutions. Everyday increasing number of users and increase the complexity of the architecture of the existing information systems, the problem becomes acute. Although there are currently many tools that facilitate the above actions in the management of IS as a whole and network subsystems, mechanisms for network management are still in the "initial" level, such as executing a configuration at a very low level, the individual settings multitude of network devices by different manufacturers, and modes of communication between the lower levels that make a greater whole. In recent years, there is the concept of virtualization resources information system . System virtualization today takes the form of cloud computing and a new form of software -defined network ( SDN -software- defined networking ) . Software -defined networks ( SDN -software- defined networking ) as a concept is a new way to approach the organization and improving the performance of the network system, and therefore the information system as a whole. The above concepts of cloud computing and SDN - a positive impact on the economic aspects of the business system.

**Keywords:** *software - defined networking , entrepreneurship , information technology , cloud computing*

## INTELLIGENT MOVING SERVICE ROBOT NAVIGATION TECHNIQUE USING RFID TECHNOLOGY FOR TRANSPORTATION INSIDE SMEs

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### **Abstract**

Radio Frequency Identification (RFID) is a revolution in industrial control, because it has the potential to simplify and make more robust tracking of parts or part carriers through manufacture, storage, distribution, and at the end of the supply chain. We try to present intelligent mobile robot navigation technique using radio frequency identification (RFID) technology. RFID systems use radio waves to transfer data from electronic devices (TAG ) to the reader , then the reader forwards the received data to the control unit further processing. In today's digitized world, radio frequency identification (RFID) is becoming a major way of digital identification for people, animals, objects, buildings, etc. A navigation processing of the characteristics of the analog signal RFID is a very good alternative to the different types of navigations. Mobile robot has to navigate in unknown areas without a system vision and planned map of the robot workspace. We setting up RFID in 3-D space, so that the lines connecting their projections in the field define free time along robot can (or wants to) move. This algorithm is able to find the target in an unknown work space, and also track the desired trajectory with high accuracy. The proposed solution provides a modular, computationally efficient, and cost-effective alternative to other navigation techniques for service robots, such as, for example somewhere in industry.

**Keywords:** *RFID, Mobile Robot, Service Robot, Navigation, Intelligent Systems*

**THEORETICAL ASPECTS OF INTERNATIONAL FINANCIAL  
CRISIS TRANSMISSION WITH PARTICULAR REFERENCE ON  
WESTERN BALKANS**

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**Abstract**

The recent global financial crisis reminded us about the multifaceted nature of financial crises. This paper is focused on the theoretical aspects of international financial crisis transmission. At the outset, a critically review on the existing theoretical literature on the relationship and transmission channels between global financial recession and the real economy will be undertaken. After, we set out the context of investigation by means of descriptive analysis of recent economic development in the Western Balkans, with particular emphasis on the impact of the global financial crisis with special reference to the Western Balkan economies. At the end, concluding remarks will be offered with acknowledgment of related avenues of research.

**Keywords:** *global financial crisis, transmission channels, real economy, Western Balkans*

## ANALYSIS OF THE INNOVATION CAPACITY AS A CONSTRAINT OF ECONOMIC GROWTH IN REPUBLIC OF MACEDONIA

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### **Abstract**

The main subject of our research in this paper is to investigate the influence of innovation on economic growth and the level of income per capita in SEE region, with special focus on Republic of Macedonia. We use several empirical and econometrical techniques to fulfill the basic goal of the research. First, the principal factor component analysis has been applied in order to create a more reliable and representative variable that will measure the innovation capacity in our regression model, so as to avoid the multi-colinearity, a common statistical weakness for this type of regression models. In our case, the innovation capacity as an interest variable is content of general expenditure of R&D, number of patents, journal's articles and scientific publications, and royalty payments. Second, panel econometric (random and fixed effects) regression and GMM dynamic panel regression allow us to clarify the conclusion based on the new growth theory (endogenous growth models based on R&D and innovations) about the role and the importance of innovations as a fundamental factor of economic growth. And finally, we use international benchmarks analysis to investigate the performance and innovation capacity of the countries in the region via number of patent's application and firms' capacity for adaptation and transfer of new technology.

**Keywords:** *Economic growth, innovation, R&D, OLS panel regression, cross-country data, factor analysis.*



## INNOVATION CAPACITIES OF SMALL BUSINESS AS A DEVELOPMENT POTENTIAL OF ECONOMY

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### **Abstract**

Since entrepreneurs by many authors, notably Schumpeter, characterized essentially as innovators, entrepreneurial activities that are the core of economic development. This approach has the absolute theoretical foundation in Schumpeter's "creative destruction process" as a result of the innovative activities of entrepreneurs who disturb the existing equilibrium thus creating opportunities for new business ventures release resources and markets. Striving to achieve a new equilibrium through innovative activities of entrepreneurs creating new businesses leads to economic growth. Such innovations as the major determinant and the main resource of economic growth, so the scope of innovative activities of entrepreneurial ventures is one measure of development potential of the economy. The underlying idea of the work is aimed at testing the reliability level of innovation as an economic resource by analysis of the scope of innovative activities of entrepreneurs, economic growth rates and levels of economic development. Great innovative entrepreneurial venture is the result of a high tolerance for change of management process and the entrepreneurial leadership style. Analysis is based on the GEM data by selected variables of the project, that make up the sum of the basic concept of this work, while the sample size and the nature of the data to enable the application of parametric statistical techniques (ANOVA and correlation analysis) in order to achieve the research goals. The results of research will directly answer the set research questions in terms of connectivity the scope of innovative activities of entrepreneurial enterprise, economic growth rates and the level of development of the economy. In a roundabout way, the research results will point out the connection between the volume of entrepreneurial activities by stages of the entrepreneurial process, as the main source and generator of innovations and indicators of economic growth and development.

**Keywords:** *innovation, small business, development, economy*

## ICT IMPACT ON THE COMPETITIVENESS OF SMEs

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The purpose of this paper is to analyze the benefits, challenges, barriers and strategies for minimizing the barriers of the adoption of information and communication technologies (ICTs) by small- and medium-sized enterprises (SMEs) in the developing countries like South-Eastern Europe (SEE) in this era of globalization. The evolution of technology and the implementation of ICT in business processes of SMEs, has contributed significantly by changing industry infrastructure, business operations, in order to achieve higher business performance and to increase productivity and competitive advantage. This research paper focuses on the importance, impact and effectiveness of ICT on SMEs and seeks to develop the conception of adaptive business process management of SMEs in (SEE). In this paper we will use quantitative research, online questionnaire for gathering data, and through comparative analysis we will draw a conclusion for ICT impact on the growth and competitiveness of SMEs.

**Keywords:** *information and communication technologies(ICT), business-process, small and medium business (SMEs)*

## REVIEW OF OPERATIONS RESEARCH MODELS APPLIED IN INNOVATION AND KNOWLEDGE MANAGEMENT

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### **Abstract**

During recent years, the core of the organization is moving from being capital intensive to being technology intensive and currently is moving towards becoming knowledge intensive. With the advent of knowledge economy, knowledge itself has become not only a strategic asset but also the main source of organizational competitive predominance. Numerous organizations expect to gain the ability to manage their intellectual resources by initiating knowledge management in their business operations. Moreover, today's enterprise systems are characterized by multiple objectives, multiple evaluation criteria, and multiple decision-makers, while resources and budget are extremely limited. Managing scarce resources on the best possible way is the main task of operations research, since it focuses on the application of analytical methods to facilitate better decision-making. Thus application of operations research techniques can be very valuable for managing knowledge. Despite the proliferation of papers in the academic literature, there are still major issues around getting quantitative models widely accepted and used as part of mainstream decision-making process. Review of various operations research models that can be used to support different phases of knowledge management implementation and evaluation will be presented, in order to accent possibilities and advantages that can be obtained by using quantitative models to aid knowledge management activities.

**Keywords:** *Knowledge Management, Innovation Management, Operations Research, Mathematical Modeling*

## MODEL CIR: CREATING COMPETITIVE ADVANTAGE THROUGH INNOVATION

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### **Abstract**

Today, Republic of Macedonia needs to focus more attention on innovation and innovativeness. Why? Organizations operate in a time of change! Organizations have the potential to innovate. Such potential often remains in the form of an idea because in many cases the new ideas remain unrealized. The essence of innovation management is to explore the potential for innovation in organizations so that they can be prepared to recognize and realize the "good and profitable ideas." The theoretical elaboration of innovation management allows you to determine the actual and current characteristics of the same and to initiate actions for further research in this extremely important area. The basic model which is elaborate in this scientific paper is based on a thesis that innovative management is process, which is result on: creativity, innovativeness and development. For this model it is used acronym CIR. CIR is a Greek word which means "gentleman" or "master". Meaning of this acronym indicates that innovations prevailed in organizations and they are basics for reaching competitive advantage. Analyzing this model, shows that baseline is creativity of individuals and organizations which allows generating a lots of potential ideas for innovations. Innovativeness is result of a process of innovation which it is necessary to be managed, strategies in organization for innovations, research and development, projects for innovation which leads to third element- an element of development. Development of new product is result from the process of innovations. These elements lead to creating innovative organization where innovations will be incorporated as system ability for reaching competitive advantage.

**Keywords:** *innovations, organization, creativity, innovativeness, development*

## DECISION SUPPORT SYSTEMS – LOGISTIC SUPPORT TO THE PROCESS OF DECISION MAKING IN THE MACEDONIAN COMPANIES

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### **Abstract**

The process of deciding is a part of the things that each manager has to do during his work. We make decisions every day, in accordance with the things connected to the classical functions, as: planning, organizing, managing with the employees, the management in general and control. The process of deciding is not an individual process, i.e. isolated function of the management but it is in realization with all the business functions. The managers (the decisions makers) at all the levels make decisions that sometimes they are “small” and sometimes they are “big”. However no matter whether the made decisions will realize or not all their decision makers go through the decision-making processes. Therefore, this process should first be well acquainted, and then you can manage with it. In all approaches that are present in the contemporary management theory, the term decision-making means rational choice of one of the possible alternatives. The Decision Support Systems (DSS) give logistic support to the process of making decisions in the contemporary companies. DSS are complex computer programs which based on the input data from the database can predict the activities of the real system and some future circumstances. In this project will be implemented a method of objective collection, analyzes, and interpretation of the data, by which the research process gets a scientific character. This methodological approach has been used through the gathered information about the application of the modern Decision Support Systems through systematic, empirical and analytical research of the previously shaped hypothesis. In order to research the condition in our country is used the method of the structure survey, by which we will get information about the implementation of DSS in the business entities in Macedonia. As priority objectives that are established by this project are the following: (i) Assessment and conclusion on the application of Decision Support Systems; (ii) Indicating the benefits of implementation of the Decision Support Systems; (iii) Providing strategic guidance under which the companies will develop in the implementation of the contemporary Decision Support Systems.

**Keywords:** *decisions, decision-making, Decision Support Systems, companies*

## CONTEMPORARY ASPECTS OF SUPPORTING ENTREPRENEURSHIP AND INVESTMENTS IN SME's: THE CASE OF POLLOG REGION

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### **Abstract**

The world economy is facing a variety of financial and economic crises that have various negative repercussions on international and local business, reflected in macroeconomic indicators of each national economy. On the other hand the transition economies, specially the Western Balkan countries are faced with the need to cope with the ever growing international competition, increasing unemployment, declining trend of private initiatives, investments and economic growth and development. As a result, the attention is oriented towards SME's to the importance of SME's as a key pillar to sustainable growth and competitiveness on the national and global market. The most contemporary forms of entrepreneurship support in order to increase the investments and economic development, such as: Business start up center, Clusters, Business incubator, Economic zone, Investment fund etc will be analyzed in this paper.

