

17-18 November, 2017
Skopje, Macedonia



**SILVER JUBILEE CONFERENCE
OF THE 25TH ANNIVERSARY
OF THE MBA MANAGEMENT
MASTER STUDIES**
Book of Abstracts

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THE INTERPLAY OF NON-TECHNOLOGICAL AND TECHNOLOGICAL INNOVATIONS WITHIN THE HIGH-TECH HIGH-GROWTH CONTEXT

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ABSTRACT

Innovation has been recognized as a key element of competitiveness, since it is an important source of the economic growth. Firm-level innovation in particular represents the critical source of competitive advantage in an increasingly changing environment. Therefore, not surprisingly innovations are in the center of policy discussions and at the top of academic research agenda. In the majority of the extant research, firm-level innovation was inevitably linked to technological breakthroughs with little attention given to the dynamics of management and other forms of non-technological innovation. However, such a technological view on innovation has been criticized for ignoring a number of important non-technological elements of innovative organizational activities. Common understanding of both non-technological and technological aspects of innovation is necessary to ensure successful innovation. Despite proposing that technological innovations by themselves are not sufficient for high-tech product development, firm performance and economic growth, the relationships between technological and management innovations were predominantly not empirically investigated in the literature. This paper addresses the interplay between the two sides

of innovativeness by attempting to resolve conflicting research streams claiming that technological innovation precedes non-technological and vice versa.

We apply the grounded theory-building approach through an in-depth case study of a high-tech laboratory providing control systems for particle accelerators that operates within a high-growth context. Using this approach, we provide further knowledge on the examine dinter play and its boundary conditions. We intend to contribute to the innovation literature by qualitatively investigating how technological and non-technological innovations co-exist and support each other. We there by aim to build theory (using grounded-theory building with a case-study approach) and provide insight in to the boundary conditions of when non-technological innovation enables (acts as an antecedent to) technological innovations, and vice versa, in which circumstances technological breakthroughs act as a trigger to stimulate new technological solutions. We expect the results to show that in the high-tech context, technological innovations spur the need for new non-technological solutions to enable superior innovation exploitation. Additionally, the results will likely emphasize the regional or national innovation eco systems as a key success factor that enables non-technological to support technological ones.

Key words: *technological innovations, non-technological innovations, high-growth context*

JEL codes: O30

CORPORATE SOCIAL RESPONSIBILITY AND ITS IMPACT ON FINANCIAL PERFORMANCE: BIBLIOMETRIC CO-CITATION ANALYSIS

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ABSTRACT

Consumers, governments, and other corporate stakeholders are increasingly interested in the contributions companies can and should make to society; thereby, the research on the importance of corporate social responsibility (CSR) has become more timely than ever (Skarmeas & Leonidou, 2013). Literature review reveals that a profusion of definition of CSR has been used across various domains. The World Bank defines CSR as “a term describing a company’s obligations to be accountable to all of its stakeholders in all its operations and activities. Socially responsible firms consider the full scope of their impact on communities and the environment when they are making decisions, balancing the needs of stakeholders with their need to make profit” (Nicolau, 2008, p. 991). According to Neelankavil and Anoop (2009), CSR is defined as “the social responsibility of [a] business, [which] encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (p. 18). The primary goal of CSR is hence to communicate the general management strategy for sustainable operating practices as well as to establish the business risk factors arising from such practices (Joshi & Krishman, 2010; Stephenson & Rodriquez, 2014). As CSR flourishes, companies embark on the CSR bandwagon to leverage reputational and financial benefits and corporate CEOs have begun to realize the benefits of documenting and reporting their efforts, cost, and benefits related to the CSR (Stephenson & Rodriquez, 2014; Skarmeas & Leonidou, 2013). However, to date, empirical research has yielded mixed and inconsistent results as to whether CSR has a positive, negative, or neutral impact on financial performance; thereby, current evidence is too fractured and too variable to draw any generalizable conclusions about the relationship between CSR and corporate financial performance (Orlitzky, Schmidt, & Rynes, 2003; McWilliams & Siegel, 2000). The CSR literature has also been fragmented, operationalized, tested, and applied in numerous ways across various domains. Thus, the **aim** of this study is to conduct a **bibliometric co-citation analysis** to synthesize past research findings on CSR and its influence on corporate financial performance. A bibliometric co-citation analysis provides us “an analysis of what is regarded as the

consensus of what the collective research agenda in a certain research field or journal is” (Walter & Ribière, 2013, p. 222). Further, it allow us to examine how disciplines, fields, and individual papers are related to one another (Zupic & Čater, 2015). We will use bibliometric co-citation analysis to investigate the relationships among prior work to explore the patterns within the corporate social responsibility theory intellectual tradition (Baker, 1990). Since CSR had been applied across various disciplines, **our expectation** is that this investigation would reveal the dominant disciplines and main authors within and across disciplines. The study takes a step further towards understanding the influence of CSR on financial performance and thereby suggests several theoretical contributions. One of the important contributions of the study is its clarification of the link between CSR and financial performance.

