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THE ROLE OF THE CIVIL SOCIETY FOR THE EU INTEGRATION OF THE WESTERN BALKANS

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Abstract

The European perspective of the Western Balkans was a key priority for the Bulgarian Presidency of the Council of the EU (1 January – 1 July 2018). The membership in the EU is only workable way to achieve sustainable peace, security, economic growth and prosperity in the region.

In this context the bilateral relations between Bulgaria and Macedonia are of utmost importance and many positive steps for strengthening and improving the political dialogue have been made, emanating with the signing and ratification of the Treaty of Friendship between the two countries.

The author's main task is to analyze the current debate about the Euroatlantic perspective of the Western Balkans, including the achievements and future challenges. There is a special focus upon the importance of building an active and aware civil society that is able to leave behind the contradictions of history and to look ahead and work with dedication to a "united in diversity" future for the region.

Key words: European Union, enlargement, Western Balkans, civil society, dialogue

When we talk about united and secure Europe, we shall have no doubt that the Western Balkans need a clear European perspective. This was a salient topic for the Bulgarian Presidency and the future of the European Union and the aim was to come closer to an agreement for a clear action plan with each one of the countries candidates. The idea is not to create unrealistic, overloaded expectations. As Bulgarian prime minister said "The enlargement has been talked about for a long time now and now is the right opportunity to make concrete steps forward." When presenting the priorities of the Bulgarian Presidency to the European Parliament Mr. Borissov pointed out the extremely good relations between Bulgaria and the Republic of Macedonia, which can serve as a role model for resolving long-standing bilateral problems. He underlined the importance of the infrastructure projects in the region that enable investment and tourism development. "The stability of the Balkans is directly linked to the stability of Europe; the solution is a European perspective. They expect it, they want it." (European Parliament, 17 January 2018 - Speech of Bulgarian Prime Minister Boiko Borissov).

In February 2018 the European Commission adopted a strategy for "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans."

The President of the European Commission, Jean-Claude Juncker stated: "*Investing in the stability and prosperity of the Western Balkans means investing in the security and future of our Union. Although there will be no further enlargements under this mandate, today the European Commission is charting the European path ahead for the Western Balkans. With*

strong political will, real and sustained reforms, and definitive solutions to disputes with neighbours, the Western Balkans can move forward on their respective European paths. Whether this is achieved will depend on their objective merits. The European Commission will be rigorous but it will also be fair. I will travel to each of the countries of the Western Balkans at the end of this month with a clear message: keep reforming and we will keep supporting your European future." (European Commission, Press release, 6 February, 2018).

High Representative Federica Mogherini, on the other side, reaffirmed that :*"The Western Balkans are part of Europe: we share the same history, the same geography, the same cultural heritage and the same opportunities and challenges today and in the future. We have a common interest in working more and more closely together to guarantee to our people economic and social development, and security. This strategy shows the path that we have ahead of us: for all our six partners to overcome once and for all the past, for all of us together to make the process of the Western Balkans towards the European Union irreversible and keep reuniting the Continent. This Strategy gives all of us a shared, clear, unequivocal, credible and concrete perspective for each and every one of our six partners' EU integration. The next months will be not only intense but also crucial to make sure that this historic and unique opportunity is seized."* (European Commission, Press release, 6 February, 2018)

The European Commission outlined six flagship initiatives are to strengthen the cooperation in a number of areas and support the transformation process in the Western Balkans. These are areas of common interest: rule of law, security and migration, socio-economic development, transport and energy connectivity, digital agenda, reconciliation and good neighbourly relations. Concrete actions in these areas are foreseen between 2018 and 2020. (European Commission, Press release, 6 February, 2018).

In addition to that, speaking after co-hosting a summit of Western Balkans leaders in Sofia on March 1, President Juncker said that he is returning to Brussels even more convinced that the place of the Western Balkans countries is in the EU.

Notably, we do not lack political will for the integration of the Western Balkans. A remarkably good example for turning political well into practice is the relations between Bulgaria and Macedonia over the last year. Back in August our countries signed a historic friendship treaty, aiming to leave behind historic differences aside and focus on future EU-oriented cooperation. The agreement recognizes both countries' territorial integrity, envisages the formation of a commission to resolve their differing views of history, and also has a pledge to protect the rights of the other's nationals on their soil, not interfering in each other's domestic affairs.

In January 2018 Bulgaria's parliament has ratified the treaty by 186 votes to zero. As the Bulgarian minister of foreign affairs put it, "this is a strategic choice of our country, which falls among the priorities of the Council of the EU" She added that the bilateral friendship treaty is based on common European values that will add considerably to the stability of the region.

Another upcoming key event for the Bulgarian Presidency was the EU-Western Balkans summit that took place on 17 May 2018 in Sofia. In February the President of the European council, Donald Tusk, reaffirmed the importance of this event: *"We will aim to strengthen connections both with and within the region. This spans from more investments in*

transport infrastructure, through multiplication of educational and cultural exchanges to making communication among our citizens easier and faster. The summit will also aim to boost cooperation in areas of mutual interest, including security and migration." (Donald Tusk, 13 February 2018). The summit brought together heads of state or government from EU member states and the leaders from the six Balkan partners: Albania, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Kosovo.

This meeting strove, as has been officially stated:

- reaffirm the EU's commitment towards its Western Balkans partners and reiterate the region's belonging to the European family
- strengthen links between the EU and the Western Balkans in infrastructure, digital and human connectivity
- work more closely together to tackle common challenges, such as security, migration, geopolitical developments and good neighbourly relations. (EU-Western Balkans summit in Sofia, 17/05/2018, Agenda highlights)

Putting aside all the political declarations and diplomatic efforts, we shall not forget that the key for the successful and fruitful integration and membership of the Western Balkans is the active and informed civil society, together with the constructive dialogue between the people from all the countries. Back in March 2017 the European Commission launched a White Paper on the future of Europe. Discussion about the EU's 'democratic deficit' has been going on for decades, so the issues the white paper brings up are not new. However, for the first time there seems to be a definite recognition of the need for change. The Commission's discussion paper is remarkably candid about widespread public distrust of Brussels, stating for example that "citizens' trust in the EU has decreased in line with that for national authorities (White Paper on the Future of Europe, 2017). Around a third of citizens trust the EU today, when about half of Europeans did so ten years ago. Overcoming this mistrust issue will not be easy, since: "Communities are not always aware that their farm nearby, their transport network or universities are partly funded by the EU."

The White Paper emphasizes the importance of facing expectations as being critical for future success of the European project. Where the Commission builds up expectations for economic growth and cross-border harmony driven from Brussels, it truly and inevitably makes itself vulnerable to attacks. When suggesting faster and stronger integration as one option (the fifth and final), the Commission notes 'there is the risk of alienating parts of society which feel that the EU lacks legitimacy or has taken too much power away from national authorities. On the other hand, the Commission states firmly that going back to the single market alone is not a good (second) option, etc.

Problems originate from the citizens who are uninformed about their rights and possibilities what they possess by being citizens of the EU. In my opinion is important to fill the term "European citizenship" a real content besides its symbolic interpretation by informing the citizens with the help of mass media.

Moreover, there are various legal tools for citizens to petition or make complaints against the decisions of the EU, but these opportunities are not used very often – often for red tape considerations. The EU are complex and time-consuming nature of these legal tools, and also the ignorance of citizens about their rights.

The EU creates all the tools for the citizens' involvement, but still it may somehow try hinder this participation. Public officials may state that citizens are incompetent, while citizens, on the other hand blame the officials and institutions for not being invited to truly participate in the process – proving the saying that “ninety percent of politics is deciding whom to blame (Greenfield, 1996).

If citizens are not involved in the decision-making process from its beginning, they are usually less supportive. Citizens should be encouraged by feedback of the completed projects. People as a whole are more dedicated to participate in any initiative if they see it as their own and experience the betterment in the life of their own locality. The civil society should be strengthened to support democracy, in order to stop the declining trust of citizens in their politicians. The European Union and the members-states should encourage more voluntary activities and social connectedness which would represent “happening „of participatory democracy.

The citizens of post-communist member-states, such as Bulgaria for example, show a diverse willingness to participate in the decision-making process both on European and national level.

In the very complex system of the EU information matters a lot. Media has become a very powerful communication channel which can unfortunately be used as a tool to manipulate the masses. Media can prove to be very influential, convincing messages for the people, who are many times unaware of the fact that they are influenced. The European Union often uses the help of the media to inform citizens about its achievements, initiative. The shift towards a participatory democracy and the freedom of speech involves the risks of demagogic and populist interventions which must be controlled in order to preserve its legal pursuit. The new possibilities given by modern technologies should be utilized, but wisely.

People who are more politically aware are also able to assign responsibility to the EU correctly. It is interesting that people who read papers with a lot of EU coverage are prove to be more competent than those who rely on television coverage – it is very often for television to simply prime the citizens to think more about the EU.

In the EU and also in the region, there are two contradictory trends which are simultaneously presented: globalization and centralization. While certain decisions are moved from national to EU level taking away some national sovereignty, on the other hand the principle of "subsidiarity" principle is also emphasized, which refers to solving problems on lower levels and supporting community activity. The Union, therefore, on one hand enhances citizen participation by using deliberative methods to involve stakeholder, but on the other hand widens the gap between its citizens and the policy-makers.

At the time of a legitimacy crisis of the EU, much attention should be paid on fostering comprehensively efficient citizen participation. It means creating a platform which is transparent and easily available for ordinary citizens or for civil organizations. Through this they can visibly participate in the public debates and express their opinion.

After looking over the different factors and influences which pull back the establishment of a legally operating participatory system, the following observations can be specified:

- Civil participation and awareness is crucial for the legitimacy of the European Union
- The legal basis for citizen participation is adequate, the obstacles mainly appear in putting them into practice

- A feedback is needed about the outcome of any initiative on EU level, that implies citizen participation
- A two-way communication is needed between the citizens and the authorities
- Media should be utilized in a fair way by the EU - to inform citizens about the results and the possibilities and not to manipulate them

Citizens should start to care not only about what the EU and its institutions can do for them and their countries, but also what the same EU institutions can do for the European project as a whole. As the President of the European Council stated recently – “*United we stand, divided we fall*” (Tusk, 2017).

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SOME CHANGES IN THE POLITICAL AND SOCIAL INFLUENCE OF THE ROMAN CATHOLIC CHURCH AS CONSEQUENCES OF THE WW1

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Abstract:

The complexity of the effects of the 1st World War brought important changes for the Roman Catholic Church as a whole and especially for its political and social influence. Three major zones emerged in Europe affected by the consequences of the war in different ways. The Paris Peace Treaty- instead of attenuating and solving the confrontations which had led to the WW1 – aggravated the situation in many countries and fostered the emergence of new controversies. Although the efforts of the Holy See and the peace initiative of Pope Benedict the 15th in 1917 remained unattended by the belligerent sides they played a determining role creating the new legal fundamentals of the international relations in the second half of the 20th century.

When the war which had been referred for almost a quarter of century as the „great” one started in July 1914 none of the government of any country could supposed how deep, historical and fundamental changes would case them the forthcoming four years. The war impacted every field of life in every society, nothing remained unchanged. The economy of the countries hit by the war in different ways and measures was ruined independently whether these countries were amongst the winners or were defeated. The unemployment affected huge masses, no chances for jobs, no feasible perspectives for the majority of them. The Versailles Treaty system of 1919 - 1920 did not solve the internal political and economic and social conflicts of any country either. Its effect was just the opposite: not only sharpened the controversies which had led to the war but uplifted them to a higher level. The unsolved and even more deepened controversies created new points of frictions or even collisions. Without pretending to give a full picture let us enumerate some consequences of the WW1 which still have certain influence on the security policy of the former belligerent countries, on their defense strategies, military and public philosophy and also the formulation of the national security interests and their protection.

1. The German Empire was defeated its military capabilities were extremely limited and the capabilities to protect itself were so reduced that the country’s vulnerability was bigger than it could be manageable by political, economic and military tools. Two other factors - one economic and another socio-psychologic – aggravated further the situation. The restoration of the German economy and the break-out of the political isolation became the cornerstones of the German post-war German policy. It was more than curious that the cooperation with the Soviet Union opened the path for the implementation of both. The humiliation of the German national identity by Great Britain and France made easier the raise of the ideas and spread of the new kind of aggressive, rough and merciless nationalism – the national-socialism with all its consequences and collateral phenomena - beside Germany among the embarrassed and unhonoured, fragmented and desecrated defeated countries.

2. The Austro-Hungarian Monarchy split up into different newly sovereign states which – in spite of all their efforts – were unable to recover their previous territory, political and geopolitical status, economic potential thus the growing revanchism chauvinism and irredentism did not face significant resistance. The situation worsened by the 1918 bourgeois revolution and shock caused by the Bolshevik-style terror in 1919, the losses caused by the Versailles treaty, the deep changes in the ethnical composition during the so called option period between 1918 and 1921, the growing massive emigration mostly from the detached territories. The socio-psychologic effect and the impact of the peace treaty on the defense capabilities of the country and the Hungarian military traditions fundamentally determined the Hungarian political strategy for the forthcoming decades up to 1945. It was logic to suppose that sooner or later the aggrupations, groups and organizations based upon close ideological platforms would cooperate obviously under German leadership.

3. The multiple socio-economic collapse of the Russian Empire the revolutions of February and October of 1917 and the new emerging from the latter Bolshevik system parallel to the existing huge territory of the country, the enormous losses in the economic, political and military fields and the end of the Empire's great power status required the restructuration of the state administration on new basis. The Bolshevik socio-philosophic concept and its views on economic, governance, administrative cultural, and defense issues rather preserved the Russian imperial mentality and practice like the oppression of national minorities, the early use of hybrid methods against the countries implementing democratic - subsequently anti-Soviet – policy. This Soviet-Russian imperial attitude was what made the proletarian internationalism imposed on the countries of the Soviet block after the WW2 a disbelieving and mere phrase.

The Civil War in Soviet-Russia what ended in 1922 and the Bolsheviks' theory on revolution gave a peculiar opportunity to adapt the formerly known tactics of warfare to the new conditions, to elaborate new tactics and founding a new strategic concept. While the defense industry of the defeated countries suffered the consequences of the lost war Soviet-Russia started to design and develop new weapons and tools. Amongst the commanders of the Workers' and Peasants' Red Army created in 1918 there were many former non-commissioned officers of the Tsar's Army who passed the Bolshevik radicalization like Zhukov, Budenniy, Blücher, Voroshilov and the former officer Tuhachevskiy. This knowledge and experience accumulated and applied with high proficiency mad possible the reorganization of the intelligence and counter-intelligence partially used for hunting for the former specialists and experts the Bolsheviks considered as untrustworthy elements.

In three regions of Europe a peculiar situation emerged: the winners had no limitations to develop their capabilities even using the potential acquired from the defeated countries. The defeated countries - due to their ruined economies and the limitations set up by the international legal acts - could hardly do anything to upgrade their capabilities although they still disposed of the groups of the old experts. Along with other fields the operability in national security was also undermined parallel to the capabilities planning and training.

Although Russia was also among the defeated countries the development of capabilities, weaponry and strategy started that time were based upon a selected group of former experts of the Tsar's time completed with new, young and ambitious specialists absolutely loyal to the Bolshevik ideology who step-by-step overtook the leadership. The economic potential of the country was mostly hit by the crisis of financing and managing the production.

4. Great-Britain, France and the United States became the power which determined the political course of the forthcoming decades. This was an important change in the position of the US overcoming thus its previous continental role started to play a growing role in the formation of the geopolitical affairs. The US was impacted neither by economic nor social

cataclysm which could slow down the rhythm of its development. This country was able to convert its military role in the WW1 into a growth of strategic political, economic and financial influence thus becoming an unavoidable factor of the European affairs as well.

The circumstances above indisputably had their influence on the Roman Catholic Church. The changes affected the church itself but at a larger scale touched the believers on both sides of the Atlantic Ocean.

Considering from historical and geopolitical points of view we can discover the WW1 was the first major, large-scale armed conflict where the belligerent side were ruled by purely political, military and hegemonistic ideas and the religious differences between them did not play any role as motivation or pretext in the hostilities. The Catholic countries – the Austro-Hungarian Monarchy and Italy on one side acquired a special importance when France joined the Entente forces. The Lutheran Germany's attitude was absolutely clear: all its efforts they mobilized to win the war and ignored all the peace initiatives from the Holy See. Under these circumstances the only role of the Catholic Churches of every country was to give moral and spiritual support for the respective governments.

The situation when Catholic countries confronted each other brought up a specific new problem for what the Holy See did not find the solution. The Apostolic Church led by the Pope Benedict the 15th was surprised by this conflict between the Catholic countries. The changes were almost tangible and the Papal State squeezed to a small territory and the Church had to find the way to strengthen its physical conditions, to recover or take over the political and diplomatic initiative otherwise the reconciliation of the involved countries and the stabilization and the recovery of the previous might, wealth and influence of the Church' in the post-war period seemed to be impossible. Due to the character of the conflicts and conditions which had led to the war the weak effort of the Holy See to mediate between the belligerent countries did not find a positive echo it was completely ignored.

The reason of the weakness of the Church and the Holy See were the differences in the political conditions formed as consequences of previous conflicts and the changes immediately before, during and after the war. During the overwhelming part of the history of the confrontations between countries up to the 20th century the Papal State and His Holiness – supported by the political influence, might and authority of the World Church - succeeded to attenuate and reconcile the armed conflicts. That time the Pope was undoubtedly the ultimate judge on the Earth for the Catholic believers who weighted the interests of the sovereigns, countries and the Church and upon the unity of the Church and the State took decisions compulsory for the masses of the believers. The historic storms like the formation of the united Italian State and the siege and occupation of the Vatican by the troops of the Kingdom, of Italy in 1870 deprived the Papal State and the Holy See not only of the majority of its territory but of its influence on the great powers, its authority and prestige as well. The direct consequence of this was the inefficiency of the intention to be the mediator during the war.¹ The best proof of it was the refusal or the ignoring of the reconciliatory attempts by both sides in 1914 when Pope Benedict the 15th attempted to mediate between the Austro-Hungarian Monarchy, Germany and Italy for a Christmas cease-fire.

The Holy See's peace proposal of seven points of 1st August, 1917 could have had a historic significance. It was refused by the Entente-governments upon their secret agreement the so called "London Treaty" undersigned on 26th April, 1915. According to this document the signatories compromised to ignore the peace initiatives – including that made by the Holy

¹ First time the separation of the state from the church happened in Mexico in 1875. It was followed by France in 1905 and Portugal in 1911. It is also remarkable that the Constitution of the United States foresaw the separation of the state and church from the very beginning.

Father – calling for peace with the Central Powers. The Treaty also contained some principles referring to the post-war period.²

The careful analysis of the Papal peace initiative of 1917 makes clear that some ideas of the document were implemented after the WW2 only in the international law when establishing the United Nations. The same principles with some others laid in the fundament of the Helsinki Final Act of 1975 what is considered even nowadays the cornerstone of the modern international relations. Once the peace initiative of the Holy See forewent the historic time when it emerged it worth to overview these ideas:

1. The Holy Father declared the impartial approach as a basic principle because all the humans are equally beloved children of the Almighty. This was the only possible, reasonable and logic approach on behalf of the Holy See that time.³ Without the declaration of impartiality anticlerical emotions and subsequent actions could have happened in the countries hit by the war if the national clergy had supported the unfavorable attitude of the Vatican against the masses of the believers of the respective countries. It could have led to the turn away of a part of the believers from the church what could have been the worst what could happen. The church could have lost a significant part of the followers and his prestige as well if the Holy See did not apply an impartial attitude.

2. Another highly important point of the peace initiative was that the limitation of weapons should be achieved by juridical methods and the limitation of the armament should be agreed at a level which would be sufficient to guarantee the public safety and the security of the countries.⁴ The application of the principle of the minimum sufficient force was implemented in the 1980-ies only in the negotiations on the strategic armament's limitation between the Soviet Union and the United States.

3. The peace initiative foresaw the creation of an Arbitration Court which should have been authorized to act in cases concerning the preservation of peace. It should have had the power to impose sanctions onto the states which would have violated or would have not fulfilled the agreed norms.⁵ This principle was materialized in three institutions: in the League of Nations in 1919, in Hague International Court in 1921 and in the United Nations Organization in 1945.

4. One of the aims of the peace initiative was to tear down the factors opposing to the communication between people and nations. Another non-materialized point was to elaborate the rules of the free maritime navigation.⁶ After an almost two thousand-years-long struggle between the maritime and the landlocked countries the principles of the free navigation were codified for the first time in the International Maritime Navigation Agreement in 1982 only.

5. What refers to the territorial claims between Austria, Italy, Germany and France the Pope expressed his hope that the problem would be dealt in a manner to contribute to the fair and practical reconciliation to reach a long-lasting peace and disarmament. It is obvious how modern, progressive and perspective were these ideas. According to Benedict the 15th theses

² See: The Treaty of London [https://wwi.lib.byu.edu/index.php/The_Treaty_of_London_\(1915\)](https://wwi.lib.byu.edu/index.php/The_Treaty_of_London_(1915))

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⁴ See: [firstworldwar.com/primary_documents/Pope Benedict XV's Peace Note of 1 August 1917](https://www.firstworldwar.com/primary_documents/Pope_Benedict_XV's_Peace_Note_of_1_August_1917)

⁵ See above

⁶ See: [firstworldwar.com/primary_documents/Pope Benedict XV's Peace Note of 1 August 1917](https://www.firstworldwar.com/primary_documents/Pope_Benedict_XV's_Peace_Note_of_1_August_1917)

should have been guiding the politicians when dealing and deciding the future of Armenia, the Balkans and Poland.⁷

The consequences of the WWI for the church of given countries including Latin America became tangible just a few years later. Some of the reasons are the following:

- The decisions of the Versailles – Washington peace treaties of 1919 – 1922 referring to political and territorial changes generated a strong migration in 1921 – 1922. In 1921 the so called period of options was finished. Within this timeframe the persons living on the territory of countries newly acquired these territories and the citizenship of which these persons did not have originally, they could opt the citizenship of which country they would have, whether they preserve their previous citizenship (and move to the given country) or they would request the naturalization by the territorially competent country. The third option was the emigration to third countries. The outbound migration was so significant that eighty years later I still faced the consequences when I was Deputy Head of Mission and Consul of Hungary in Buenos Aires, Argentina.
- The economic and financial consequences laid on the population as a very heavy burden and worsened the situation of the public safety. The problems of keeping the pot boiling have always been an important and potential factor generating radicalization, even today. These problems boosted up the emigration that time from Central and Eastern Europe and the Balkans. The administration - acquiring the necessary documents, permissions and purchasing the tickets for the transatlantic ships was really problematic. One of the reasons was the almighty bureaucracy and the other was the specific situation unforeseen by the international law.
- The shortcoming of vessels licensed for transatlantic routes, their limited capacities, the service problems caused by the grown number of passengers at the ports slowed down the process of emigration.
- The admission of the immigrants on the other side of the ocean went either easy. Although Latin-American countries – like Argentina, Brazil, Uruguay – needed workforce for the extensive development of the industry and agriculture neither the administration nor the civilian organizations nor the social institutions were ready to administrate huge groups of immigrants, to accommodate them and to foster their integration in the society of the receiving country. The fact that a large part of these newcomers arrived from countries which fought against each other just a few months ago did not make the situation easier either.

Under these circumstances the political and social influence of the Roman Catholic Church could have been strengthened if the Church had contributed successfully to the reconciliation, the attenuation of the emotions and the coordination between the political forces, states and governments. The obstacle was among other factors the already mentioned weakness of the Holy See's position. The Clergy of the countries could not count on the self-understandable, indisputable and indivisible authority and prestige under the conditions of the new correlation of forces and new alliances. Therefore they could not prevent, stop or neutralize the intentions aimed to the further reduction of influence of the Church on governmental decisions on political and social issues.

The unfair and tendentious character of the Peace Treaty of Versailles – Washington made clear that the Holy See and the Clergy of every involved country – in spite of their good will - were unable to mediate between the opposed sides and arrange the controversies. The arrival of large groups of Catholic believers to the most Catholic continent, to Latin America,

⁷ See above

catalyzed the secularization processes started already in the 19th century even in those countries where the separation of the state and the church did not legally happen yet. It is notable that Argentina did not sign yet the concordat with the Holy See about the secularization that time while Chile did it in 1925 already.⁸

Conclusions:

1. The contradictions between the antagonistic interests of the belligerent sides to the principles and dogmas of the Catholic Church evidenced that the historic and the economic processes including the military history as well could not be compatible to the archaic position of the Holy See.
2. It became world-wide tangible that the Church could not play a leading role in the settlement of conflicts set in flame the major part of the World especially when there were countries among the belligerent sides where the Roman Catholic Church is predominant. During the last century since the Great War was over there were few military conflicts where the mediation of the Holy See was successful. One of these was the mediation between two neighboring countries in Latin America took six years to reach a peaceful settlement in a conflict which could have turned into an armed clash. The personal intervention of His Holiness John Paul the 2nd and his special envoy, Cardinal Antonio Samoré brought the involved sides to a settlement. This was the peace treaty concluding the war between Argentina and Chile for the possession of three minor isles in the Beagle Channel in 1984. The mediation lasted almost seven years and its success was also conditioned by the loss of the Falkland/Malvinas war by Argentina against Great-Britain and the return to the civilian government in this country.
3. The WW1 drought away the state policy from the mentality, intentions and the 'correct way' based upon the religious postulates even more and not only in the given countries but universally. This ascertainment is reflected with special importance in the events of the second half of the 20th century in Latin America.
4. In a very peculiar way the principles laid down by His Holiness Benedict the 15th in the peace plan contributed to the settlement of the conflicts after the WW2 and became principles of the international law when the Final Act of the Conference on Security and Cooperation in Europe was signed in Helsinki in 1975.
5. Although the political prestige of the Holy See reduced significantly some steps to strengthen the social influence were taken. After the death of Benedict the 15th in 1922 Saint Peter's throne was taken up by Pius the 11th who initiated the creation of the Actio Catholica to embrace the Catholic organizations already active in many countries. Theoretically all the Catholic believers were members of this organization but according to the words of John the 23rd the members should be "*qualified in religion living vivid spiritual life acting ardently for the cause of God and the Church and be loyal to the Pope.*"⁹ While after the WW2 the so called 'popular diplomacy' had been spreading step by step the Holy See had been following with great attention the opportunities given by the civilian organizations, the NGO-s and had been using them both in the democratic countries and in countries under Marxist governments.