**Keywords:** *entrepreneurship, investments, growth.*

## CHANGE MANAGEMENT AS A DRIVER OF PRODUCTIVITY OF SMEs

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### **Abstract**

Each individual in his own life, an employee in an organization, as well as a manager of the organization, daily are facing changes or requirements to implement changes. The research focus is directed towards the business world and creating an image how change looks like. Changes include changing the organizational strategy, organization and/or culture as a result of changes in its environment, structure, technology and people. Organizations are sensitive to their environment and require different ways of conducting organizational operations. When the need for change is identified, organizations are becoming subject to increased uncertainty. In fact, this is the proof when organizational integration is part of the necessary change. Thus the researcher focuses his interest in the management of change in order to emphasize the need for a solution and the need to promote learning. The job of managers is to allow changes to occur. Good managers possess the competencies to manage change in the organizational environment. In order to be able to realize the change in organizations they must be encouraged by management or the part of organizations where process changes are planned to be implemented. In order to initiate a change in management, organizations must identify the reasons for change, to develop awareness of the necessity for change, and decide to start the process of change. The purpose of this paper is to identify and theoretically elaborate on the three main factors that have proven crucial in managing change, namely: people, processes and culture. This approach allows identifying the key factors that enable organizations to achieve competitive advantage in the market.

**Keywords:** *change, competitive advantage, managers, process, culture.*

## INTERNATIONAL PRODUCT POLICY

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When companies do not use a marketing approach in their business, their full attention is focused on their product and they refuse to acknowledge that there is not an irreplaceable product or producer. This is very important in international business, because the sustainable attraction of a product on the international market is not based only on the product, but also includes the other three instruments of the marketing mix – price, promotion and distribution. The product is the core element of the marketing mix and is very important in international market planning. From the producers point of view a big challenge are the processes of internationalization and globalization which require a new approach in the international product policy, as part of the marketing program. Today's contemporary consumer does not buy the product's characteristics, but assesses the use of the certain product whether it satisfies his/hers needs or not. The product in international marketing does not only include the tangible characteristics but also the intangible and it is known under the name of "total product". In order for a product to have a bigger market value it is necessary for it to have a usable value. This can be achieved through a well planned and executed international product policy which will be the main focus of this paper.

**Keywords:** *international marketing, policy planning, marketing mix*



## **SMEs DEVELOPMENT AND INNOVATION: EXEMPLES OF RURAL TOURISM IN REPUBLIC OF MACEDONIA**

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The small and medium enterprises, their development and the innovations seen through examples from entrepreneurs and family businesses which deal with the rural tourism in Republic of Macedonia, are the subject of this paper. Following will be given the general characteristics of small and medium enterprises and their role and participation in the tourist sector with particular focus on the rural tourism. At the end of the paper will be given comments, suggestions and recommendations about the perspectives of the small and medium enterprises which are one of the main factors for the tourism development and popularization of traveling to rural environments.

**Keywords:** *SMEs, innovation, rural tourism, Republic of Macedonia*

## LENDING TO SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

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### **Abstract**

In today's economic conditions, SMEs have great significance for the development of an economy. Therefore, in order to improve the competitiveness and the economic potential of economies, it is necessary that SMEs constantly grow, increase the number of products and services they offer, make a profit, and increase their share in the domestic as well as international market. However, their development is often limited by the lack of resources for financing their activities. In this research we analyze the accessibility to affordable credit products for SMEs in Macedonia. The investigation is in two directions, the supply of credits for financing SMEs, and the demand that is the need of SMEs for certain types of banking products and services. The survey was conducted in Pelagonian region. The results show that almost all banks in the country, offer financial opportunities for the development of small and medium-sized businesses that vary according to the purpose, the amount that is approved, the amount of the interest rate, the repayment period etc. It also shows that small and medium business in terms of globalization of the world economy and increased competition in domestic and international markets need products under favorable conditions in order to give priority and support to their development.

**Keywords:** *small and medium enterprises, banks, credit products*

## CHARISMATIC LEADERSHIP AS MAJOR SOURCE OF COMPETITIVE ADVANTAGE FOR SMALL AND MEDIUM ENTERPRISES

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### **Abstract**

Today's global business conditions expressed through strong and relentless market competition, technological, information and communication advances and changing consumer behavior, are making difficult the market fight of small and medium enterprises (SMEs). In such difficult conditions for business operation, tangible resources (financial, technological, physical and organizational) are increasingly losing their primacy compared to the invisible (human resources, innovation, reputation) ones. Among invisible, human resources are becoming more important for the survival, growth and development of these enterprises. In order to be a major source of competitive advantage, human resources need to be proactively managed. These points out the need for a leader with charisma, knowledge, skills and abilities in order to lead the employees in achieving the mission, vision and goals of the enterprise. In this point of view, charismatic leader is one that has influence, inspire, motivate and instills confidence among followers. The charismatic leader, thanks to the characteristics that he possesses and which differ him from other leaders, is the key factor for the business success of SMEs.

**Keywords:** *leader, charisma, competitive advantage, small and medium enterprises*

## OPEN INNOVATION – THE NEW CONCEPT OF BUILDING SUSTAINABLE COMPETITIVE ADVANTAGE OF COMPANIES IN THE PELAGONIA REGION

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In recent years the innovation process has developed a new form in the concept of open innovation. Companies engage in open innovation as a consequence of their search for major changes to seize new business opportunities and boost profitability. This concept of open innovation is the key source of a sustainable competitive advantage in today's highly competitive environment. The main goal of this paper is to identify how the concept of open innovation is creating a competitive advantage for the companies of Pelagonia region. Their limited financial and human resources and the lack of technological capabilities force them to look for different types of innovation partners. In this context it is impossible to consider open innovation in isolation from the corporate strategy of the companies of Pelagonia region. The paper also discusses the challenges and barriers that companies of this region are facing in order to implement the concept of open innovation. Furthermore, the paper suggests utilization manners of the open innovation concept. The research is conducted with various data collection research methods. In this context primary data is obtained by conducting interviews with the managers of the companies using a structured questionnaire. Afterwards, the data is evaluated using various statistic methods that are applicable in this branch.

**Keywords:** *open innovation, sustainable competitive advantage, innovation practices*

## IMPACTS OF INFRASTRUCTURE INVESTMENTS ON SMEs IN REGION

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### **Abstract**

This paper examines the situation and characteristics of micro, small and medium-sized enterprises (SMEs) in the construction industry of Bosnia and Herzegovina and Macedonia. It is based on the available literature and the findings of a survey, and it aims to identify those crucial factors, both external and internal, that impede the growth of SMEs throughout the construction industry of SEE in general and B&H and Macedonia in particular. The results indicate that many of the constraints found in other SEE countries are also found in our countries: from high factor costs affecting the business operation, difficulties of starting up a business, highly bureaucratic tender process, delay of payment, very weak voluntary professional and business associations, lack of available business services provided by either government or non-governmental agencies to inadequate accessibility to financial services. Flexible labour practice is nevertheless the only way for smaller construction enterprises that have to deal with such unpredictable and fluctuating construction demands to survive in the industry.

**Keywords:** *Construction industry, costs, organization*

## RAIZING AWARENESS OF THE NEED FOR INNOVATIVE AND BUSINESS ORIENTED BIH UNIVERSITIES

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The University is committed to developing graduates not only qualified to get their first job but also to have the skills to progress through that job and be able to create new, innovative opportunities. With a strong set of skills a graduate has a secure base for any career developments in the future. Universities should encourage, support and help develop entrepreneurial skills and enterprising attitudes among students, staff, and the members of the communities they work with. It is necessary to develop a range of solutions through consultancy for businesses at Universities. Such as different options for raising entrepreneurial awareness of students. For example, the University Centre for Employability and Engagement which will work with students throughout their degree to develop and enhance employability skills. In addition, the University career services should support students in assessing and subsequently improving their employability skills increasing their chances of gaining employment upon graduation. Another example is the Student Coaching that can support students by exploring the option of self-employment. They can focus on individuals already employed and would like to discuss business start-up as an additional source of income or possibly turning a hobby into a business venture. In addition, it can help those who have been unemployed for some time and are finding it hard to get permanent employment and want to explore other options. This Innovative services for students and SMEs will help increase employability, attract public support and interest from investors. Furthermore, it will provide flexible, short term, cost effective business solutions for new and growing Small to Medium Sized Enterprises. Universities need to continuously cooperate with the enterprise sector to invest and support a range of innovations in order to create a positive change. Through this engagement they should develop a programme which provides a balanced mix of support for skill development and innovations within organisations.

**Keywords:** *entrepreneurial awareness, Employability innovation programs, self-employment*

**ASSESSING THE IMPORTANCE OF AN INFLATION STABLE  
ENVIRONMENT ON SMEs DEVELOPMENT IN CASE OF NEW  
MEMBER STATES USING A NEW KEYNESIAN PHILLIPS CURVE  
APPROACH**

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**Abstract**

The aim of this paper is to identify the main factors which drive inflation in case of some New Member States with macroeconomic similarities, namely Czech Republic, Romania, Hungary and Poland, highlighting the importance of a stable inflationary environment for achieving sustainable growth and competitiveness. Among these factors are included: inflation persistence, inflation expectations, import prices inflation and real economy variables. The degree of inertia, the impact of forward looking expectations, the pass-through of import prices to domestic inflation and the inflationary pressures steaming from real economy are assessed through a reduced form hybrid New Keynesian Phillips Curve. In order to improve the empirical results and provide a more detailed insight into the causes of inflationary process, the paper also studies an alternative proxy for real marginal cost gap in the hybrid New Keynesian Phillips Curve, distinguishing two types of inflationary pressures coming from the real economy, one associated with the decreasing returns to production factors and the other one related to the position of real wage costs relative to their equilibrium level. Alternatively, the research focuses on the convergence process of the New Member States towards European structures which profoundly affect the macroeconomic policy transmission channels within these economies and impact the competitiveness of all firms including SMEs. That is why a stable inflationary environment is of utmost importance in order to reduce the costs associated with unanticipated inflation that determine wealth redistribution effects from creditors to debtors, distort investment decisions towards real assets and eventually negatively affects the relative price signals and resource allocation. Therefore, in a low and stable inflationary environment, SMEs are able to predict and optimise their future costs and resource allocations in order to improve their activities and become more competitive on the global market.

**Keywords:** *EU Integration, Hybrid New Keynesian Phillips Curve, Inflation Dynamics, GMM Estimation, Real Marginal Cost*

## IMPROVING THE COMPETITIVENESS OF SME's THROUGH THE DEVELOPMENT OF INNOVATIVE CLUSTERS IN REPUBLIC OF MACEDONIA

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A number of countries, regions, and sub-regions of the world (regardless of size, population, or natural resources) have been successful in fostering a culture of innovation and creating innovation clusters. Clusters, which are concentrations of research and development (R&D) skills and investment, provide environments that assist in the creation of global industries and drive socioeconomic development. The most successful innovation clusters are those that combine private and public investment with a public policy commitment to create an active and open environment where innovation is encouraged and investments are made. In Republic of Macedonia, the key role of country development in the past few years has been increasing number of small and medium enterprises (SME's). To improve its performance on the market and competitiveness, SMEs need to use innovation and to associate in the innovation clusters. Through innovation clusters, entrepreneurs will gain new knowledge, better access to credit lines and new technology at work. Primary producers in this grouping receive safety in production and marketing of products and final producers through the innovation clusters provide raw and quality. The paper aims to compare the innovation clusters in Macedonia with countries of south-east Europe (SEE) and examine the usability of its use. Through various examples and comparisons we will explain the importance and meaning of innovation clusters for our country.

**Keywords:** *innovation, innovation clusters, SMEs, economic growth, SEE*



**FACING THE CRISES AND IMPLEMENTING SUSTAINABLE  
GROWTH OF MACEDONIAN ECONOMY BY DEVELOPING SMALL  
AND MEDIUM ENTERPRISES**

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**Abstract**

The positive and negative experiences of the World Economic Crisis should be used for recomposing the world's economic map. For many countries it is a sign for changing the economic model if the country wants to keep up with the new world trends. Republic of Macedonia is one of those countries. The inherited conditions and the required development of the economy suggest the need to introduce a so called *holistic approach* in the creation of the future economic model. In its basis, this model deals with the macroeconomic and financial politics as well as with the process of creating new jobs. The main drivers of that model should be small and medium enterprises (SMEs). The research will show why and how SME's should become spine of the future sustainable economic development. The expected results of implementation of such model are increase of the number of employees, export and country's GDP.