Key words: *corporate social responsibility, financial performance, bibliometric co-citation analysis*

JEL codes: *M14*

IMPACT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY – THE CASE OF SELECTED BALKAN COUNTRIES

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ABSTRACT

The importance of managing companies' working capital is often overlooked when their profitability and overall efficiency are being analyzed. Even the managers are not fully aware of the scale of the impact that items such as receivables, inventories or accounts payable might have on the success of their companies. On the other hand, this is a very important issue in the case of the Balkan countries, where numerous companies face problems of illiquidity, so that any improvement in the efficacy of the management of current assets and liabilities could be of great help in overcoming these problems. This paper analyzes the impact that the efficiency in working capital management has on the profitability of the companies. We create a sample of 263 companies from six Balkan countries (Bosnia and Hercegovina, Montenegro, Croatia, Macedonia, Slovenia and Serbia). Using their financial data in the period 2005 – 2015, we apply a panel regression model, involving operating profit ratio as a dependent variable, and several independent variables that represent the various features of the companies' working capital, such as inventories turnover, days of collection of receivables, days of payment of accounts payable, cash conversion cycle as a most comprehensive measure of the working capital management. Also we used a few control variables. The results of the model are expected to reveal which of these items, if any, have an impact on the profitability of the companies in the region. The importance of this study is that it is the first one that analyzes this issue in these countries and its results are expected to emphasize the importance of working capital management as a part of the overall financial management of the company.

Key words: *corporate profitability, working capital management, cash conversion cycle, Balkan economies*

JEL codes: *G30, G31, M41, O52*

THE LEGAL STATUS OF THE REGULATORY BODIES IN THE REPUBLIC OF MACEDONIA

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ABSTRACT

There is no doubt that the number of regulatory bodies in the Republic of Macedonia since the 1990s has been steadily increasing. These authorities gain increasing importance and influence on the market economy and deregulation of some of the activities of the state administration. The main features of the regulatory bodies include specialization, professionalism, political neutrality, independence and organization as central authorities. In a historic sense, they appear primarily due to the fact that the state administration should be scaled down. The scaling down means that the state administration should not perform those activities that can be conducted in a more proper, qualitative and effective way by other authorities, i.e. bodies with public authorities. This way, the privatization and liberalization of the public sector is initiated. All this is due to the emergence of new public management whose basic principles are economy, efficiency, effectiveness, specialization.

As of December 31, 2016, the Register of Public Sector Employees in the Republic of Macedonia records 13 independent bodies and 10 regulatory bodies. Namely, regulatory bodies in the Republic of Macedonia are the following: the Agency for Supervision of Fully Funded Pension Insurance - MAPAS 2002, the Insurance Supervision Agency - ASO 2002, the Securities and Exchange Commission of 2005, the Civil Aviation Agency of 2006, Agency for Electronic Communications - AEC from 2008, Housing Regulatory Commission of 2009, Postal Agency of 2010, Energy Regulatory Commission in 2011, Agency for regulation of the railway sector from 2012. and the Agency for Audio and Audiovisual Media Services from 2013.

Hence, the authors in the paper analyze several important issues that concern the regulatory bodies, which are: what is the position of these bodies in the system of separation of powers existing in the Republic of Macedonia, what is the relation of these bodies with other bodies (of the state administration, the judiciary, the assembly), which are the basic activities performed by these bodies and in what manner their independence or autonomy from other bodies is ensured. Consequently, the aim of the authors is to open the dilemmas and problems that we face in defining these bodies, their delineation and distinguishing from other independent bodies, agencies, the problem of the inequality of the legal regulation regarding the election of members in these bodies, the way decision are made, the manner of control and the discharge of responsibility of these bodies. Namely, the legal status of the regulatory bodies in the Republic of Macedonia is not properly regulated by a single act, such as the Law on Regulatory Bodies, etc. This status is determined in accordance with special material regulations (*lex specialis*), which establish the respective regulatory bodies.

In order to equalize the legal practice and the possibility to distinguish regulatory bodies from other state and para-state bodies, public services (public institutions and enterprises) and joint stock companies in the state ownership, one law should be enacted in the Republic of Macedonia establishment and operation of the Regulatory Authorities. This new future legal solution would unify certain common principles and standards regarding the organizational and functional position of these bodies, the financial independence, the manner of acting and control, and which are common to all regulatory authorities. Namely, we would also equalize their legal status, which is now regulated in the tenth and several laws that establish these bodies

Key words: *regulatory bodies, independent bodies, principle of separation of powers, public administration*

JEL codes: *K23, L510*

ENTREPRENEURIAL DETERMINANTS SHAPING SOCIAL ENTREPRENEURSHIP

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ABSTRACT

Entrepreneurship aiming at social benefits has become universal in the discussion and understanding of professionals and academicians. Even according to Drucker, social entrepreneurship is likely to become even more important than profit oriented entrepreneurship. The understanding of social entrepreneurship covers a range of societal movements, organizational forms and structures, and individual initiatives. Social entrepreneurship has been recognized as comprised by some dimensions like an overarching social mission and entrepreneurial vision. In this respect opportunity recognition for a social entrepreneur could be shaped by the social mission or by social and institutional barriers to entry in a particular social market. Further it has been recognized that social entrepreneur's background may form what opportunities he /she recognizes. The main topic in this research is basically struggling to discuss whether socially disadvantaged groups have a stronger and coherent relationship related to social entrepreneurial ventures. So recognizing the socially disadvantaged groups and whether their entrepreneurial determinants or orientation is shaped by their social status is one of the central questions raised. Furthermore, discussions are also including inclusive business models as one of the tools for raising and nurturing certain businesses in their path towards growth, especially considering the strong presence at social entrepreneurship level. Analysis and discussions are based on a questionnaire distributed accordingly. Interesting aspects are covered in order to understand the causative order of entrepreneurial determinants, social status and social entrepreneurship.