⁸ See: Pedro González García: Reformas religiosas, sociales, electorales económicas y políticas de la Constitución del año 33 – promulgadas el 18 de septiembre de 1925, Universidad de Chile, Santiago 1927 A témát rendkívül körültekintően feldolgozta Máximo Pacheco Gómez: „La separación de la Iglesia y el Estado en Chile y la diplomacia vaticana” című könyvében Kiadta a Editorial Andrés Bello, Santiago 2004

⁹ Magyar Katolikus Lexikon A – Actio Katholica <http://lexikon.katolikus.hu/>

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**MANIPULATION OF INTERTEXTUALITY IN POST-SEPTEMBER-ELEVEN
AMERICAN FICTION AS A STRATEGY TO MISINFORM READERSHIP**

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Abstract

Some novel writers in the wake of the September 11 events in the United States used a Micavillean approach to support their ideologues. Manipulation of intertextuality from Islamic resources is one strategy that is heavily employed in their publications for this purpose. In this paper, the author cites examples from American stories like Updike's *Terrorist*, Miller's *Blindsided*, and Mcbain's *Merely Hate*. The researcher first cites an example, finds the reference material, then he discusses the issue showing how intertextuality is manipulated to misinform readership.

Key words: manipulation, intertextuality, Quran, Hadeeth, American

LANGUAGE BARRIERS TO EFFECTIVE COMMUNICATION

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Abstract

Although globalization and communication technology are bringing the world closer together in a global village, language barriers : the things that prevent us from understanding each other's constitute a common challenge to individuals, groups, international companies, governments, nations and the whole world. This qualitative study aimed at exploring the factors that cause language barriers , their types and impact on effective communication and our life as well as ways making people aware of the importance of overcoming them ..The study concluded that language or semantic barriers arise from different meanings and uses of words , symbols , images , gesture, languages , dialects , accents ,linguistic ability , technical terminology or jargon, volume of voice , ambiguous words, mispronunciation of words, faulty translation , wrong interpretation of messages , misunderstanding of messages , complicated messages and different individual linguistic ability of the sender and the receiver, poorly understood and poorly explained words and messages . Language barriers can create problems of miscommunication such as: misunderstanding , misinterpretation of messages , distorted messages ,misinformation , confusion , mistrust ,uncertainty ,frustration ,poor and wrong feedback , aviation and marine accidents and disasters , deaths , tension, conflict , violence among people. They can Leads to Factors that hindering effective communication .The best strategy to promote effective communication and get messages across is to bridge the language barriers by : using simple , clear , concrete , accurate , familiar and meaningful words , avoiding grammatical and spelling mistakes ,giving and receiving feedback , hiring bilingual workers and qualified and licensed translators , minimizing the use of jargons , avoiding ambiguous words ,regional dialect and ,confirming understanding ,using translation machines, avoiding shouting and sarcasm and mimicry , explaining difficult messages to people.

Key words : Communication , Language Barriers, Semantic Barriers

Introduction: Human communication is a social interaction process. It is an essential part of our daily life. It is a process of creating, exchanging, sharing ideas, information, opinions, facts, feelings and experiences between a sender and a receiver. Communication is fundamental to the existence and survival of individuals, groups, societies and nations. Language is the most commonly tool of communication. It plays a vital role in helping people build a bridge of relationships. At the same time language acts as a destroyer of bridges of human relations, because it separates people from each other. Language continues to remain a barrier to convey our messages to people in globalization and communication era. Language barriers are a common challenge in international business, aviation, social settings .They affects our daily life. Language barriers are the root causes of many problems or obstacles in health care, aviation, maritime, business and education. For examples,(a) Effective

communication between healthcare providers, patient, and families is critical for providing safe and quality of healthcare. The results of a Canadian study about the negative impact of language barriers on quality of care and patient safety : Patients and interpreters described experiences where language barriers contributed to poorer patient assessment, misdiagnosis ,delayed treatment, incomplete understanding of patient condition ,risks of medication errors and complications and prescribed treatment.(1). The second example, Aviation researchers emphasize that over 60% of aircraft incidents are caused by human error (2).The failure of crews to communicate effectively is one common type of error. According to the Aviation Safety Reporting System (ASAS) of NASA (National Aeronautics and Space Administration) over 70% of the first 28,000 reports received were found to be related communication issues, (3) Therefore ineffective communication is a global threat to the aviation safety. The third example, increased globalization is forcing a growing number of business managers and employees to interact across linguistic boundaries (4).A German study titled "language Barriers in Different Forms of International Assignments" has connected language barriers to a series of organizational behavior phenomena. The results showed that language barriers have effects on multinational corporation as follow: effects on employees' emotions, social identity formation , trust formation, power relations (5) : The fourth example, the findings of a study about the impact of language barriers on the customers of English as a Second Language suggests that language barriers generate negative emotional and cognitive response and prevent the customers from taking certain actions such as seeking necessary information or complaining about service failure.(6). The fifth example, language barriers, lack of communication and miscommunication onboard merchant vessels is a primary cause of accidents at sea every year. During 1990 there were four Canadian pilotage incidents where in effective communication between the Pilot and the Master had serious consequences. (a) In July 1990 the Enerchem Fusion ran ground, due to problems in confirming the Master's intentions of taking over the conduct of the vessel from the pilot. The vessel was carrying 8,000 tons of petroleum products and although a serious pollution incident was avoided the vessel was declared a constructive total loss. (b) Similar problems in communication intentions between The Master and the Pilot resulted in the grounding of the Lake Anima , a Norwegian chemical tanker.(c) During 1191 two further incidents resulted from failure in the communication of intentions between a Master and a Pilot.The Irving Nordick grounded in the St. Lawrence River suffering structural damage .The lack of effective information exchange between a Master and Pilot contributing to accident. The Yugoslavian Malfnska also ran ground because although both Pilot and Master had calculated the vessel's position neither had consulted with the other and the master did not know the pilot's intention.(7) There is an overwhelming international consensus on the negative impact of language barriers on our lives.

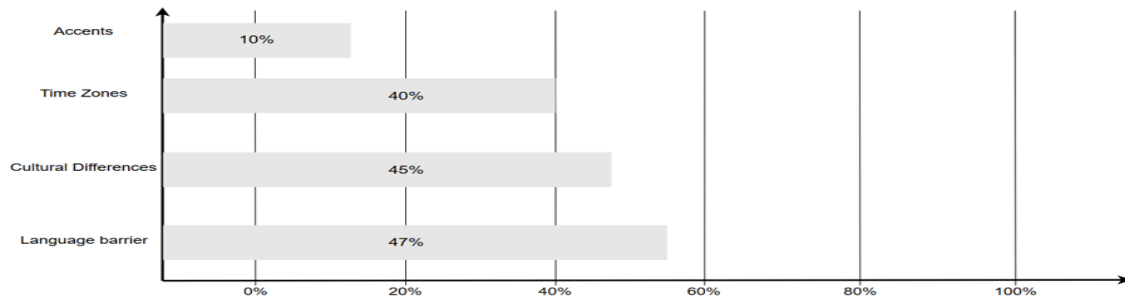


Figure . 1. Global obstacles to communication (AIM Strategies Virtual Team Trends Report.2013-05-28).See also, World Scientific News ,7(2015) , P.140.

What is the definition of communication?

Communication has numerous definitions (8)

1- Sharing: of meanings, ideas, opinions, facts, feelings, experiences, information between a sender and a receiver.

2- Meeting of Minds: mutual understanding or agreement between the sender and the receiver on common issues. Communication occurs only when the message has been understood and understanding occurs in the mind of the receiver. So we should speak to people according to their level of understanding to get our message across to them.

3- Understanding: effective communications happens when the receiver understood the message.

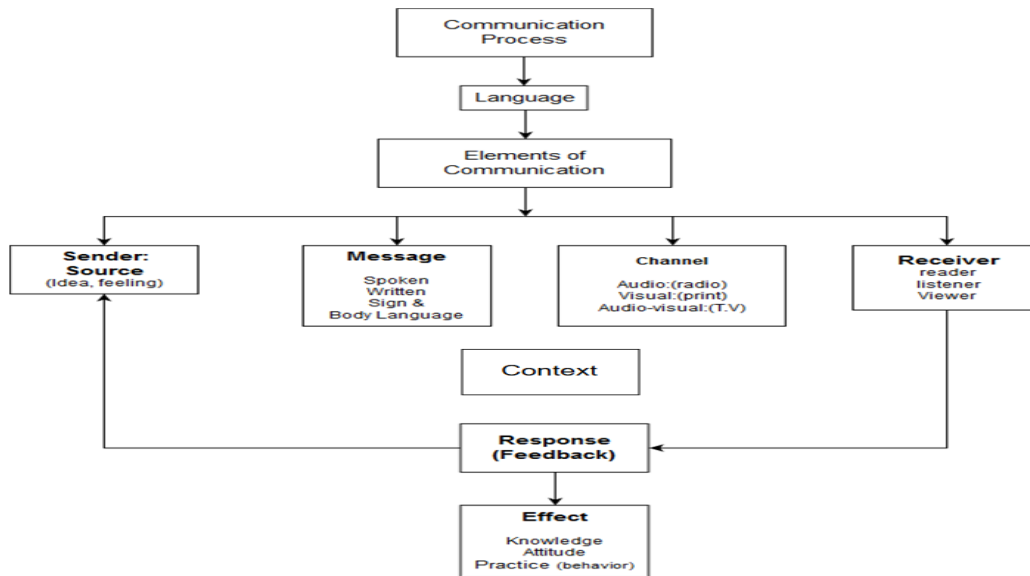
4- Getting feedback: feedback or response is critical to ensure that accurate understanding of the message has occurred .A simple definition of communication is that the process of exchanging ideas , feelings , opinions , facts , information and experiences between the sender and a receiver verbally (spoken ,written and non-verbally, sign-language and body language.) through a channel of communication. To understand human communication process, one must understand how people relate to each other.

Communication takes two forms:

A -Verbal Communication: the exchange of: ideas, thoughts, feelings, opinions and experiences through spoken or written words.

B- Non-Verbal Communication : the exchange of ideas , thoughts , emotions, opinions ,feeling and experiences through sign language and body language (facial expression , eye-contact, voice , hand movement , posture)

Figure: 2 Presents the communication process and how does communication takes place? The Communication Process is composed of the model or map of the communication process that shows the relationships between the elements or components of the communication process.



The steps or elements or components of the communication process:

1- Sender (Source): The initiator of communication and the originator of a message. He is responsible for being sure the message is accurately received and understood.

2- Encoding: a process in which the ideas to be conveyed are translated into a code or set of symbols or some other format of expression.

3- Message: the idea, information, opinion, fact, feeling, etc. It is the heart of the communication process. It can be a Spoken, written word, sign language and body language.

4- Channel: the medium used to convey the message to the receiver. The media of communication include: radio, newspaper, telephone, TV, and internet.

5- Decoding: is the process of translating the message into a language that can be understood by the receiver.

6- Receiver: The receiver is the individual or individuals to whom the message is directed. (Listener, reader and viewer).

7- Feedback: the response or reaction of the receiver to the sender's message. It may be verbal, non-verbal or both. It can be either positive or negative. Therefore. Feedback as a must to ensure that messages have been understood and received and helps the sender and the receiver obtain mutual understanding.

8- Effect: the sender communicates in order to influence the receiver's knowledge attitudes and practice or actions (KAP).

Context: the environment or circumstances in which communication takes place

How does the communication process happen?

a- The sender has an intention or idea or feeling, and meaning that exists in his mind. He encoded them into a message.

b- The sender transmits his message through the right channel to the receiver.

c- The receiver gets the message, decodes and interprets it based on his understanding of the meaning of the language and reacts or responds by sending a feedback (new message) to the sender. Thus he becomes a sender.

d- The original sender now becomes a receiver and reacts to the response of the sender (receiver).

Based on the results of the communication process the change may happen in the knowledge, attitude and behavior (action) of the receiver. Communication is an interactive process its effectiveness is judged by how closely the receivers' understanding matches the sender's intention.

What is Effective Communication?

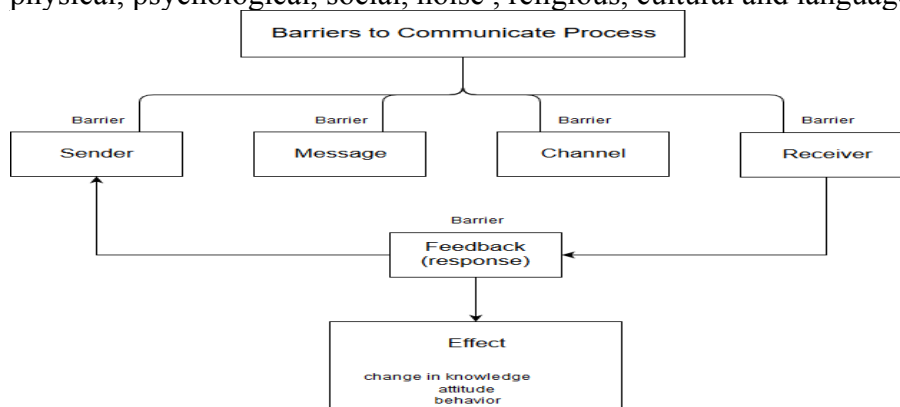
It is a communication between two or more persons in which the intended message is properly encoded, delivered through appropriate channel, received and properly decoded and understood by the receiver or receivers.(9) It is a two-way process. It is crucial for communicating successfully with others. It enables people to build and maintain relationships and accomplish goals, jobs and tasks

Characteristics of Effective Communication: the major characteristics are as follows (10).

- 1-Using language that is appropriate to others' level of understanding.
- 2- making sure others receive the information or knowledge.
- 3-Developing relationships with others.
- 4- Talking with others in a way that facilitates openness and honesty.
- 5-Completeness of the message.
- 6- Clarity of the message.
- 7- Integrity of the message.
- 8- Conciseness of the message.
- 9- Consideration of physical setting and the recipient.
- 10- Courtesy to be maintained.
- 11- Correctness of the Message.

Simply speaking, effective communication is the process of sending the right message to the right receiver through the right channel at the right time and place with the right feedback.

Barriers to Effective Communication: obstacles or problems that breakdown the communication process because they prevent the flow of information between a sender and a receiver. There are numerous barriers to communication and these may occur at any stage in the communication process. They can be classified into the following categories: mechanical, physical, psychological, social, noise, religious, cultural and language barriers.



What is the Impact of Language Barriers on Communication?

Language is the most powerful tool of communication. Its function includes the: communication of ideas, thought, opinion and emotional expression, social interaction, using the power of sound, recording facts, expression of identity. But it is at the same time a common barrier to effective communication. Language or semantic barriers rise when a lot of words have more than one meaning and a sender and a receiver try to communicate in language which themselves do not understand properly. So communication is not always successful. There may be some faults or obstacles in the communication system which may prevent the message from reaching intended receiver or its destination. Language barriers are generally arising in five areas: the way a message is originated and sent by a sender, environmental interruptions and the way it is received and understood by a receiver. Language barriers are significant because they are often an impediment to building

relationships with others. They can cause misunderstandings that lead to conflict, frustration, offence, violence, hurt feeling and wasting time, effort, money and lives of the people. Summary, language barriers are semantic problems that arise during the process of encoding and/or decoding the message into words and ideas respectively. They are one of the main barriers that limit effective communication. They are the most common communication barriers which cause misunderstandings and misinterpretations between people. They indicate difficulties that two people, who do not share a common language, face when they are trying to communicate with each other. They can also refer to complete absence of communication between the two people who speak different languages.

Objective of the Study : The study aimed at exploring and understanding the factors, which create language barriers in a real life , identify the nature of communication, critically examine the impact of language barriers on effective communication , our way of exchanging messages, making people , groups , governments and nations aware of the importance of overcoming them and making recommendation based on the study results for improving the effectiveness of communication.

The Significance of the Study: the study focuses on the importance of language or semantic barriers to communication their types, causes, impact on our lives and how to deal with them effectively in order to get our messages across.

Research Problem of the Study: Research says that effective communication is difficult to achieve. In today's globalized world effective communication is essential to building relationships between people by using verbal and non-verbal language as a tool of communication. But language can act as a bridge in communication with people, and a barrier (wall) which prevents people from exchanging simple, clear and accurate messages. In the communication era language barriers divide and separate us by creating misunderstandings , misinformation, distortion, fatal errors, frustration disasters, conflict and violence among people globally. Language barriers waste our efforts, time, and money. This study aimed at identifying language barriers, their types and discusses their impact on human communication and ways of overcoming them.

Limitation of the Study: the study focuses only on the language barriers to verbal communication.

Methodology of the Study: This qualitative study presents a research aiming to explore factors, which cause language barriers in real life, give examples about the effectiveness of language barriers on the communication, and discuss show to reduce or overcome language barrier of communication.

Research Questions:

- 1: What is the definition of communication?
- 2: What is the impact of language barriers on communication process?
- 3: What are the barriers to effective communication?
- 5: What is the root causes communication failure?
- 7: How can we overcome language barriers?

The Root Causes of Language Barriers:

Difference in Language: is the most obvious barrier to communication as two people speaking two different languages cannot communicate with each other. For example, an American goes to Egypt. He does not understand Arabic and most people in Egypt do not understand English. So, when an American speaks, the communication is worthless as the Egyptians don't understand it.

The Accent: the use of words or phrases of people belonging to different places or regions may differ in meanings, interpretations even if their language is same, which may lead to various kinds of conflicts and disasters? For example, in 1977 a deadliest air disaster happened in Canary Islands. Two 747 jets, one Pan AM, one KLM collided on the runway at Tenerife airport killing 583 travelers. Language played a major role in the disaster. The co-pilot of a KLM radioed the control tower in a heavy Dutch accent " we are now at takeoff. " air traffic controllers interpreted the message that to mean the plane was ready to go, but stopped short of the runway. But the KLM plane had started its take off run and rammed into a PAN AM on the same fog-laden runway. The tower did not understand the message and told KLM to stand by . Investigations showed that the primary language of the crew of KLM was Dutch , the air controllers' primary language was Portuguese. All speaking English , but the they used English as a second language that contributed to lack of communication or misunderstanding between them. After reviews of cockpit recorder transcriptions determined that KLM pilot's use of non-standard phraseology during the critical moments leading up to the accident contributed to disaster.(11)

Poorly Misunderstood Language messages can resulted in confusion: miscommunication between the air traffic controllers and pilots is a safety threat globally. Although English is the international language of aviation, even when the pilots and air traffic controllers both speak English fluently, there are failures in the ways it is heard by them. For example , in November 1996 , the pilot of Saudi Arabia Airlines Boeing 747 misunderstood an air traffic controllers' directive to descend and instead climbed , colliding with Kazakhstan National Airways cargo plane near Delhi, India killing 349 travelers.(12). It was primarily blamed on a language barrier, involving pilots whose first language is not English. To avoid such lack of understanding which caused a fatal disaster the pilot of Saudi plane should have asked the controller to repeat the instructions for the second time until are understood.

Misusing Words: sometimes the sender uses words incorrectly which may distort the message and lead to misunderstanding distorts the message. The sender should be accurate and familiar to both the sender and the receiver to avoid misunderstanding. For Example, The British Broadcasting Corporation (BBC) editorial guideline regarding reporting terrorism states: "We must report acts of terror quickly, accurately, fully and responsibly. Terrorism is a difficult and emotive subject with significant political overtones and care is required in the use of language that carries value judgments. We try to avoid the use of the term "terrorist" without attribution. When we do use the term we should strive to do so with consistency in the stories we report across all our services and in a way that does not undermine our reputation for objectivity and accuracy. The word "terrorist" itself can be a barrier rather than an aid to understanding. We should convey to our audience the full consequences of the act by describing what happened. We should use words which specifically describe the perpetrator such as "bomber", "attacker", "gunman", "kidnapper", "insurgent", and "militant". We should not adopt other people's language as our own; our responsibility is to remain objective and report in ways that enable our audiences to make their own assessments about who is doing what to whom" (13) . To avoid misunderstanding and get his message across the sender should use accurate and familiar words to the receiver.

Using Abusive Words: No one can bear rude language. For examples :(a) In the Arab society calling a person "you pig" means "you are dirty" is an offending word. (b) The administration of- the Arab Bank based in the Hashemite kingdom of Jordan- started establishing branches in the Palestinian occupied West Bank, but it was faced with a big language barrier that prevented it from using the word "Client" because it means"

Traitor" or "spy" for the Palestinians the one who cooperates with the Israeli security. So it used an alternative word "The beneficiary of the services". The use of rude words or expressions will provoke negative emotions.

(c),When Russian President Vladimir Putin met British prime-minister Tony Blair in St. Petersburg in 2000 ,he spoke about Chechens' insulting attitude to Russians and illustrated this by an abusive slogan in Russian in a Chechen military camp:" Above us is Allah" and" under us goats" Blair was obviously puzzled as he could not see anything very insulting in translation. But the Russian word for "goat" is very rude when it is used about people. Blair could not see the insult because, as Chechens live in the mountains, above them is "Allah" and under them are mountain goats. (14)It sounds rather poetic than insulting. The sender should avoid rude words or expressions because they may hurt the feelings of the receiver and provoke emotions.

Using Jargon: they are overcomplicated technical terms or unfamiliar words or abbreviations used by professionals like doctors, engineers, pilots, scientists to enhance communication by simplifying a particular concept to the receivers. For examples: (a) in the computer jargon, 'to burn a "CD" means "to copy the data on a CD". To a common man, the word 'burn' may have a very different connotation.

(b)Grammar and spelling: Language barriers may arise when the sender makes errors in grammar and spelling .These mistakes can create communication problems in written communication. For example , a person makes a mistake of typing "done"," don" " buy" "bye" "meet" " meat" "Lead" "lead" "red" Read". They are understood by their context or pronunciation. The spelling and grammar checker of the computer does not label it as wrong as "don " is also correct word . But, the word can change the whole meaning of the sentence or make the sentence not understandable. To avoid such mistake the sender must use dictionary to verify spelling, use spell-checker computer to ensure that spelling is correct or ask someone to proof read your writing(c) The 300-word language of aviation which consists of 300 words and terminology is a combination of professional jargon and plain English. It was created to avoid pilots and air controllers mishearing and misunderstanding each other and avoid potentially fatal accidents taking place. e.g."roger" This means "message received and understood", "Wilco ": An abbreviation of "will comply", it means the pilot has received the message and will comply." Affirm", means "yes", and pronounced "AY-firm". (15) So the sender should avoid using jargons and unfamiliar words or terms because they lead to misunderstanding and confusion and accidents .Following several such air traffic accidents The International Civil Aviation Organization (ICAO) suggested English should be the international language of aviation , and that pilots and air traffic controllers - must have basic knowledge of it and take exams.(16)

Using Slang Words: informal words and phrases used in communication that often exclude specific group. Avoid idiomatic expressions or slang. American English is full of idioms. An idiom is a distinctive, often colorful expression whose meaning cannot be understood. From the combined meaning of its individual words, for example, the phrase "to kill two birds with one stone." Slangs leads to misunderstand of the message. The sender must not use slang in order to reduce misunderstanding.

Communication has taken place

Using Impolite Words: usage of rude or slang language can impede all the efforts of communication verbally. Communicating in a foreign country can be really confusing if no one speaks your language or any other languages that you

know. Similarly, it can be frustrating not to understand the meaning of certain words that the locals use. Even when they try to speak English, you may find some of the things they say impolite. For example, the Thais often use the common word "farang" when they speak to western people. This word may sound negative to westerners. It makes them feel looked down upon and angry, because Guava in Thai is called "farang ". The same word is also used for white people." Farang" is a Thai form of the Arabic word "Ifranji", which means white travellers , so Thais call white people" farang" regardless of their nationality and social status. To a Thai person, the word" farang "doesn't have any negative connotations. (17) The sender should not use words and expressions that belittle or hurt the feelings of others.

Misinterpretation of Words: Semantic problems often arise because of the gap between the meaning as intended by the sender and that as understood by the receiver. This happens when the receiver does not assign the same meaning to the word as the sender had intended. Words are capable of expressing a variety of meanings depending upon their , i.e. in the context in which they are used nature. For example, the word 'yellow' when used as an adjective can have multiple connotations depending upon its usage. 'Yellow', besides being a primary color, also stands for 'freshness', 'beauty', 'sickness', 'decay', " yellow cow for Jews" means "holly cow" and" yellow traffic light " means "caution"." Yellow race" means "Mongolians", "Yellow emperor" . "Emperor of China". Hence, the receiver is free to interpret it in any of these ways based on his own imagination educational background and experience. But for communication to be perfect, it is essential that the receiver must assign to it the same meaning which the sender had in his mind while encoding the message. Therefore, there is always a possibility of misinterpretation of the messages. Mostly, such problems arise when the sender does not use simple and clear words that can convey the exact meaning to the receiver

Choice of Wrong Words: A single word has different meaning for different persons. If both the sender and the receiver choose different meanings for the same word, then it causes a semantic barrier. Improper word may result in unclear or distorted message and create a bad impression. For example, In Arabic Culture the word" red man" (communist) or a" man dressed in red "or a "man with red face". Or a" bloody man" .So if people don't understand the words, they cannot understand the message. The sender should choose his words carefully in order to bridge gaps, build relations and create understanding.

Using Ambiguous or Vague Words or Phrases: They are not clearly or explicitly stated or expressed. Ambiguity arises when the sender and the receiver of the message assumes different meanings to the same words, phrases and sentences or use different words to convey the same meaning. A sender often assumes that the receiver can understand the meaning of these words, phrases and sentences as he does. For example, The Israelis misinterpreted the text of the UN resolution 242 article (i)" Withdrawal of Israeli armed forces from territories occupied (the West Bank and Gaza) in the recent conflict. "That calls for the total withdrawal of the Israeli army from the Palestine lands occupied in1967.The Israeli argument is that the withdrawal phrase in the Resolution was not meant to refer to a total withdrawal, because there is no word "all" or "the" before "territories" in the withdrawal phrase. (18) The wording of the withdrawal phrase is vague or ambiguous so it was misinterpreted by Israel because it was not clearly or explicitly stated. But anyway, it must be placed in the context of the rest of the Resolution that calls for a total withdrawal of the Israeli Army from the Palestinian occupied lands in 1967. (b) Vague Phrases, such as: "It will be there as usual." or "The same as last time." The phrase" as soon as

possible" could mean a couple of minutes or hours to the sender and a day or two for the receiver. (c) The word "Pope " is vague because there are two Popes for the Christians : Pope for the Western World and a Pope for Coptic Christians people in Egypt in the East. To avoid such misunderstanding the sender should use clear, precise language, stating exactly times and locations and names. Choosing ambiguous words or terms to convey your message will lead the receiver to confusion and misunderstanding. You can avoid any ambiguity by repeating the term or using alternatives. Ambiguous communication means open to many different interpretations.