**Keywords:** *Remodeling; restructuring; diversification; spine; sustainable development.*

## INNOVATION IN SEE SOCIAL ENTREPRENEURSHIP COMPARING SERBIAN AND ITALIAN CASE STUDY

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### **Abstract**

Emerging trends force a search for more innovative solutions to the sustainable improvements. But ideas will not work unless they can be translated into practice by organisational and institutional innovation. Therefore new models of businesses have appeared, different solutions for burning problems are found and people take initiative and develop new knowledge and skills. Social entrepreneurs can be one of the most important sources of innovation. Social entrepreneurs are innovators who take risk to realize an untested idea for a positive social change without being limited by resources currently in hand. Social entrepreneurship can present vital part of sustainable development through the contribution of individual entrepreneurs to it. On the one hand, social entrepreneurs cater to the basic needs of individuals, and on the other hand, are able to fill a vacuum of effective institutions to coordinate the best use and distribution of limited assets. Moreover, by acting according to the needs of future generations social entrepreneurs contributes to future development.

First social enterprises were established in Italy in 1991. Social entrepreneurship in Serbia is in its beginnings. The idea of modern social entrepreneurship in Serbia emerged in 2000 after democratic changes, through a process of cultural and political rapprochement with the European Union.

The aim of this paper is to highlight the importance of social innovation for further sustainable development of Serbia. To achieve this goal, the current state of social entrepreneurship in Serbia will be presented with a comparative analysis of two case studies concerning two social enterprises, one from Italy and the other from Serbia. Referring to the Italian model as a benchmark, it will be possible to outline the current state of social innovation application in Serbia, using the probable gap with Italy as a cue for some constructive advice for further development of social business.

**Keywords:** *social entrepreneurship, social innovation, Serbian social enterprise, Italian social enterprise, Case Study Methodology*

## RESEARCH AND DEVELOPMENT IN POST-TRANSITION: THE CASE STUDY OF WESTERN BALKAN COUNTRIES

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### **Abstract**

The research and development (R&D) represent a crucial input to the innovation process and encompass the premarket activities performed by a number of agents such as: public scientific institutions, universities, inventors, and firms. Although different in nature and funded by various sources, R&D expenditures significantly determine the innovation capacity of a given country. The issue of a suboptimal allocation of resources to R&D in a free market economy due to the appropriability problem, high amount of fixed costs and related uncertainty has been widely elaborated in the literature. In this context, there are various policy measures that can be undertaken for correcting market failure and solving the problem of R&D underprovision. The low innovation potential of post-transition countries including Western Balkan countries (WBC) may *inter alia* stem from the insufficient capacity to provide conditions for efficient R&D. Namely, the long process of transition in this group of countries has had tremendous economic, political and social impact. As a consequence, the Western Balkan countries experienced erosion of their R&D potential, while their national innovation systems remained underdeveloped. Hence, the aim of this paper is twofold: First, to explore the scope and nature of R&D in WBC as determinants of their innovation capacity and, second to assess the impact of R&D on the economic development in the region. For this purpose we apply a panel data analysis in order to relate the R&D indicators to those of the economic development and growth in the WBC. As a consequence, we expect to come up with policy recommendations that will contribute to better R&D performance and will assist transformation of the WBC into ‘innovation learners’.

**Keywords:** *R&D, innovation, post-transition, Western Balkan.*

## THE ROLE AND IMPORTANCE OF DEVELOPING COUNTRIES IN THE PROCESS OF GLOBALIZATION

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### **Abstract**

One of the fundamental and most current dilemmas today in the global economy is how the development of the process of globalization has its impact on national economies of developing countries and how is the influence on the economic functions of their social economic development? The role and importance of the developing countries is to have developed its own conception of economic development that includes: the rate and dynamics of economic growth, the degree of openness of the economy, real opportunities for involvement in the process of globalization etc., and even then started establishing strategy for their integration into the process of globalization. From this perspective, the logical question of the position of developing countries is what is their position today and what are their prospects for successful involvement in this process?

**Keywords:** *world economy, developed countries, developing countries, international economic relations, process of globalization, capital*

## THE ROLE OF TECHNOLOGICAL INNOVATIONS IN THE REAL SECTOR OF SMEs IN BOSNIA AND HERZEGOVINA

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### **Abstract**

Knowledge and technological developments are an important resource, which is based on the observed progress of society. Research and development, innovations, their commercialization are key lever to increase employment and contribution to new technological developments, but also are leading to environmental protection through the development of so-called "green" technology. Bosnia and Herzegovina does not use all its resource to strengthen the technological capacity of the company and has no clear strategy to create competitive advantage and to go out on the global market. It is extremely poor cooperation between scientific researches and economic sector. The economic recovery of B&H is slow due to unfavorable economic and political conditions, unclear legal framework, problems caused by the global economic crisis, the decline in industrial production, etc. Accordingly, this professional work is based on technological innovation of utility company Progres ad Doboj (Bosnia and Herzegovina), which introduced an innovation in processes, and it is a Center for the waste separation capacity of 5 tons/h. This Center will maintain the health of the population of the city of Doboj, and all waste will be used in the new reproduction cycle instead to cover the local landfill. This method will provide the compliance with EU directives, leading to a restrictive policy on this issue, because utility company Progres has certificates for quality management (ISO 9001:2008) and for environmental protection (ISO 14001:2004).

**Keywords:** *innovations of process, SMEs, technological innovation, the crisis of the real sector, transition*

## **APPLICATION OF SOCIAL NETWORK ANALYSIS IN ANALYSING RESEARCH PRODUCTION OF A SCIENTIFIC INSTITUTION**

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### **Abstract**

The rapid technological developments in all fields of science today present us with virtually limitless opportunities for interaction. Scientific cooperation and communication largely benefits from these trends as well. Available methods and tools for social networks analysis make it possible to examine the frequency of interaction and interconnectivity between individuals working within and outside the scientific institutions. The aim of this study was to determine the current state and levels of cooperation in scientific paper presentation within the FOI through use of data collected from Web site of the Croatian scientific bibliography (for the papers published between 2008 and 2013). The data represents the cooperation in terms of the number of connections and collaborations between the scientists within the college, and outside it - with external partners and institutions. Analyses of cooperation were made according to the type of paper, using the Croatian scientific bibliography classification. Suggestions for future forms of research of cooperation at a higher level are given at the end of the paper.

**Keywords:** *developments, social networks*

**USING ICT IN SUPPLY CHAINS: IMPROVING COMPETITIVENESS  
IN THE GLOBAL MARKET OF THE WESTERN BALKANS  
AGRICULTURAL PRODUCTS**

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**Abstract**

Today the world is a small place. The technological advancements, transportation solutions, and the search for new emerging markets have led to a massive internationalization and globalization of the businesses. The trade barriers are diminished, and all the businesses are faced with the severe competition in the global market. Western Balkan countries are characterized by small economies, with low GDP per capita and high unemployment rates. The functioning of the market economy is impeded by major institutional weaknesses, as well as shortcomings in the judiciary. Domestic and foreign investments have been insufficient, resulting in low productivity growth and deteriorating competitiveness. The agricultural sector is still very important in the region, contributing significantly to the Gross Domestic Product, employment and foreign trade of the countries. However, most of the countries are net importers of food and agricultural products, thus contributing to the large trade balance deficits that the countries are facing. All Western Balkan countries are signatories of the Central European Free Trade Agreement (CEFTA) which enables easy movement of goods and services, and thus increased competition. In addition, they are in different stages in the accession to the European Union, but with a clear intention to join the common market. Under such circumstances it is important to analyze how the value is created within the agricultural supply chains in the Western Balkans, specifically the supply chains on grape and wine and vegetables. The purpose will be to identify the parts of the value chains which can be improved with a view of increasing competitiveness in the global market. The analysis will show that using Information and Communication Technology in the agricultural supply chains significantly improves their efficiency and effectiveness, thus making the Western Balkan products and services more competitive in the global market.

**Keywords:** *Competitiveness, global market, Western Balkans, agriculture, supply chain.*

## ACCOUNTING INFORMATION AND REGULATORY ENVIRONMENT: THE CASE OF THE ALBANIAN SMEs

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### **Abstract**

Recent years have witnessed a significant change in legal and regulatory infrastructure for Albanian small and medium size enterprises (SMEs). It is widely accepted that better regulation has a significant positive impact on the framework conditions for economic growth, employment and productivity. The owners-managers of SMEs should be able to identify the relevant legal and financial issues surrounding their particular business venture in order to establish and manage it successfully. The purpose of this exploratory study is to investigate about the changes in legal and regulatory environment and the role that accounting information plays in the practice of Albanian SMEs. The study employs a mixed methodology, comprising a review of the legislation, institutional framework and of the relevant literature in the SMEs context. Also semi-structured interviews were undertaken with the owners-managers of twelve small firms, where the focus was on understanding how they use the accounting information to make business decisions; which factors affect their use; and the potentially impact of legislation and regulatory changes on small firms. The findings of this study supported prior research in other countries. The in-depth analysis of the qualitative data revealed a basic understanding of accounting information and a low degree of financial literacy amongst these small firm owners. Also the compliance with tax rules in particular resulted very challenging for these SMEs. Some changes in regulatory environment were unnecessarily complex, and forced these small businesses to bear the costs of the extra workload.

**Keywords:** *accounting information, legal and regulatory environment, SMEs*



## TECHNOLOGY FORECASTING IN SMALL AND MEDIUM-SIZED ENTERPRISES

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### **Abstract**

In dynamic business conditions, managers must not only quickly adapt to changes, they must also anticipate the future events in the environment and within the company. Forecasting should be the first step in planning and decision-making. This paper will draw attention to existing application of technology forecasting models within a medium-sized enterprise in public sector based on quality methods and expert knowledge. The suggested model could be used as a groundwork for identifying the phases of technology forecasting in concrete enterprise, and for suggesting necessary management actions with the goal of successful technology management. The research results and developed technology forecasting model provide a groundwork for better quality management, as well as for further researches in this field.

**Keywords:** *forecasting, decision making, model, small and medium-sized enterprises.*

## THE IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES FOR ECONOMIC GROWTH IN WESTERN BALKAN COUNTRIES

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### **Abstract**

Small and medium enterprises (SMEs) have central role in the global economy as a result of their key features – SMEs are dynamic, easily adaptable and flexible. In the 21<sup>st</sup> century SMEs are one of the most important determinants of economic growth and a leading source of job creation. Around 90% of all businesses in the global economy are SMEs; their share in total private sector employment is between 61% - 81%. SMEs are center of initiatives where innovation can be initiated. They support regional development and social cohesion. Government support, support services for SMEs and start-ups, access to finance for SMEs and a good business environment are all important preconditions to enhance the growth of the SMEs in each country. This paper attempts to shed some light on the importance of SMEs for economic growth in the Western Balkan countries by exploring the concept of SMEs, entrepreneurship and innovation in SMEs as their key features, the importance of SMEs for economic growth and the conditions for development of SMEs in Western Balkan countries.

**Keywords:** *small and medium enterprises, economic growth, innovation.*

## PSYCHOGRAPHICS AS AN INNOVATIVE METHOD IN MARKET RESEARCH OF SMES CUSTOMERS

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### **Abstract**

Psychographics has emerged as an important method of market and marketing research, especially as a method of consumer behaviour. Understanding the problems of the consumer behaviour is essential for the process of decision making and the market positioning of the companies. The first psychographics research were realised and used by some large companies. Lately, such researches were used by the SMEs as the innovative method of the market and marketing research. The purpose of this paper is to analyse the possibilities for using this method by the Macedonian SMEs in the marketing research process. This paper explores the relationship between consumers' lifestyle and values, and SMEs products. A survey technique is used on the sample of 136 customers. The survey used 55 AIO and VALS statements divided into 16 factors. By using the empirical research method, this paper demonstrates the way how consumer psychographics characteristics and their life styles influence the process of the decision making process of the SMEs customers.