Key words: *entrepreneurship, social entrepreneurship, entrepreneurial determinants, inclusive business models, socially disadvantaged groups*

JEL codes: L26, L31

KINDELBERGER AND MACROMANAGEMENT

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ABSTRACT

The idea of the relation between the economic development level and the balance of payments position is not a new one. Yet, this idea was formalized for the first time in the 1950s by Charles Kindelberger in the form of the balance of payments evolution scheme. Although this is a rather “old” concept, all the aspects of this theory and all the possibilities for its usage have not been exhausted yet. For example, this theory explicitly includes an interesting (and provocative) idea that the underlying point of development, the point that separates developed economies from under developed economies is actually the moment when a country reaches the full coverage of imports by exports. More implicitly, in the manner of the genuine liberal, who Kindelberger certainly was, this theory suggests the implementation of passive (pro-liberal) economic policies. This, in combination with our research on possible ways of measuring the level of economic development, has led us to the idea that, in circumstances of relatively liberal trade, the level of development could be measured by the export/import indicator. In the work we will show that this idea is not generally accepted, and that there are some people who dispute it. However, it is undisputable that trade deficit/surplus is one of the basic indicators of the country’s macro competitiveness, at least if we are talking about “outcome” methods for measuring competitiveness. In this work, it has been the intention to show that countries in South-East Europe, although facing serious economic difficulties, are developing and improving their competitiveness position in time and to try to predict, for each country, the time when that country will join the club of lesser developed, but yet developed countries. This would have reflections in the assessment of the adequacy of the economic policies implemented in those countries during the last twenty years, i.e. the quality of the macro management of these countries.

Key words: *development, competitiveness, balance of payments, active and passive economic policies*

JEL codes: *E64, O23, O24*

EVALUATION OF EMPLOYEE PERFORMANCE BY USING THE ANALYTIC HIERARCHY PROCESS

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ABSTRACT

The manager of an organization plays a key role in creating a highly productive personnel. The personnel need to be focused on work and to study both in the office and at home because when they develop, the organization develops at the same time. Employees should work towards achieving the goals of the organization, and the consequences of the work done (the praise, reproof, etc.) have a great role on the results achieved. How can employee performance be evaluated objectively and employees ranked in order to be rewarded those whose contribution to the organization is the highest and who will serve as a model for others? The analytic hierarchy process (AHP), which has had a rapid development, has numerous success stories in its application in the field of HR and can give an answer to the question asked. This paper presents how a model based on the absolute measurement procedure of AHP can be developed, in order to evaluate the performance of employees and to rank them according to the obtained results. Through this model, employees will know which criteria and sub-criteria are of the highest importance to managers and thus will be able to improve where they are weaker, while managers will get a ranking list of evaluated employees on the basis of which they can make better decisions on rewards / penalties according to the contribution of each employee in the achievement of the organizational goals.

Key words: *evaluation, performance, employee, manager, AHP*

JEL codes: *M12*

THE MAIN DIRECTIONS OF CUSTOMS REFORM IN UKRAINE: THE STATE AND PROSPECTS

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ABSTRACT

The article estimated the stage of reforming of the Ukrainian Customs Service under the Association Agreement and the creation of free trade zone between Ukraine and the European Union. The author characterized the reform of the system of the Customs Service, particularly, the simplification of the organizational structure during 1991—2017 years in Ukraine. The analysis of the dynamics of the index assessment changes of the reform of the Customs Service in 2012—2017 is reviewed. It is emphasized the necessity of introduction of the authorized economic operators institute and the New Computerized Transit System of the EU. The results of evaluation of Ukrainian fulfillments of conditions of Association Agreement in the field of customs in the 2014—2016 indicate that the commitments to arrange an effective functional structure of Ukrainian Customs Service were made partly, primarily because of the lack or inconsistency of legislation.

Key words: *custom service, free trade zone, reform, Association Agreement*

JEL codes: *F13*

CHALLENGES OF MANAGING THE SUSTAINABLE PROCESSES FOR DEVELOPMENT OF THE INSURANCE INDUSTRY IN REPUBLIC OF MACEDONIA

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ABSTRACT

The insurance industry worldwide is still one of the least understood industries with prevailing survival of conservatism in the core business model development, while struggling to cope with the slower growth, low interest rates, competition pressure and consumer evolving behavior. Increased overall and particular risks, higher consumers profiled needs and competitive environment, stresses the need for continuous identification, external adaptation and internal integration of the innovative and best practice management processes in transforming the core business model by improving the insurance products offer, claims settlement processes, investment in human resources and inevitable understanding of technology's impact on the industry, as crucial for increasing the companies' profitability and more over their sustainable development throughout change in the systems, products and processes. The insurance industry in the leading markets is well advanced in its transformation.