Language Barriers in the Same Langue: a language barrier can appear when the sender and the receiver do speak the same language. People speaking the same language can have difficulty understanding each other if they are from different from different regions of the same country. Dialectical and accents differences, the use of slang and regional colloquialisms can create numerous problems that may lead to misunderstanding and gaps in communication. For example, an incident described as a typical of the risks of not speaking the same language, the crew of a Lot Polish Airline Boeing 737 struggled to communicate with British air traffic controllers after their electronic flight displays went blank in instrument meteorological conditions following a departure from London Heathrow Airport. The polish pilots are unable to communicate their problem to British air controller. (19) Another example, the use of slang makes communication ineffective such as the use of the word "grass" to describe marijuana in America can act as a barrier for the people who do not know the slang meaning.

Religious Language Differences: Language barriers generally result from the lack of understanding between the followers of the three religions. For example, an American Christian, an American Jew and an American Muslim all worship one God, but they have different names for God. "God" for Christians, "Eluheem or Yahweh" for a Jew and "Allah" for a Muslim. Each one of them has a different concept for God. The sender should use a dialogue to communicate with the receiver in order to overcome misunderstanding.

Regional Dialects: People speak the same language, but dialectical differences can create misunderstanding and gaps in communication because the meanings, implications and interpretations of words are different. For example, India uses over 22 major languages, each spoken in one particular region and each language has a number of dialects and regional variations which might not always be mutually understandable. (20) Another example, although Arabs speak a common language (Arabic), some of them might have difficulty understanding the meaning of the message and the feedbacks. This might also be a cause of obstacles in communication. Americans think Asians have an accent and Asians think American.

No clear speech: people who speak soft or in a small voice or heavy tongue, or unclear words cannot be understood. The sender might be saying something where as the receiver might understand something else. Though speaking common language, people might have difficulty understanding the meaning of the message and the feedbacks. This might also be a cause of obstacles in communication. For example, God delivered the message to Moses and asked him to preach it to Pharaoh first then to the Egyptians, but he could not get his message across because he was suffering from problem in his tongue that prevents him from speaking well. So he asked God to cure his tongue. "*Moses said : " O my lord , expand me my breast , ease my task for me , and remove the impediment from my speech , so they may understand what I say (21). Then he asked God to appoint his brother Aaron a mouthpiece (spokesperson) for him to be able to communicate his message effectively. " And my brother Aaron –he is more eloquent in speech than I .So send him with me as a helper , to confirm (and strengthen) me , for I fear that they may accuse me of falsehood." (22)*

Using taboo words: Some people may find it difficult to express their emotions or ideas and some topics may be completely 'off-limits' or taboo. Taboo topics may be politics, religion, sexuality and sex, racism and any opinion that may be seen as unpopular.

Faulty Translation of Words: a translator is a person who makes a written transfer of a message between two languages .Effective translations must be done with accuracy, clarity and impartiality. For example, the literal translation of Kentucky Fried Chechen: KFC's slogan "Finger-lickin' good" in Chinese is "Eat your fingers off." (23)The lack of sufficient knowledge in a language can cause misunderstandings which may lead to big losses in money, effort, time and the potential customers internationally. To solve this problem companies should hire competent translators in language and culture of the customers. But for communication to be perfect, it is essential that the receiver must assign to it the same meaning which the sender had in his mind while encoding the message. Therefore, there is always a possibility of misinterpretation of the messages. Mostly, such problems arise when the sender does not use simple and clear words that can convey the exact meaning to the receiver. .

How to Overcome Language Barriers?

Language barriers prevent people from sharing their ideas, thoughts, and feelings, experience, information and expectations, give feedback, or communicate effectively. Here are some of the main solutions to reduce, or eliminate them:(24)

- Choose familiar words and language to the receiver in order to avoid miscommunication.
- Avoid using vague, ambiguous or confusing words, terms, jargon and phrases, idiomatic expressions or slang.
- Avoid using difficult words, complex sentences unnecessary information. Use short, simple sentences. .
- Check meanings. When communicating across cultures, never assume that the other person has understood.
- Think in term of your receiver.
- Use your receiver's language.
- Keep your message simple to promote effective communication.
- Use simple clear, accurate and correct and familiar language.
- Avoid slang or use of culturally or technically specific expressions or terminology.
- Select your words carefully. Choose simple words, phrases, and short sentences.
- Use language appropriate to the level of understanding of the receiver.
- Use familiar language to the receivers.
- Ask for clarification.
- Frequently check for understanding by asking for feedback.
- Politely ask for clarification and avoid any assumptions.
- Avoid idioms technical terms or jargon.
- Use plain language where possible.
- Hire qualified interpreters and translators.
- Hire bilingual employees.
- Use repetition because people need to hear things more than once to understand and remember it .
- Use verbal and non-verbal messages appropriately.
- Be respectful: Language barriers can be frustrating. The require patience, understanding and consciousness.

- Used visual methods of communication to explain complicated concepts such as pictures, diagrams, photos, graphics, charts to help the receiver understand what the sender is trying to convey. "A picture is worth a thousand words."
- Individual linguistic ability is important train your people .

Conclusion:

Communication is the process of exchanging ideas, feeling, information, knowledge, facts, opinions and emotions between a sender and a receiver. Effective communication is sending the right message to the right receiver at the right time via the right channel in order to change the receiver's knowledge, attitude and behavior. Language barriers are the things that prevent people from understanding each other. They are a common challenge to individuals, groups, international companies, governments, nations and the whole world. The study concluded that language Barriers are factors that block or significantly distort effective communication. They arise from different meanings and uses of words , symbols , images , gesture, languages , dialects , accents ,linguistic ability , technical terminology or jargon, volume of voice , ambiguous words, mispronunciation of words, faulty translation , wrong interpretation of messages , misunderstanding of messages , complicated messages and different individual linguistic ability of the sender and the receiver, poorly understood and poorly explained words and messages . Language barriers can create problems of miscommunication such as: misunderstanding , misinterpretation of messages , distorted messages ,misinformation , confusion , mistrust ,uncertainty ,frustration ,poor and wrong feedback , aviation and marine accidents and disasters , deaths , tension, conflict , violence among people. They can Leads to Factors that hindering effective communication .The best strategy to promote effective communication and get messages across is to bridge the language barriers by : using simple , clear , concrete , accurate , familiar and meaningful words , avoiding grammatical and spelling mistakes ,giving and receiving feedback , hiring bilingual workers and qualified and licensed translators , minimizing the use of jargons , avoiding ambiguous words ,regional dialect and ,confirming understanding ,using translation machines, avoiding shouting and sarcasm and mimicry , explaining difficult messages to people. The future of individuals, groups, societies and nations depend largely on their ability to communicate effectively with others in a globalization and communication era.

Recommendation: Based on the above findings we recommend the following:
More studies of language barriers and their effect on customers.

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GREAT EXPECTATIONS?: PSYCHOLOGICAL CONTRACTS OF YOUNG EMPLOYEES AND EMPLOYERS*KATARINA KATJA MIHELIČ, PhD NADA ZUPAN, PhD**University of Ljubljana, Faculty of economics**MARK BAILEY**Northumbria University, Newcastle*

Abstract

Psychological contracts have been in the centre of scholarly investigations, because their fulfilment fosters productive employment relationships and, in turn, helps retain talented employees in organizations, which is crucial for successful company performance in today's VUCA world of work. A psychological contract reflects individual beliefs about the nature of employment relationship, including the expectations about work, benefits, desired behaviors, and obligations. Employing data from an international research project GETM3, we looked into employment expectations from the perspective of young talents as well as employers. The analysis of results reveals that young employees desire career and developmental opportunities, but also emphasise work-life balance. There is an apparent paradox in the fact that while young employees desire autonomy at work, they at the same time expect to receive clear instructions and guidance from supervisors. The contemporary employers hold different expectations of young employees with work experience vis-à-vis those without. In addition, employers are concerned about young employees changing jobs in pursuit of ever better opportunities. The managers also mention that a fit between the employee and the organisation is required for the relationship to be fruitful in terms of both a fit between the values held by the employer and employee as well as similarity of expectations.

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MOBILITY AND PROFESSIONAL DEVELOPMENT OF TEACHERS IN HIGHER EDUCATION: THE SITUATION IN MACEDONIA

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Abstract

According to the American Teachers' Federation, key objectives that teachers should achieve through their professional development are: deepening of the available knowledge about the relevant content; providing basic pedagogical, didactical, and methodological knowledge; acquiring scientific and practical knowledge to create an adequate learning and teaching environment; improving and changing practice. One way to achieve these goals is through the realization of mobility as a form of professional development of teachers.

The paper is part of a larger survey conducted in 2014 for the professional development of teachers from higher education institutions that prepare primary school teachers in Macedonia and Austria. The attention in this paper is directed towards the mobility and professional development of the teachers from the faculties that prepare primary school teachers in Macedonia (51 teachers from: Pedagogical Faculty “St. Kliment Ohridski” in Skopje, the Institute of Pedagogy at the Faculty of Philosophy in Skopje, the Faculty of Educational Sciences in Stip and the Pedagogical Faculty in Bitola). In this paper we focused on: the mobility of the Macedonian teachers (their mobility in their country and outside); what kind of engagements the teachers had during their mobility abroad; what motivates them and what demotivates when it comes to their mobility; as well as what obstacles they encounter in the accomplishment of mobile periods.

In addition to this paper, a comparative overview of the results of this research with other European relevant research on mobility in higher education is given, and at the end, there are possible directions for improving the existing situation.

Key words: teaching faculties, academic staff, professional development, mobility

THE EFFECTIVENESS OF AN INTEGRATED APPROACH TO TREAT AUTISTIC KIDS CASE STUDY

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Abstract

This present study is interested in the effectiveness at an integrated program in the treatment of autism. The sample of the study is one autistic child, the sample was chosen in a deliberate manner.

The question of the study is: How effective is the integrated program in the treatment of autism? The researcher has designed the integrated program, the results should show the effectiveness of the program in the treatment of autism after the application of the program.

The results have been discussed in the aspect of benign harmony with the previous studies a lot of recommendations have been introduced to help this category to cope with being disabled of (handicapped) and overcome the consequences.

The effectiveness of an integrated program to treat Autism-A case Study.

Introduction and Background:

Autism is considered one of the most complicated social phenomenon that forces societies, scientists and researchers all over the world Autism case is recently discovered, compared with other disorders known. It is not considered psychological disease. It is a growth disorder that affects different sides of the growth.

(Sarawak and others 2015)

The interest in autistic children has relatively increased in the last decade in the Arab countries. Leo Kanner is considered to be the first person that pointed out that autistic is a disability which takes place at childhood. It is diagnosed specifically after the child is three years old when marks of autism appear some of these marks are He/She does not respond to his/her name another mark is the inability to communicate visually with others and the disability to play actively and the disability of limitation. When these factors appear the child is exposed to autism, so the child and his family must receive support. Theeb (2013).

The autistic child suffers of being unable to fulfill his daily needs and the skill of taking care of himself and the independence of fulfilling his daily needs. Alone he is always in need of someone to take care of him. He needs the help of others to do his personal needs.

(Al-Kha'ran 2015). In spite of the different procedures available for different treatment which was designed by researchers there is still a more complicated problem in performing daily skills and the skills of self-taking care and the ordinary phenomenon that the autistic child needs adults to help him in doing his daily needs of clothing, drinking and feeding etc. (Dagestani 2011).

The study of Hus Bal, et al, (2015) which aimed to know the social behavior directed to autistic and mentally related children. The result of the study explained that autistic children suffer from the lack of visual communication and exchange by the eyes with others compared with mentally related children. The study of Unload Varna (2012) agrees with them the study

indicated that autistic children badly need treatment programs because they suffer from behavioral disorders, as many of those who have special needs, so that they prefer the chaos of mixed voices or the withdrawal from social situations in away showing their mentally restarted mates who prefer the mother's voice. The researcher indicates that symptoms of autistic kids are withdrawal from social situations as assured by the results of (Ammar's study 2005).

Autistic children have the tendency to withdraw and they are non-interactive socially and are negative towards others. That they don't show any desire to share children their games and toys. They don't interact with their fathers and they avoid any family gatherings, they have got a slow response to environmental matters. They have general weakness in social activities. Meanwhile after the researchers see that withdrawal doesn't apply on all cases and this what Al-Zahrani confirmed in his study that some autistic children may get close to familiar persons and the love of games that require physical contact when some of them might sit in that person's room and enjoy hugging him and there are some children who may suffer a sharp worry if a dear person departed (Al-Qahtani 2015). Indicates that autistic child had a disability in many behavioral aspects, which ordinary children of his age can perform. In the age of 5-10 years an autistic child can't perform works that an ordinary 2-year old child can or even less can perform and he can't take care of himself or protect himself or feed himself he needs someone to feed him or take off his clothes or putting them on. He may not care if he was given a toy to play with he will put it in his mouth or keeps on hitting it with his hands. It is popular for autistic kid night ruining and food problems as well as the inability to sleep → (Insomnia).

Many different studies considered programs and the ropy methods that is used with autistic kids-Behavioral amendment programs are considered as training programs that are used with autistic kids in order to train and qualify them such as improving skills programs to achieve independence, this method is considered among the best methods that proved great affectivity in dealing with autistic kids and the of qualifying them and leading them. (Dabbanna and Parish 2016).

But the behavioral treatment depends on the technology of behavior management in order to get rid of any UN accepted behavior and the reduction of repeated activities and other forms of behavior reward and punishment is considered to be the main principle in this technique.

Reinforcement of positive behavior- the reduction of negative behavior.

The success of behavioral treatment with these children led to encourage gaining social skills and communication skills and self-care and knowledge skills. Al-khofash 2013 sees that reinforcers must be used when the child response is correct so that it is a reward for his response. There should be variety of rein forces. That they include social and material rein forces. Among that must important studies, which used the behavioral adjustment approach with autistic children through the program, is the study of (Al-jarhi 2004) which aimed at making sure of the effectiveness of behavioral program to reduce aggressive behavior of autistic children. The result of the study explained the effectiveness the behavior program to reduce of aggressive behavior. According to the experimental group that was exposed to the program and the study of (Al-Dawaideh 2013) that aimed at the recognition of effectiveness of adjustment methods of behavior to server in divided to adjust the autistic child , the results showed the effectiveness of behavior adjustment through the increase of communication and the reduction hyper activities . Thus the searcher sees that behavior direction depends on the principle of rereading which is the principle called upon by the law of good effect to Thorandek so that the child is rewarded every that he dose what is required from him so reinforcement is considered a basic element in the stability of cored response and the attempt

to the continuity so the present study concentrated on using the mother of behavior adjustment and the use of reinforcement of all kinds social and material and variety of rewards so that the child won't be bored in addition to the use of simple punishment methods such as ignoring in order to dismiss unwanted behavior. Some studies and psychological programs for autistic child so (Shaw (study 2013)) proved that traditional psychological treatment for autistic children, the concentration is upon the a bin –psychological operations so that autism refers to parent's failure and the cure may concentrate on an environment away from parent so that the child could grow as an independent person I was discovered that this treatment is related with Child's language skills. Some studies addressed the Child's daily life in improving the cases of autistic children so the program achieved positive results on the list of the four behavior appearances.

Which includes (emotional disorders, social disorder, language disorders and behavior patterns) thus playing is considered to be a good material to solve some problems and behavior disorders or unrest for the autistic kid. Thus some studies concentrated upon him, which works on the adjustment of behavior. Among these studies (Tawfiq 2012) the study aimed at the discovery of effectiveness of the program, which contains different games in the treatment of behavior unrest (disorders) to the kids. The results showed the effectiveness of using games a notable reduction of aggressive behavior and introvert.

(Khatab's study 2012) which aimed at preparing a cure program by using games to reduce the sharpness of some behavior disorder for autistic children so that the results ended that playing as all other psychological treatment methods it addresses the character as whole and affects it addresses it generally and Dagestan went to say that there is severe need to teach autistic children life skills, because it takes time and efforts to teach certain behavior by trainers and parents. So teaching the autistic kids daily skills is important and necessary for them to depend on themselves in the house or in the caring center. (Dagestan 2012). There are effective methods of teaching and training of life skills for autistic kids as working in small groups and brainstorming, rule play, games and discussions. The study of Carthorse and Taylor addressed the importance of co-operation of parents and teacher in the effectiveness of gaining the autistic kid self – care and the care of mother to her child and fringing him on how to take care of himself. This would enforce the level of the children's gaining of self –care skills (Catothers.D.E,2004).

Many studies addressed the importance of different programs in the growth of different skills to autistic kids (Qassem's study and Abdl-Rahman 2007). pointed out the importance effectiveness of recreational programs and it's effect on the growth of self care for mentally retarded children (Qassem and abdal-rahman2007).

(CAVKAYTUR study, 2009) in dictated the importance of operation between the healer and the parent s in training of self-care in particular and home skills for autistic kids. (Gasal's study) addressee, that the parent's participation in the coaching program, and training of how to deal with autistic kid is very important to develop the kid's pronunciation skills and non-pronunciation skills and self- care skills and the control of behavior problems and results of the study reached the existence of vital effect to parent's participation in coaching program and training in the growth of self – care and the reduction of autism symptoms to the individuals of the study sample (Gazal 2007).

Theeb concluded in his study that the program that he prepared to develop social skills and communicative skills as well as self-independence in notable rates. Also reduced some unadjustable behavior for autistic kids (Theeb 2004). In the light of these problems many studies recommended the need of presenting training programs for autistic kids in order to improve their skills. (Salamah 2005) added that among the problems of food and drinks is the problem of sharp mood. The termination of eating certain food or the insistence of serving

the food himself or arranging the table in the same way without any change and among that factors that keep the child continuation of this behavior is the fear of parents that could lead to an attempt of change.

Which might lead to child's justifications but the inflexibility in serving food and arranging it couldn't be achieved in all situations and in all times so it becomes necessary to change the child's behavior to food and drinks to grantee a bigger or amount of flexibility so if is clear that necessity of training programs to develop the growth of different skills for autistic kids.

And since there was a seminar for training programs which try to develop these skills. The researcher is going to prepare a training program needed by autistic kids to develop their skills. And the use of a group of different techniques and methods (Models by using video - tapes – Mission analysis guiding and re- enforcement) such as these methods. Have effective influence in changing the behavior of autistic kids. Behavior approaches will be unlisted to adjust the behavior The researcher also sees that this big variety of treating methods for a large number of specialists in different area. The researcher also sees that this big variety in methodology for treating autism disorders the care by a large number of specialists in different areas, and the success of some training methods and qualifying and educational and social in tractions with one case of autistic kids doesn't necessarily mean it's success in all similar cases, because cache autistic which makes him different from the other autistic kids .

This also means that any treatment plan or qualifying followed to qualify a certain child doesn't necessarily wean that it will gain the some amount of success if it was applied on another child –Each child has his own circumstances and condition and abilities and a degree of disability and he has his own training and qualifications methods and techniques.

From this point we see the importance of building and designing programs that meet the autistic child's needs. So this program came to meet the autistic child's need s and enter the feeling of independence and satisfaction to himself, to achieve and challenge obstacles and use the alternatives

Through these previous presentations, it is crystal clear for the researcher that most studies Arabic or foreign addressed individual programs and didn't address many sides as a whole or integrated. From this the researcher wanted to study an integrated program to treat autistic children, which meets an important side and comprehensive for this category the problem of the study. The problem of the study is the large number of autistic children in society there are no program which facilitate their independence even in the most simple matters. Many of these children can't pay the cost of training in centers or corporation, or fees even reach them because of the far distance, in the light of the need of this category to special care and since they look at life in different way from others , their loot at life is influenced by their disability .And whatever support they gain from other. Family or society and this category needs coaching and training services which help them to be independent and the agreement with life condition with the presence of the disability. The different skills for the autistic child one of the important indicators of the good quality of the services and programs given this category. The satisfaction of individual and his feeling of happiness and the desire to live in order to achieve this target. The present study is trying know the effectives of the integrated program in the treatment of autisms, the study of a case and in particular the answer of the following question:

How far is the range of effectiveness of an integrated program case to treat autisms?

A case study

The study hypotheses , there are no statistical , indicative differences in $(0,05 \geq \alpha)$ between an averages of performance of the experimental sample on the dimension measure.

The importance of the study: the importance of the present study is beings:

- It is concerned with the early childhood stage which has got a great affection on the child life .
- It highlights the importance of care for this category .
- It also highlights the most important skills which help the autistic child to grow naturally.
- Draw the attention of researchers to design integrated programs for the different skills of the autistic child and developing them.
- The need of the autistic children for programs which intend to prepare them for life and self- dependence.
- The submitting of the integrated skills measurement to the autistic children.
- Submitting of program using educational activities and various behavior adjustments techniques to grow different skills for autistic children.
- Supply the centers of the preparation of training programs for this category with programs that may continue in the growth of different skill of the autistic child in the growth of different skills of the autistic child.

Aims of the study :

- 1- Submitting developing program for skills for the autistic child .
- 2- Measuring the range of effectiveness of the programs in the growth of integrated skills of the autistic child .
- 3- Supply the range of possibility of changing the autistic child's behavior .

Limits of the study :

Place limits : the study is limited to one autistic child in the stage of kindergarten in Zarqa province Jordan .

Time limits : the study was applied in the period between 1.12 .2012 To 1.12 . 2015 .

Terminology of the study

Operational definitions of terminology :

First : autism is a nervous neurological disorder that affects social interactions language communication , child's behavior and his acceptance for learning and training . this causes many appearance such as , barriers or difficulties in self-care skills , eating and drinking , putting on and taking off clothes going to the bathroom and personal cleanliness and self – secreting .

Second : the integrated program : it is a group of limited regulating steps which basically depends on hypothesis and technician – it includes information and experiences different skills and activities and produced to individuals within a limited period of time which aims to help them to adjust their behavior , new skills which will lead them to achieve the integrated skills and helps them to overcome the problems that they suffer from in life it also aims to achieve the target of the program which is helping the autistic child in program which is helping the autistic child in growing raising the integrated skills limited by activities and evaluation means .

Thirdly : the integrated skills , these skills include self – care skills , social skills , typical movements , behavior skills , cognitive skills , pronunciation skills academic skills and all basic needs for daily life .

Method and procedure s: the procedures include ascription of the study sample which was applied on the sample individuals , the search steps the statistic design procedures which ware followed by the searcher in data processing .

The study society : the present study society consists of one autistic child in k.j kinder garden in zarqa province Jordan .

The study tools instruments : the integrated scale for autistic child (prepared by the researcher) the method of designing the scale for the autistic child :

- 1- The knowledge of the researcher of the literature and studies and previous search s concerned with the area of study also the information about the scales which was designed in this area .
- 2- The predation of the primary picture of the of the scale in the light of diminutions included in the program .
- 3- Show the scale to group of specialized arbitrators to make sure that the scale items reach the agreement between arbitration up to 84% .
- 4- The adjustment of the scale in the light of the arbitrators opinions .
- 5- The integrated scale consists of 172 appendix paragraphs on five levels (appendix 1)

Description of the scale for the autistic child the KG stage.

Sincerity of the scale: the scale : the verification of the sincerity of the scale indicators was as done .

Sincerity of the content : the scale was shown to agroup of specialized people in the field of special education and psychology the results showed the agreement of the arbitrators up to 87% from the range of matching the scale paragraphs to its contents and objectives .

therang of matching the scale paragraph s to its contents and objectives .

the sincerity of the internal consistency: the internal consistency was calculated for the five skills and the result for the self – care skill was (0.78) and the typical movements was (0.0842) the speech skill was (0.841), social skills was (0.869) academic skills was (0.833), the table shows the values .

Number	The field	The value of average correlation	The level of significance
1	Self-care skills	0.78	0.1
2	Typical movements	0.854	0.1
3	pronunciation and speech	0.841	0.1
4	Social skills	0.869	0.1
5	academic skills	0.833	0.1
6	Total degree	0.799	0.1

It is clear from table one that all the paragraphs in each level on only statistically significant at 0.01 and also the level on the total degree statically significant which indicates that the scale is on a high degree of consistency .

Stability of the scale:

The verification of significance of the scale stability was made in two ways .

- 1- The method of computing the reliability coefficient : the reliability coefficient was computed to estimate the value of internal coefficient was computed for the scale . the value of Alfa confection for the scale (0.821) and this is an accepted value and ensures the consistency of the paragraph the scale.
- 2- The method of retail midterm : the scale items were divided into two groups . the first one is of the individual paragraphs . the second group of double paragraphs . the correlation coefficient was computed between the sample in both groups and the correlation coefficient between the sample individuals in two groups (R= 0.078) and this is high correlation coefficients . table 2

Table 2

Dimension	Correlation coefficient	Spearman brown equation
Self-care skills	0.623	0.768
Behavior adjustment skills	0.831	0.908
Pronunciation and speech	0.630	0.773
Social skills	0.651	0.789
Academic skills	0.612	0.759
Total decree	0.667	0.800

it is clear from table 2 that the values of spare man brown equation is high which indicates that the scale has a high stability degree in the retail midterm .

key of the scale correction :

each item of the scale items has got two responses (yes) or(no) the child will be given one degree for each (yes) response and zero for (no) response. the response will be added together for each dimension the to the scale as awhile .

resources of building the scales tool (instrument) .

- The researcher benefited from the study in educational literature and studies in this filed the researcher reviewed autism scale in the KG stage .
- He also consulted the experts an trainers who work autistic children .
- The collection of previous studies that was conducted in this field.
- Gathering all programs which were prepared to tarin autistic children on the internationally integrated scale .
- The time of the program application :
- The application of the program took three yares one session weekly and the application took place in the period between 1.2.2013 to 1.2.2015
- The programs sample : the present study has sample of one autistic child at the age of 5-7 old in zarqa- province – Jordan .

3. Discussion: It is the way used through giving the opportunity for participants to discuss certain situations need to be diseased by participants to ensure the exchange of special ideas and suggested solutions directed by the researchers who used these teaching has as method thrush which the problem solving mother which false the participants to help them to raise their ambitions.