**Keywords:** *psychographics, market research, marketing research, innovative method, SMEs, customers*

## FINANCING SMEs IN MACEDONIA

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### **Abstract**

Entrepreneurship is closely related to the small and medium sized enterprises (SMEs). Regardless the country's level of economic development, the SMEs encompass over 98% of business entities in the contemporary economy. They are particularly important for the job creation, GDP, added value, as well as innovation, local and regional development and so forth. The objective of this research is two-folded: firstly, to describe the sources of financial support to the SMEs, and secondly, to identify and address the most applied sources of financing. For the purpose of that, the research is elaborating the case of Macedonia. It poses comparative analyses based on stylized facts obtained from desk-research and available sources of secondary data. In this line, the paper elaborates the significance of the Macedonian Bank for Development Promotion (MBDP) in providing financial support to the SMEs in Macedonia. The data set covers the period 1999-2012. Since the quantitative analyses do not always disentangle key facts necessary for pointing out concluding remarks regarding particular issues, analyses based on qualitative approach are additionally introduced. This empirical investigation underlined that the role of the MBDP is additionally important since it gave support in the period when the interest rates (nominal and real) of the commercial banks were extremely high and when the SMEs were practically excluded from the financing of the banking sector. Finally, the research findings point to fact that the MBDP has substantial role in terms of financing and development of the SMEs, as well as the entrepreneurship in Macedonia.

**Keywords:** *financing; SMEs; Macedonian Bank for Development Promotion; Macedonia*

**CO-EVOLVING WITH THE DEVELOPED WORLD:  
SHAPING TACTICAL MANAGEMENT FROM EXPERIENCES AND  
CONTEXT IN BELGIUM AND MACEDONIA**

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**Abstract**

The focus on Tactical Management as the dynamic and adaptive component in the company organism is yet to receive attention. In this direction is the accelerating realization that the competitive advantage nowadays should be searched for in the way companies use the resources and in the intangible assets such as information quest, knowledge and management. With this motivation, and with first-hand experience and belief that the tactical managers are making a difference in the companies, with the way they are performing their everyday work, but also with the way they are thinking, this research aims to shape Tactical Management as proper as possible, in order to point out that aside from the mutual characteristics as management, with strategic and operational one, it has quite distinctive characteristics and should be addressed appropriately from Information Systems, Management concepts, frameworks, tools and methods. This means not just with standard reports and event-driven big data, but with flexible information systems that can answer in right-time after properly positioned information sensors with wide and diverse scope of entities, frequency, details, reasoning, ...; that can assist the handling of the mismatch a tactical manager needs to handle reasoning inputs from operations and outputs of KPIs, targets and strategic guidelines. This also means managerial approaches that are also flexible, or to say more appropriate for uncertain and constantly changing environment, and provide adaptability to the person and to the organization. An interesting conclusion can be drawn from the comparison of the approaches used in Belgium and in Macedonia, showing that the developed country managers are functioning in technically more advanced environment, but still struggling to adapt information flows, organizational structure, ... to the specificity of the tactical management, becoming proficient in shaping the heaviness of the existing systems and processes, or to say the organizational design paradox; while in a developed country, the technical support is quite on a lower level, but to this account, their flexibility and ability to swim in uncertain environment is on a high level, and gives a lot of substance to learn from.

**Keywords:** *tactical management, information systems, Belgium, Macedonia, middle management, co-evolution*

## MACEDONIAN NATIONAL INNOVATION SYSTEM (NIS) – MAIN CHALLENGES

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### **Abstract**

It is generally accepted that the National Innovation Systems (NIS) are one of the most comprehensive systemic approaches that give insight into innovative and economic performance of a country. This insight is essential for the policymakers to develop legislatives for enhancing the innovative performance and the success of the today's knowledge based economies. The development of NIS is complex, path-dependant process due to the differences in the development of the main sectors involved: the academia and the industry. Macedonian later emergence of the NIS is explained by the fact that after 1990, with the collapse of the Yugoslavian federation, there were significant losses in the Yugoslav, East and Central European market. This process was accompanied by disintegration of numerous large industrial complexes, leading to large numbers of bankruptcies and lay-offs. The following two decades were transitional, and this period of recovery was terminated with the adoption of several strategic documents, such as: industrial policy; scientific-research work and technological development; innovation strategy; and strategy for intellectual property. The Innovation Strategy for 2012-2020 supports set of measures that promote competitive business environment, encourage transfer of knowledge and technologies from universities to industry and provide effective regulatory environment for academics and research institutions. Finally, in 2013 the Law on Innovation Activity, which includes establishment of Innovation Fund, was adopted. This paper aims to retrospect the main activities for developing innovation infrastructure and enhancing the innovation capacities. Moreover it offers critical assessment of the improvements and the main challenges faced. The presented overview is designed to assist policymakers in further monitoring, evaluation and improvements and to provide researchers with a solid base for additional in-depth analysis of the impact of the implemented and proposed measures.

**Keywords:** *National Innovation System, innovation strategy, knowledge-based economies, Macedonia*

## THE INFLUENCE OF DIFFERENT NORMATIVE REPORTING BASICS ON THE QUALITY OF THE FINANCIAL STATEMENTS OF MICRO, SMALL AND MEDIUM ENTITIES

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### **Abstract**

International Accounting Standards, issued by the IASB, in countries that have accepted them as the basis for financial reporting, were applied in most cases only for listed companies. Advantages of standardization of reporting in addition to listed companies, sought to be achieved in small and medium-sized entities adopting the International Financial Reporting Standard for Small and Medium Entities. Ease of application through simpler valuation options, reduced disclosure, less cost of preparation, and continuity of standards, are just some of the benefits of IFRS for SME. At the same time, in 2013. European Union adopted a new accounting directive whose solutions are in accordance with the adopted EU strategy was “to think first on small businesses.” In order to reduce the costs of preparing complex financial reports for SMEs, certain simplification in reporting are offered. Micro and small enterprises are allowed to present simple balance sheet with very brief notes, with the possibility that the company does not publish its profit and loss account, but only to submit the balance sheet in the registry under the laws of each member state. Since the requirements of the Directive should be incorporated into the law of each Member State, in some countries with less developed economy 98% of companies will be classified as micro and small. Reduction and lower reliability of information have a number of negative implications: reduction of transparency, reduction of information based on investors make decisions, negative impact on the efforts of the fight against gray economy, and etc. Furthermore, if you want to carry out some studies in economics based on the financial statements, it will be disabled or will depend on the willingness of companies to give some data. All this leads to the question whether the financial statements of micro and small companies, prepared in accordance with the Directive can be fair and truthful.

**Keywords:** *European Directive, IFRS for SMEs, financial reporting, micro and small enterprises, the fair presentation.*

## FROM SMALL BUSINESSES TO COMPETITIVE AND INNOVATIVE BUSINESSES

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### **Abstract**

Supporting the SME sector is an important component of the economic policies, but the road from small business to competitive and innovative businesses is unsatisfactory in most European countries. Specifically, there are two contradictory evolutions, namely: on one hand, the EU launched very ambitious financial programs to support the SME sector in order to be competitive and innovative, but on the other hand, statistical data on small businesses indicate a low involvement of population, especially of the young people, in the creation of small businesses, and even fewer of them become competitive and innovative companies on the national and international market. As main explanation, the small businesses need the existence of powerful economic partners, so the SME sector only states in stable social, economic environment. Or, Romania and other countries were affected both by the transition from centralized economy, and the phenomenon of crisis. Therefore in this article is underlined the fact that the small businesses should be reconsidered through the investments and personal finance. The individuals or families (households) in all EU countries should become economic actors and should use their wealth that have increased permanently, as well as the skills obtained through education in order to start small businesses, of which to be selected the competitive ones. The unsatisfactory trends regarding births and deaths in the SME sector from EU and Romania require the elimination of administrative and fiscal barriers for private business initiatives, but it requires also major changes in the economic behavior at individual level in order to recognize and promote competence and innovation. Less developed countries, as Romania link their future to the overwhelming influence of developments in the integrated space of EU but need also the political will from each state.

**Keywords:** *Small businesses, private initiative, innovation, competitiveness, economic environment*



## IMPACT OF MERGERS AND ACQUISITIONS ON INNOVATIONS

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### **Abstract**

Internationalisation has become increasingly important to the competitiveness of small and medium-sized enterprises (SMEs). The process of internationalisation provide opportunities not only for revenue growth but also the exchange of knowledge and the enhancement of capabilities, which strengthen the long-term competitiveness of the firm. Globalisation, technological advances, improved information flows and changes in organisational structures have facilitated SMEs internationalisation and one of the most important methods of internationalisation is the process of merger and acquisition. Fundamental instruments to each small and medium-sized enterprises competitive strategy are both mergers and acquisitions and innovations. Despite the large number of publications about mergers and acquisitions, few researchers have consistently compared the effect of these processes on innovation, usually, both instruments have been studied separately. Therefore the main objective of the working paper is to analyze how the processes of mergers and acquisitions really affect the process of innovation in small and medium-sized enterprises. Analyzing the theoretical and empirical studies that perceived the impact of the processes of mergers and acquisitions on innovation, we have founded that the impact of mergers and acquisitions on innovation depends on the technological similarities that exist between the companies involved in a particular merger or acquisition, and on the similarities between the markets they are active in. From the analysis of the empirical tests which show how merger and acquisition processes positively affects both small and large firms' incentives to innovate we have concluded that merger and acquisition activity strongly increases firms' incentives to innovate. But, small firms may decide to innovate more when they can sell out to larger firms.

**Keywords:** *mergers and acquisitions, innovation, internationalization, small and medium-sized enterprises, competition.*

## DEMYSTIFYING INNOVATION – THE CASE STUDY OF GPG ALBANIA

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### **Abstract**

The purpose of this paper is to argue that countries like Albania are better suited to absorb innovation through international channels and open innovation solutions. The context is built up on the MIT (Fitzgerald, Wankerl, & Schramm, 2011) model of innovation. The idea is to demystify innovation and make it a human process. The model recognizes three fundamentals of the innovation process such as: market, technology and implementation. The paper argues open innovation helped also by ideas diffusion can help SME to thrive in the market even with the financial issues that they usually have in South Eastern European countries. The methodology used to contextualize the idea is a case study, GPG Albania – a dynamic innovative business in cost competition, which best illustrates the literature model (Prasnikar, Redek, Memaj, 2012). The case will show that this generic model is a great tool for entrepreneurs that will help spur innovation and change the way they think about it. The work also lays background for further practical studies of great significance.

**Keywords:** *Innovation New paradigm, Absorption, Market, Albania*

## ESTIMATING THE EFFECTS OF INVESTMENT IN EDUCATION

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Education is widely accepted as one of the most significant variable in determining the wealth of individuals and population as a whole. The basic education model stands on the assumption that earnings almost immediately adjust to increase the degree of education and human capital productivity. This paper uses an approach to explain how earnings are distributed across the population. With application of the quadratic Mincer earnings model, the main goals are to understand the reasons why additional education enhances earnings and why potential correlation between working experience and earnings appears. In order to do such analysis, this paper starts with the sample of 300 respondents residing in the province of Vojvodina with a difference in education, working experience, social status etc. Furthermore, we critically look back at some parts of mentioned model (log earnings, linear education and quadratic experience) and conclude its empirical position in the light of current and future changes in Serbian labor market. Hence, this paper provides a theoretical interpretation of these empirical results.

**Keywords:** *Mincer model, Education, Earnings, Working Experience*

## MARKETING OPPORTUNITIES AND THREATS FOR MNCs IN CENTRAL & EASTERN EUROPE

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### **Abstract**

The purpose of this paper is to point out marketing opportunities and threats which multinational corporations (MNCs) face on the market of Central & Eastern Europe (CEE). MNCs strive to identify and create similar patterns of consumers' behavior in different countries. Key opportunities for MNCs in CEE are: huge market potential, market globalization, standardized global marketing strategy of MNCs, good image of MNCs brands and cost advantages. Key threats are: different and small countries - markets, "rooted" patterns of consumers' behavior ethnocentrism of the consumers, customization of products/services, good image of local brands and economic crisis.