In that regard, the aim of this paper is to achieve holistic analyses of the advanced managerial challenges for the insurance industry in the developed markets and to position the functional best practices as a benchmarks for the initializing the changes for the Macedonian insurance industry, as a rapidly increasing segment of the countries' financial system and overall economic growth. This is of utmost importance for Macedonia's insurance industry that is still in development phase, and is lacking of integrated internal management systems and processes, as well as limited insurance product supply, thus facing with the challenges of limited acceptance of importance for the organizational growth, open innovation, consumers behavior orientation and high influence of the operational risks on the profitability. Current high industry growth rates, in particular non-life insurance classes and in an overall life insurance, should not be understood as a satisfactory factor, and postpone the companies' business model and processes transformation by internal managerial continuous orientation, that should be foster by favorable supervisory framework in that context. The industry is at move, to finally set the companies in sustainable development and growth "modus

vivendi”, “increase by create” the insurance demand and shift from the daily operations focus to long term internal change in line to the best practices, especially in improving the insurance product innovation, human resources qualifications and claim processes restructure as key issues for increased consumers trust and confidence in them.

Key words: *managerial challenges, sustainable development, change, insurance industry, Republic of Macedonia*

JEL codes: *G22, D81*

WORK MOTIVATION AS A FACTOR OF LABOR PRODUCTIVITY OF EMPLOYEES IN SERBIA

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ABSTRACT

Ensuring employee interest and motivation for successful business operations and optimal development of a company is a significant goal of management. If all the actions and processes of the company are analyzed and monitored, it can be concluded that successful business is possible if there is full motivation for the work of all participants in these processes. The optimal level of motivation positively influences labor productivity, which is most important in the modern business world. The subject of the research in this paper are the work motivators of employees in Nisava district, as well as the employees' attitudes about the level of satisfaction with earnings. Nisava district belongs to the poorest districts in the Republic of Serbia. It is characterized by a high unemployment rate and average salaries of employees that are far below the state level. Employee attitudes about key job motivators are analyzed from the aspect of gender, age, position in the company. The aim of the paper is to perform ranking of the work motivator according to their importance. In addition, the influence of salary calculation system on satisfaction with earnings, as well as on motivation for the work, was examined. By applying the method of statistical inference, it has been concluded that the perception of employees on the regularity of earnings distribution significantly influences the motivation for work.

Keywords: *employees, motivators of work, salary satisfaction, labor productivity*

JEL codes: *J24*

FINANCIAL LITERACY - CHALLENGE FOR RISK MANAGEMENT

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ABSTRACT

Everyday individuals make decisions related to their financial future. Moreover, we are all in charge of our own financial security and at the same time confronted with ever more complex financial instruments. However, there is evidence that many individuals are not well equipped to make sound financial decisions.

In such environment, we have interaction of the contrasting limitations. On one side, financial illiterate individuals continuously interact with the financial specialists, employed in the financial sector. On the other side, there are the specialist, creating complex financial environment.

The paper deals with the financial literacy, defined as the ability to understand economic information and make informed decisions related with financial planning, wealth accumulation, debt, and pensions. Failure to plan for retirement, lack of participation in the stock market, and poor borrowing behavior comes from ignorance of basic financial concepts. Financial literacy affects financial decision-making process, with implications that apply to individuals, communities, countries, and society as a whole.

Given the lack of financial literacy among the population, it is important to know the inherent risk that financial institutions are taking during credit approval. This means that an individual's debt behavior differs based on their financial literacy. This is also very important for risk management challenges, and more over bring common sense in regulation versus banking competitiveness. Thus fostering the effort for higher financial literacy will bring benefit for every economic agent in one country.

Key words: *financial literacy, risk management, challenges*

JEL codes: *E52, G11, G40*

EFFECTIVE CONFLICT RESOLUTION AS THE KEY METHOD OF MANAGING HUMAN RESOURCES

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ABSTRACT

The process of managing human resources includes many aspects of theory and practice of conflict resolution. The key point is how to be effective in managing disputes with partners, employers and employees for achieving high results in business and life in general. Considering this, from my point of view, the conflict paradigm is the following. First of all, I solve conflict means the absence of fear of conflict and the conscious choice of a way to deal with it. This means I accept a conflict as one of normal parts of life in general, and part and parcel of my personal life. This also means I am ready to fight with conflicts, which I am not comfortable with. What is more, sometimes I can turn up the pressure myself for purpose to bring matters into the open conflict and resolve an issue. For someone who helps others to make it through acute situations, this phrase means something like I go to work. Hence, scientific research goal of the paper is to find out how one might do this work effectively. Expected outcome for us is to study the idea that if going for a work means dealing with conflict, we might suppose existence of a special method which might be used while communicating with people in various situations. Indeed, this method does exist inside the conflict theory and implies release from suffering of struggle and liberation of potentials to apply available resources in another field.

Key words: *management, human resources, conflict resolution, psychological defense, communication*

JEL codes: *J24, M12*

PROOF OF CONCEPT (POC) IN SOUTH EASTERN EUROPE - BEST PRACTICES, CHALLENGES AND OPPORTUNITIES FOR PROMOTING TECHNOLOGY TRANSFER AND INNOVATION IN WESTERN BALKAN COUNTRIES

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ABSTRACT

This paper is presenting the Proof of Concept (PoC) as new methodology as well as how PoC financing can facilitate the validation (prototype, demonstrator, proof of market, etc.) and assessment of commercialization options for technologies developed within Public Research Organizations (PROs) and micro-enterprises/SMEs in South Eastern Europe. Having in mind the difficulties for funding research projects in developing countries, the objective of providing proof of concept financing is to define different options to provide financial support to researchers to help them in successfully converting good research into good business.