4. **Reinforcement** It is a method in which the participants perform the desired behavior i.e. the reward depends on conditioned the behavior performance. The researcher used moral reinforcement through the program sessions through the reinforcement of positive ideas and sailable behavior for the nature of participants.

5. **Emotional Discharge:** It is a method through which the individual is offered help to speak freely and without any restrictions on the written events which might be experiences or motives for emotional conflicts when the individual discharge them the symptoms of being nervous disappear.

The researcher used this technique as a way to help participants to discharge their feeling, experiences motives and conflicts in their life, then they will be helped to overcome these ideas and conflicts and then overcome the technical sides they have got .

6. **Epistemological confrontation:** It concentrates on the epistemological and mental sales to determine the pressure importance response more than the environment and its different mothers through the reduction of pressure sharpness that the individual suffers from. If we can change

the way of his thinking cowards the situations which causes pressure and eventually considered a response for that situation . Through which help the individual to form a new agreement response instead of frustrated and non – confident ideas.

Summary of the program sessions (Appendix 2) First year pre – KG :

The first session: It aimed at building an interactive relationship between the researcher and the sample. So that the researcher has explained the idea of the program which will be introduced in the coming sessions the researcher has also explained the most important procedures and basic rules which will be followed in the following sessions. He also distributed pictures of the program that contains the dates and the content of each session the name and address and the job of the researcher and phone number and his E-mail. The place of the sessions application, the dates and numbers of special communications for the researcher, the school and the bus driver. The session ended by thanks to the people.

Second Session:

The researcher addressed the following title: Definition of autism , reasons and pay ecological affects : The session aimed to know the reasons of autism to participants , the reseal her has opened the dialogue and discussed participants so that they could talk about the reasons that lead to their autism. There are different reasons and they differ according to participants. The researcher asked agues ion through the discussion about the psychological effects of disability – some said that they went through very bad psychological cerium standees.

Directly after being disabled and this affected all aspects of their daily life. Some families explained about psychological pain through feeling that others look at them as not – ordinary people. Some other people began to abandon them social. Some others felt that they are isolated people and their hopes and ambitions that they built for themselves were destroyed. And their lives became dependent on the help of others. All these factors affected their feeling and the stability of their lives and they lived in a case of worry and frustration about their future life and being rope less in finding a suitable job for them. The horizon of treatment was also discussed so that some of them travel that there is hope in the treatment through training especially some. Families have got in formation about care – recovery – cases from autism and became an effective member of the society. The researcher

discussed the latest medical remedy and behavior programs which was effective in the behavior adjustment and the growth of the autistic child's skills in all fields. Then so many questions were asked about the latest news in the international medical field. The answers for the questions were past pored to the following session.

Third session: Feed book for the first session because of the big number of Qs.

The researcher has explained now for modern searches have reached in medical fields of autism and the effective programs that shows its effectiveness by search centers and universities. The researcher tried to explain to the mothers.

That one autistic child in a family doesn't means that all members of the family will be autistic too so that researcher has noticed that most mothers stopped giving birth to children thinking that all their children will be autistic. Then all eases of autism were discussed specially those related to Harmonic disorders and others.

Fourth Session: The end of the first year (4 – 48) addressed self – care programs pronunciation skills and behavior a adjust meant skills . It aimed at the recognition of features of the self – care programs pronunciation. Skills , behavior adjustment skills helping the child to pay attention to his basic daily need s independently. Performing these missions will allow the child to achieve independence in his family life, in addition to gain the ability to perform missions.

The child is supplied with needed abilities to suitable performance in different situation and the mother has the great effect on the program training and application. And the presence of an attendant to the child specialized in special education that has get certificates and courses in dealing with autistic children. The researcher has answered the mother's questions. And agreed with her that training and success in any skill need patience and continuous efforts but the end is positive.

Sessions in the second year (48 – 96) dressed the continuation of previous skills in addition to academic and social skills.

The sessions aimed at the continuation of previous programs in addition to academic program so that there were new fruits in the first year and in need to continue .The importance of an integration combination in the growth of social and academic skills. It is worth to mention that teaching or training one single skill may sometimes need one month of continuous work and the money expenses, for example, In colures teaching unit, the mother does the following she wears address with the color in tended to be taught, hang balloons in the house with the same color, and tries to let the kid wear clothes with the same color and also his father does the same .She also serves the food in the same color. She then reminds the child in everything he does with that color. The child then will join a class whose teacher is specialized in special education in addition to the presence of a specialized attendant in these autistic cases. Both the researcher and the mother were taking notes from the attendant and the teachers in daily bases and follow up. The researcher to the teacher the characteristics of this case before entering the kinder gratin. The researcher also discussed with the teacher and the attendant matters related to the application of training so that the training begins by holding the child's hand by mother, teacher or the home trainer and directs the child to integrated respond to achieve success in the direction of the targeted behavior Training should be consistent with all parties in the concerned.

Third year : (Sessions 96 – 144) The continuation of previous skill in addition to the of the child in first elementary class with ordinary integration pupils . And

training on the previous skills. A lot of notes and details needed to complete the raining on academic. Discussing with the specialized teacher and the attendant until the child can apply the skills and the present situation of the child and range of preparation of the teacher to be patient and face the new experience Meetings were held .

Between KG teacher and the attend to take her notes on the case the best ways and the effective programs to deal with the case. The researcher addressed the privacy of the stage phase and range of accuracy and being different from the previous stage and consider it an extension of the previous stage and the techniques of dealing with the critical phase and the need to make abnormal efforts optically in dealing with integration and academic teaching for this category

Then the researcher transferred the experiences of KG teachers and the school teachers the researchers to the 2nd grade teacher after the completion of Its grads, and the case was integrated and still in the integration process. The twenty – third Session: general evaluation of the program the Final Celebration party and distributing of certificate to participants. This aimed at general evaluation for the sessions of the program after its application , the participants stated they had benefitted from ideas diseased and within the Sessions of the program they also expressed their psyches logical satisfaction through their participation in the session .

The school (Al – Forqan Sec school in Zarqa) distributed the certificates to the participants .

The researcher thanked the school for the place, the Certificates and the hospitality and transport for participants. He also thanked the participants for their participation in the program and their commitment and presence. A detailed guide (Handout) was distributed which included all skill and warning to what must be taken by the family .

The procedures of the Study application of the method of the program design.

1-The knowledge of the researcher of the study literature and study and previous searches and the awareness of programmers designed in this field.

2- The preparation of initial image in the light of dimensions in cladded in this program.

3- view the program by a group of specialized arbitrators to ensure being suitable the matching rate reach eel (84%).

4- Amendment of the program in accordance with the arbitrators opinions.

Sources of Building the program.

- The researcher benefited from the educational literature and Studies in this field.

- The Consultation of experts and trainers who work with autistic children.

- All previous studies that was conducted in this field.

- All programs internationally prepared for autistic children.

Time of application: The application of the program look three years one Session every week.

The application was between 1/12/2012 To 1/12/2015 CE.

The Independent Variables: It is the integrated program, which was applied on the sample in accordance with sessions in clouded activities and different fatigues teaching.

The dependent variables: -

These are the variables that arise on performance of the Sample in different Skills field, and the response as a result of application of History of the Case: The case started after a year of the birth (2008 CE)the child started to lose the speech

repeating one year later the typical movement Started to appear on him . The Case Started and he began to throw himself foam the Standing case on the ground directly and strands and refused to be kissed by anymore and if Someone Kissed him he will Keep on crying. He was fond of a toy a dull in the house. He won't go out of sleep unless the dull is with him. When the dull was burnt he started screaming died died, the child lost pronunciation and communication of stewards .

He won't play with others . He couldn't form a tow Word sentence. He doesn't like shaking hands and keeps flitting with his hades and has got attention deficit.

Treatment previous efforts: The case was dealt with regular medicines and visiting doctors The patient began to move between pronunciation specialists and nerve doctors .

Number of Sessions: The number of Sessions is 144 session one session of 60 minutes a week in addition to the integration of the child in KG and grade one and two at School. And daily follow up with teachers and taking notes and follow them up.

Training plan:

- 1- It included a booting to the family about the importance of training.
- 2- The use of the house as training aids in all its corners.
- 3- The cooperation with the family in the application of training.
- 4- The benefit of the mother's being free for her only Son.
- 5- The participation with the Case in the families different activities.
- 6- The participation of the family's members with the kids in the program.
- 7- The benefit of the specialized attendant

The Results of the Study:-

The result showed the effectiveness of the integrated program in the treatment of an autistic child so that the family, the KG and the school could apply the progress and follows it up. The results indicate the progress of the child in the following skills fields: In the self – care skills the workmanship reach to a complete degree social skills. The workmanship reached a very high degree and child was initiative to greeting and communications with others and the play with children in a selective way . But the response to the orders wasn't less than 70% of instructions Flitting the hands is still in need of training to abandon. The attention deficit became in its low limits. The process of throwing himself on the ground has no more existence. According to the attendant, he became less related to her especially at the beginning of the first semester in the 2nd grade and became jealous about his things and takes care of them .And the reason refers to many factors in the point of view of the researcher One of which that the family especially the mother became fully free to follow up her only sons case .

And Since her husband is a cancer patient which reduces the chance to have another child. So that she studied all the programs she received / about her son's case and she put the statement A teaching aid she designed many training aids to facilitate teaching for her son and she hired an special attendant in the KG phase. The school is specialized in dealing with autistic children and the extended family has appositive role in the success of the program by paying the fees and the school costs and the attend ant and their great care on his treatment. That was clear thrush the continuous follow up with the researcher. The results of this study agreed with the previous studies results. By building comprehensive treating programs for autistic children (Gazal's study 2007) it showed the importance of the parent's

participation in the coaching program and training on how to deal with autistic child .It is very important in the development of the autistic child's pronunciation and non – pronunciation skills and self-care and the control of behavior problems . The result of the study shows that there is a vital effect to share parents in the growth of self – care skills and the reduction of autism symptoms on the members of the study .

The study (of Eric , et . 2016) and addressed and showed the effectiveness of the pronunciation training program on KG autistic children and the importance of the family participation in the execution of the program . In the study of Theeb (2004) he concluded that the program was prepared to devalue the social skills and communication skills as well as the self – independence skills in notable rates And non – amendment behavior of autistic child . The Searcher Sees that the use many and different methods in the program application has a great positive in developing Self - care skills for autistic children and this result was Supported by (Dobabnah& parish , 2016) which proved the importance of family training on the early interferences in the treatment of autistic children and the Knowledge of the family of the critical stages the autistic children go Through . This result was also supported by (unlu , &vuran)which addressed the mothers training effects on the positive and fast results for the autistic child response for the program prepared to adjust some behavior . This result was also Supported by (Hodgetts , et al ,2015)The Study showed the importance of details of the autistic Kids families concerning training , financial and psychological Support for them and their families This result was also Supported by AL- Jarehi (2004) which also proved the effectiveness of the behavior amendment program in qualify ins and treating kids with autism disorder. Because behavior treatment depends on the technique of behavior management in order to get rid of the unaccepted behavior and the reduction of unaccepted behavior and typical repetitive actions. And other forms of behavior, The principle of reward and punishment is considered a major principle in this technique with the aim of developing and rein for ment positive behavior and reducing and exclusion of negative behavior . The success of behavioral remedy was clear with those children encouraging of and communication skills social skills, acquisition and self –care skills as well. In addition to epistemological skills, the researcher also sees the use of teaching aids by playing and the use of physical exercises has an effective role in the success of the program. This result was Supported by AL- Hayyan (2007)and the program achieved positive results on the diminutions of the Four behavior list of appearances : Emotional disorders , Social dis orders , language disorders and typical (behavioral patterns . This playing is considered a good material to solve Some problems and behavioral disorders for autistic children So it was concentrated on by Some studies which work on behavior amendment. This result was also supported by Tawfeeqs , study (2012) that it the result showed effectiveness in using playing to reduce both aggressive and introvert behavior . The result was also Supported by Khattab's study (2012)the result showed that playing just like most kinds of treatments psychological methods which takes character as a whole and generally affects , The researchers sees that the variety of methods of treatment and the use of training and qualifying methods and the educational and Social interaction has got a great effect on the success of the program . AL- Qahtani study (2015)addressed the effective ress of the coaching program which depends on playing . on the growth of daily skills of the special

needs kids As Mustafa 's study (2015) supported the effectiveness by art in developing social skills for autistic children The study of AL- Khav'an (2015) .

This result proved the effectiveness of a training program for K j teachers – and a course of improving the transfer from KG to special centers for autistic children. The researchers sees that Some of the reasons of the success of the program is the suitable environment provided by Al - Forqan schools which provided the transport, the place and hospitality for participants and their family. The issue of certificates to the participants and facilitated the mission of the researcher and the participants by using all school facilities, library, labs and playground etc. And this greatly appreciated by the researcher. The researcher also sees that some of the helping factors to the success of the program the specialised volunteers who work in social filed and KG, the methods of dealing with autistic children, the training of different skill. Some of them hold academic degrees in special education. These results don't differ from the results of previous studies, which was viewed by the researcher All studied agreed with the results of this present study.

The effectiveness of the targeted Categories in these programs

The researcher Sees that Some of the helping factors to the success of the program is the availability of specialized volunteers in teaching autistic children . There are specialized teachers in special education in school and Kinder garden. They love to work these Categories. The administration of the school and KG helped to provide to provide the place for training and the acceptance suitable of the idea of integration.

Al – Forqan school provided the needed support such as programs, machines needed by this category these programs weren't different (devices) from the results of previous studies that the researcher has got the chance to review . All these Studies agreed with the results of this present study in the effectiveness of treatment programs for autistic children. The Searcher Sees that the results they have reached could be explained as the following :

1- This study is Considered the first Study of its Kind in the region So it was greatly welcomed by the family .
2- The relationship between the researcher and the Family through their social and commercial relationship as they are shareholders in the school which enhanced the positive relationship to accept the idea of training and response and the discussion freely.

3- The financial and moral support supplied by the extended family of the autistic child.

4- The Study Recommendations.

1- The necessity to supply and develop teaching aids and techniques for autistic children.

2- The modernization of programs in different field for autistic children.

3- The modernization of laws and Systems that keep the rights of this category.

4- The encouragement of searches and studies that deals with Communication programs and teaching aids and assistance.

5- The training of the workers in societies and Contrasts on the application of different programs.

6- The spread of programs and making it available for workers in centers which leads to the advancement of this category.

7- The spread of Cultural awareness through the different media about the importance of these integrated programs .

Research Proposals :

- The effectiveness of attaining program in developing the Self Concept for autistic child .
- A proposed Visualizing to the special resources for autistic children.
- The effectiveness of a social program in verbal Communication skills for autistic children and non- verbal .

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DETERMINANTS OF SHS TEACHERS' TACIT KNOWLEDGE SHARING BEHAVIOUR

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Abstract

Knowledge sharing (KS) is classified as the transfer of beliefs among individuals. Knowledge is seen as a critical asset of an organization that can be useful in enhancing the efficiency of its operational processes. Based on previous studies, a model was developed to suggest a relationship between knowledge sharing and four of the individual characteristics namely: Image, self worth, self efficacy, and extrinsic motivation. A total of one hundred and eighty questionnaires were used to collect data from senior high school teachers in the new Juabeng Minicpality, Ghana. Structural Equation Modeling (SEM) was utilized to analyzed the data. The result of the study indicates that self efficacy and self worth have a positive significant relationship with knowledge sharing. However, the hypothesis on image and extrinsic motivation fail to be supported. The practical implications of these results are discussed.

Keywords: *Knowledge Management, Self Concept, Self Worth, Self Efficacy, Self Motivation*

1.0 INTRODUCTION

Knowledge management (KM) has become very popular, both in academia and in the practice as businesses are experiencing tremendous changes in technology. According to Lahti and Beyerlein (2000), the only sustainable competitive advantage a firm may enjoy emanates from the value it can develop for its customers. This value is created when important information from employees who engage with customers is shared with other employees who can create new knowledge to address the customers' concerns. The KM topic has been touched by various disciplines, from management to economics to computer science, each of which has provided new viewpoints and approaches. However, all of them agree on the notion that knowledge is a valuable asset that needs to be managed (Milton *et al.*, 1999).

According to literature, one may find diverse definitions of KM. Bhatt (2002) defines KM as the process of building, distributing, presenting, and applying knowledge. According to Holm (2001), KM is the process of disseminating information to the right people at the right time and making good use of knowledge resources. Alavi and Leidner (1999) define knowledge

management as “a systemic and organizationally specified process for acquiring, organizing, and communicating both tacit and explicit knowledge of employees so that other employees may make use of it to be more effective and productive in their work”. KM can also be broadly defined as an integration of systems, mechanisms and routines implemented by organizations to ensure that organizational knowledge is available to employees (Wang et al., 2006). In another definition, KM is equivalent to managing knowledge within an organization by steering its strategy, structure, culture and systems (Beijerse, 2000).

Establishing a successful KM practices in an organization requires effective facilitation of knowledge sharing (KS). Knowledge management consists of four major processes known as knowledge application, knowledge capturing, knowledge discovery and knowledge sharing (Becerra-Fernandez *et al.*, 2004). Essentially, this study considers only knowledge sharing (KS) which is often described as the main process of knowledge management. Knowledge sharing is the process through which explicit or tacit knowledge is communicated among employees through the process of socialization and exchange (Nonaka, 1994; Becerra-Fernandez *et al.*, 2004).

Some researchers actually posit that KM is merely management of KS or managing the process of organizational learning (Huysmann and De Witt, 2002). KS, as one of the main processes in KM, is defined as the process through which knowledge is communicated to other individuals (Becerra-Fernandez *et al.* 2004). The shared knowledge includes organization’s information, ideas, suggestions and expertise. KS can occur both informally like in the corridor and formally such as in meetings, seminars and presentations (Wang et al., 2006). Although the role of technical solutions in facilitating KS is undeniable, their role is not as important as willingness of individuals to share their valuable knowledge with others (Mc Dermott and O’ Dell, 2001). In other words, to enhance knowledge sharing, social networks are often more important than electronic ones (Huysmann and De Witt, 2002). In essence broadly sharing of knowledge among employees seem to be low, individual employees feel exposed and threatened when they tend to share their knowledge in the often. Therefore knowledge hoarding and knowledge protection seem to be in the often which is quite detrimental to the productivity of an organization. This is noted in the World Bank report that reveals that most companies in the US loses about 1.2 Billion Dollars due to the reluctance of their employees not sharing knowledge. It is assumed that individuals may have indulge in hoarding their knowledge based on three category of factors i.e., individual factors, organizational factors and technological factors (Riege, 2005). However it is acknowledge that, even though the other two factors are critical to the success of knowledge sharing perhaps an individuals factors or characteristics may have a strong impact on the persons willingness to engage in knowledge sharing activities than the other two. Therefore this study is aimed to investigate the effect of individuals’ personal characteristics (self concept, self worth, self efficacy, self motivation) that strengthen or weaken the enthusiasm of employees to engage in knowledge sharing activities. The study raised a theoretical framework to integrate the relationship between self concept, self worth, self efficacy, self motivation and knowledge sharing,

MAIN CONCEPTS

1.1 Knowledge

According to Becerra-Fernandez *et al.* (2004), knowledge is a “justified belief about a relationship among concepts relevant to that particular area”. Another definition introduces knowledge as a justified truth or belief (Nonaka and Takeuchi, 1995). Knowledge is also

defined as “a fluid mixed of framed experience, values, contextual information and expert insight” (Davenport and Prusak, 1998). Knowledge can also be denoted as conceptualisation of experiences, ideas, and insight from information and data.

1.1.2 Taxonomy of knowledge

Knowledge can be classified under two nomenclatures i.e., tacit and explicit knowledge (Nonaka and Takeuchi 1995; Polanyi, 1966). Explicit knowledge is the knowledge that is communicated in a formal and procedural mode (Nonaka and Takeuchi, 1995). Explicit knowledge is easy to comprehend (Nonaka and Takeuchi, 1995). Explicit knowledge can be found in manuals, drawings, audios, and computer programs. Explicit knowledge is also easy to be captured, manipulated and sible.

On the other hand, tacit knowledge is quiet complicated to express and formalize (Nonaka and Takeuchi, 1995). According to Nonaka and Takeuchi (1995) tacit knowledge is found in individuals’ minds and thoughts and difficult to codified. Ipe (2003) denotes that tacit knowledge is difficult to transfer or share than explicit knowledge. Examples of tacit knowledge are insights, intuitions, hunches, ideas and visions.

1.2 Knowledge Management

According to Scarborough et al (1999), KM is “any process or practice of creating, acquiring, capturing, having and using knowledge”. Bhatt (1998) defines knowledge management as the process of creating knowledge, distributing, presentation and the application of the knowledge. Knowledge management can also be described as the process of disseminating information to the right people at the right time and making good use of the knowledge resources (Holm, 2001). According to Becerra-Fernandez et al (2004), the effect of knowledge management on organisations includes job satisfaction, increased return on investment, competitive advantage and improvement of the process of production.

1.3 Knowledge Sharing

Knowledge sharing is one of the core blocks of knowledge management. Perhaps it is the important aspect of knowledge management. Knowledge sharing is denoted as the enthusiasm to create knowledge which contributes to the increase in employees’ performance and harnessing innovation (Libowitz and Chen, 2001). Knowledge sharing is defined as a deliberate act that makes knowledge reusable by other people through knowledge transfer (Lee and Al-Hawamdeh, 2002). Knowledge sharing can also be defined as the act of exchanging ideas through deliberations to create new knowledge (Hislop, 2002). Hooff and De Ridder (2004) denote knowledge sharing as the process of giving and receiving knowledge.

1.4 Individuals role in knowledge sharing

In the realms of organisational knowledge sharing, employees serves as knowledge creators and knowledge receptors. Knowledge is generated when employees exchange their ideas and technical know-how through socialisation (Nonaka, 1995). As a receptor of knowledge,

individuals seek and interpret the knowledge before it is transferred to other location (Nonaka and Takeuchi, 1995). This indicates that, the process of creating and sharing knowledge depends on the decision of the individual who would either to share or hoard the knowledge.

For example, an employee is made known of a technical problem faced by a colleague. The employee has the solution to the problem but the willingness to share or not is solely based on the decision of his or her. The decision to share the knowledge may be influenced by his or her personal beliefs on knowledge sharing. This example shows that individuals are the main source of knowledge. According to Nonaka and Takeuchi (1995), knowledge management activities would be a fiasco without the involvement of people. The above example also indicates that individuals' characteristic plays a crucial role in the process of knowledge sharing.

2.0 Research framework and Hypotheses Testing

The research framework in Figure 1 is formulated based on review of previous studies that portray these factors (extrinsic reward, self worth and image) to be critical enablers of knowledge sharing. These variables were tested among teachers in an educational setting to see if their knowledge sharing behaviour differs from that of other professionals like lawyers and engineers. Four variables were chosen to represent the four hypotheses (H1, H2, H3, and H4) in the research model and empirically tested. The next paragraphs present discussion that supports the development of the hypotheses in the research model.

2.1 Extrinsic Reward

Several studies show that individual motivation is a critical tool that makes employees share their knowledge. For instance, Wasco and Faraj (2006) posit that employee may share when they are been recognised or rewarded for sharing knowledge. Bartol and Srivastava (2002) investigating four mechanisms of knowledge sharing found a positive relationship between rewards programmes and knowledge sharing. Looking at this from a sociological and economic purview, it assumed that individual would choose to undertake an action which would improve their personal life (Smelser and Swedberg 1994). Moreover, according to Kelly and Thibaut (1978), employees would engage in knowledge sharing activities when they perceive that their action would yield some reward. For instance, considering the Siemens' ShareNet project, employees were motivated to share knowledge because of the explicit reward rendered. Accordingly, the economic exchange theory state that an individual is naturally guided by his/her self interest. i.e the individual engages in a behavior base on the returns. He/she may engage in the behaviour when the return is positive and reject the behaviour when the return is negative. These negative outcome may be loss of power, loss of image etc. previous stadies found that employees would share their knowledge when they envisage rewards such as increased pay, bonuses, job security, career advancement etc (Hall, 2001; Davenport and Prusak, 1998; Jarvenpaa & Staples, 2000; Ruggles, 1998). Therefore, the study hypothesized that employees are likely to share their knowledge when they perceive their knowledge shared would earn them rewards.

Thus. the first hypothesis is proposed.

Hypothesis 1 (H3): Extrinsic reward has a positive significant influence on knowledge sharing.

2.2 Image

According to Rogers (1959), self-concept is "the organized, consistent set of perceptions and beliefs about oneself". It can also be described as a collection of beliefs about oneself. According to Franken (1994), self concept is the fulcrum that motivates employees to engage in a behaviour. Individuals may engage in a behaviour when they possess a positive self image or concept. A person's self concept is basically his/her image i.e., the way the person perceives him/herself. Individuals would be motivated to engage in image enhancing activities rather than other benefits. In essence, people are willing to engage in activities that would promote their image rather than even monetary based reward. People would normally engage in activities that will provide themselves with positive self esteem. According to the social exchange theory, social rewards such as feelings of approval, status and respect are engendered. Currently, individuals' expertise, insight or knowledge is highly valued as it is perceived as a resource (Gray, 2001; Davenport and Prusak, 1998). Therefore, employees showing their expertise to others would gain recognition and respect which improve their self-concept. A study conducted by Chennamaneni (2006) found a positive significant relationship between image and individuals' knowledge sharing behaviour. Knowledge sharing increases individuals' value in a way. Thus, it is theorized that an employee's belief that sharing knowledge will enhance his/her image in the organization is likely to be an important motivator for him/her to share knowledge, experience, and valuable advice with others. Therefore, the perception that knowledge sharing enhances their image would motivate them to share. Deciphering from the above discussion, the study hypothesizes that, individuals would share their knowledge when they perceived that their image would be enhanced.

Hypothesis 2 (H2) : Image has a positive significant influence on knowledge sharing.