**Keywords:** *multinational corporations (MNCs), marketing opportunities, marketing threats, Central & Eastern Europe(CEE).*

## INTEGRATED MARKETING (R)EVOLUTION IN SERBIA

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### **Abstract**

Gross Domestic Product (total and per capita), positioning of the country and the organization depends on the integrated action of all stakeholders, acceptance and implementation of marketing at all levels. Who should participate in the marketing evolution of a country? The answer is: government ministries, teachers in schools and faculties; practitioners - leaders, managers and skilled employees in the organizations and citizens of the Republic of Serbia. How? Government ministries - with definition and implementation of positioning strategy; teachers in schools and faculties – with theoretical and practical contribution to the development of marketing; practitioners - leaders, managers and skilled employees in the organization – with implementation of marketing in everyday business; and residents of the Republic of Serbia.

**Keywords:** *integrated marketing, positioning, SWOT analysis, Serbia*

**INTERNET MARKETING CHALLENGING THE TRADITIONAL  
PROMOTION IN BANKING INDUSTRY  
A CASE STUDY OF MACEDONIA**

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**Abstract**

With the new era of technology, the traditional marketing is challenged from the new promotional instruments emphasizing the social dimension. This study elaborates the theoretical views of promotional tools, including the social media communication. A qualitative research is applied over commercial banks in Macedonia, aiming a better and a deep understanding on the phenomenon of promotion through first-hand experience. It researches the major banks in Macedonia, and brings its promotional efforts in communication with current and potential customers. The study mainly compares the social and traditional promotional approach used in banking in Macedonia. It reveals that social media is progressing enormously, which is linked also to the internet usage of the banking customers. The paper calls for integrated promotional efforts from the banks, hereby not escaping totally from the traditional marketing and promotional practices.

**Keywords:** *promotion, traditional promotion, social media, advertisement, banks*

## PUBLIC GOODS AND THE SOCIALIZATION OF OWNERSHIP IN THE TRANSFORM ECONOMY

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### **Abstract**

The main characteristics of public goods are non-exclusion and non-competition. They influence on the mechanisms of organization of the production, the financing and their consumption. The economic activities related to the reproduction of public goods suggest the emergence and implementation of economic relations of ownership on the resources and the final results of the use of public goods. These features require alternative mechanisms for regulating the development of the public sector including social entrepreneurship.

**Keywords:** *public goods, efficiency -economic and social , property rights , competition, social entrepreneurship*

## CREATING BUSINESS ENVIRONMENT FOR SMEs INNOVATION SUPPORT IN MACEDONIA

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### **Abstract**

Nowadays, the contemporary conditions, economic transition, liberalization and privatization have forced the need for development of private enterprise and the promotion of entrepreneurial culture and consciousness. Considering the dynamic environment, competitiveness of small and medium enterprises depend on the speed with which new products can be presented in the market. SMEs are more innovative than larger firms, due to their flexibility and their ability to quickly and efficiently integrate inventions created by the firms' development activities. Hence in this paper we will focus on SMEs in Macedonia and the need for creating environment for their innovation support. With the aim to gain conclusions about the influence of business environment for SMEs innovation will be tested more hypotheses using statistical tools. In the end of the paper based on the obtained results will be purpose a number of measures for improving the business environment in Macedonia in order to stimulate SMEs innovation.

**Keywords:** *SMEs, innovation, business environment*



## KNOWLEDGE MANAGEMENT PROCESS – KEY FACTOR FOR INOVATIVE SMEs

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### **Abstract**

Nowadays knowledge is the most important resource for innovative working and managing with this resource has become an essential part for successful execution of the tasks in the enterprises. In order small and medium enterprises (SMEs) to be successful and innovative and to work effectively they should have proper use of the knowledge management process. With the help of knowledge management process SMEs can do their business activities much faster and simpler, answer on client's demands properly, use the employees' knowledge much better, manage with their documents and all the written information and many other things that are connected with their business activities. Using knowledge management process in SMEs means innovative way of working. In the theoretical part of this paper will be explained in details the proper way for implementing knowledge management process in the SMEs and will be listed all the benefits that SMEs can get if they are using this process. The practical part of this paper will be descriptive and represented by case studies. Case studies will be SMEs from Macedonia that are using knowledge management process in their working, in order to be shown all the benefits that these SMEs got by using this process and to be shown why, by using the knowledge management process, they are considered as innovative enterprises. The aim of this paper is to contribute SMEs that are not using knowledge management process to start using it in the most proper way in order to archive higher results from their working and to become innovative enterprises that all the time seek modern and innovative way of working.

**Keywords:** *knowledge management process, SMEs, innovative enterprises*

## DETERMINANTS FOR ADOPTING OPEN INNOVATION STRATEGIES IN SMEs

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### **Abstract**

The modern concepts go beyond traditional approaches for developing innovation based primarily on exploiting the internal R&D resources. Thus, they are increasingly promoting the use of external ideas, resources and knowledge for the firms' innovation process. Nowadays, companies employ the concept of open innovation to search the possibilities for generating innovation impulses and improving the innovation performance. This is of particular importance for SMEs having limited innovation capacities to improve their innovation performance and to successfully respond the challenges emerging from dynamically changing competitive environment. Hence, the paper aims at: a) providing a review of the current research relating to the concept of open innovation and SMEs; b) identifying the main determinants to implement the open innovation strategies as a major prerequisite for improving the innovation performance of SMEs.

**Keywords:** *open innovation, SMEs, innovation strategy*

## THE INNOVATION DYNAMICS IN ONLINE BOOK RETAILING AND PUBLISHING INDUSTRY: A CASE ANALYSIS FROM TURKEY

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### Abstract

This study was an effort to evaluate the innovation and capability formation dynamics in on-line book retailing and publishing industry in Turkey. We mainly followed a qualitative research based perspective at both firm and industry levels. At firm level, we carried out in-depth interviews with the managers of the leading on-line retailer (e.g., Idefix) and examined the network the firm. Insights from these interviews underscored the dynamics of the industry in its foundation period. The analysis revealed the need for continuous innovations efforts of the pioneer firm in focus, in order survive in the competitive business environment. It was interesting to learn about the capability accumulation process of the first entrée. At industry level, we examined various macro-level dynamics of retailing and publishing industry. Our analyses focussed on the radical innovation, internet technology and e-commerce, all of which played critical roles in transforming the industry. Overall findings of this study revealed the transformation of on-line book retailing and publishing industry with the innovative efforts and input of the pioneering actors. The trends we unfolded in this study are important especially for the same industries and companies operating in such industries. Our findings speak to practicalities especially for firms that seek to expand in similar developing countries. Further discussions and suggestions are provided in the end.

**Keywords:** *On-line book publishing, on-line book retailing, Turkey, transformation, innovation.*

## THE FLEXICURITY CONCEPT – CHALLENGE (AND) FOR THE SOCITIES AND ECONOMIES OF SOUTH EASTERN EUROPE

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### **Abstract**

The Flexicurity concept theoretical and ideological - political is promoted as an alternative response to the concept the Labor markets flexibility. The Flexicurity concept theoretical is built basically to protect the welfare state in the rich european countries, mainly scandinavian, i. e. not to allow essential its destruction before the attacks by the neoliberal labor markets flexibility. The flexicurity concept did not completely negate the concept the Labor markets flexibility, the Flexicurity concept essentially accepts the concept the Labor markets flexibility, but that concept has merged into an organic unity with the fundamental determinations of the classic scandinavian welfare state - the determinations for social justice for the employees and for the unemployed and for active policies on the labor markets that include a balance of the rights and the obligations of the unemployed. The Flexicurity concept, just like the concept the Labor markets flexibility, basically should to play the role of a factor of the economic competitiveness in global markets through the enabling the labor markets to liberalize and deregulate, but on the other side, should basically to overcome the negative consequences of the concept the Labor markets flexibility on the status and the rights of employees and the unemployed, i. e. the supply of the labor markets. The Flexicurity concept basically should to enable to lower price of labor as a factor of the economic / market competition, but, at the same time, this determination should be put in balance with the social rights of the unemployed, i. e. whit the rights of the supply of the labor markets. For the countries of South Eastern Europe who are included in the process of integration with the EU is important that the Flexicurity concept is adopted by the EU and into that framework he conceptually is connected first with the Lisbon 2010 Strategy, and then with the Europe 2020 Strategy ("Strategy for smart, sustainable and inclusive growth").

**Keywords:** *Flexicurity concept, Labor market flexibility, welfare state, economic competitiveness, Europe 2020 Strategy*

**CONSIDERATIONS ON IMPROVING THE EFFICIENCY OF THE  
OPERATORS IN ELECTRICITY PRODUCTION AND DISTRIBUTION  
BY BUSINESS PROCESS REENGINEERING. CASE STUDY:  
ROMANIA AND FYR OF MACEDONIA**

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**Abstract**

In the early 1990's, the concept of "Business Process Reengineering" (BPR) was first introduced by Michael Hammer and James Champy. Nowadays, many projects aiming a better management focus on better processes, as obtained by reengineering the existing ones, using different techniques. This paper approaches this aspect of the management processes redesign in a field which has been (and still is) highly regulated and ruled by bureaucratic laws: electricity production and distribution. Introducing the corporate management in this field is not always possible but, up to some extend, it is desirable, both because the competition occurred and is growing but also due to the globalization of the energy market. Processes control is necessary for almost all processes run at the level of the energy operators, concerning production, distribution and trading. This paper identifies the most important aspects to be taken into account in order to implement corporate management redesign and especially BPR in the energy sector of Romania and FYR of Macedonia, emphasizing the resemblances and differences between the two cases and offering recommendations for fulfillment of this approach.

**Keywords:** *Business Process Reengineering, electricity production and distribution, Management Information System, cost optimization, corporate management in state-owned companies*

## ICT, E-BUSINESS IMPACT ON COMPETITIVENESS OF SME'S IN MACEDONIA

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### **Abstract**

This paper is based on the results of the empirical research carried out to determine the use and impact of ICT and E-Business in the competitiveness of the Small and Medium Enterprises (SME's) in Macedonia. The research will analyze the structure of SME's, their strengths from the use of ICT and opportunities that E-Business provides to further improve the software (apps), online presence, and perceptions about the online world. Enterprises that consistently use ICT have constant access to the newest, top shelf products on the market that constantly allow them to have bigger reach of customers. Nowadays, small barriers to entry in the ICT world allow easy implementation of the contemporary communication technologies and tools that furthermore contribute to new and unique enterprise solutions. As the online world is eliminating the limitations of information, enterprises have an opportunity to implement the newest software apps and other online tools at very low costs. Additional advantage is the possibility of outsourcing some of the more complex enterprise operations at reasonable cost with high quality results. Thus, many of the companies are starting to use ERP solutions even for the SME's, as well as advanced CMS and CRM for their everyday operations and contact with potential customers. The goal of the paper will be to analyze the implementation and use of ICT in different sectors such as: commerce, production and service while determining the overall aspects of improvement in the enterprises from using or implementing them. Focus of the analysis will be on the: decreased cost of sales, getting bigger reach of customers and increase of revenue, all through the use of ICT. These findings will provide a foundation for more enterprises to venture into the online world and break the barriers that limit their opportunities to grow and compete with the other enterprises.

**Keywords:** *Internet communication technologies, Small and Medium enterprises, online presence, enterprise improvements, Macedonia*

## MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES – ORGANIZATION AND LEGISLATION

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### **Abstract**

Sustainable economic development and growth depends on the level of permanent total manufacturing capacity of the private sector, a sector which is mainly determined by entrepreneurship and the establishment of small and medium enterprises (hereinafter in this paper SMEs). Small and medium enterprises are the main source of private sector development in the Republic of Kosovo. Their role and importance consists on the building of productive capacities, giving services and employing the people. Their growth is influenced by various circumstances: the local business environment, potential financial resources, consistent management, human resources, local legislation and international economic relations of the Republic of Kosovo. All potential factors together bring the expected results, but, in modern world, we believe that the management of SMEs has a direct impact on their evolution. In this paper will be discussed the management of SMEs, their organization and the relevant legislation regulating the establishment, organization, legal status, their liquidation and bankruptcy. The paper will be focused exclusively on SMEs in the Republic of Kosovo. In this discussion will be used empirical method, analysis, synthesis, comparative and doctrinal method. Through the implementation of our research, comparing different models of SMEs management, modes of organization and leadership attributes, to the analysis and interpretation of specific legal provisions, the paper will be enriched with tables and charts that would reflect the real situation SMEs in the Republic of Kosovo. The paper will present a comprehensive and detailed structure of SMEs and their impact on the overall economy of Kosovo, considering that the most of kosovar enterprises are registered and organised as small and medium enterprises.