PoC funding is currently at a modest stage of development in South Eastern Europe and, in particular, in the Western Balkans.

Technology Transfer and the commercialization of the results of publicly funded research for the benefit of the economy and of society is now an established objective for developed economies, including the EU. However, support for technology transfer activities – and proof of concept in particular – remains limited in South Eastern Europe. This is for several reasons including culture, tradition and framework conditions. However, it is also linked to a lack of funding and capacity to address the critical gap between public research funding for frontier and applied research and early stage private sector funding, often available via business angels or via innovation vouchers (grants).

Therefore, Specific Objectives of PoC financing:

- To provide early stage financial support to address, in particular, the 'gap' between technology readiness levels 3 and 4: Proof of Concept and Laboratory Validation;
- To provide support for a range of ancillary activities that can advance Technology Readiness Levels 1 and accelerate technologies to a point where they are 'Investment Ready';

- To increase the capacity of researchers and intermediaries to identify robust routes to market and build strong commercialization strategies;
- To encourage knowledge exchange and technology transfer across and beyond the region.

The paper will present the best practices in Macedonia and WBC for implementation of PoC.

Key words: *proof of concept, entrepreneurial university, technology transfer, technology innovation*

JEL codes: *O32*

SATISFACTION, PRICE FAIRNESS AND LOYALTY: THE CASE OF MACEDONIAN MOBILE SERVICE MARKET

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ABSTRACT

The goal of this research study is to reveal if there are significant differences in price fairness perceptions and in loyalty among mobile service users with different level of satisfaction in Macedonia. Namely, the marketing theory has paid significant attention to the concepts of satisfaction and loyalty and their relationship in terms of the effect of customer satisfaction on loyalty claiming that the relationship is positive and significant. Besides abundant discussions about customer satisfaction and loyalty, the topic of price fairness and its linkage with customer satisfaction represent additional important issue that has been attracting significant attention among the scholars recently.

A data set of 117 effective responses obtained from survey conducted among university students in Macedonia were analyzed by using exploratory factor analysis, the analysis of variance (ANOVA) and Kruskal-Wallis test. The results of factor analysis provided support for unidimensionality of both dependent variables: customer loyalty and price fairness. ANOVA and Kruskal-Wallis test were used to test the proposed hypotheses. The factor analysis showed that the measurement items of both variables (price fairness and customer loyalty) are reliable indicators of the adequate latent variables. The results of ANOVA test showed no significant differences in price fairness among customers with different level of satisfaction. The results of the Kruskal-Wallis test indicated the existence of significant differences in loyalty among customers with different level of satisfaction.

This research study is the first study in Macedonian context to offer evidence-based insights on the influence of level of satisfaction on price fairness and customer loyalty in mobile services market. This research gives valuable insights into the relationship of satisfaction and price fairness and satisfaction and loyalty in Macedonian telecommunications market for both telecommunications companies and regulatory institutions that can be used when designing appropriate marketing strategies and national telecommunications strategy.

Key words: *customer satisfaction, loyalty, price fairness, mobile service market*

JEL Codes: *M31, M38*

THE KEY FINANCIAL AND NONFINANCIAL MEASURES FOR PERFORMANCE EVALUATION OF FOREIGN SUBSIDIARIES

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ABSTRACT

Foreign subsidiaries, as organization units of the multinational company, are profoundly involved in the value creation process for and within the company. The performance evaluation of foreign subsidiaries is a crucial issue for globally-active companies not only in regard to value creation for the company but also in stimulating international expansion as well as in steering resource allocation. Therefore, within each particular foreign subsidiary, the multinational company should implement well-organized performance evaluation system which will serve as an integrative and cognitive mechanism for organizing business operations in the host country. The established performance evaluation system should assess the foreign subsidiary's performance within the particular local environment as well as within the multinational company as a whole. Thus the optimization of resource allocation is most effectively achieved by the multinational company. Accordingly, in order to reduce the risk that they are exposed to, it is very important for the multinational companies, that operate in different business environments, to set up an effective system that will control the operation of foreign subsidiaries. The effective performance evaluation system includes both financial and nonfinancial measures. The aim of the paper is to provide an understanding of the key financial and nonfinancial measures that multinational companies use for performance evaluation of their foreign subsidiaries. The applied methodology consists of qualitative research techniques, such as analysis, comparative analyses, and syntheses. On the basis of the obtained results, the contribution of the paper is reflected in the determination of the relevant financial and nonfinancial performance measures that the multinational companies should use in order to evaluate the real performance of their foreign subsidiaries.

Keywords: *foreign subsidiaries, performance evaluation, financial measures, nonfinancial measures*

JEL codes: *F23*

THE ROLE OF INTELLECTUAL CAPITAL AND ITS ACCOUNTING RECOGNITION AND MEASUREMENT

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ABSTRACT

In the last two decades, the economy has moved from industrial to knowledge-based economy, with the result that basic economic resources no longer consist of natural resources, capital and labor, but knowledge. In a knowledge based economy, what creates a competitive advantage and creates value are the resources of knowledge such as human capital, processes, external brands, and networks. The source of the economic value of companies no longer depends only on the production of material goods, but on the creation and management of intellectual capital. As a result, the concept of intellectual capital, which quantifies knowledge, skills, relationships, processes, innovations and other components of intangible assets, has become the most important business factor. The main objective is to examine the need to modify the accounting theory to provide a standardized and comparable approach when using accounting and intellectual capital reports. Measurement and recognition of intellectual capital in the financial statements are not limited by the requirements for legal explanations, while discretionary and contextual considerations are advisable. Despite the transition from industrial to the knowledge economy, financial reporting is not sufficiently tailored to keep pace with the change in value-creation processes and the most significant changes that will yet take a turn in the financial context and the reporting of the intellectual capital of an organization.