2.3 Self worth

Individuals' sense of self-worth is noted to be one of the rewards for knowledge sharing (Brock et al., 2005). Individuals are willing to participate in knowledge sharing activities when they perceive their contribution is valued by others (Cabrera and Cabrera, 2002). Since employees can assess the importance of their knowledge through feedback in knowledge sharing activities, thus the acquired feeling of self-worth may have a positive influence on individuals' intentions to share knowledge (Brock et al., 2005). Gecas (1982) argued that spontaneous reflection of employees' contribution affirms his or her competencies which increases his/her self worth. This means that an individual would engage in knowledge sharing when he or she has received feedback on past knowledge sharing behaviours. Thus the positive feedback would increase his or her sense of self worth which would motivate him or her to share knowledge. In an empirical study conducted by Brock et al., (2005) found self worth to have a positive significant influence on knowledge sharing. Thus, we proposed that individuals of a higher sense of self worth may willingly share his/her knowledge. Therefore the third hypothesis is proposed:

Hypothesis 3 (H3) : Self worth has a positive significant influence on knowledge sharing

2.4 Self efficacy

Self efficacy is people's judgments of their ability to undertake an action (Bandura, 1997). This is not about the skills one has but understanding of what one can do with the skills. This

means that self efficacy is the likelihood of a person's appraising him/herself on whether an action will be executed successfully or not. Endres et.al., (2007) denoted that individuals' judgement on their capabilities gives an insight into how people make decisions on sharing their knowledge. Bandura (1997) postulates that individuals' self efficacy determination may influence the willingness of a person to perform certain activities i.e., the effort that is exerted on the activity and how long the behaviour would be performed. The individual may share his/her knowledge when he perceived that he/she posses the requisite knowledge in need. Therefore a person would have the confidence to engage in knowledge sharing when he/she is certain of his or her capability to provide the required knowledge.

Clearly, self efficacy may have a direct relevance to knowledge sharing behaviour as the individual would appraise his/her innate capability before he or she engages in the knowledge sharing action. Self efficacy has been found to relate to knowledge sharing in numerous studies. For instance a study conducted by Kankanhalli et al., (2005) found self efficacy to have an influence on electronic engineers knowledge sharing behaviour. In another study, Lin (2007) also found a positive significant relationship between self efficacy and knowledge sharing. Okyere-Kwakye et al., (2011) found self efficacy to have an influence on knowledge sharing. Therefore, employees with a higher self efficacy may share their experience more willingly than the ones with low self efficacy. Thus the last hypothesis is proposed:

Hypothesis 4 (H4): *Self efficacy has a positive significant influence on knowledge sharing*

2.4 Research Model

Drawing from related literatures, a research model as shown below represent the relationship between knowledge sharing and self motivation, self efficacy, self worth, and self concept .

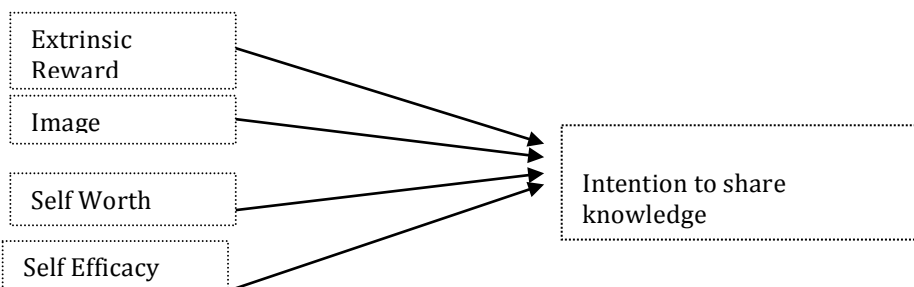


Fig 2.3: A proposed research model of relationship between extrinsic reward, self efficacy, self worth, image and knowledge sharing.

3.00 RESEARCH METHODOLOGY

3.1 Instrument

A questionnaire was used as the instrument to collect the data. The questionnaire consists of Part A and Part B. Part A solicits the demographic characteristics of the respondents, which includes age, gender, tenure, level of education and status. Part B consists of 20 Likert scale items that measure the study variables. Five items were used to measure knowledge sharing self-efficacy, extrinsic motivation, self worth and image. In this study, KS is conceptualized as the extent to which one exchanges and communicates experience, information, and knowledge to other people in an organization either in the form of tacit or explicit. The items used to measure the dependent variable, KS were adapted from Bock *et. al.* (2005) and Lee (2001). Also self efficacy was operationalised as individuals' level of confidence in their knowledge and the items used to measure the construct was adopted and modified from Kankanhalli *et al.* (2005). Image was operationalised as individuals assessment of his/her level of esteem. The items used to measure this construct were self designed by the researcher. Lastly, external motivation is defined as the perceived reward given to employees after

sharing their knowledge. The items used in measuring this construct were adopted from Bock et al., (2005).

One hundred and eighty (180) questionnaires were distributed to teachers in senior secondary schools in New Juabeng Municipality, Koforidua, Ghana. One hundred and five (105) questionnaires were collected and achieved a 58.3 percent rate of return. The respondents' demographic profile (refer to Table 1) indicates that about 58 percent are male. The majority of the respondents are aged between 20 to 29 years. The educational background of respondent as depicted in Table 1 consists of 4.8 percent with diploma, 68.6 percent with a bachelor's degree, 24.7 percent are Master's Degree holders and 1.9 percent are PhD holders. Finally, in relation to the length of service, about 22.9 percent have served 1-2 years, 30.4 percent 2-3 years, 23.8 percent 4-6 years, and 22.9 percent 7 years and above.

Table 1: Demographic profiles (N = 105)

Category	Freq.	%
<i>Male</i>	58	55.2
<i>Female</i>	42	44.8
<i>20-29</i>	50	47.6
<i>30-39</i>	28	26.7
<i>40-49</i>	16	15.2
<i>50-59</i>	10	9.6
<i>Degree</i>	72	68.6
<i>Masters</i>	26	24.7
<i>PhD</i>	02	1.9
<i>Diploma</i>	05	4.8
<i>0-1 year</i>	24	22.9
<i>2-3 years</i>	32	30.4
<i>4-6 years</i>	25	23.8
<i>> 7years</i>	24	22.9

Procedure for Data Collection

4.0 Measurement Model

In this study, structural equation modeling (SEM) approach using SmartPLS statistical software (Ringle, et al, 2005) was employed to test the hypotheses. The data collected were subjected to convergent and discriminant validity analysis before the final analysis was conducted. Factor loadings, composite reliability (CR) and average variance extracted (AVE), were used to assess convergence validity. The convergent validity was performed to evaluate the degree of relatedness to which the items measuring the same concept (see Table 2). The loading for all items exceeded the recommended value of 0.6 (Chin et al., 1997) except some of the items for image and knowledge sharing. Five (5) items: two (2) for image and two (2) for knowledge sharing and one for extrinsic reward were deleted from further analysis (Hair

et al, 2010). Composite reliability values, which showed the degree to which the items indicated the latent construct exceeded the recommended value of 0.7 (Hair et al, 2010). The average variance extracted is in the range of 0.669 and 0.810 which is also exceeded the recommended value of 0.5 (Hair et al, 2010).

Next, the discriminant validity was conducted to confirm the constructs are not correlated. Discriminant validity is a measure to determine constructs should not reflect another construct within the same framework and it is determined through the calculation of the square root of average variance extracted (AVE) for each latent variable is higher than any of the bivariate correlation (R^2) (Fornell and Larcker, 1981). The square root of AVE (average variance extract) results and all the AVE's are higher than the correlation matrix shown in Table 3. Thus the measurement model demonstrated adequate convergent and discriminant validity.

Table 2. Factor loadings and reliability

Construct	Items	Loading	AVE	CR
Extrinsic Reward	ER2	0.654	0.669	0.856
	ER3	0.827		
	ER4	0.946		
Image	IM1	0.848	0.710	0.880
	IM2	0.827		
	IM3	0.853		
Knowledge sharing Intention	KS1	0.897	0.774	0.911
	KS2	0.875		
	KS5	0.867		
Self-efficacy	SE1	0.876	0.682	0.914
	SE2	0.887		
	SE3	0.880		
	SE4	0.715		
	SE5	0.755		
Self-worth	SW2	0.866	0.810	0.945
	SW3	0.927		
	SW4	0.915		
	SW5	0.892		

Note: CR = Composite reliability, AVE = Average Variance Extracted,

Table 3. Inter-construct correlation

Correlation matrix					
Construct	1	2	3	4	5
Extrinsic Reward	0.818				
Image	0.216	0.844			
Knowledge sharing Intention	0.093	0.485	0.880		
Self-worth	0.244	0.377	0.440	0.900	
Self-efficacy	0.171	0.619	0.659	0.510	0.826

Note: Diagonal elements are the square root of the AVE score

4.1 Structural Model

The structural model, which includes the estimates of the path coefficients and the R² value, determine the predictive power of the model (Sang et al. 2010). The R² and path coefficients indicate how well the data support the hypothesized model (Chin 1998; Sang et al. 2010). Table 4 and Fig. 1 show the results of the structural model from the PLS output. Self-worth ($\beta = 0.143, p < 0.05$), and self-efficacy ($\beta = 0.521, p < 0.05$) were positively related to knowledge sharing intention, explaining 46 % of the variance, thus supporting H1 and H2 of this study. However, image and extrinsic reward were not significant predictors of knowledge sharing intention, thus H3 and H4 were not supported.

Table 4 Summary of the structural model

Hypotheses	Path	Path Coefficient(β)	Standard error	t-value	Results
H1	Self-worth -> KS Intention	0.143	0.087	1.653	Supported
H2	Self-efficacy -> KS Intention	0.521	0.136	3.821	Supported
H3	Image -> KS Intention	0.120	0.127	0.946	Not Supported
H4	Extrinsic Reward -> KS Intention	-0.057	0.101	0.563	Not Supported

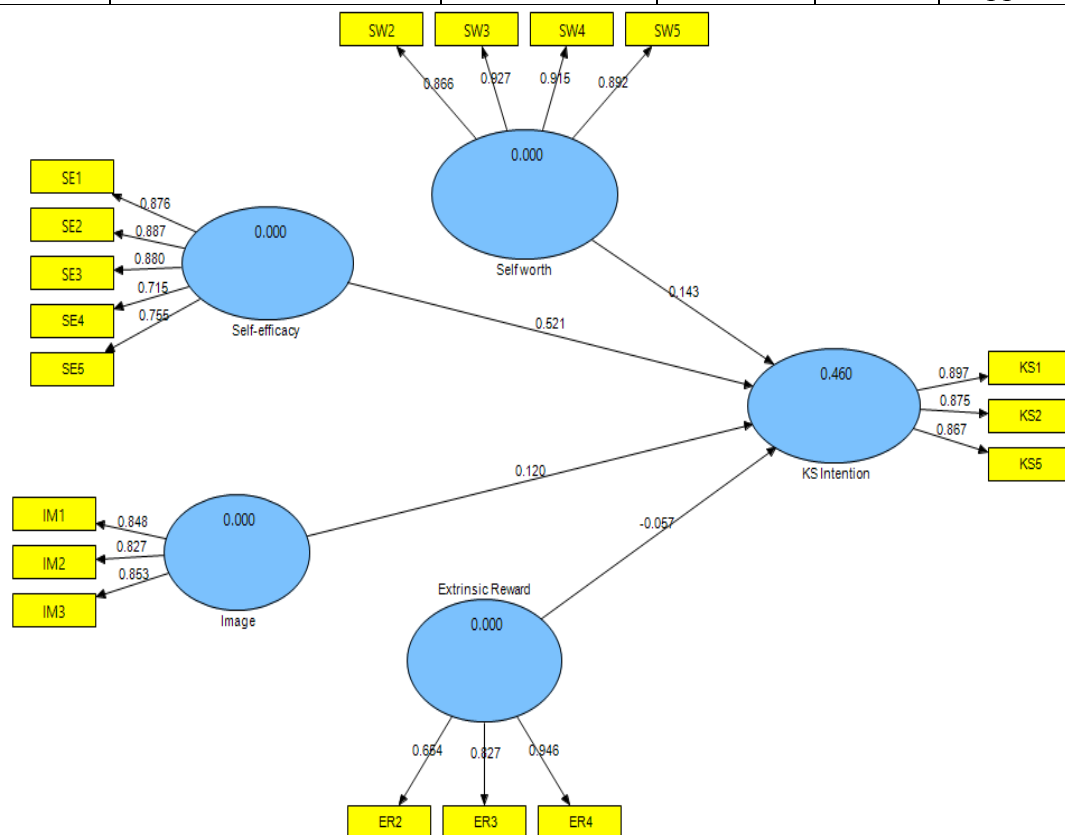


Fig. 1 The structural model

5.0 DISCUSSION

This study makes an attempt to examine the relationship between some of the individuals' personal characteristics that may affect knowledge sharing. The main premise of the study is that individual's inner drive has a quantum control on their actions perhaps their intentions to share knowledge. The findings of the hypotheses tested are discussed below:

Self efficacy

The first link connects the relationship between self efficacy and individuals knowledge sharing behaviour. In this study self efficacy was operationalised as individuals level confidence in their knowledge. The result of this study indicates that self-efficacy has positive influence on individuals' knowledge sharing behaviour. The outcome of this study is congruent to the findings of other previous studies such as Bock et al. (2005), Endres et al (2006), Kankanhalli et al. , (2005) and Kulkarni et al. (2006). Thus self efficacy having a positive significant influence on knowledge sharing implies that individuals would share their knowledge when their level of confidence to share knowledge is high and vice versa. Thus acknowledging the possession of the requisite knowledge, skills and ability (KSA) would increase the individuals confidence level to share knowledge.

Self Worth

In this context self worth was defined as the act of individuals perceiving that sharing their knowledge would increase their value among their colleagues. The results of the study indicate that self worth has a positive influence on knowledge sharing. This implies that receiving feedback on excellent tasks executed would create a sense of self worth. The feeling of worthiness would promote the person to share knowledge when in need as he /her believes that others will recognized his or her competence when engage in the knowledge sharing activities.

Extrinsic reward

Extrinsic reward was operationalized as individuals' credence that monetary or tangible incentives will be given for sharing their knowledge. Unfortunately, the hypothesis that extrinsic reward has a positive effect on knowledge sharing was not supported. This is similar to the findings of Bock et. al (2005), however the result seems to be different from the findings of many researchers (Liebowitz 1999; Quinn et al. 1996) as their study found a positive significant relationship between extrinsic rewards and knowledge sharing. This inconsistency might be due to the design and the context of the study. As the context of the study were academics who may perceive that external rewards to be unnecessary for them to share their knowledge as they are paid to share. According to Gustad (1960), academic members would be highly motivated by opportunities to attend workshops and international conferences, less work load and sabbatical leaves abroad than monetary rewards. This means that employees would be motivated to share their knowledge when they are provided with soft rewards than monetary rewards.

Image

Image was operationalised as the individuals perception that the knowledge they share would enhance their reputation. Surprisingly, the study fails to support the hypothesis that image has a positive significant influence on knowledge sharing. The insignificance can be associated with the fact that knowledge sharing culture is on the low side in Ghana and sharing or not may not really have an impact on an employee's level of respect for each other. Another reason for the insignificant could be fear of tagging, the employees may have the fear of been tagged as showing off or bluffing. Therefore, he/she would like to hord his/her knowledge to avoid such criticism.

5.1 Contribution and Practical Implication

From the theoretical perspective, this study provides enormous contribution toward the existing knowledge sharing literature. The paper provides highlights on the existing relationship between certain individuals' characteristics and knowledge sharing. The study theoretically explain the influence of the individual factors such as extrinsic reward, image, self worth and self efficacy and on knowledge sharing. This depicts the influence of these factors on the teachers knowledge sharing behaviour.

Practically, the result shows that self efficacy has a positive significant relationship with knowledge sharing implies that academic members will be motivated to share their knowledge to colleagues when they feel competent and capable of having the required knowledge. that can contribute to the development of the organisation. Therefore, organisations should provide periodic training, workshops, conferences, refresher courses and other interventions to increase the academics self efficacy. This recommendation has also been emphasised by several prior researchers (Cabrera and Cabrera 2005; Fong et al 2011).

Self worth having a positive effect on knowledge sharing implies that members may share when they perceived knowledge sharing activities to be a source of recognition and power. Thus, lectures and researchers may find it necessary to share their knowledge when they perceived prior knowledge contribution is appreciated and valued by superiors and colleagues. Therefore, this result provides information for managers to provide positive recommendation on employees knowledge sharing participation. This would increase employees self worth which would motivate them to share knowledge.

Conclusion

Organisational knowledge sharing initiatives will be a fiasco without the patronise of individuals, since individuals input in the entire process is the switch button. Knowing that individuals see their knowledge as an asset, thus nobody would freely give out his or her asset, as the law of reciprocity emphasize (Blau, 1964). Perhaps if they even want to share, then they would scrutinize their inner capabilities first before they act. Therefore, this study attempts to examine the factors that influence an individual to share his or her experience, knowledge, expertise and wisdom to others. Managers need to be abreast with what motivates each employee and provide rewards to reinforce knowledge sharing activities. There is a need to create an environment of trust and cooperation to overcome risk and the reluctance to share knowledge.

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KNOWLEDGE OF ECONOMIC TERMS BY NURSES EMPLOYED IN THE EASTERN CROATIA HEALTHCARE SYSTEM

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Abstract

This paper presents a study on the knowledge of economic terms and concepts in healthcare among nurses that are employed in the healthcare system in the 5 counties located in Eastern Croatia. The first part of the study deals with the general and demographic characteristics of nurses involved in the research. The second part of the research seeks the answers on the knowledge of basic economic concepts that are less familiar in everyday life without the particular knowledge of economic theory. The third part deals with the ability to understand the difference between the two proposed basic economic concepts. The fourth part questions nurses' compliance with certain healthcare economics' statements, and the final part of the study provides nurses' answers regarding their knowledge of the basic concepts in healthcare economics.

Keywords: healthcare economics, economics, nurses, healthcare system

1. Introduction

The aim of this scientific paper is to present the results of a survey conducted among nurses employed in the healthcare system of 5 counties in Eastern Croatia. The survey is made up of 5 parts and is based on 169 respondents. It was conducted in February 2019 and analyzes the subjective assessment of nurses about their knowledge of economic terms. The first part of the survey deals with the general and demographic characteristics of nurses involved in the research. The second part of the research seeks the answers on the knowledge of basic economic concepts that are less familiar in everyday life without the particular knowledge of economic theory. The third part deals with the ability to understand the difference between the two proposed basic economic concepts. The fourth part questions nurses' compliance with certain healthcare economics' statements, and the final part of the survey provides nurses' answers regarding their knowledge of the basic concepts in healthcare economics.

1.1. Research objective

The objective of this pilot project is to create screening of the subjective opinion of nurses and technicians about the knowledge of the basic economic and healthcare economics concepts. Furthermore, the secondary objective is to gain an insight into the representation and type of economic affairs that the respondents are involved in their daily tasks.

A survey questionnaire was created for the purpose of the survey, which in addition to general information also contains questions from the field of economic concepts, understanding of the

differences between economic concepts and concepts in the field of healthcare economics. Since this is a pilot study, there are limitations such as the absence of the validation of the questionnaire, which limits its objectivity. However, this pilot study is designed to gain an insight into the self-evaluation of the certainty of the respondents and their subjective attitude when it comes to basic concepts in the field of economics, which is not primary occupation for the respondents. Validated questionnaires will be used in further research as well as the knowledge evaluation after the nurses and technicians go through education process.

1.2. Statistical analysis

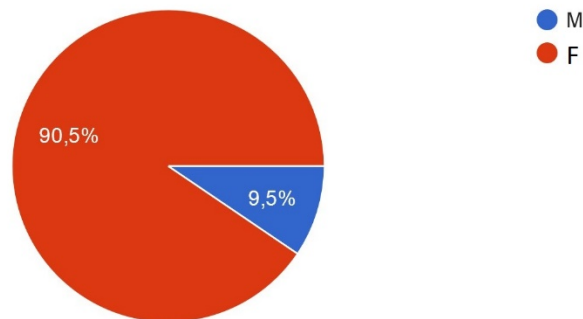
The data was process in the R computer program (www.r-project.org). The categorical data are descriptively represented by absolute and relative frequencies. Despite the use of the Likert scales, the numeric data are descriptively displayed in arithmetic environments and standard deviations due to more intuitive interpretation. The differences between the category variables were tested using the χ^2 test, and the Mann Whitney U and Kruskal Wallis test was used for the numerical. The level of statistical significance was determined as $p < 0,05$.

2. General and demographic characteristics of the respondents

As can be seen from graph 1, total of 90,5% of respondents are female. According to the Croatian Bureau of Statistics data on employed persons by occupation in January 2019, the healthcare system in the Republic of Croatia employs 78,74% of women (Varga, 2019.).

Graph 1: gender distribution of the respondents

Sex:

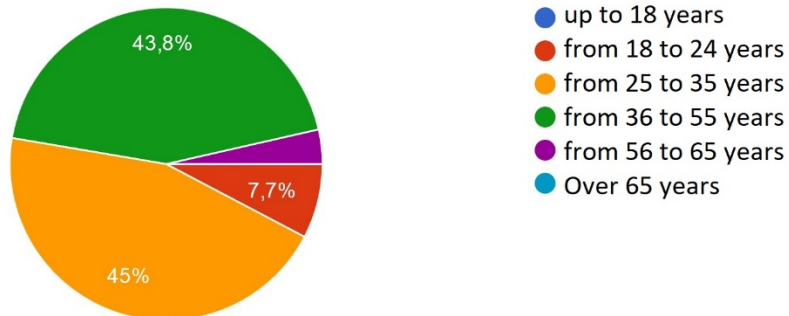


Source: author

The survey results show that most of the respondents, nurses employed in the healthcare system in the region of Eastern Croatia are 25 to 55 years old, as can be seen in graph 2.

Graph 2: age of the respondents

Your age:

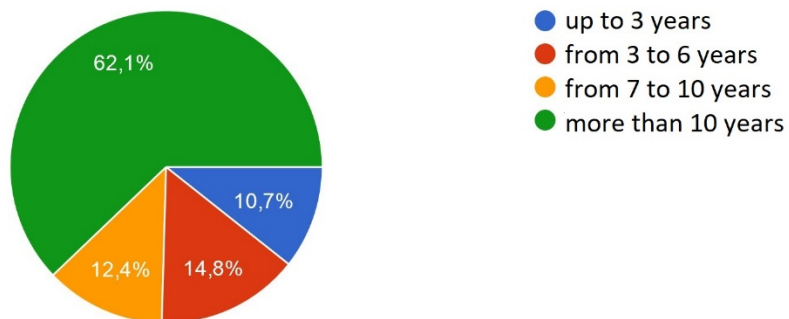


Source: author

The majority of respondents that participated in the survey have more than 10 years of work experience, which is statistically significant for the survey results. Work experience of respondents can be seen in graph 3.

Graph 3: work experience of the respondents

Work experience:

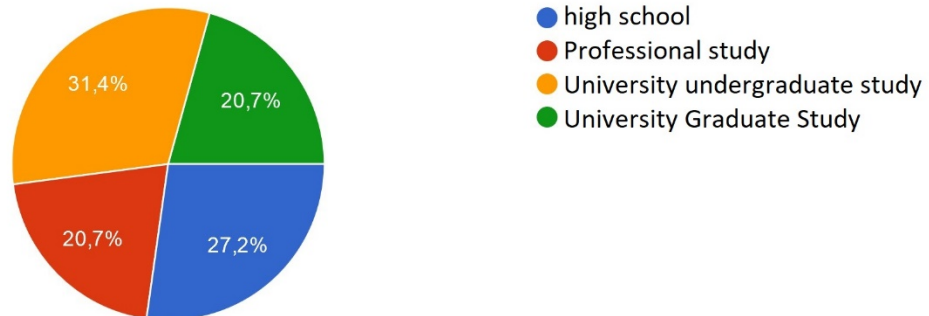


Source: author

The respondents are equally distributed when it comes to completed formal education, and most of them completed undergraduate university studies as can be seen in graph 4.

Graph 4. Completed formal education

Completed Formal Education



Source: author

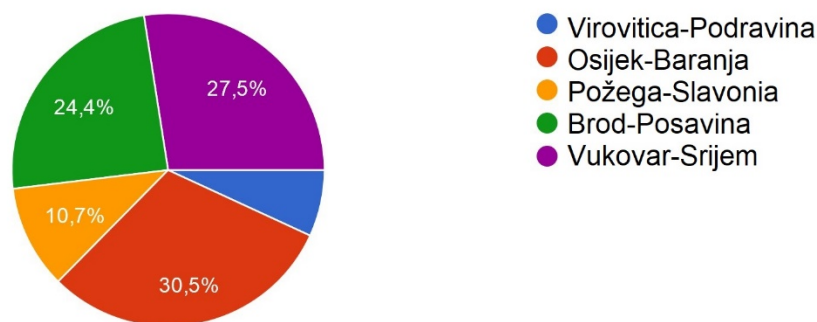
According to the latest 2011 census (dzs, 2019), the number of inhabitants in 5 counties in of the Eastern Croatia is 805.998, which makes 19% of the total population of the Republic of Croatia.

The inhabitants of the Eastern Croatia region are divided in percentages as follows (dhz, 2019): Osijek-Baranja County 38%, Virovitica-Podravina County 11%, Požega-Slavonia County 10%, Brod-Posavina County 20% and Vukovar-Srijem County 22%.

It can be concluded from the above stated, that the respondents distributed comparable to the regional distribution by counties in Eastern Croatia, as can be seen in graph 5.

Graph 5. Regional distribution of respondents

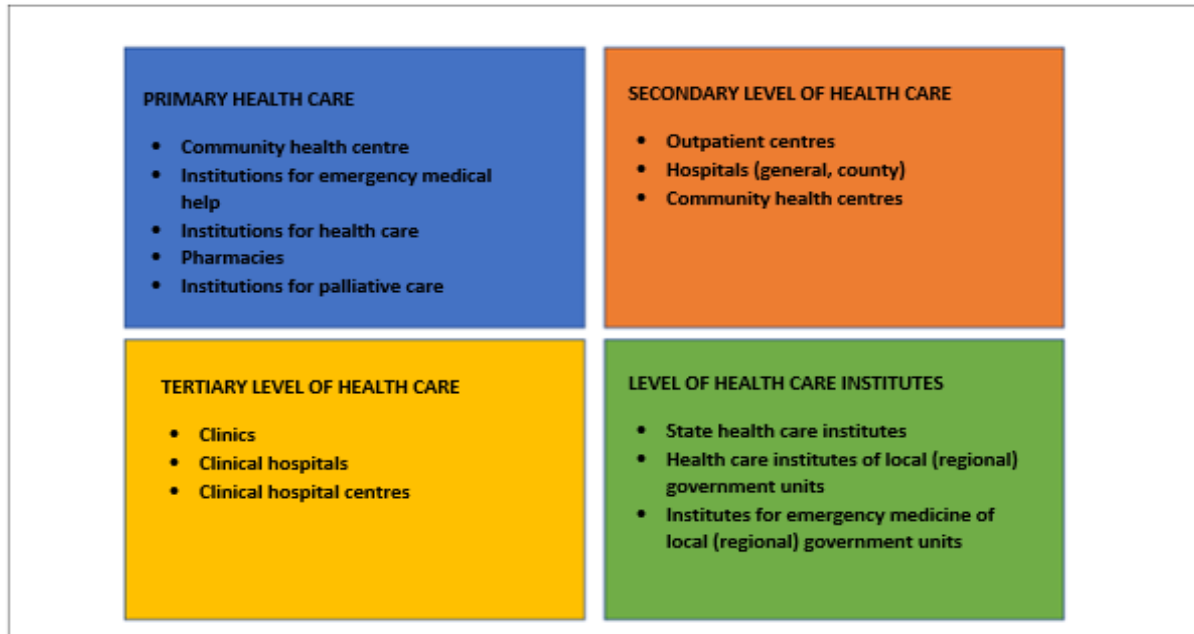
Regional distribution by counties in Eastern Croatia



Source: author

Healthcare in the Republic of Croatia is divided in 4 levels. The distribution is shown in Figure 1.