**Keywords:** *Management, SMEs, organization, legislation, economic growth*

## CHALLENGES OF THE SOCIAL INNOVATIVE AND OPPORTUNITIES IN THE WESTERN BALKAN COUNTRIES

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### **Abstract**

This paper explores the challenges of the social innovation in the counties of Western Balkans. The Western Balkan countries are geographically surrounded by EU member states. European integration is almost recognized universally as the key strategy for achieving security, stability and prosperity for the all countries in the Western Balkans. As conditions for membership, these countries have to demonstrate that their political institutions are stable and democratic and that they have institutionalized effective market economies. Social innovation basically means that people adopt new social practices in order to meet social needs in a different or more effective way. The traditional concept of innovation as successful new technological products needs fundamental rethinking in a society marked by knowledge and services, leading to a new and enriched paradigm of innovation. There is evidence that social innovation will become growing importance not only concerning social integration or equal opportunities but also with regard to preserving and expanding the innovative capacity of companies and societies. The political authorities in the Western Balkans should stress more the social facets of social innovation.

**Keywords:** *social innovation, Western Balkans, challenges*



## THE INNOVATIONS IN MACEDONIA SMEs: A CASE STUDY OF “SHIRKOSKI –JUVELIRNICA”

**Shirkoski Aleksandar**

### **Abstract**

The Macedonian SMEs nowadays struggle with low innovation potentials as a result of many internal and external factors. Having in mind the fact that SMEs nowadays operate in a global business environment, there is a need to strengthen their innovativeness that will make them more competitive on the global markets. Hence, the managers of the Macedonian SMEs face challenging task to create strategies in order to improve the innovative capacities of the firms. “Shirkoski – juvelirnica” (jewellery) has been established as new start-up business. Its basic goals are the following: design, production and sale of luxury jewelry which is predominantly considered for export. The major company departments are: design department, marketing department, legal department and, R&D department. All departments in the company are closely related in order to have successful innovations. This is mainly viewed in production of new jeweler luxury products and new knowledge in the area of precious metals (gold, silver, platinum, palladium etc.) and expensive gems.

**Keywords:** *innovation, SMEs, jewellery*

## THE DEVELOPMENT AND EVOLUTION OF THE NATIONAL ACCOUNTING STANDARDS FOR SME IN ALBANIA

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### **Abstract**

Albania has implemented its first set of 14 National Accounting Standards (NAS) in 2009 and added a 15<sup>th</sup> Standard in 2011, the Accounting Standard for micro entities. In 2014 the National Accounting Council of Albania (NACA) is already revising this existing framework by undertaking major revision projects on all its NAS. This paper aims to analyze the current status as well as the development of Accounting and Financial Reporting in Albania for the Small and Medium Enterprises. In the context of a Standard of Financial Reporting for SME issued by the IASB but not fully endorsed by the European Community why Albania did chose to revise its own National Accounting Standards instead of adopting the IFRS for SME? We try to give a summary of the financial reporting requirements and also present a comparison among three sets of accounting regimes: the full IFRS, the IFRS for SME and the Albanian GAAP (the NAS). We also draw conclusions on the level of simplicity each of these three sets offers to its users. The study also offers a simple comparison between Albania and the choices made by other countries of the region regarding whether adopting the IFRS for SME or revising their own local GAAP.

**Keywords:** *accounting standards, financial reporting*

## REENGINEERING THE MANAGEMENT SYSTEM IN SMALL AND MEDIUM ENTERPRISES

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### **Abstract**

Adaptability should be one of the major advantages of the Small and Medium Enterprises (SMEs) and we expect to see such firms continuously developing in an environment which favors permanent adaptation to the turmoil of different crisis and transitions. Unfortunately, the reality shows that both in Macedonia and in the surrounding countries – UE members or not- there are hundreds of SMEs closing every year even their products and services are really needed. Instead, these products and services are imported at high costs or replaced by more expensive substitutes, in both cases rising the daily expenses of people or other companies. This situation, paradoxically in some ways, is due to the lack of management knowledge at the level of SMEs and consequently to the difficulty to initiate and manage efficient changes. In the Republic of Macedonia almost 98% of the companies are small and medium enterprises and for the Macedonian economy it is very important that the SMEs have the capacity to innovate. The need for change is high and this is why reengineering is becoming fundamental for all organization. In this paper we propose a simplified methodology for reengineering the management system in such a company, based on a process approach of Business Processes Reengineering, affordable for those who cannot afford a consultant to do that and recommended for the first stages of the development of a SME.

**Keywords:** *Business Process Reengineering, Small and Medium Enterprises, Improvement*

## **BUSINESS CASE: FROM IaaS TO SaaS**

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### **Abstract**

A multi-tenant SaaS application in the cloud can cause insufficient utilization of resources that the SaaS provider has paid for in advance. That means, the application's tenants not always exploit the full capacity from the particular Virtual Machine's (VM) configuration - a cost disadvantage for both the SaaS providers and their customers. The new challenge in the literature is to propose a cost-profitable solution by which the SaaS providers will rent less VM instances from the IaaS providers and then maximize their usage among their tenants. More optimal is the distribution of the resources, the more the SaaS providers can gain from their business. SaaS providers use the payment models defined by IaaS providers. By introducing the new manner of managing the resources, the existing pricing model will no longer be useful for the SaaS providers and new tenant-specific billing needs to be provided. In this paper we perform a comprehensive business case study where we discuss the costs for renting VMs from the IaaS providers compared to the income of SaaS tenants.

**Keywords:** *Business Analysis, IaaS, SaaS, Resources, Multitenancy*

## THE EFFECT OF ORGANISATIONAL STRUCTURE ON BANK IMAGE IN THE FUNCTION OF DEVELOPMENT AND MAINTAINANCE OF THEIR COMPETITIVE ADVANTAGES

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The transition from the industrial to the informational era has generated unpredictable, continuing, radical and accelerated changes, so that the informational society has adopted the characteristics of accelerating and hypercompetitive society. These conditions have resulted in complex and dynamic structure of relations between banks and their surroundings, which has brought the need to search for new sources for the development and maintenance of their competitive advantages. The recent theoretical and empirical research, as well as the operational politics, show that the organizational culture, understood as a leading model of values, motives, beliefs, assumptions and norms, presented through language, symbols, goals, technology, management activities and interactions, have a multidimensional effect on various aspects of bank operations. This complex nature of the phenomenon of organizational culture is also presented in the powerful effect on bank image, which usually represents the wholeness of presentations, attitudes, experience and opinions, made consciously or unconsciously by certain group or person about a particular bank. Considering this, the research attention will be focused on the role that an organizational structure has in the development of its image and in the context of modern banks concern on ensuring new blocks on which the competitive advantage may be built. This paper will analyze research results of effect of culture on service quality and through that, the bank image. The research is conducted through Mystery Shopping method in bank headquarters that operate in Bosnia and Herzegovina. The research has scoped the following aspects of bank operations: general characteristics of the physical surroundings of banks, bank clerk assessment, sales interview, knowledge of services, and a general assessment of quality by the Mystery Shopper. Mystery Shoppers have visited a total of 26 (89.65%) of banks in Bosnia and Herzegovina.

**Keywords:** *organizational culture, bank image, competitive advantages*

## INNOVATION FOR COMPETITIVENESS AND GROWTH IN MACEDONIAN COMPANIES: MAIN CHALLENGES

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### **Abstract**

Many researchers and policymakers acknowledge the great significance and contribution of private businesses for the national economic growth. In addition, knowledge and innovations are in the essence of modern knowledge-based economies. Therefore, the innovative and knowledge-intensive activities of the companies are of a great importance for the modern world. Investigating the main challenges for Macedonian companies in increasing innovation and achieving sustainable growth is the main goal in our research. The methodology used is based on statistical analysis of survey results that we conducted in 2014. Companies' growth is widely influenced by the overall context in the national economy where they coexist. The governance of Macedonian high-educational institutions is centralised at state level, with public sector dominance in R&D funding and performing structures. During the last two years, the government has been committing constant reforms in R&D and innovation policies, which results in improvement of the business climate and the competitiveness. However, the Innovation Union Scoreboard 2013 assessed the country as modest innovator with a below average performance, but with growth performance above the EU average and above the average growth performance of the modest innovators group. Although there is an extensive set of general literature for growth and competitiveness, the number of studies where Macedonian segment is discussed is very limited. Therefore, our findings are very beneficial for Macedonian institutions, as well as for other countries of the region where the societal and economic contexts are alike due to similar development processes. The contributions of this study are twofold. Firstly, its practical implications are significant not only for the industrial sector, but also for the policymakers and for the academicians and researchers who are interested to collaborate with the industry. And secondly, the scientific importance of the paper is in its theoretical contribution to the strategic business literature.

**Keywords:** *Innovations, competitiveness, growth, knowledge-based economies, Macedonia*

## THE ROLE OF EFFECTIVE SOFTWARE MAINTENANCE IN INCREASING COMPETITIVENESS OF VERY SMALL SOFTWARE COMPANIES

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### **Abstract**

Being defined as an ability to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market, the competitiveness itself tends to be one of the most significant factors which determine the survival of small software companies in highly dynamic and uncertain business environment. These insights are especially important, since recent investigations show that small software companies are dominant in economies across the globe, the software industry's bankruptcy rate is much higher than the rates in other industries, and small software companies have an increasing share in economic activity, employment, innovation and wealth creation in many countries. In this paper the challenges of the software maintenance are discussed, as being an integral part of the software application life cycle, from the aspect of competitiveness. It has been widely recognized that software maintenance is the most costly part of the software life cycle, which deserves more attention from both researchers and practitioners. Since software maintenance is an ongoing process with the aim of keeping software useful, the imperative of software maintenance is achieving well-managed processes that will reduce errors throughout the software life cycle. Moreover, managed maintenance processes increase credibility and viability of software organizations that provide maintenance services, and also has a positive impact on business performance and competitiveness. As a case study, a maintenance request process improvement approach implemented in a small software company is presented. Based on the light process assessment technique, it increases effectiveness of the whole software organization, the quality of products and services provided to clients, which contribute to gaining competitive advantage on the market.

**Keywords:** *very small software companies, software maintenance, process improvement, competitiveness, competitive performance*

## MACEDONIA'S ENVIRONMENT OF INNOVATION: BUSINESS CHALLENGES AND OPPORTUNITIES

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### **Abstract**

The innovation is important for driving economic progress and competitiveness for both developed and developing economies and thus it is a crucial element of sustainable growth. The experience of developed countries shows that it is necessary mutual action of institutions and the interactive processes in the creation, application, and diffusion of knowledge, human capital, and technology. This means that today's innovation system is no longer restricted to R&D laboratories and to published scientific papers as it was previously seen. On the contrary now it emphasizes the collaborative nature of innovative processes regarding productive interactions among innovation actors as firms, the public sector, academia, and society. Therefore, national politics and strategies should be directed towards improving the linkages between the innovation actors and towards encourage social innovations and business model innovations as well. This article has several goals: first, to understand the innovation, the innovative drivers and their mutual influence; then, to assess the extent of Macedonia's environment of innovation and the linking among innovation actors, to determine its strengths and weaknesses and finally, this compared with the extent of countries with better innovative performance. For this purposes, the key drivers of the framework the Global Innovation Index (GII) and the ranking of innovation performance of countries are considered. The findings present that Macedonia must institute a national model that establishes coherent linkages in innovation systems. This findings should help policy makers, decision makers and other stakeholders to identify and to create better policies, practices and other levers which will foster national innovation as well as to implement strategy for inclusive innovation based on collaboration at both the firm and country-wide levels.