Key words: *Corporate annual reports, intellectual capital, management, measurement, recognition, International Financial Reporting Standards (IFRS)*

JEL codes: *M41*

SUSTAINABLE MANAGEMENT FOR ENHANCED ORGANIZATIONAL DEVELOPMENT

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ABSTRACT

Contemporary tendencies for developing and benefiting from a management model that would simultaneously strive to align the external expectations with internal managerial and share-holders orientations, is, in fact, shifting the prevalent focus to the concepts of engagement to stake-holders, both internally and externally, as well as accountability at enabling the model of social license to operate. The developmental tendencies of all organizations and institutions are in an increased extent observed through their potential to anticipate, anchor and accommodate the elements that sustain value, on one side, with the potential for establishing a business model that would be sufficiently stable and challenging, on the other side.

Each managerial approach aimed at harmonizing the strategic, tactical and operative organizational or institutional framework, with the expectations that are encompassed within the strategy for organizational development, is dependent on a proper and consistent system for a mutual utilizing managerial concept, both for the organizations or institutions, as well as for the local municipalities and the overall national economy. The intention for an integrated management approach towards sustainable practices of all organization or institutions would be, as for the case of Republic of Macedonia, of a focal point of interest in the processes of harmonizing the tendencies that are an integral part in the economic chapters for implementing the EU criteria.

Managerial implications of enabling a social operating license are rooted in the potential for obtaining and further benefiting from implementing the publicly tacit or intangible modality of publicly announced and socially recognized appreciation of certain organization or institution, in order to inter-connect its model of development with the national and sectoral ones. In this context, each

managerial attempt to inter-connect the resource development governing models with the explicit and implicit public awareness for the degree of harmonized performance benefits is oriented to the degrees of community acceptance and appreciation. Therefore, it is evident that developmental expectations of contemporary businesses or non-for profit institutions are linked to the potential for introducing the resilient modality of organization, that pays immense attention to key managerial imperatives for strategic enabling, mastering organizational changes and systematic process of learning from experience, not only own one.

Key words: *sustainable management, resource development, social license to operate, resilient organizations*

JEL codes: *M10, L21*

THE IMPACT OF JOB AND COMMUNICATION SATISFACTION ON FINANCIAL PERFORMANCE OF A MID-SIZED COMPANY

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ABSTRACT

The paper presents a research on employees' job and communication satisfaction as well as on financial performances on the example of a mid-sized Serbian company. The company operates in the field of food industry. The research was carried out by means of standardized questionnaires and the examinees were employed in the observed company. In addition, the impact of job and communication satisfaction dimensions on the items of financial performances was studied as well. The research results showed that the examined employees were generally satisfied with their job and communication while the financial performances of their company were considered as average. Further, both the dimensions of job satisfaction and communication satisfaction have a significant impact on financial performances items. Their salary, possibilities for promotion, a good organization of meetings, efficient and clear guidelines and meetings and access to information about the

organization as a whole can raise the level of financial performances. On the other hand, the dimensions of job and communication satisfaction do not have a bigger impact on some extreme components of financial performances such as sale growth, competitiveness and the growth of the fixed assets in a company.

Key words: *job satisfaction, communication satisfaction, financial performance, Serbia*

JEL codes: *D23, J28.*

PROBLEMS OF INNOVATION AND INVESTMENT SUPPORT OF LARGE TAXPAYERS IN THE MACHINE-BUILDING INDUSTRY OF UKRAINE

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ABSTRACT

The article is devoted to the problems of investment and innovation development of large and medium industrial enterprises of Ukraine and their support by the state.

For the structure of the Ukrainian economy, it is characteristic that its operation is largely determined by large and medium-sized enterprises, most of which belong to a group of enterprises - large taxpayers. In addition, the system of activities for the national economy is the manufacturing industry, in particular, the mechanical engineering industry.

The general state of the enterprises of the Ukrainian economy is at a low level of efficiency, that is, low profitability, profitability, low value added of products, almost critical depreciation of fixed assets. Also, statistical estimations testify to the unsatisfactory situation in the field of innovation activity of enterprises, as well as its state support, which, to a large extent, results in low added value and labor productivity.

At the same time, the basic financial and economic indicators for the large and medium enterprises of manufacturing industry and machine building are not better, and in some way even worse than the average economy.

Despite numerous scientific studies of institutional and evolutionary economic development, the impact of innovations and investments on the functioning of enterprises, a number of issues related to investments and innovations for large and medium-sized enterprises, in particular for so-called enterprises, remains insufficiently considered. – big taxpayers. Therefore, the task is to consider the aspects of investment and innovation activities in the conditions of the Ukrainian economy, that is, the issues of its organization, institutionalization and influence on the efficiency of the functioning of such enterprises.

Based on official statistical information, the state and dynamics of financial and economic indicators of large and medium enterprises for the economy as a whole, in terms of enterprises of industry, manufacturing and mechanical engineering are analyzed.