Figure 1: Distribution of healthcare in the Republic of Croatia by sectors

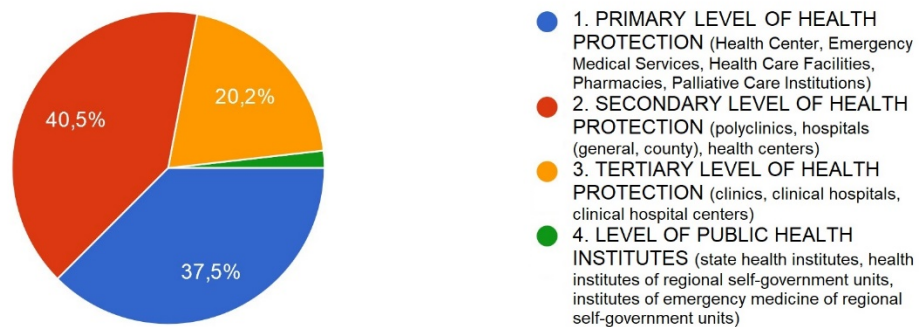


Source: author

According to the distribution of healthcare in 4 sectors, the respondents are mostly employed in the primary and secondary healthcare levels as shown in the graph 6.

Graph 6. The level of healthcare where respondents are employed

The level of healthcare where respondents are employed

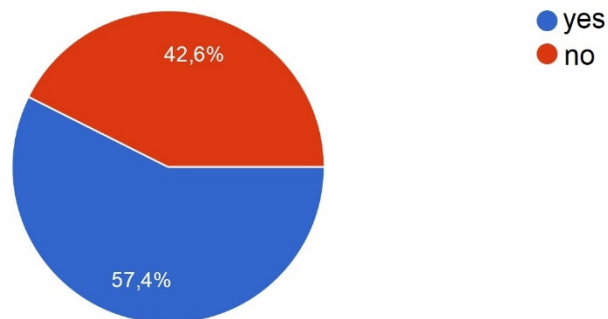


Source: author

In order to get an impression on how much they handle economic affairs in their everyday job duties, the respondents were asked the following question. “Do you handle any economic affairs within your job duties, such as preparation of tender documentation, purchase of necessary pharmaceuticals from pharmacies, and other necessary materials as well?” The survey results shown in graph 7 tell us that more than half of the respondents are engaged in economic affairs within their nursing job duties.

Graph 7. Proportion of respondents who are engaged in economic affairs as part of their job

Do you handle any economic affairs within your job duties, such as preparation of tender documentation, purchase of necessary pharmaceuticals from pharmacies, and other necessary materials as well?

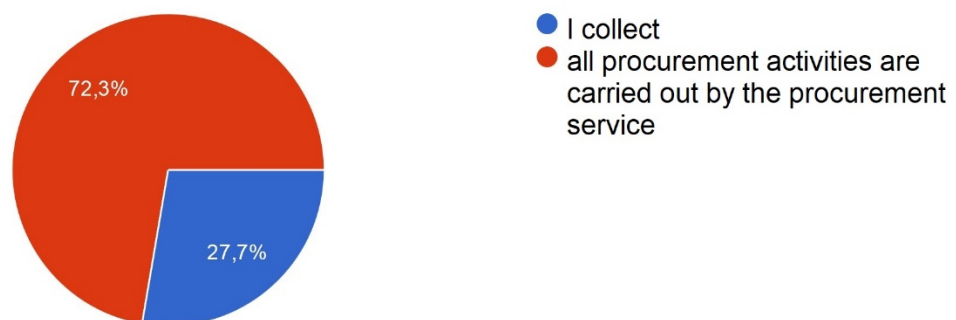


Source: author

Following the previous question, the authors were interested to know, if the response to the question was positive, whether the respondents that handle economic affairs within their nursing job duties also collect tenders from vendors. Interestingly, as many as 27,7% of respondents answered affirmatively. However, this is not in line with regulations as it is not part of the nursing job description, but should be done by other sectors in the healthcare, mainly the procurement sector. Due to the lack of employees in the healthcare system, it is apparent that the healthcare professionals are burdened with various jobs that are not within the scope of the job description such, which are often not additionally paid.

Graph 8. Proportion of respondents engaged in procurement

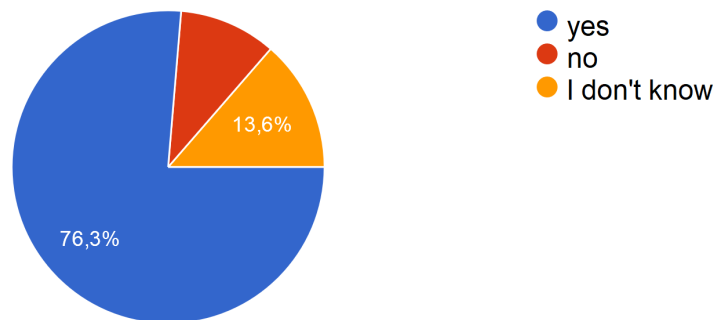
If the answer to the above question is positive, please specify whether you are collecting bids from the procurement vendor?



Since it is apparent from the study that as part of their job duties nurses have a lot of contact with economics, the respondents were asked to give their opinion on the need to introduce additional education on health economics within the education system, with 76,3% responding positively (graph 9), which is evidence that the education on healthcare economics is more than needed for nurses who encounter economic issues on daily basis.

Graph 9. Proportion of respondents who think it is necessary to further educate nurses about healthcare economics

Do you think that additional education is required of nurses / technicians within the education system on healthcare economics?



Source: author

2.2. Statistical relevance of general and demographic characteristics of respondents

The statistical analysis of general and demographic characteristics of respondents provided the result that the characteristics of the gender, age, years of work experience, place of work, level of healthcare where they work are statistically significant with regards to the results of the statistical analysis, while the performing job duties related to the procurement are marginal, almost significantly, while the level of education is not statistically important, which can be seen in Table 1.

Table 1. Review of general and demographic characteristics of respondents

		n (%)	p*
Gender	Male	16 (9.52)	<0.001
	Female	152 (90.48)	
Age	18 to 24	13 (7.74)	<0.001
	25 to 35	75 (44.64)	
	36 to 55	74 (44.05)	
	56 to 65	6 (3.57)	
Work experience (years)	<3	18 (10.71)	<0.001
	3 to 6	24 (14.29)	
	7 to 10	21 (12.5)	
	>10	105 (62.5)	
Level of education	High school	46 (27.38)	0.114
	Professional study	34 (20.24)	
	University undergraduate	53 (31.55)	
	University graduate	35 (20.83)	
Place of work (county)	Virovitica-Podravlje	9 (6.92)	<0.001
	Osijek-Baranja	39 (30)	

	Požega-Slavonija	14 (10.77)	
	Brod-Posavina	32 (24.62)	
	Vukovar-Srijem	36 (27.69)	
Level of healthcare	Primary	62 (37.13)	<0.001
	Secondary	68 (40.72)	
	Tertiary	34 (20.36)	
	Healthcare institution level	3 (1.8)	
Performing procurement activities	Yes	96 (57.14)	0.064
	No	72 (42.86)	

* χ^2 test

Further statistical analysis of general and demographic characteristics of respondents with respect to their experience in performing economic affairs (Table 1.1.) has provided the result that the performance of economic affairs within regular nursing job duties is statistically significant for the results of this survey, and that the knowledge of economic terms is directly related to the work experience in economic affairs.

Furthermore, the need for additional education that has been examined is also statistically very significant and is connected with the nurses' knowledge on economic terms. The interest of respondents for further education and training is also very interesting, and can be seen in Table 1.1.

Table 1.1. Review of general and demographic characteristics of respondents with regards to the experience in performing economic affairs

		n (%)	p*
Performing economic affairs	Calculation of referrals	55 (54.46)	<0.001
	Planning of savings within the approved funds quota	15 (14.85)	
	Medical services quality management	8 (7.92)	
	Work management within the scope of work	23 (22.77)	
Need for additional education	Yes	128 (76.19)	<0.001
	No	17 (10.12)	
	I don't know	23 (13.69)	

* χ^2 test

2.3. Statistical analysis of the survey

2.3.1. Review of the results of a subjective opinion regarding the knowledge of economic terms for all respondents

Respondents were asked to use grades 1 through 5 to express their knowledge of certain economic terms, where the grades were labelled as following: 1 – I do not know the term, 2 - I somewhat know the term, 3 – neither know or don't know the term, 4 – somewhat understand the term and 5 – completely understand the stated term.

The obtained results show that in the first part of the economic terms the respondents were best acquainted with cost effectiveness with the arithmetic mean of all answers 4.33, and smallest standard deviation of all answers, which means that the distribution of the answers to this question is clearly expressed in the answers as respondents know that term, as can be seen in Table 2.

Table 2 also shows that the respondents are least familiar with terms such as credit worthiness and solvency.

In the following part of the survey, the respondents were asked to give their impression on the difference between several economic terms (Table 2). The results show that the respondents have the impression that they best understand the difference between the concepts of supply and demand, bank and giro account, while they have least understanding of the difference in terms such as limited liability company and joint stock company, with the largest standard deviation as well, which means that the answers are widely spread on the scale from 1 to 5.

The following part of the survey asked the respondents questions about their familiarity with healthcare economics terms, and their impression on their knowledge of the stated terms as graded with grades 1 to 5. The results show that the respondents have the impression that they best know the concepts such as population study and vulnerable groups, while are least familiar with Bismarck's organizational model and healthcare financing, which is used in the Croatian healthcare system.

Table 2. Review of the results of subjective opinion on understanding the concepts for all respondents

		$\mu \pm s.d.$
Economic terms	Inflation	3.89±1.04
	Creditworthiness	2.8±1.38
	Cost efficiency	4.33±0.82
	Solvency	2.93±1.45
	Trade	3.79±1.12
Understanding the difference between economic concepts	Regular interest rate and effective interest rate	3.08±1.32
	Profit and revenue	4.13±1
	Tax and surtax	3.84±1.13
	Income and expenditure	4.11±1.07
	Supply and demand	4.39±0.9
	Limited liability company and joint-stock company	2.99±1.22
	Bank account and giro account	4.36±0.86
	Company bankruptcy and liquidation	3.26±1.28
	Macroeconomics and microeconomics	3.12±1.24
Input and output	3.04±1.42	
Healthcare economics	Do you know what is a population study?	3.38±1.38
	Do you know which Parliament committee is in charge of health policies?	3.17±1.48
	Do you know what vulnerable groups are in society?	3.53±1.56
	Do you know franchise as type of participation in the healthcare system?	2.6±1.43
	Do you know Bismarck's model of organization and financing in healthcare?	2.46±1.57

μ – arithmetic mean, s.d. – standard deviation

In the next part of the survey, the respondents were given accurate statements from healthcare economics and were asked to grade agreement with them with grades 1 to 5 where the grades represented the following: 1 – I disagree, 2 – I somewhat disagree, 3 – neither agree nor disagree, 4 – somewhat agree and 5 – fully agree. The results in Table 3 show that the respondents agree with the statement that “The basic objective of all healthcare activities is to preserve and improve health, i.e. the treatment and rehabilitation of patients”, while they least agree with the statement that “Healthcare economists are professionals who work professionally in the field of healthcare economics regardless of prior education.”

Table 3. Results of the subjective opinion on the exact statements for all respondents

	$\mu \pm s.d.$
The healthcare system today is based on families with the obligation to pay contributions for healthcare for employed family members.	3.74 \pm 1.09
Healthcare economists are professionals who work professionally in the field of healthcare economics regardless of prior education.	3.1 \pm 1.45
All forms of healthcare insurance replace the “cash” payment of health services.	3.2 \pm 1.39
The basic objective of all healthcare activities is to preserve and improve health, i.e. the treatment and rehabilitation of patients.	4.3 \pm 1.1
The norms for medical work require invest amount of labor, materials and resources for the performance of certain quality to provide a certain health care service.	4.23 \pm 0.91
The concept of healthcare participation refers to the participation of users in the direct payment of healthcare costs.	4.2 \pm 1.14
Most of the mandatory health preventive measures are implemented within the framework of primary healthcare and public healthcare.	4.03 \pm 1.2

2.3.2. Results of subjective opinion on knowledge of concepts by gender

From a further statistical analysis, where a comparison of the knowledge of terms according to the gender was made, a statistically significant difference was found in the impression of the knowledge according to the gender as shown in Table 4. From the obtained results it is apparent that male respondents are better acquainted with the economic term creditworthiness. It is also apparent from the results that there is a statistically significant difference in the knowledge of economic concepts in healthcare, where male respondents want to know better which parliamentary committee is in charge of health policy as well as the concept of franchise as a type of participation in the healthcare system.

Table 4. Results of subjective opinion on knowledge of concepts by gender

		Male	Female	
		$\mu \pm s.d.$		p^*
Economic terms	Inflation	4.19 \pm 0.91	3.85 \pm 1.05	0.249
	Creditworthiness	3.56 \pm 1.31	2.72 \pm 1.36	0.026
	Cost efficiency	4.13 \pm 1.02	4.36 \pm 0.79	0.474
	Solvency	3.56 \pm 1.41	2.87 \pm 1.44	0.072
	Trade	3.75 \pm 1	3.8 \pm 1.13	0.744
Understanding the difference between economic concepts	Regular interest rate and effective interest rate	3.63 \pm 1.26	3.02 \pm 1.31	0.090
	Profit and revenue	4.19 \pm 0.91	4.13 \pm 1.01	0.939
	Tax and surtax	3.88 \pm 1.02	3.84 \pm 1.15	0.970
	Income and expenditure	3.81 \pm 0.83	4.14 \pm 1.09	0.093
	Supply and demand	4.5 \pm 0.63	4.38 \pm 0.93	0.938

	Limited liability company and joint-stock company	3.13±1.5	2.98±1.19	0.687
	Bank account and giro account	4.19±0.83	4.38±0.87	0.319
	Company bankruptcy and liquidation	3.5±1.03	3.24±1.3	0.523
	Macroeconomics and microeconomics	3.25±1.24	3.11±1.24	0.620
	Input and output	3.5±1.32	2.99±1.43	0.177
Healthcare economics	Do you know what is a population study?	3.5±1.37	3.37±1.38	0.784
	Do you know which Parliament committee is in charge of health policies?	3.94±1.48	3.09±1.46	0.026
	Do you know what vulnerable groups are in society?	3.94±1.44	3.49±1.57	0.319
	Do you know franchise as type of participation in the healthcare system?	3.31±1.49	2.53±1.41	0.046
	Do you know Bismarck's model of organization and financing in healthcare?	3.06±1.44	2.39±1.58	0.060

*Man Whitney U test

The following section of the results analysis of subjective opinion on statements by gender, it is statistically significant that male respondents have the impression that they have better knowledge on the next two statements than female respondents: “The basic objective of all healthcare activities is to preserve and improve health, i.e. the treatment and rehabilitation of patients”, as well as the statement: All forms of healthcare insurance replace the “cash” payment of health services.

Table 5. Results of subjective opinion on the correct statement by gender

	Male	Female	
	$\mu \pm s.d.$		p^*
The healthcare system today is based on families with the obligation to pay contributions for healthcare for employed family members.	3.88±1.02	3.73±1.1	0.754
Healthcare economists are professionals who work professionally in the field of healthcare economics regardless of prior education.	4±1.21	3.01±1.44	0.011
All forms of healthcare insurance replace the “cash” payment of health services.	3.94±1.24	3.13±1.39	0.033
The basic objective of all healthcare activities is to preserve and improve health, i.e. the treatment and rehabilitation of patients.	4.5±0.82	4.28±1.13	0.630
The norms for medical work require invest amount of labor, materials and resources for the performance of certain quality to provide a certain health care service.	4.31±0.87	4.22±0.92	0.752
The concept of healthcare participation refers to the participation of users in the direct payment of healthcare costs.	4.38±0.81	4.18±1.17	0.828
Most of the mandatory health preventive measures are implemented within the framework of primary healthcare and public healthcare.	4±1.32	4.03±1.19	0.928

*Man Whitney U test

2.3.3. Results of subjective opinion about concept knowledge by age

Further statistical analysis shows the results of subjective opinion about the knowledge of concepts by age. The results of this analysis show that the economic terms “creditworthiness”, “solvency”, and “trade” are much better known by older respondents than younger ones, as can be seen in Table 6.

The research has shown that the difference between the terms “Regular interest rate and effective interest rate” and “Tax and surtax” are also better understood by older respondents (Table 6).

Table 6. Results of subjective thinking about knowledge of concepts by age

		18-24	36-55	56-65	p*
Economic terms	Inflation	3.46±1.39	3.99±1.01	4.67±0.82	0,076
	Creditworthiness	1.46±0.88	3.04±1.4	3.67±1.51	<0,001
	Cost efficiency	4.23±1.01	4.35±0.78	4.67±0.52	0,813
	Solvency	1.69±1.32	3.26±1.47	4.33±0.82	<0,001
	Trade	3.23±1.36	4.01±1.1	4.17±0.98	0,035
Understanding the difference between economic concepts	Regular interest rate and effective interest rate	2.08±1.38	3.27±1.25	3.5±1.38	0,032
	Profit and revenue	3.85±1.28	4.14±1	4.5±0.55	0,777
	Tax and surtax	2.77±1.17	4.09±1.09	4.17±1.33	<0,001
	Income and expenditure	4.15±1.14	4.24±1.04	4.17±1.17	0,257
	Supply and demand	4.15±1.07	4.5±0.9	4.33±0.82	0,293
	Limited liability company and joint-stock company	2.62±1.45	3.23±1.19	2.83±1.33	0,139
	Bank account and giro account	3.85±1.14	4.5±0.83	4.33±0.82	0,07
	Company bankruptcy and liquidation	2.62±1.56	3.5±1.23	3.33±1.37	0,12
	Macroeconomics and microeconomics	2.77±1.24	3.26±1.2	3.83±1.33	0,240
	Input and output	2.15±1.21	3.11±1.44	3.5±1.76	0,114
Healthcare economics	Do you know what is a population study?	2.92±1.26	3.39±1.44	3.67±1.51	0,519
	Do you know which Parliament committee is in charge of health policies?	2.77±1.42	3.11±1.49	3±1.67	0,593
	Do you know what vulnerable groups are in society?	3.46±1.61	3.53±1.53	4±1.67	0,831
	Do you know franchise as type of participation in the healthcare system?	2.08±1.38	2.66±1.44	2.67±1.51	0,549
	Do you know Bismarck's model of organization and financing in healthcare?	1.46±0.78	2.54±1.62	3.17±1.83	0,103

*Kruskal Wallis test

Further analysis of economic healthcare terms shows statistically significant result that older respondents less agree with the statement: "Healthcare economists are professionals who work professionally in the field of healthcare economics regardless of prior education", as can be seen in Table 7.

Table 7. Results of subjective opinion on accurate statements by age

	18-24	36-55	56-65	p*
The healthcare system today is based on families with the obligation to pay contributions for healthcare for employed family members.	3.69±1.18	3.68±1.11	4±0.71	0,896
Healthcare economists are professionals who work professionally in the field of healthcare economics regardless of prior education.	2.77±1.48	3.03±1.39	1.67±1.03	0,032
All forms of healthcare insurance replace the "cash" payment of health services.	3±1.35	3.15±1.44	3±1.41	0,940

The basic objective of all healthcare activities is to preserve and improve health, i.e. the treatment and rehabilitation of patients.	3.38±1.5	4.31±1.01	3.83±1.17	0,005
The norms for medical work require invest amount of labor, materials and resources for the performance of certain quality to provide a certain health care service.	3.82±1.08	4.16±0.91	4.67±0.52	0,193
The concept of healthcare participation refers to the participation of users in the direct payment of healthcare costs.	4.31±1.03	4.07±1.23	4.33±1.03	0,609
Most of the mandatory health preventive measures are implemented within the framework of primary healthcare and public healthcare.	3.92±1.32	3.84±1.34	4.33±1.03	0,364

*Kruskal Wallis test

2.3.4. Results of subjective opinion on the knowledge of concepts by years of employment

Further statistical analysis of the survey results (Table 8) shows statistically significant results that nurses with more work experience are better familiar with terms “creditworthiness” and “solvency”. Also, employees with more work experience are better familiar with the difference between terms “Regular interest rate and effective interest rate”, “tax and surtax”, “ban account and giro account” and “company bankruptcy and liquidation”.

Table 8. Results of subjective opinion on the knowledge of concepts by years of employment

		<3 years	3 to 6 years	7 to 10 years	>10 years	p*
Economic terms	Inflation	3.94±1.06	3.58±1.1	3.62±1.07	4±1.01	0,165
	Creditworthiness	2±1.24	2.54±1.32	2.52±1.21	3.06±1.39	0,009
	Cost efficiency	4.44±0.86	4.38±0.88	4.14±0.85	4.34±0.79	0,535
	Solvency	2±1.37	2.54±1.28	2.57±1.08	3.26±1.47	0,001
	Trade	3.56±1.04	3.67±1.31	3.38±1.12	3.94±1.06	0,099
Understanding the difference between economic concepts	Regular interest rate and effective interest rate	2.28±1.27	2.67±1.24	3.19±1.29	3.29±1.29	0,011
	Profit and revenue	4.17±0.79	4.13±1.15	4.15±0.75	4.12±1.04	0,944
	Tax and surtax	3.39±1.09	3.54±1.02	3.76±1.04	4±1.16	0,024
	Income and expenditure	4.22±0.88	3.96±0.95	3.86±1.2	4.17±1.1	0,369
	Supply and demand	4.22±0.81	4.38±0.97	4.14±0.85	4.47±0.91	0,098
	Limited liability company and joint-stock company	2.78±1.22	2.92±1.32	2.52±1.12	3.14±1.2	0,112
	Bank account and giro account	4.17±0.79	4.21±1.02	3.9±0.94	4.52±0.79	0,005
	Company bankruptcy and liquidation	2.59±1.18	3.42±1.32	2.71±1.27	3.45±1.24	0,013
	Macroeconomics and microeconomics	3.24±0.9	2.92±1.28	3.05±1.28	3.16±1.28	0,864
	Input and output	2.88±1.05	2.75±1.57	3±1.3	3.13±1.47	0,636

*Kruskal Wallis test

2.3.5. Results of subjective opinion on correct statements according to the level of education

Table 9. shows the results of subjective opinion on familiarity of concepts by the level of education. It is evident from the data that the respondents with a higher degree of education and especially university education have the impression of better knowledge of economic terms than those who have a lower level of education.

It is interesting that the respondents with the least level of education agree with certain healthcare economic terms, while it is opposite with other terms, as seen in Table 10.

Table 9. Results of subjective opinion on correct statements according to the level of education

		High school	Professional study	University undergraduate	University graduate	p*
Economic terms	Inflation	3.61±1.18	3.88±1.15	4±0.92	4.09±0.87	0,278
	Creditworthiness	2.52±1.49	2.82±1.19	2.89±1.35	3.03±1.42	0,373
	Cost efficiency	4.24±0.85	4.47±0.75	4.32±0.78	4.34±0.91	0,599
	Solvency	2.5±1.53	3.18±1.34	2.77±1.38	3.51±1.36	0,011
	Trade	3.43±1.28	3.85±0.96	3.94±1.01	3.97±1.12	0,147
Understanding the difference between economic concepts	Regular interest rate and effective interest rate	2.8±1.47	3.15±1.08	3.19±1.37	3.2±1.23	0,462
	Profit and revenue	4.02±1.06	4.21±0.84	4.17±1.05	4.15±0.99	0,868
	Tax and surtax	3.54±1.19	4±0.92	3.87±1.14	4.03±1.2	0,165
	Income and expenditure	3.93±1.16	4.18±1.09	4.08±0.96	4.31±1.08	0,263
	Supply and demand	4.15±1.05	4.53±0.66	4.43±0.87	4.49±0.92	0,266
	Limited liability company and joint-stock company	2.85±1.25	3.06±1.18	2.96±1.18	3.17±1.32	0,638
	Bank account and giro account	4.04±1.01	4.5±0.66	4.47±0.77	4.49±0.89	0,043
	Company bankruptcy and liquidation	3.37±1.34	3.38±1.18	3.04±1.24	3.35±1.37	0,413
	Macroeconomics and microeconomics	2.85±1.15	3.47±1.28	2.81±1.16	3.62±1.23	0,003
	Input and output	2.41±1.38	3.44±1.31	3.17±1.41	3.26±1.4	0,005
Healthcare economics	Do you know what is a population study?	2.65±1.37	3.88±1.12	3.4±1.39	3.85±1.21	<0,001
	Do you know which Parliament committee is in charge of health policies?	2.59±1.38	3.79±1.43	3.08±1.55	3.47±1.28	0,002
	Do you know what vulnerable groups are in society?	2.61±1.56	3.74±1.52	4.02±1.34	3.82±1.42	<0,001
	Do you know franchise as type of participation in the healthcare system?	2.09±1.28	2.76±1.44	2.79±1.52	2.85±1.35	0,038
	Do you know Bismarck's model of organization and financing in healthcare?	1.78±1.11	2.85±1.64	2.68±1.73	2.62±1.58	0,016

*Kruskal Wallis test

Table 10. Results of subjective opinion on correct statements according to the level of education

	High school	Professional study	University undergraduate	University graduate	p*
The healthcare system today is based on families with the obligation to pay contributions for healthcare for employed family members.	3.87±1.03	3.91±1.04	3.28±1.2	4.03±0.88	0,016

Healthcare economists are professionals who work professionally in the field of healthcare economics regardless of prior education.	3.09±1.6	3.71±1.45	2.63±1.22	3.15±1.31	0,011
All forms of healthcare insurance replace the “cash” payment of health services.	3.25±1.44	3.53±1.28	2.85±1.4	3.29±1.36	0,185
The basic objective of all healthcare activities is to preserve and improve health, i.e. the treatment and rehabilitation of patients.	4.49±0.95	4.56±0.89	4.02±1.2	4.12±1.27	0,067
The norms for medical work require invest amount of labor, materials and resources for the performance of certain quality to provide a certain health care service.	4.32±0.89	4.47±0.83	3.91±1.02	4.27±0.8	0,038
The concept of healthcare participation refers to the participation of users in the direct payment of healthcare costs.	4.32±1.03	4.29±1.12	4.11±1.1	4.03±1.36	0,591
Most of the mandatory health preventive measures are implemented within the framework of primary healthcare and public healthcare.	4.08±1.33	4.47±0.79	3.72±1.26	3.94±1.15	0,031

*Kruskal Wallis test

2.3.6. Results of subjective opinion on the knowledge of terms according to procurement activities within job duties

The statistical analysis of the results on subjective opinion on the knowledge of concepts in the performance of procurement activities within job duties shows statistically significant result that the impression depends on whether the respondent is engaged in economic affairs as part of the procurement within job duties. Thus, the results show that those persons engaged in procurement activities are better acquainted with economic terms than those who do not deal with procurement, as can be seen in Table 11.