**Keywords:** *innovative drivers, Macedonia's environment of innovation, Global Innovation Index, policies, practices*



## CLUSTERS IN THE REPUBLIC OF SRPSKA – MARKET COMPETITIVENESS

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### **Abstract**

Permanent changes of the environment in which the organizations operate, impose the need for design/redesign of business systems. These changes have led to changes of influencing factors and requirements, on which is based the organization design. The influential factors that were crucial in the course of the nineteenth and twentieth centuries are now inadequate or even the obstacles to organizational growth and development. The experience of the EU shows that the competitiveness of a business system and the overall economy can significantly increase by linking organizations in clusters. Developing a cluster model at the local level within the national economy is significant momentum towards comprehensive and more intensive development of the SME sector and entrepreneurship. Small and medium enterprises represent the backbone of economic development of the Republic of Srpska. Out of the registered companies in the Republic of Srpska, this group makes 99.57%. In order to survive in the market, these companies must continuously improve their business operations and build competitive advantage at both local and global market. However, SMEs are characterized by a lack of technical and non-technical innovation, investment in research and development, the lack of necessary knowledge and experience and poor cooperation between academia and industry. This paper deals with the cluster development in the Republic of Srpska representing one of the options to increase the competitiveness of companies in the domestic and international market. It also provides a performance analysis of business enterprises in the existing clusters that are mainly formed in timber industry, which is one of the most important sectors in the Republic of Srpska.

**Keywords:** *SMEs, clusters, business performance*

**MANAGERIAL INNOVATIONS AND ORGANIZATIONAL CHANGES  
IN ORDER TO ACHIEVE SUSTAINED COMPETITIVE ADVANTAGE:  
CASE STUDY - "FOD" LLC – NOVACI, R.MACEDONIA**

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**Abstract**

The purpose of this paper is to elaborate that with effective management of the innovative organizations, i.e. those who are able to use innovation to improve their processes or to distinguish their products and/or services, can improve their competitiveness expressed in terms of market share, profitability and growth. Organizational changes are a necessity for any organization because of the need for adjustment to the dynamic external environment. Creative and innovative managers with the resources available in the organization and beyond have the opportunity to develop new products/services and processes, resulting with the development and profitability of the organization. The new environment requires from companies to act differently in order to survive and prosper, so they have been forced to search for new sources of competitive advantage and to enter into new forms of competition. This research concerns the important issues related to the competitiveness of organizations, giving guidance to the managers how to overcome their weaknesses and limitations through opportunities to get into organizational transformation and development of the organizational capabilities in order to achieve sustainable competitive advantage. In this research paper we elaborate the interdependence of the innovation as a process and organizational changes directed towards specific areas of the functional management as a means for achieving sustainable competitive advantage in the case study of LLC “FOD” Novaci, R. Macedonia. Perspectives are offered regarding the application of managerial innovation and organizational changes and their impact on the process of the creating a sustainable competitive advantage.

**Keywords:** *managerial innovation, organizational change, sustainable competitive advantage*

**MAINTAINING AND STRENGTHENING THE COMPETITIVE  
POSITION OF SERBIAN BRANDS AND BUSINESSES IN THE  
REGIONAL MARKET IN ORDER TO INCREASE THE EXPORTS OF  
THE REPUBLIC OF SERBIA**

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**Abstract**

For the realization of the company's business objectives, in terms of the global crisis and the growing market instability, it is crucial for the survival and success of the company to succeed in a variety of ways to provide a competitive advantage in the market. Competitive advantage is the competition of players in the market competition, where competitors compete against each other which will produce and offer exactly what customers are looking for, that at the same price offer a better quality product, that is the same quality product which offers the lower price. Competitive advantages of the high turnover and profits, companies that fail to win and outperform their competition. Therefore, it is very important that companies follow trends and inovate their products. The aim of this paper is to highlight the ways in which Serbian companies can gain from their products and maintain competitive advantage in the region, thus to outdo the competition in order to increase exports of Serbia, as one of the main macroeconomic indicators of a country. The results of this study it is necessary to point out the importance of developing regional competitiveness and good positioning and placement of Serbian products on the regional market, as well as providing support for this purpose because it is the way in which it can improve the economic position and importance of the Republic of Serbia in the region, which in turn brings and the strengthening of the region in the framework incorporates all European.

**Keywords:** *business, market, competitive advantage and dominance*

## ALTERNATIVE SOURCES OF SME's FINANCING IN REPUBLIC OF MACEDONIA

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### **Abstract**

Long - term financial policy and strategy of small and medium-sized enterprises in terms of market economy should allow realization of the current and developing goals aiming towards strengthening of long-lasting ability of financing and payment as well as preserving and increasing of the property. In fact, the financial policy as a complex and heterogeneous activity focused towards the study of the process of financing for the purpose of optimization of financial goals and improving financial decisions, has a priority goal to allow realization of financial interests of all participants in the process of distribution of the financial result and competitive advantage of SMEs which would be a result from the selection of appropriate sources of funding. Under these provisions, SMEs have an emphasized need for optimization of funding sources that will allow maximization of the final financial effects on the one hand and minimizing the initial investment on the other. In the Macedonian economy, due to the complex economic and social conditions, many businesses are faced with the issue of providing quality funding sources. In the structure of funding sources of financing of SMEs in the Republic of Macedonia, the participation of short-term bank loans dominates, and that results in permanent increasing of the financing costs in the total cost of operation. The absence of quality funding sources for businesses, in most cases is a consequence of the underdevelopment of the financial market, especially the capital market, financial policy of bank institutions and high interest rates of their long-term investments in economy, limited knowledge of management teams regarding the possibilities and the advantages of other alternative funding sources, not including the bank loans etc. Therefore, special focus and analysis of the condition regarding the financing of SMEs in the Republic of Macedonia will be presented in this paper.

**Keywords:** *financial policy, funding sources, financial markets.*

## FROM IDEAS TO INTERNATIONALIZATION AND INNOVATION: A STORY OF TWO LOCAL COMPANIES

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### **Abstract**

This work we will start with the statement by C. Darwin (19th century): „It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change,, followed by the Einstein's (20th century): „The measure of intelligence is the ability to change,,. These quotes are being apply to species, human beings, and why not to companies as human team. Actually, we'd like to point out that people/companies (SMEs) could survive in today's unpredictable life only if they are agile and tend to change. In other words, by people as well as by SMEs is expected to work today with yesterday's experience and satisfy/reach tomorrow's goals. In this context, we'd like to underline the importance of proactive work (dynamic skills) of the companies to catch the „moving target,,. SMEs that look for new challenges and international cooperation/success, that are flexible and vital, “bent” as the society requires, are „agile,, companies. Only those companies that are agile and adapt quickly „the new rules and needs,, will not be afraid of what the future holds. Today, this is the leading predictor of high-performance success. Agile professionals and businesses have the ability and passion to quickly study a new problem and use their own learning process to gain deep understanding before making a decision. Finally, case studies of two Macedonian companies will be briefly described in the paper. Their willingness and strive to high targets contributed these companies to be ranked as ones with high values in EU scientific society. The companies are conducting several EU projects (FP7 framework programme, Eureka), continuously apply for new projects and already have collaboration with world-recognizable entities. The philosophy: from ideas to competitive EU projects, looking after for „financial sponsoring,, of your own ideas, are some of the tips that authors of the papers like to share with others. They are summarized as follows: seek out new challenges to learn from on everyday basis, enjoy complex problems associated with new experiences, get more out of those experiences because they have an interest in making sense of them, think critically in first-time new and challenging situations, perform better because they incorporate new skills into their repertoire, get jobs done resourcefully, be unique and do in recognizable ways and patterns... „quality is not an act, it is a habit.

**Keywords:** *agility, internationalization, innovation, EU projects.*

## INTERNALIZATION AND INNOVATION ACTIVITY OF ENTREPRENEURS IN SEE COUNTRIES

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### **Abstract**

Levels of entrepreneurial activity and SMEs sector development clearly indicate country's ability to generate economic growth, create jobs and achieve international competitiveness. SMEs growth and development can be achieved by launching new products and/or reaching new customers. Studies have shown that higher internationalization levels in SMEs positively influence their innovation capacities but same holds true vice versa. Company's innovation propensity contributes to its ability to export, go international and grow. Therefore innovation and internationalization are seen as crucial competitiveness strategies for SMEs and are often explored jointly. Representing most of the companies in the economy SMEs should be paid sufficient attention from policy makers and researchers. The Global Entrepreneurship Monitor (GEM) research provides a number of quality data about the prevalence, determinants, and consequences of entrepreneurial activity on an international level. It enables studying the compound relationship between entrepreneurship and economic growth and facilitates evidence-based policies that enhance entrepreneurship and SME development. In this paper we provide a clearer insight into the levels of innovation and internationalization activity of entrepreneurs in Southeast European countries which have participated in the GEM research from 2008 to 2013, taking into account attitudes of both entrepreneurs and experts, by using indicators included in the GEM research. We also identify potential barriers and future trends for increasing these activities.

**Keyword:** *SMEs, innovation, internationalization, SEE countries, Global Entrepreneurship Monitor (GEM)*

## ACCESSING FINANCE FOR INNOVATIVE EU SMES – KEY DRIVERS AND CHALLENGES

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### **Abstract**

The small and medium enterprises (SMEs) play a vital role in economic development, they offer the most economical use of capital in relation to job creation and provide the strongest channel for development and innovation. Innovation is recognised as an essential component of the economic growth process, broadly defined as the development, deployment and economic utilisation of new products, processes and services. SMEs are crucial for helping economies to restructure quickly in response to changing economic, social and market conditions, under the impact of international financial crisis. However, the SMEs can fulfill this potential if they obtain the finance necessary to start and develop their businesses. Access to finance is a key determinant for business start-up, development and growth for SMEs, including the innovative ones and they have different needs and face different challenges. The limited market power, the lack of management skills, the absence of adequate accounting records and insufficient assets, the transaction costs and lack of collateral, all tend to increase the risk profile of SMEs. Moreover, uncertainty and informational asymmetries that characterize SMEs are amplified for innovative SMEs making it more difficult for them to access finance through traditional means. The current economic environment has brought SME needs into particular focus given the significantly tightened credit supply conditions arising from the reduced ability and willingness of banks to provide the financing. In order to improve the access to finance for SMEs, the efforts should be focused at the European and national levels on solving the problems regarding the working capital, improving the entrepreneurship and financial environment in the long term, attracting new financial resources, facilitating dialogue and consultation between governments, SMEs and financial institutions.

**Keywords:** *financing, innovative SMEs, financial crisis, European Union*

## THE REASONS FOR LOW LEVEL OF E-COMMERCE ADOPTION AMONG THE SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

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### **Abstract**

E-commerce offers many advantages for the companies and the citizens. The global amount of products and services bought through Internet has increased dramatically, in the past two decades. Unfortunately, the level of e-commerce development is not equally distributed among the countries, and the companies with different size. In the time when the companies and the citizens in the developed countries enjoy the benefits of e-commerce, the situation in the developing countries is different. The majority of small and medium enterprises (SMEs) in the developing countries are refusing to adopt e-commerce. They find it very costly and risky, and neglect the fact that e-commerce offers many opportunities for the growth of their sale and for the international promotion of the company. The aim of this paper is to explore the reasons for the low level of e-commerce adoption among the SMEs in Macedonia. In order to get reliable results we made a questionnaire, which was distributed to the 60 SMEs with different activities. The questionnaire was accomplished on the territory of different cities around the Republic of Macedonia. The results from the questionnaire have shown that the reasons for low level of e-commerce adoption among the SMEs in Macedonia are the shortage of information about the benefits of e-commerce, the cost of initial investment, especially the cost for e-software, the fright about the security of the transactions, etc. The results from this paper should be used by the policymakers, in order to be introduced adequate measures for e-commerce promotion among the SMEs in the Republic of Macedonia.

**Keywords:** *e-commerce, SMEs, Republic of Macedonia*



## BUSINESS ANALYSIS FOR THE E-ASSESSMENT SYSTEM IN CLOUD

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### **Abstract**

This paper presents a business analysis of migrating the existing e-Assessment system in the cloud. It analyzes the costs of hosting the system in the cloud and self-hosting based on a case study of a particular faculty. The analysis is general and can be easily used for any faculty, university, private companies etc. The results show that the cloud based architecture reduces the costs of the faculty up to five times for a period of three years.