The obtained results allow us to conclude that there is an urgent need for an urgent reorientation of Ukraine's economy in the direction of innovation and investment development.

There are two conceptual directions of state stimulation of innovation and investment transformation of economy allocated in this article: institutional and credit-tax.

Given the fact that most large and medium-sized enterprises due to lack of efficacy parameters of its activities, is not currently very attractive for investors, it is proposed to develop a system for evaluating the effectiveness of innovation and investment activities of enterprises and stimulate focusing on the competitive advantages of big taxpayers.

The development of such a system for assessing and stimulating innovation and investment activity is the direction of further research. Its creation can contribute to the improvement of innovation activity of enterprises, intensification of production and increase of the favorable investment climate in Ukraine's economy.

Key words: *Innovation, investment, development, Ukraine, large taxpayers, machine-building industry, Ukrainian economy*

JEL codes: *G39*

MANAGEMENT APPROACHES TO BUSINESS MODELING

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ABSTRACT

The purpose of the paper is to analyze and discuss key elements of management approaches, which affects business-modeling process. Management has played essential role in company's plan for how it will generate revenues and make a profit since early nineties. Companies expect an improvement of the innovation capability and a significant increase in process efficiency. Globalization, increasing competition, more dynamic markets and shorter cycles in product development and innovation increase the need for a better adaptation to those environmental factors. These factors establish the need for a consequent adaptation of all business processes to existing and future market needs. Whenever a business enterprise is established, it either explicitly or implicitly employs a particular business model that describes the design or architecture of the value creation, delivery, and capture mechanisms it employs. The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit. It thus reflects management's hypothesis about what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit. The purpose of this article is to understand the significance of business models and explore their connections with business strategy, innovation management, and economic theory. Developments in the global economy have changed the traditional balance between customer and supplier. New communications and computing technology, and the establishment of reasonably open global trading regimes, mean that customers have more choices, variegated customer needs can find expression, and supply alternatives are more transparent. Businesses therefore need to be more customer-centric, especially since technology has evolved to allow the lower cost provision of information and customer solutions. These developments in turn require businesses to re-evaluate the value propositions they present to customers e in many sectors, the supply side driven logic of the industrial era has become no longer viable. This new environment has also amplified the need to consider not only how to address customer needs more astutely, but also how to capture value from providing new products and services. Without a well-developed business model, innovators will fail

either to deliver or to capture value from their innovations. A helpful analytic approach for management is likely to involve systematic deconstruction of existing business models, and an evaluation of each element with an idea toward refinement or replacement. The elements of a business model must be designed with reference to each other, and to the business/customer environment and the trajectory of technological development. The main objective is to generate direct guidelines for relationship between management approaches with business modeling.

Key words: *business modeling, business strategy, innovation management*

JEL codes: *M10, O30*

LIQUIDITY RISK IMPLICATIONS FOR MARKET RISK ASSESSMENT IN EMERGING MARKETS

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ABSTRACT

Classical financial market theories built upon the assumption of perfect market have been coping with frictions on both, developed and emerging markets. There are numerous factors affecting functioning of financial markets and its' participants behavior, but illiquidity is a continuous problem that has important consequences on the prices of financial asset and on the degree of competition between market participants. Moreover, investments that yield high profits are often the ones in less liquid financial asset from emerging markets. Since investment decisions are based on the risk preferences and investors are commonly risk averse, they tend to limit their risk exposure in defining the investment strategy. Various risk measures can be used to estimate the level of risk. Value at Risk (VaR) is a widely accepted summary measure of market risk that is also recommended by the financial industry regulatory authorities as a risk management tool. The usage of VaR models is rapidly expanding, thus it is used by both financial and non-financial institutions in order to estimate exposure to financial risks, complement allocation of capital, set trading position limits and evaluate performance of trading strategies. However, the last global financial crisis that occurred in 2007-2008 highlighted some of the weaknesses of this measure as a measure of market risk. The lack of liquidity parameter in methodologies used to compute VaR significantly decreased the effectiveness of this measure. Therefore, the objective of this research is to examine the implications of asset liquidity risk on market risk assessment, which is obtained using VaR.

The most frequently used technique for VaR estimation is the parametric (analytic) method, but a constant search for precise prediction models results in a large number of variations of basic parametric and non-parametric methods. Thus, in this research, the parametric VaR and volatility models are implemented on a sample representing the stock indices of the European emerging markets in the period from 2009 to 2017.

The results of this study indicate that the application of liquidity constraint in the VaR model provides more accurate assessment of potential loss, especially in emerging markets, and enables investors to detect liquidity risk and its effect comparing to a standard VaR.