Table 11. Results of the subjective opinion on the knowledge of terms in of procurement in workplace

		No	Yes	p*
Economic terms	Inflation	3.58±1.1	4.12±0.94	0.002
	Credit worthiness	2.42±1.25	3.09±1.4	0.002
	Cost effectiveness	4.17±0.9	4.46±0.72	0.057
	Solvency	2.47±1.38	3.28±1.4	<0.001
	Trade	3.53±1.11	3.99±1.08	0.008
Understanding the difference between economic terms	Regular interest rate and effective interest rate	2.83±1.3	3.26±1.31	0.050
	Profit and revenue	3.97±1.02	4.25±0.97	0.062
	Tax and surtax	3.68±1.06	3.96±1.18	0.053
	Income and expenditure	3.93±1.09	4.24±1.03	0.052
	Supply and demand	4.29±0.97	4.46±0.85	0.311
	Limited liability company and joint-stock company	2.68±1.11	3.23±1.25	0.007
	Bank account and giro account	4.28±0.89	4.43±0.84	0.259
	Company bankruptcy and liquidation	3.1±1.29	3.39±1.27	0.160
	Macroeconomics and microeconomics	2.9±1.2	3.29±1.25	0.058
Input and output	2.75±1.37	3.25±1.43	0.027	
Healthcare economics	Do you know what is a population study?	3.22±1.43	3.51±1.34	0.230
	Do you know which Parliament	3.08±1.51	3.23±1.47	0.545

committee is in charge of health policies?			
Do you know what vulnerable groups are in society?	3.2±1.62	3.78±1.47	0.027
Do you know franchise as type of participation in the healthcare system?	2.25±1.32	2.87±1.46	0.008
Do you know Bismarck's model of organization and financing in healthcare?	2.1±1.43	2.73±1.63	0.020

*Mann Whitney U test

3. Conclusion

On the basis of the above, it can be concluded that the analysis of the subjective opinion of the respondents – nurses working in the healthcare system in the Eastern Croatian region on the knowledge of economic terms has brought interesting results. It is particularly relevant that the respondents expressed a great desire for further education in the field of healthcare economics.

The survey results have shown that more than half of the respondents are engaged in certain economic affairs in their jobs, and also how such economic affairs are related to the knowledge of economic terms.

It has also been proven that older respondents and respondents with more work experience are better acquainted with certain economic terms than younger respondents with less work experience. It can be concluded that there is a difference between an impression of knowledge of certain economic terms by gender, where men have the impression that they have better knowledge about certain terms than female respondents.

We can also conclude that the level of education of respondents affects the impression of the knowledge of economic terms, therefore, those with a higher level of education, particularly those with university education have the impression that they have better knowledge about certain economic terms.

At the end of this research, it can be concluded that the results of this study indicate that the nurses are highly motivated to be further educated in the field of healthcare economics, and that educational institutions should introduce this kind of education in their programs if they do not already exist.

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INCLUSION OF IMMIGRANT AND REFUGEE CHILDREN IN EARLY CHILDHOOD EDUCATION (CONDITIONS AND CHALLENGES)

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Abstract

Thousands of people voluntarily or involuntarily leave their homes on a daily basis. One of the reasons may be a search for a better place to live, however, another reason may be the fact that people feel worried about their human rights and their safety; they are at risk or are facing persecution in their place of residence. UNHCR and Eurostat - Statistics Explained statistic data show that in 2017, as a result of conflict or persecution, almost 1 (one) person has been forcibly displaced every two seconds. In the member states of the European Union in 2017 were registered 36.9 million people who were born outside the EU – 28 and 20.4 million were born in a different EU member state.

In order to be able to start and continue their lives, these people need to be involved in all spheres of social life in the country into which they have moved. The inclusion of children of migrants and refugees in the education system is one of the most important segments of the overall process of involving them in the new social context. Educational inclusion brings numerous challenges that children in the education system face as well as the state itself. Cultural as well as linguistic differences affect not only the adaptation and adjustment to the new environment but also the way these people are perceived by the hosts in the new environment.

This paper aims to explore the inclusion of immigrant and refugee children in early childhood education, to explore the challenges that preschool children face in the process of their inclusion in the education system, as well as the ways to overcome the difficulties.

Key words: Inclusion, education system, refugee and immigrant preschool children.

Introduction

Migrations, resettlements and exile of people are movements that have been present throughout human history. There are different reasons why someone decides to leave his homeland behind and set off on a journey in a quest for a better place to live in. On the one hand, the decision to leave one's own home can be the quest for a better place to live in; on the other hand, however, there is a large number of people that emigrate every day because they feel that the core of their human rights and security are being jeopardized in their homeland. In fact, there is a crucial distinction between the terms "refugee" and "migrant". According to the UNHCR "*Refugees are people who cannot return to their country of origin because of a well-founded fear of persecution, conflict, violence, or other circumstances that have seriously disturbed public order, and who, as a result, require international protection*" (UNHCR, Asylum and Migration). While there is no uniform legal definition of the term migrant on the international level, however, the following definitions can be found: „*Migration' is often understood to imply a voluntary process, for example, someone who crosses a border in search of better economic opportunities*" (UNHCR, Refugees and Migrants), i.e. "*Migrant' describes any person who moves, usually across an international*

border, to join family members already abroad, to search for a livelihood, to escape a natural disaster, or for a range of other purposes“ (UNHCR, Migrant definition).

There have been several migration waves in history in Europe. The first migration movement began during the industrialization between 1861 and 1929 when 30 million people left Europe to the United States in order to look for a better life for themselves. The second wave started in WWII, which was marked with massive shift of population. The NS (National Socialistic Regime) forced millions of people to leave their homes and work in the industry of weapon production. After 1945, around 12 million people from Eastern Europe fled to Western Europe. Later on, there were different movements to Western Europe because of political reasons such as: from Hungary in 1956-1957; from CSSR between the 1968-69; then from Poland in the years of 1989-and 1990; also from Romania in 1989, or DDR from 1989 and as last migration recorded from the time of the Yugoslavian war in 1991 (Viehböck & Bratic, 1994:13-14).

During the economic boom in Western Europe, in the 50s and 1960s North-West-Europe needed labor in order to push the economy in their countries. At this time, most of the workers have been recruited from the South European countries such as: Italy, Spain and Greece. After a short break of the oil crisis in 1973, the labor immigration to Western Europe continued mainly from countries like Turkey, Portugal and Yugoslavia at the time. The most common opinion between the majority of the host population about these people was that they will leave their land as soon as the economy falls down. But this political concept fell through because instead of leaving the inhabited countries the workers decided to stay and brought their families instead (Viehböck & Bratic, 1994:14). In recent years, Syria is the main refugee country of origin. Syrians are the largest forcibly displaced population on global scales (UNHCR, 2017). The majority of Syrian refugees who have found asylum are being hosted by Turkey (3 424 200). 496 700 Syrian refugees were residing in Germany and 43 900 in Austria, at the end of 2017 (UNHCR, 2017: 14).

The rise of the number of foreign workers in Austria started in the 1960s reaching its peak with 226.000 people in the year of 1973. In the mid 80s this number of immigrants decreased and came up to 140.000. Later on it is in the 1990 when the numbers grow again up to 270.000 (Viehböck & Bratic, 1994, p. 27). During the extension of the European Union a large number of citizens from the new Member States came to Austria to work, which led to significant rise of foreign labor in the year of 2015 when the average was 712.000; that makes of foreign population that is 18.3 % of all employees in the country (AMS, 2015, Statistics Austria).

In the past twenty years the number of international migrants has significantly increased worldwide. This increase ranges from 173 million international migrants in 2000, 220 million international migrants in 2010, to 258 million in 2017 (United Nations, 2017). Out of 258 million international migrants in 2017, 30 million were children under the age of 18. „Together, Africa and Asia host three out of every five child migrants“ (UNICEF).

68.5 million people worldwide have been forced from home (40 million internally displaced people; 25.4 million refugees and 3.1 million asylum – seekers) (UNHCR). UNHCR and Eurostat - Statistics Explained statistic data show that in 2017, as a result of conflict or persecution, almost 1 (one) person has been forcibly displaced every two seconds. Nearly 1 in 3 children living outside their country of birth is a refugee (UNICEF, 2016:6). In less than a six months period in 2015 over 200 000 refugees and migrants have transited through Macedonia (UNICEF, 2016:1).

In the member states of the European Union in 2018 were registered 38.2 million people who were born outside the EU - 28 and 21.8 million born in a different EU member state from the one they were resident (Eurostat, Migration and migrant population statistics).

According to Eurostat - Statistics Explained, the largest number of immigrants in 2017 was seen in Germany, followed by the United Kingdom, Spain, France and Italy (Eurostat, Migration and migrant population statistics).

In the past years, due to its geographic location, a significant number of refugees from Syria, Iraq, Afghanistan, have transited through Macedonia on their journey to the Western European countries. In December 2015, an assessment was implemented in Macedonia, with a purpose to collect data on vulnerabilities and protection needs of children on the move. From the 376 children that were interviewed, 178 children were at the age from 0 to 5. The sources of stress of these 376 children generally come from: the sea, attacks, cold weather. Nevertheless, these children face other sources of stress as well, such as: lack of food, being separated from their parents, lack of shelter, going far from home. 27 % of these children do not have adequate clothing and 40% of them have no adequate footwear (UNICEF, 2016). These children go down the rocky road having only one wish in their mind, to get the feeling of safety once again, to be reunited with their closest family members and to start a decent normal life as soon as possible. They are heading to a place they can call home, to a place where they will have enough fruits, veggies or meat whenever they feel hungry, a drinking water whenever they feel thirsty and a proper health care whenever they need it. Maybe it will take longer for them to get back to their homeland, maybe they will not get any chance to get back there, but what is most important is that these people are provided with conditions for inclusion in the social life of the community in the country where they will be sheltered. The inclusion of these children in the early childhood education and care is an important step which leads to inclusion in the social life as well.

The importance of early childhood education and care

Preschool education and care have a mandatory character in most of the European countries when children reach five i.e. six years of age (Mišik et al. 2019: 73). However, the authorities are those who should guarantee a preschool place for all children. The legal right to access preschool education and care refers to the legal duty of the preschool education and care institutions to provide publicly subsidized services for all children living in the given area of coverage, whose parents, regardless of their employment, the socio-economic or family status, are looking for a place for their child (Mišik et al. 2019: 72). The first five years of human life have a key role in shaping the personality a child will have as an adult, in the formation of its intelligence, as well as in the capacity for later participation and productivity in the community, workplace and society (UNHCR, 2016:2).

The benefits of inclusion in the early childhood education and care are numerous for every child, including the immigrant and refugee children who have endured extreme amount of stress. These children are in the critical stage of their cognitive, social and emotional development, they are children who have lost their parents and families and children who are facing poverty and language barriers. Furthermore, they face psychological problems, poor school performance and problems in cultural and social integration and inclusion. These consequences can be weakened and even prevented by early intervention in the preschool education and care system (UNHCR, 2016:2).

Two significant benefits deriving from the inclusion of immigrant and refugee children in the early education and care are identified by Park, M., Katsiaticas, C., McHugh, M, 2018: 1-2, which read as follows: “*Early childhood education and care programs provide an important means by which receiving countries can mitigate many of the risks these young children face*“ and “*Services to support children in their early years have both greater benefits and a higher return on investment than costly interventions at a later stage*“.

Studies show that a quality early childhood education and care is useful for children's cognitive and social development and for the development of their language skills. Namely, the essential basis for lifelong learning for all children, their social integration, personal development, and later employment, is a quality early childhood education and care system (Mišik et al. 2019:69)

Moreover, the inclusion of immigrant and refugee children in the early childhood education and care offers benefits to the children themselves and their families, and the society in general.

- **Benefits to the child.** Inclusion of refugee and immigrant children in ECEC does not mean only provision of childcare services. Studies have shown that the child's inclusion in preschool education and care brings numerous benefits to the child itself involved in this system. The benefits to the child lead to benefits to the child's family, and hence the very society. Early childhood education and care enables children to be prepared better for school. According to Barnett, 2011; Barnett and Masse, 2007; Heckman, 2006, as cited in Vandebroek, M., Lenaerts, K., & Beblavý, M, 2018: 33, higher educational attainment have children who attend ECEC, compared to the children who do not attend ECEC. ECEC helps children to become productive youth with increased access to livelihoods (UNHCR, 2016:3). This gives them better chances in the labor market. Many studies have shown that more favorable labor market outcomes have those children who participated in early childhood education and care compared to those who did not (Vandebroek, M., Lenaerts, K., & Beblavý, M, 2018: 35). There are activities in early childhood education and care centers through which children develop their cognitive abilities and they can more readily solve problems. Children who attend early childhood education have stronger language skills. In addition, attainment of early childhood education and care centers gives an opportunity to children to be in contact and interaction with diverse groups of children and adults and through these connections and interactions they are strengthening their social skills (World vision international). Also it is important to be mentioned that a crucial time in human life for forming healthy behaviors is the period of early childhood education and care (Vandebroek, M., Lenaerts, K., & Beblavý, M, 2018: 41). ECEC system contributes to develop and nurture the positive moral values of the child.
- *Benefits to the family.* Unlike before, when engaging in the labor market was a characteristic feature mainly for men, while women were at home, today there is equal participation of men and women in the labor market. This implies the involvement of children in some of the forms of childcare in the system of early childhood education and care. The inclusion of the child in the system of early childhood education and care is of great importance for the parents themselves, especially because it gives an opportunity for inclusion in the labor market of the parents, in particular of the mother and the avoidance of poverty (Vandebroek, M., Lenaerts, K., & Beblavý, M, 2018: 36).
- *Benefits to the society.* With early childhood education and care children are protected from exploitation (UNHCR, 2016: 3). Higher educational attainment and the better chances to the labor market will be a benefit to the society itself, as there will be lower poverty rates and this will reduce public spending on measures related to poverty (Vandebroek, M., Lenaerts, K., & Beblavý, M, 2018: 37). Inclusion of children of different backgrounds in the early childhood education and care system enables interaction and communication and connects people of different backgrounds and status, it affects the creation of social inclusion and social cohesion further in all social

segments (Vandenbroeck, M., Lenaerts, K., & Beblavý, M, 2018: 39). A great benefit to the society from the inclusion of children in early childhood education and care is that this system of education and care gives children the opportunity not to manifest or develop criminal behavior, resulting in decreased costs for fighting crime in the society (Vandenbroeck, M., Lenaerts, K., & Beblavý, M, 2018: 41).

Challenges these children are facing

Language barrier, existing between two cultures, no sufficient access to information for early childhood education and care, social isolation, poverty, physical and emotional stress are some of the challenges these children are facing when they arrive in the country, as well as the very process of inclusion in the country's education system.

One of these bigger challenges, immigrant children face when they first come to another country is the *language*. There are often many discriminating assumptions made by the host culture about the newcomers in their homeland. Not long after their arrival the children of immigrants are being confronted with the most common and discouraging assumptions – believe by their peers that their language skills are limited and that they will never be good as theirs. Basically, this kind of assumptions as Hamburger claims are the main reason why these children start facing constant pressure to prove their hosts that they can do as good as anyone who was born here.

Another point Hamburger makes is connected to the way immigrant children are being *perceived by the host culture*. He claims that, it is throughout their way of portraying their traditions and cultural values to their new surroundings that will determine on how others will see them. He mainly concentrates by looking at some misunderstandings that arise from the way of interpretation of culture is done between the two sides. He believes that in this case the only one to blame for future miss-assumptions natives make about the newcomers lay in one's own culture since its part of his identity. One's culture is constantly being present through their daily life and activities; manifesting itself for example through the style/clothes they wear, their behavior in public, way of thinking and speech, or even throughout the music they listen to (Hamburger, F., Badawia, T., Hummrich, M.2015).

The group of children of immigrants find themselves in difficult situations, primarily caused by the sense of *existing between two cultures*. On one hand they are confronted with the values coming from their family of origin, while on the other hand they have to deal with all the cultural values they grow up with in the new country. This situation leads to conflict between the 'old and the new' generation because the father in this case, loses his authority and his traditional role model for his children. Often these children find themselves in the position of being the mediators between their families and the world around them; whether is because of their knowledge of the language or just because they are needed to mediate in the different cultural differences, they find themselves into (Viehböck, E., & Bratic, Lj. 1994).

According to Vandenbruck and Lacari (as cited in Mišik et al., 2019: 86), immigrant families often have smaller informal networks and no sufficient access to information to early childhood education and care and enrollment procedures.

The *psychological factors: feelings of isolation, exclusion or prejudice*, have been mentioned as challenges for migrant families. Children's feelings of worthlessness and hopelessness can be reinforced in this situation and they can have a lack of incentives to make efforts to change their lives (Janta, B & Harte, E).

Refugee and immigrant children have gone through very stressful and traumatic situations. The new environment which is unknown place for them should give them peace

and security through their inclusion and acceptance, otherwise the stress, the fear and the uncertainty will be present in the child's everyday life.

The statistical data from some European countries given in Table 1 below show a significant percentage of preschool age children from migration background who live in the country and are included in the preschool education and care. The experience in these countries in the field of working with children from migration background shows that the countries are engaged in providing support to the preschool age children with migration background in order to ease their inclusion in the system. Apart from the support in language learning, some countries clearly point out that the inclusion of these children in their education system requires reforms within the system in terms of professional development of staff who work with these children, curricular reforms etc.

Table 1. Preschool age children from migration background

Country	Preschool age children from migration background	Preschool age children from migration background in ECEC settings	Support
Austria	In 2016, 18,2% of the children in the age group under 5 had a non-Austria background and almost half (46,9%) came from countries outside the EU28	In ECEC settings, in 2015, 16.9% of children had a background of migration, and almost half (45.5%) came from other EU countries	Language support is provided in kindergartens for the children whose family language is not German
Cyprus	In 2016, 9,4% of children in the age group under 5 were not native born, 73% of them come from EU countries	In ECEC provision in 2013/14, 12,6% of children under the age of 6 were non-native born and 62% came from other EU countries	Need for reforms in ECEC system (continuing professional development of staff, curricular reforms, language tuition)
Denmark	In 2016, 15% of all children under 6 years of age came from a non-Danish background		Local authorities have an obligation to offer language stimulation training for children (with a background of migration) from the age of 3 upwards. Types of support: -Additional language support receive <i>children who attend ECEC centre</i> ; -15 hours per week of Danish language contact may be provided to families in their own home, for <i>children who do not attend some kind of ECEC provision</i>
Estonia	In 2016, 8,1% of the total child population under 4 years of age were children with a background of migration	17% of all children under compulsory school age had a family language other than Estonian, all these children attend an ECEC setting	Support in the acquisition of the Estonian language for children who had a family language other than Estonian. A support is offered by five methodological centers for kindergarten teachers who work with minority language children
Germany	In 2016, 9,7% of the age group of under-fives had a non-German background, of whom 37,7% came from other EU countries	In 2016, in Early childhood provision, 20,5% children with migration background belong in the group under 3 year olds and 29,7% of children with migration background belong to the group 3	Enrolment in ECEC provision is free of charge, according to the Benefits for Asylum Seekers Act. The local authorities are faced with the problem of providing enough places and also support such as language courses or specific measures in early

		years up to school entry	childhood settings, without knowing in advance how many children are likely to need these. There is also a growing need for specifically relevant professional development courses for early years educators
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Source: Park, M., Katsiaficas, C., McHugh, M, 2018: 33, 199-200, 292,326,469-470

What does the inclusion of refugee and immigrant children require?

Inclusion of immigrant and refugee children in the system of early childhood education and care is not an easy and simple step. Many terms and conditions need to be fulfilled in order to have a quality and inclusive early childhood education and care. All persons directly or indirectly connected with the inclusion of immigrant and refugee children in ECEC need a support and supportive environment. A support is needed for the staff that works with these children; a support is needed for the children themselves and for their families. As a result, it could be said that a supportive environment is of a great importance for all persons involved in the process on the one hand, but on the other hand it should not omit the individual itself with his/her investment in the very process.

- *The staff.* When it comes to the staff, it is important to point out that they need to be curious, patient and flexible in their work. Moreover, the staff needs a supportive environment in which they will feel appreciated for their competence. This environment is encouraging and supportive when the rolls and the responsibilities are clearly defined, assigned and allocated, and are in accordance with the staff’s capacity to tackle the problems and issues that arise. The work environment should provide an emotional support to the staff throughout daily work and it is especially important that the environment nourishes the team spirit. The professional development is part of the teaching profession. Through effective teacher training, teachers can acquire skills, knowledge and expertise to create inclusive classroom. The staff needs to be familiar and to know the context (historical, political and social) from which the immigrant and refugee children come from (UNHCR, 2011:29) (Nabavi, M., 2011:8; AMSSA, Cultures West, 2017:6).

- *The children.* Children should have opportunities to learn the national language. It takes time and investment to learn another language successfully, so there is an essential need for provision of opportunities for these children to adopt the new language. The environment should give an emotional support to the children. Program objectives should be modified according to child’s needs (UNHCR, 2011:24); (Nabavi, M., 2011; AMSSA, Cultures West, 2017).

- *Children’s families.* Parents should feel welcomed and free to take participation in some of the activities in early childhood education and care. The caregivers should be integrated into child’s learning. Family value-driven approaches to child rearing should be respected by the staff from early childhood education and care. The staff should be aware of the issues that are most central to the lives of the families they are working with (Nabavi, M., 2011; AMSSA, Cultures West, 2017).

Conclusion

The inclusion of immigrant and refugee children in the early education and care system is neither an easy nor a simple step. It requires establishing conditions for these children’s high-quality inclusion in the early childhood education and care; it requires facilities, materials, a supportive environment, a competent staff who will work with these children. A part of these segments is already identified by a few European countries that highlight the necessity of reforms within their systems. Reforming the early childhood

education and care system is a vital and an unavoidable task in order to meet these children's needs, whose percentage from the total number of preschool population in some of the European countries should not be overlooked. Even the temporary sheltering of these children requires that the countries provide them with and grant them the right to education, including the right to early education and care that offers benefits not only to the children and their families but also to the society in general.

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ACTIVE LEARNING AND E-LEARNING AS MOTIVATIONAL FACTORS IN MODERN SCIENCE TEACHING

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Abstract

In the context of global social changes, it is necessary to redirect the system of education from traditional to modern teaching, which requires a student to be an active participant in the teaching process. Contemporary teaching, as an essential incentive for the development of a society, helps students to develop new ideas, contemplate creatively and critically, conclude and understand the necessary concepts. Today's students, always on-line generations, use the Internet for social interaction as well as for education. It is therefore necessary to implement information-communication technology in teaching, as it can be a motivating factor for learning.

In order to study the motivation of the students for learning, a survey was conducted on a sample of eight classes. The experimental group used e-learning, and the control group used contemporary teaching with active learning. The results show equally high motivation of the students in both experimental and control group and might be used as a guideline for educational practice involving active learners' learning. If you do not have the opportunity to attend a classroom, you can use e-learning that motivates students to learn. The results obtained can be used by policy makers and teachers to design contemporary teaching in which students will be highly motivated for learning.

Key words: Active Working Methods, E-learning, Motivation, Science Education

INTRODUCTION

Teachers in the Republic of Croatia tend to abandon the traditional teaching methods, which have so far dominated the educational system, and are characterized by the frontal form of work and lecture teaching. Bognar and Matijević (2002) emphasize that traditional teaching limits the development of students and their potentials. Jensen (2003) says that Traditional School has provided information to students, passive recipients, and teachers are considered to be people who convey knowledge. Therefore, teachers are turning to modern teaching that makes students active participants in the center of the curriculum. In modern teaching, students acquire the necessary practical knowledge and develop conceptual understanding because they are constantly encouraged to learn, systematically and actively, in order to develop the ability to observe, criticize, judge, and logically conclude. That is precisely why modern Science teaching, that helps students develop new ideas and creative thoughts, can be seen as an important segment of a society's development. For all abovementioned, it is very important to encourage teachers to move away from traditional teaching to modern teaching methods that imply the use of active learning methods. Numerous researches (Blasco-Arcas,

Buil, Hernandez-Ortega, Sese, 2013; Chan, JohnnyWan, Ko, 2019; Silberman, 1996) show that learners who actively learn demonstrate better achievement of educational outcomes.

The students are close to information and communication technology and feel good when it is implemented in teaching. To be able to do so, it is necessary to have the needed infrastructure and material equipment in schools, as well as ICT competent teachers. The use of ICT in education has led to the emergence of e-learning. It is characterized by the physical separation of teachers and students, without the existence of a face to face contact (f2f). The benefits of e-learning are obvious when a student is unable to physically attend classes. Then his/her e-classroom is open 24 hours a day, he/she chooses when and how to access e-content and is able to communicate with the teacher electronically. The disadvantages of e-learning can be in material equipment, insufficiently developed students' digital competence, lack of students' self-susceptibility, loss of motivation, and lack of personal contact with the teacher (Bulić, 2018).