**Keywords:** *cloud computing, business analysis, e-Assessment, education*

## THE REQUIRED ELEMENTS OF KNOWLEDGE-BASED ECONOMY IN THE FUNCTION OF GROWTH AND DEVELOPMENT OF SMES

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### **Abstract**

Within the modern theory of economic thought, greater scientific research and debate falls on the analysis of the relationship between knowledge as education researchers and innovative work (as basic institutional channels for generating and accumulation of knowledge) and economic growth. Knowledge, innovation and human capital occupy a central place in this analysis, and how factor inputs increase the assets of the economy through the creation of so-called invisible or intangible capital. The main competitive advantage of a modern economy and the so-called knowledge-based economy is neither more cheap labour, low taxes nor geo-strategic position. It is the knowledge of the employees, their creativity and innovation, proactive, entrepreneurial spirit and expertise in certain areas. An economy can be highly competitive and can survive in the world market only through continuous investments in the knowledge of its citizens in education and scientific research. In this paper, through the methods of induction and deduction, methods of analysis and synthesis, as well as historic and trendy comparative analysis will be generalized views, conclusions and recommendations on the subject matter of the research, and the applicability of these findings at case in Macedonia. In this context, this paper aims through the prism of cost-benefit analysis to determine the economic feasibility of investing in human capital, to establish channels of impact of education and scientific research activities on the development of human capital formation, and thus on economic growth and development to establish the basic elements needed for knowledge-based economy, and to determine interaction connection between education, innovation and SMEs.

**Keywords:** *education, scientific research, human capital, invisible capital*

## SCIENCE, COMPANIES AND ECONOMY THROUGHOUT PERSPECTIVE OF INNOVATIONS: CASE OF SERBIA

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### **Abstract**

The intention of this work is to clarify relationships of science, companies and economy throughout perspective of innovations. In the paper are explained main mentioned concepts, programs of innovative activities in Serbia, basic measures of innovativeness and competitiveness. Main reasons of Serbian non-innovativeness and non-competitiveness are lack of financial capital and market research analysis, outdated equipment, inadequate use of management techniques and modern technologies, quality management, etc. On the other hand, the most effective strategies for strengthening the links between companies and scientific institutions certainly are transfer of knowledge, innovativeness rising and skilled and knowledgeable work force.

**Keywords:** *Science, Company, Economy, Innovativeness, Serbia*

## **ANALYSIS OF SIGNIFICANT AREAS FOR DEVELOPMENT OF SYSTEM FOR PROMOTING INNOVATION APPLYING MULTICRITERIA DECISION-MAKING AND BENCHMARKING**

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### **Abstract**

This paper represents the results of research realized on the sample of ISO 9001 certified organizations in Montenegro. The research is focused toward analysis of the most important elements of business processes in certified organizations in relation to the winners of awards for business excellence "Oskar of quality" in the Republic of Serbia in the category of middle and small enterprises in 2009, 2010 and 2011 year. This focus is oriented to activity in organization which is important for improvement innovation systems. In order to perform the analysis, there were applied benchmarking method and multi criteria decision making method. In that way a model which serves as a decision support tool for improving business process performance in certified organizations was created. Based on the literature research as well as on the basis of practical experience it has been concluded that this approach is not used either in our country or in the neighboring ones and represents original scientific paper.

**Keywords:** *benchmarking, innovation systems, decision-making*

## CONCEPTUAL MODEL OF HR PRACTICES AND INNOVATION PERFORMANCE FROM THE ORGANIZATIONAL LEARNING PERSPECTIVE

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### **Abstract**

There is growing evidence that economic growth, competitiveness and long-term success of the firms are determined by their innovative capacities. Also, a significant number of research studies suggest that HR practices are an important predictor of organizational and innovative performance. Drawing upon Resource-based view of the firm, we argue that Human Resource Management has a key role in the innovation process. In fact, this refers to the development of "core competencies" and "dynamic capability" of the firm. Knowledge, skills and abilities are considered critical resource in improving existing knowledge (improvement of existing products and processes) or for generating new knowledge (innovation in products and processes). Although there are a significant number of empirical findings confirm the positive relationship of HR practices and innovation performance, nature of this relationship remains poorly understood. If we accept that knowledge (individual, group and organizational) is of paramount importance for the development of creative and innovative organizational capacity, it is necessary to examine how to improve the organization's ability to learn, through strategic formulation and implementation of appropriate HRM policies and practices. Despite growing academic interest in the issue, there are an insufficient number of studies that explore in depth the role of HRM in order to increase organizational learning capability, which leads to innovation. The purpose of this paper is to make a theoretical contribution to the debate about the relationship of HR practices and innovation performance by extending this relationship with the organizational learning perspective. Based on previous theoretical and empirical findings, the paper proposes an analytical, conceptual model which introduces a behavioral component (variable) in exploring the relationship HRM - Innovation. It is assumed mediation effect of organizational learning capability in the relationship between HR practices and innovation performance.

**Keywords:** *innovation performance; HR practices; organizational learning capability.*

## MANAGEMENT ACCOUNTING AND BUSINESS EVALUATION

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### **Abstract**

The theoretical review, learning innovations and the effects of management accounting, among others, are preoccupied with problems of an assessment of the modern business activities. In fact, the functional and informational role of management accounting is designed in order to evaluate quantitatively and qualitatively the performance of companies on international level. The international development of the companies practically means an introduction of innovation and business cooperation in respect of democratic principles and cultures. In particular, an assessment of the modern business activities is increasingly significant nowadays, in internationalized world economy, where, the results are measured in a global context. Therefore, the future development will be based on democratic and innovative knowledge of the world's economy, in interest of overall development of the economies on national and international level. These are democratic and revolutionary changes according to the global needs.

**Keywords:** *management, evaluation of business, internationalization, information, innovation, democracy.*

## QUALITATIVE RESEARCHING OF SME AND INNOVATION AS A STRATEGIC TOOL FOR BETTER DEVELOPMENT

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In most of developed countries scientific researching is standard tool for making the strategic development. Unfortunately, in some SEE countries it is not always the case. Using researching of SME and inovation, in general, could be of help for building more successful development. It is related to all kind of researching (quantitative, qualitative and mixed researching). In this work we are paying attention on qualitative research method, and especialy on using of the case study, interview and focus-group method as a tool for better planning and improving development of the SME and innovation.

***Keywords:*** *SME, inovation, researching, qualitative method*

## THE IMPACT OF SOCIAL MEDIA ON OPEN INNOVATION IN SMALL AND MEIDUM SIZE ENTERPRISES IN MACEDONIA

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### **Abstract**

In market economy where distribution is based on supply and demand, and there's a free price system on prices of goods and services, enterprises need to be innovative if they want to be competitive in specific markets. Open innovation can provide enterprises with new ideas, new product concepts or new markets to grasp. Based on the definition by Henry Chesbrough who defines Open Innovation as a developed business concept which encourages companies to acquire outside sources of innovation, the author in this research paper will analyze the impact of social media on SMES-s open innovation. Regardless whether SME-s in Macedonia are Product-centric or Customer-centric the influence and impact of social media should not be underestimated on open innovation. Now-days the majority of SME-s in Macedonia have their official Facebook account, Twitter page etc. which prompt the focus of this research paper to be on how the SME-s grasp the new ideas and concepts from social media and how does social media support open innovation. Adapting open innovation principles requires proficiency in several different activities. Such activities include: seeking opportunities, evaluating each opportunity, recruiting potential partners, value-capturing through commercialization, and extending the innovation offering. Lately the term "open innovation" has been accepted by organisations. The purpose is to find the relation and the impact of social media on open innovation and to what extent does SME-s use social media for innovation purposes. The author will use deductive approach where the focus of targeted group are SME-s in Macedonia. An online questionnaire will be applied by using quantitative method. Through descriptive statistics and comparative analysis, the author will analyze and empirical finding and draw conclusion.

**Keywords:** *SMEs, open innovations, Social Media*



## MANAGING INNOVATION AS A FACTOR OF COMPETITIVE ADVANTAGE

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### **Abstract**

This paper will analyze the degree of innovativeness of SMEs in the Republic of Srpska (Bosnia and Herzegovina) and examine its impact on the competitiveness of the economy. In order to achieve and retain a competitive advantage in the market, the company must discover and direct the innovation potential in all structures of their employees and companies with which it cooperates. So, to any company competitive and efficient, the head must have an efficient and well- trained management. Management of the enterprise must be oriented to investment in knowledge to increase productivity and the effects of knowledge. In the knowledge based economy the most important economic resource for achieving competitive advantage is the intellectual capital that enables a new way of creating value. For the modern corporation has a greater value employees' ability to create value than physical assets. Therefore, the most important task of manager is to facilitate the conversion of knowledge into intellectual capital, as well as encouraging creativity and innovation with the help of all other resources.

**Keywords:** *innovation, intellectual capital, competitiveness*

## FOREIGN DIRECT INVESTMENT AND THE IMPACT ON THE ECONOMIC GROWTH IN REPUBLIC OF MACEDONIA

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### **Abstract**

In times of globalization characterized by increasing connectivity between countries, borders and physical remoteness lose the meaning and the development of information and communications technologies make the former barriers to disappeared. Movement of capital from one place to another enables economic growth in the host country and in the country of origin of the investor , and thereby a better standard of living for the citizens of the host country .Creating conditions for attracting foreign direct investment today is one of the biggest priorities of each country . How to create a favorable climate for a large company to decides to invest in a country and who are those factors in the decision to invest in a country? Macedonia as a small economy with limited resources, is developing policies to attract foreign direct investment as an opportunity to develop the economy and improve the living standards of citizens. In the past two decades since the independence of the Republic of Macedonia , foreign direct investment are not at the desired level , which is why it is necessary to improve macroeconomic policy and create a better environment for attracting foreign investments. As a small not enough develop country with limited opportunities Macedonia dependent on foreign investment. Foreign direct investment should contribute to pass the period of transition and increasing economic efficiency to create sustainable growth, revitalization of existing factories, increasing the quality of products and services, increasing the technical level of technological processes of production and increase efficiency services.

**Keywords:** *foreign direct investment, changes, efficiency, economic growth, resources*

## THE IMPACT OF DISTRIBUTORS IN INNOVATION PROCESS IN SUPPLY CHAIN

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### **Abstract**

As organizations seek to develop partnerships and more effective information links with trading partners, internal processes become interlinked and span the traditional boundaries of firms. This thus, requires not only the integration of the internal business processes but also the integration of processes and IT capabilities amongst partners. In the past, the mission of companies was simply to make profit and generate return on shareholders' investments. Nowadays, when the business environment is uncertain and competition is very high, innovation is very important for organizations. This applies in iron industry as well and companies which operating in this industry. So, the focus of the research is to see how innovation is applied in ŞAHINLER FERFORGE COMPANY (it is located in Bursa-Turkey, [www.sahinler-forge.com](http://www.sahinler-forge.com)), and the impact of distributors in innovation process in this company. So, the main issues of this research are: innovation in ŞAHINLER FERFORGE COMPANY and involvement of distributors in innovation activities, and stage (stages) to which distributors are involved and advantages and disadvantages of involving distributors in the process of innovation in this company. This research is written from positivism scientific perspective with use of a deductive approach. A case study was applied by using qualitative method. To collect data the authors used questionnaire and interview. From the results, activities regarding innovation in ŞAHINLER FERFORGE COMPANY are positively related with success of the company and the tendency is to increase activities, especially with its distributors and build a long relationship. Also, the highest degree of involvement of the distributors in the innovation process by ŞAHINLER FERFORGE COMPANY take place in four stages: scoping, defining the project, commercialization and evaluation. Even, in some of these stages they involve only some distributors which are bigger distributors and have long relationship with them. The results of the study show that the management of ŞAHINLER FERFORGE COMPANY are willing to integrate distributors more in innovation process, since they think that distributors are very important source for the company.

**Keywords:** *supply chain management, distributors, innovation, supply chain integration.*