Key words: *liquidity risk, Value at Risk, emerging markets*

JEL codes: *C22, G11, G15*

DEVELOPING MANAGEMENT AND LEADERSHIP SKILLS IN ENGINEERS WITH MLS4ENG. PROGRAM

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ABSTRACT

The purpose of this paper is to explore the effectiveness and added value of the professional educational program MLS4Eng. The MLS4Eng program is jointly developed and implemented professional program for engineering management and leadership skills, which addressed European standards for management and leadership, built on rigorous research evidence and principles of adult education. Quantitative and qualitative research in a form of questionnaire and interviews were used to obtain data about the effectiveness of the program and the level of development of management and leadership skills in engineers who participated in the program. Pre- and post-assessments were made to provide information on the level of development of their management and leadership skills, in order to assess the progress after finishing the program. The findings show strong improvement of Macedonian engineering manager's performance through improvement of their management and leadership skills. The professional development program for management and leadership skills improved their competences, linked to their professional profiles, increased opportunities for professional development, and increased the motivation and satisfaction in their daily work. This survey was conducted on the group of engineering managers participating in the program. More studies like this can be made after having bigger group of participants in the future to make stronger recommendations. Our recommendation is to replicate the research and compare the analyses with different respondents and compare results with other professional development programs. This study is expected to increase the motivation of other engineering companies to invest in human capital and participate in professional development programs in the field of management and leadership. The MLS4Eng program is tailored made according to the assessed needs and expectations of engineering

managers in Macedonia and the region, as well as analysis and benchmarking of the management and leadership standards in Europe and adult training courses in this field. Also, the program is taught using contemporary training methods, such as problem based learning, game based learning, case study method, etc. using blended learning concept – a combination of traditional and e-learning concepts. This research contributes to the field by offering new findings and proposing new professional programs for developing management and leadership skills.

Keywords: *Management, Leadership, Skills, Engineer, Professional Program*

JEL codes: *M10*

MANAGING CHANGES IN THE CUSTOMS ADMINISTRATION OF THE REPUBLIC OF MACEDONIA BASED ON E-TRADE FACILITATION MEASURES

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ABSTRACT

The Republic of Macedonia was the 51st member –state of the WTO, which ratified the new Agreement on Trade Facilitation two years ago. In February 2017, the new Agreement entered into force and its provisions became obligatory for all WTO members if notified into Category A. For implementation of the provisions notified into Category B and C, member-countries have additional transitional periods to implement.

The Republic of Macedonia notified most of the trade facilitation measures into Category A commitments which means that the country has to abide by those provisions notified in the Agreement. Since, most of the trade facilitation measures mentioned in the Agreement were connected with the process of export, import or transit of the goods in the country, it means that most of their implementation is under the competence of the Customs Administration of the Republic of Macedonia. This institution has the leading role in the country in implementing trade facilitation measures

The goal of this paper will be to point out to the challenges that the Customs Administration of the country is facing with the implementation of the provisions of the Trade Facilitation Agreement with special emphasis on the implementation, management and governance of specific electronic trade facilitation measures.

The paper starts with defining the changed role of the Customs Administration in the XXI century and its role in the control-checks and approval of all trade flows by protecting the economy and safety of the consumers at the same time. Then, we plan to explain the process of implementation of specific electronic trade facilitation measures backed up by strategic and pro-active role of the Government and the managing structures of the Customs Administration. After explaining, the whole managerial and organizational process needed for implementing these changes at institutional level we are going to discuss the challenges that the Customs Administration is facing in maintaining the successful functioning of the measures and the future prospects that are needed for implementing new trade facilitation measures. The focus of the paper will be upon the implementation of the Electronic System for Issuing Import, Export and Transit Licenses (known as the EXIM system) from legal, organizational and managerial perspective, the advantages it brought, but also some of its dis-functionality discovered in the several years of its implementation. At the end, we stress the importance of strong strategic and managerial leadership needed by the Customs Administration to strengthen the functioning of the established trade facilitation platforms, as well as to provide implementation and proper functioning of other trade facilitation measures.

Key Words: *Customs Administration of the Republic of Macedonia, trade facilitation measures, e-customs, Single Window, EXIM sustainability.*

JEL codes: *F13, F19.*

ACHIEVING SUSTAINABLE GROWTH THROUGH CO-IN MODEL

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ABSTRACT

Purpose: The knowledge-based economy places great importance on the diffusion and use of information and knowledge as well as its creation through developing knowledge networks. The determinants of success of enterprises, and of national economies as a whole, is ever more reliant upon their effectiveness in gathering and utilizing knowledge.

The purpose of this paper is to explore the CO-IN model as unique model for enhancing competitiveness of companies and achieving sustainable growth of all participating organisations. The topic of sustainable corporate growth through continued innovation is viewed by many business experts as a critical success factor.

Smart collaboration with partners through the CO-IN model gives to all parties (academia, industry and government) the freedom to perform in new and invigorating ways – creating shared value along the way. It brings together the expertise and experience of sustainable innovation capability with new thinking and creativity from partners, creating new business models in which ideas flourish.

Design/methodology/approach: Qualitative research and case study was used to obtain data and explore the collaborative innovation partnership between company and university. The incentives of the business sector to invest in research and innovation activities, the return on these investments and industry-science collaborations are also explored.

Findings: The findings show that collaborative innovation partnerships – CO-IN model provides great benefits for all partners, is strongly influential of the competitiveness of the companies involved and enables open innovation experiences.

Research limitations/implications: This specific collaborative innovation partnership explored in this paper is very rare case in Macedonia. The recommendation is to replicate the research and compare the analyses with different companies.

Practical implications: This study is expected to increase the motivation of other organizations to engage in collaborative innovation partnerships and experience the benefits from the CO-IN model. It is expected that companies will enhance their expenditure in R&D activities and take part in open innovation model.

Originality/value: This study adds to the body of literature in the field of knowledge based economy and sustainability research.

Keywords: *Collaborative Innovation Partnership, Competitiveness, Industry-Science Collaboration, Sustainable growth, Open Innovation*

JEL codes: *M21, O30*