Sanfeliz and Stalzer (2003) argue that the most important task of a teacher is to stimulate the motivation for learners because motivated students enjoy learning Science and believe in their own abilities. They emphasize that intrinsic motivation, assessment of their own performance, and locus of internal control play an important role in the motivation for learning Science.

Science knowledge has an outstanding importance for the development of each country. It is therefore necessary to continuously question and raise the students' motivation for the teaching of Science and Biology (Novoselić et al., 2014) and to seek new methods of classroom work that can increase the students' motivation.

RESEARCH GOAL

The aim of the research was to determine whether the experimental group students (who use e-learning in the work) are more motivated to learn than the control group students, who use active methods of work. As 6 dimensions of motivation were explored, the differences in motivation dimensions between students active in contemporary teaching and those using e-learning were identified.

METHODS

The survey included 162 pupils from 5th, 6th, 7th and 8th grade of elementary school (second and third education cycle). Teaching contents of Nature (5th and 6th grade) and Biology (7th and 8th grade) were designed and formatted for research purposes and placed on Moodle platform. The ADDIE model for teaching was used for the curriculum design. Based on the pre-requisite measuring instrument, the students of each classroom were divided into a control and experimental group. The students of the experimental group were instructed to work on Moodle before the research. The experimental group students were in the computer classroom and did not have face to face (f2f) contact with the Biology teacher. The experimental group students had a free access to electronic educational contents from home when and for how long they wanted. The teacher communicated with experimental group students via e-mail, forum and chat. During tuition, the control group students were in the Biology classroom (with the teacher) and worked using modern teaching methods. Preparations for the experimental and control group were the same, with the same educational outcomes as required.

In order to determine whether the experimental group students in this research are more motivated to learn from the control group students, the Science Motivation Questionnaire (Glynn and Kaballa, 2006) was used. SMQ provides an insight into students' motivation for Science learning and contains 30 closed-type particles that are responsive within 5-degree Likert scale. SMQ explores 6 relatively independent dimensions of motivation: intrinsic motivation, extrinsic motivation, personal assessment of the importance of Biology learning, locus of internal control, self-assessment of anxiety and anxiety in checking Biology knowledge. Using the t-test for independent samples, the difference in the size of the respondents in all 6 dimensions was examined. Prior to use, the results in a given dimension were fused using the sum. The analysis was made separately for the 5th, 6th, 7th and 8th grade. Since all variables in all classes show normal distribution, parametric techniques (t-test) were used in the analysis.

RESULTS AND DISCUSSION

The students of the experimental and control groups show relatively uniform values in the assessment of the individual dimensions of motivation. It is noticeable that only the dimension of anxiety and locus of internal control show slightly less arithmetic mean values and relatively high variability in responses. Thus, it can be concluded that the respondents of both groups are unified in their dimensions of motivation estimates. Both groups show greater uncertainty in assessing personal anxiety in determining the success and appropriateness of teaching contents of Nature and Biology, i.e., are significantly more uncertain in estimates of variables that indicate locus of internal control. For all SMQ dimensions, normality was also tested for the students of all groups, and it was concluded that all variables in all classes show normal distribution ($p > 0.05$). To determine the statistically significant difference between subgroups of respondents by groups and grades, and on motivational variables, a t-test was performed. The results of the t-test show that there is no difference between the experimental and control groups in the amount of arithmetic mean of each dimension. All the students, from both the control and experimental groups, were highly motivated to work. The research has shown that 5th and 6th grade students have higher arithmetic environments in the fifth dimension and are estimated to be more successful than their older colleagues and believe they can achieve excellent success from Nature and Biology. The results of the survey show that students are motivated to learn Nature and Biology, but the oldest pupils, in the 8th grade, who should be choosing their future high school, vocational school or gymnasium, were the least motivated.

Since the traditional paradigm of teaching with predominantly frontal teaching is still present in schools of the Republic of Croatia, it is questionable whether such a teaching can be a stimulus for the students' motivation for learning. On the other hand, teaching that prevails in active teaching methods, exploratory learning that derives curiosity, linking contents to everyday life and e-learning, can have a motivational effect and motivate students to learn. High motivation for learners is especially important in Science subjects that students usually regard as difficult. The research conducted shows that active methods of teaching encourage students to learn and they are highly motivated to learn Science. Furthermore, the implementation of ICT in the teaching process increases the students' motivation to learn. The students' motivation is an extremely important factor because motivated students will acquire competences that will enable them to be active and aware citizens, responsible towards themselves, others society and the environment.

The results of the research conducted can serve as implications for the educational policy, designed to strengthen the teachers' competences, in order to implement active working methods in the contemporary teaching environment. Contemporary lessons that use active learning with a particular application of information and communication technology can respond to the complex demands of modern education.

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NATIONALISTIC BACKLASHES ALONG THE BALKAN MIGRANT CORRIDOR

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Abstract

The paper analyses the migrant influx in Europe, which has affected the national politics along the Balkan migrant and refugee corridor and European politics in general. It created a momentum for political actors to present the phenomenon of migration as a threat to national interests and ideals, cultural attitudes, social structures and demography etc. The moral duty to help others in need was replaced by the patriotic calls for defense of the nation-state. The influx of refugees and migrants in the EU has caused strong nationalistic backlashes in the transit and receiving states. The paper examines the reasons why the anti-immigration parties and movements, in general, have stronger presence in post-Soviet countries than in Western member states.

Key words: Balkan, migrants, refugee corridor, nationalistic backlashes.

The migrant influx in Europe has affected the national politics along the Balkan migrant and refugee corridor and European politics in general. It created a momentum for political actors to present the phenomenon of migration as a threat to national interests and ideals, cultural attitudes, social structures and demography etc. The moral duty to help others in need was replaced by the patriotic calls for defense of the nation-state. The influx of refugees and migrants in the EU has caused strong nationalistic backlashes in the transit and receiving states.

According to Charles Kupchan,¹ “Europe has historically embraced more ethnic than civic approaches to nationhood, unlike the United States.”² This is clearly visible during the migrant crisis when leaders of eastern European states like Hungary, Poland, Slovakia, and the Czech Republic have all expressed a strong preference for non-Muslim migrants.³ Slovakia came out with a statement that it will only accept Christian arrivals and that Muslims should not move to Slovakia because they will not easily integrate with the country’s majority Christian population.⁴ This wave of statements was additionally encouraged by Hungary, whose Prime Minister Viktor Orban said that his country did not want to accept Muslim refugees and he did not want to create an impression that Hungary is ready to accept

¹Council on Foreign Relations, Senior Fellow

² Europe’s Migration Crisis. Council on Foreign Relations. Available at:

<https://www.cfr.org/background/europes-migration-crisis> Accessed on 15/6/2018.

³ EU states favour Christian migrants from Middle East. EUObserver, 21/8/2105. Available at:
<https://euobserver.com/justice/129938>. Accessed on 27/03/2018.

⁴ Slovakia to EU: We’ll Take Migrants — If They’re Christians, Foreign Policy, 19/8/2015. Available at:
<https://foreignpolicy.com/2015/08/19/slovakia-to-eu-well-take-migrants-if-theyre-christians/> Accessed on 20/6/2018.

everybody. According to Orban, "the moral, human thing is to make clear: please don't come."⁵ Poland was one more country in a row that encouraged Syrian Christians to apply for asylum because "religious background will have impact on the refugee status applications."⁶ The selection of migrants based on religion as main criteria is an openly discriminatory policy, and a strong indicator of the growing nationalism. The issue about Muslim migrants was one of the key topics for debate at national elections, debating on "how many people should be accepted" and what are the most suitable EU mechanisms for dealing with the crisis.

The 2016 French presidential elections were affected by the migrant crisis, strengthening the position of Marine Le Pen's National Front. Even incumbent French President Macron stood for controlled migration.

The pressure over this issue made changes to German policies, which initially promoted its "welcoming culture" for the migrant policies. In later stages, in order to avoid the breakup of government "due to immigration fight" with her coalition partner, Chancellor Angela Merkel reached a compromise on immigration policy with Christian Social Union (CSU). The deal proposed new screening at the Germany-Austria border to "prevent asylum seekers whose asylum procedures are the responsibility of other EU countries from entering the country." A network of "transit centers" would serve as processing points from which ineligible migrants would then be sent back to relevant countries, but only if those countries consent. If those countries do not agree, Germany's rejected migrants would be sent to Austria, "on the basis of an agreement."⁷ Certainly, this "deal" had to do much more with political maneuvering and crisis public relations than substance. Germany's so called "open door policy" maintained cautious support at the last elections in 2017, although heavily damaged on its right flank. Chancellor Angela Merkel at her first speech at the beginning of the latest term to Parliament said that "there is no question that Germany is historically Christian and Jewish. It is also true that Islam has in the meanwhile become part of Germany" and she acknowledged that some Germans find that hard to accept.⁸

Even the latest 2018 Italian election campaign was based on allegations regarding the immigrant influx. The former Prime Minister Silvio Berlusconi claimed that there are 600 000 illegal migrants living in Italy which are a "social time bomb"⁹ promising mass deportations. Issues of race and violence took centre-stage in the election campaign. The party winning plurality majority at the elections, the Five Star Movement mounted heavy criticism "to

⁵ Amid refugee crisis, Hungary prime minister says Muslims not welcome, AlJazeera America, 3/9/2015. Available at: <http://america.aljazeera.com/articles/2015/9/3/hungary-prime-minister-says-muslims-not-welcome-amid-refugee-crisis/Moreover.tml> Accessed on 20/5/2018.

⁶ Poland favors Christian refugees from Syria, Financial Times. Available at: <https://www.ft.com/content/6edfdd30-472a-11e5-b3b2-1672f710807b#axzz3ktymsz8n> Accessed on 20/5/2018.

⁷ Germany's Angela Merkel prevents the breakup of her government with immigration deal, The Washington Post, 2/8/2018. Available at: https://www.washingtonpost.com/world/europe/germanys-angela-merkel-may-have-won-fight-over-migration-but-her-coalition-is-in-doubt/2018/07/02/d4e02b60-7da2-11e8-a63f-7b5d2aba7ac5_story.html?noredirect=on&utm_term=.757ce4af7a98 Accessed on 20/5/2018.

⁸ Merkel insists Islam is part of Germany in the first speech of her new term, Quartz, 21/3/2018. Available at: <https://qz.com/1234662/angela-merkel-says-islam-is-part-of-germany-in-her-first-major-speech-of-her-new-term/> Accessed on 28/03/2018.

⁹ Silvio Berlusconi says illegal migrants are 'social time bomb', as race dominates Italian election campaign. The TELEGRAPH. 5/2/2018. Available at: <https://www.telegraph.co.uk/news/2018/02/05/silvio-berlusconi-says-illegal-migrants-social-time-bomb-race/> Accessed on 20/6/2018.

Brussels” for the way it dealt with the migrant crisis, promising to roll back liberal policies and “take back control” over the migration movements through its land and seas.

Generally, the migrant crisis has created numerous divisions along Europe. It affected internal divisions in the European states and activated populist parties. After the ‘empty chair’ crisis in 1965 and the Euro crisis in 2009, the issue of refugee influx has created the deepest divisions between the EU Member States. The political leaders aimed to preserve the “core European values”, disagreeing on the hierarchy of values in need of protection and the methodology how to proceed, even if something is vaguely agreed.

Externally, it aggregated two groups of countries in the European politics. The first group decided to accept migrants and adopted quota for refugee intake and the second group rejected migrants on all the possible ways, empowering anti-immigrant and anti-establishment politics. These politics were fueled by the economic and debt crisis in Europe that started in 2008 and were followed with austerity programs in the Eurozone under the German plan. These economic policies were proclaimed as opposing the national interests and serving to the governing elites. The populists used almost the same rhetoric when they strongly criticized the way Brussels managed the migration influx.

Anti-immigration parties and movements in general have stronger presence in post-communist countries than in Western member states of the EU. There is a different historical experience with immigration in these two regions, since after World War II, Western European countries took in large numbers of non-Christian migrants from multiethnic backgrounds, particularly from former colonies. France, for example, saw an influx of Algerians fleeing the civil war from 1954 to 1962. In Britain, immigrants arrived from the Indian subcontinent and the Caribbean. In general, from the 1960s onward, the majority migrants to Western Europe came from outside the Continent, including people arriving as guest workers.¹⁰

Post-communist countries, on the other hand, historically have had fewer migrants of diverse ethnicities, religions and cultures. And since the collapse of the Berlin Wall, there have been no large waves of non-European migrants to Eastern Europe.¹¹ This circumstances affected the population of Eastern Europe to have less contacts with people from different ethnic, linguistic, religious and cultural backgrounds, making populist parties sound “relevant” when presenting migrants as a serious threat for the counties and its nations. What none of these populists can answer is how their societies will maintain the demographic power for their needed economic and societal development, in the context of their rapidly aging populations and galloping brain-drain towards the West.

The second reason anti-immigration parties have a stronger presence in post-communist Europe is that those parties typically reject liberal social values that are more prevalent in Western member states and instead support Christian-based values.¹² The re-emergence of these values in politics are related to the fall of the communist ideology, a sacred victory for these newly re-established democracies. It replaced the atheism and became strong part of the national identity of the population living in Eastern Europe. Religion is one more reason why the populist rhetoric was more successfully accepted on the East and the threat of Islam

¹⁰ In Europe, as Migration Falls, Nationalism Rises, Geopolitical Futures, 17/5/2018. Available at: <https://geopoliticalfutures.com/europe-migration-falls-nationalism-rises/> Accessed on 25/09/2018.

¹¹ Ibid.

¹² Ibid.

spread by the Muslim migrants was considered as a danger for the national identity. The Western states have different historical background and tend to be more secular, so that's why populist parties gained more success in Eastern than in Western Europe.

As Ivan Krastev¹³ says, just three decades ago "solidarity" was the symbol of Eastern Europe. Today it suffers from disappointment, distrust, demography and democracy. He points out that "faced with an influx of migrants and haunted by economic insecurity, many Eastern Europeans feel betrayed by their hope that joining the European Union would mean the beginning of prosperity and an end to crisis, while many government leaders fear that the only way to regain political support is by showing that you care for your own, and not a whit for the aliens." So, at the core of moral panic provoked by influx of migrants lies fear of Islam, terrorism, rising criminality and a general anxiety over the unfamiliar. In addition to this, as Krastev points out, the demographic panic is one of the least discussed factors shaping Eastern Europeans' behavior because the alarm of "ethnic disappearance" could be felt in many of the small nations of Eastern Europe.

To paraphrase Krastev, while the issue of large influx of people politically divided Western European societies, the very same issue united Central and Eastern European societies against the prospects of these people coming to their countries. Whereas one in seven Germans found a way to volunteer or assist the people coming in their country, many of the latter group of countries saw volunteers for the exact opposite.¹⁴

But the pressure over the migrant issue is present today even in Germany, which promoted 'welcoming culture' for the migrant policies. Germany recently has imposed certain restrictions on the migrant regulation. In order to avoid the breakup of government due to immigration fight with her coalition partner, Chancellor Angela Merkel reached a compromise on immigration policy with Christian Social Union (CSU).

The deal proposes new screening at the Germany-Austria border to "prevent asylum seekers whose asylum procedures are the responsibility of other E.U. countries from entering the country." A network of "transit centers" will serve as processing points from which ineligible migrants would then be sent back to relevant countries, but only if those countries consent. If those countries do not agree, Germany's rejected migrants would be sent to Austria, "on the basis of an agreement¹⁵."

The effects of the nationalistic backlashes were visible at some points of the Balkan migrant and refugee corridor during the migrant crisis. Most of the main restrictions of migrant movement on the Balkan route were due to political decisions. Migration and asylum regulations stratify rights based on racialised constructions of citizenship, which in interaction

¹³ Eastern Europe's Compassion Deficit by Ivan Krastev, The New York Times, 8/9/2015, Available at: <https://www.nytimes.com/2015/09/09/opinion/eastern-europes-compassion-deficit-refugees-migrants.html> Accessed on 27/03/2018.

¹⁴ Refugee crisis: 'Not the same values in East and West', Ivan Krastev, Deutsche Welle, 8/3/2016. Available at: <https://www.dw.com/en/refugee-crisis-not-the-same-values-in-east-and-west/a-19102868> Accessed on 29/03/2018.

¹⁵ https://www.washingtonpost.com/world/europe/germanys-angela-merkel-may-have-won-fight-over-migration-but-her-coalition-is-in-doubt/2018/07/02/d4e02b60-7da2-11e8-a63f-7b5d2aba7ac5_story.html?noredirect=on&utm_term=.757ce4af7a98

with socio-economic hierarchies, stipulate or deny rights to entry, transit, or stay.¹⁶ Within Europe, there are several legal mechanisms that regulate the movement of people: The Schengen Agreement, the Dublin Convention, the EU's Visa Regulation, and corresponding carrier sanctions. Although at some points these legal acts are overlapping, they reinforce and multiply the external borders of the European Union. Their regulative function very often affects individuals entering Schengen zone to make it impossible to meet unfulfillable visa requirements¹⁷. Therefore, many people that are not citizens of Europe are forced to travel across borders of the old continent upon illegal routes, which are unsafe and often their trips result with violent border rejection. The migration influx in 2015 and 2016 along the Balkan route has changed and destabilized the border controls, leading to partial suspension of restrictive legal mechanisms. On the other hand, after September 2015, a number of Schengen zone countries chose to reintroduce temporary controls at the internal borders. According to the European Commission, the reintroduction of internal borders controls from Schengen zone States was a unilateral action, which was in line with the legislation.

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THE POLITICAL SCIENCE IN THE REPUBLIC OF MACEDONIA: CHALLENGES AND PERSPECTIVES

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Abstract

The countries of Southeast Europe, following the collapse of the Berlin Wall, have faced radical socio-political changes. The political system based on power-sharing, human rights, individualism, freedom of speech, market economy were new concepts for the citizens in these countries. Direct political speeches, demonstrations, pamphlets, free interviews, analytical articles and free communication between the government and the citizens were something new in the political setting. Apart from living these political changes, the Republic of Macedonia, at the same time, separated from the Yugoslav Federation and gained the status of an independent state. In this manner it is important to be said that in that time the social - humanistic science was fully focused on social transition that was taking place. In these circumstances, in 1993/1994, the first political studies at the Faculty of Law at the University "Cyril and Methodius" were formed. This university is the largest and the oldest in the Republic of Macedonia.

Since the establishment of the political science studies in the Republic of Macedonia, they were expected to give meaningful and practical implications and contribute to socially critical thinking and social reforms. There was an urgent need for improved understanding of certain social events. This urgency was reflected in the theoretical frame of certain social and political phenomena and their empirical monitoring. The main topics that become dominant on the classes were the basic ethical, political and economic pillars on which capitalism and Western democracy relies. At the same time dramatically rejection of certain theories that were previously dominant over the years happened and this can be seen after the analysis of the curricula of these studies.

The main aim of this research is to prove that the science in transition societies of the Southeastern Europe, including in the Republic of Macedonia was reflected by the development of the political environment in the society. This reflection is evident in the pronounced influence of the theory on account of empiricism, limited resources for empirical research, great and non-critical favoritism of Western theoretical thought, especially in the part of public politics.

Key words: Transitional societies, Political science, Institutionalization.

1. Introduction

All transition processes have something in common: they begin with the breakdown of an authoritarian regime, which is often equated with the first signs of mass mobilization for the end to finish creating a new system of governance who obtains legitimacy through democratic

elections. From here many logical are the views of scientific community that any transition process should have a beginning and an end, but in the case of countries in the region, its fluidity, especially delineation phase, makes it particularly difficult.

However, completion of the elections and formation of new government in any a society that passes from the authoritarianism in a system with democratic values is not the end of the transition period. Change of the regime, however, involves changes in many other levels of the political system, especially in the processes of decision-making at central, regional and local level.¹

In that manner it is important to be stressed out that in the early 1990s new position and role of the science and education happened in the countries of Southeast Europe. They changed their socio-political system and entered a process of transition. Namely, there was a need for more effective and pragmatic science, free from ideological and political influences. This tendency was particularly visible in the social sciences.

This kind of positioning of the science was in direct correlation with the needs of the democratic and economic development. That is because the goals of the development are not only economic but also social and cultural.²³

2. Foundation of the political studies/political science in the Republic of Macedonia

The foundation of political sciences in the Republic of Macedonia begin with the opening of the faculty for political science within the Faculty of Law "Justinianus Primus" in Skopje in the distant 1993. Since then, many things have changed in terms of the structure of the curriculum and the number of students. After the opening of this Faculty of Political Science, three other political science faculties in Macedonia were opened: at the South East European University in Tetovo (Faculty for Public Administration and Political Science), American College - Skopje (Faculty of Political Science) and at the European University in Skopje (political science department within the Faculty of Law).

As a case study for this research the political studies from the Faculty of Law at UKIM will be subject of analysis, because those were the first open and later the other universities undertook the same tradition and curricula.

2.2. Development of the political science through the development of the curriculum

¹ Zoran Filipovski, "Transition Process In Southeast Europe And The Protection Of The Corpus Of Basic Rights And Freedoms" International Refereed Scientific Journal Vision, Volume 2, Issue 1, March 2017, pp.23-30, http://visionjournal.edu.mk/wp-content/uploads/2017/07/irsjv_v2i1_zoran.pdf visited on 22.03.2018

² According to the expertise of a group of scientists (from different countries and scientific areas) engaged by the United Nations, the goals of development are not only economic but also cultural and social. According to them, the cultural development includes: science and technology, education, communications and other cultural activities (TV and radio, theater, cinematography, libraries, publishing). The new classification of natural and mathematical sciences, technical and technology, medical, biological, social and humanistic points to the directions of development, in particular the development pathways. Milorad D. Zakić, Methodology of Scientific Research and Development, Faculty of Law, Banja Luka 2000 p. 18.

The constitution of the Republic of Macedonia in an independent country and the transition of the Macedonian society into a new social order inevitably implied the need for the introduction of the political studies as a new type of studies.⁴

Prof. dr Savo Klimovski the founder and first Head of the political studies department in the monography titled ``Historical development-Law faculty Justinanus Primus 1962-2005``, wrote: ``The development of the political studies was further stimulated by the need for the Macedonian political system to begin with a deeper analysis of the categories and values from the field of the democracy, civil society, liberalism, political parties and other issues and categories that were then introduced as new values in the content of our system.``⁵ The Faculty of Law saw this need and engage in active promotion of the scientific disciplines through which the Macedonian higher education system became active in the production of new highly educated professionals. Those professionals use their expertise and analytics and actively fit into the development of the democratic processes of the state following the example of the “old“ democracies.⁶ Further more prof. Klimovski explains that that in the process of the foundation of the political studies they followed the examples and experience of the western universities but also the experience from the universities for political studies from Zagreb, Sofia, Ljubljana and Belgrade.

The fact that the political studies are within the Faculty of Law means that these studies are developed in the spirit and tradition of the legal studies, both in terms of human resources and content. Professors, assistant professors and assistants from the Faculty of Law are engaged in these studies. In the continuous process of modernizing the curricula, the European and world trends in the field of political science are taken into account. From the establishing of the political studies in the academic year 1993/94 the curricula has been changed four times but if we look better we can conclude that significant changes on the curricula have been made only once. Namely, the first curricula was established in 1993/94⁷ that can be seen in the table below.

Table 1. Curricula for political studies 1993/94⁸

I Year	II Year	III Year	IV Year
Political Theories I	Political Theories II	Political Parties and Interested Groups	Contemporary Political Systems
Introduction in the Law	Political Sociology	International Law	International Political Relations

⁴ Savo Klimovski, Development of the political studies curricula (1993-2005), ``Historical development-Law faculty Justinanus Primus 1962-2005, book II, Law Faculty Skopje, 2011:42.

⁵ Ibid.

⁶ Ibid.

⁷ The curriculum for political studies that was adopted included courses for four-years studies giving the students a slight focus in three narrower areas : political system, public opinion and mass communications and international political relations. This curriculum was composed of 22 compulsory and 3 elective courses.

⁸ Curricula for political studies 1993/94, Development of the political studies curricula (1993-2005), ``Historical development-Law faculty Justinanus Primus 1962-2005, book II, Law Faculty Skopje, 2011:44.

Economics	Foundations of the Constitutional Law	Public Governance	Social Physiology
Foundations of the Political Science	Contemporary History and Macedonian History	Contemporary Economic Systems	International Organization and Integrations
Methodology for Political Science	Political System	Public Opinion and Mass Communication	Political Philosophy
Foreign Language I	Foreign Language II		
Defense and Protection			
Sports			

Since 2005 the political studies from the Law Faculty "Justinianus Primus" implemented the European Credit Transfer System. This system was introduced on European level in 1989 based on the principles from the Bologna Declaration. Until 2005 the duration of the political studies was four years studies or eight semesters. The implementation of the ECTS system meant a radical change in the duration of the studies (today they last three years and the master studies last two years). It also meant different curriculum, changes in the teaching methods and on the ways for checking the knowledge and the assessment. Particularly important are the changes that occurred with the ECTS system regarding the examination of the knowledge and the assessment and today they are consisted of electronic exams, essay writings and interactive teaching.

Table 2. Curricula for political studies 2005/06

I Semester	Politology	Political Theories	Contemporary European and Macedonian History	Foreign Language
II Semester	Constitutionalism	Law Theory	Political Economy	Informatics
III Semester	Political System	Public Opinion and Mass Communications	Contemporary political Theories	Political Sociology
IV Semester	Political Parties and Interest Groups	Contemporary Political Systems	Public Administration	Civil Society
V Semester	History of Diplomacy	International Law	Theories for piece and	Social Psychology

VI Semester	Contemporary Economic Theories	International Political Relations	conflicts Political Philosophy Economic Policy	Local Government
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If we analyze the curricula from 2005/06 we can notice that there is difference in comparison with the curricula from 1993/94 in the number of the subjects and schedule of the subjects that are taught in each semester. The changes were made because of the adaptation of the curricula in the ECTS System and the new division of credits for each subject. If we see better we can notice that two subjects that were in the previous curricula from 1993/94 and those are Defense and Protection and the second one is Sports that were if we may say receditivs from same older times and system were fully ejected from the new curricula.

From the aspect of lectures regarding the political analytics and the need for developing the skills of writing, researching and collecting data on these studies are continually included experts from practice: political analysts, newspaper editors, etc. Also efforts are being made by the current head of the department for political studies to conclude agreements with the relevant institutions in order to engage students as volunteers.

2.1 Students

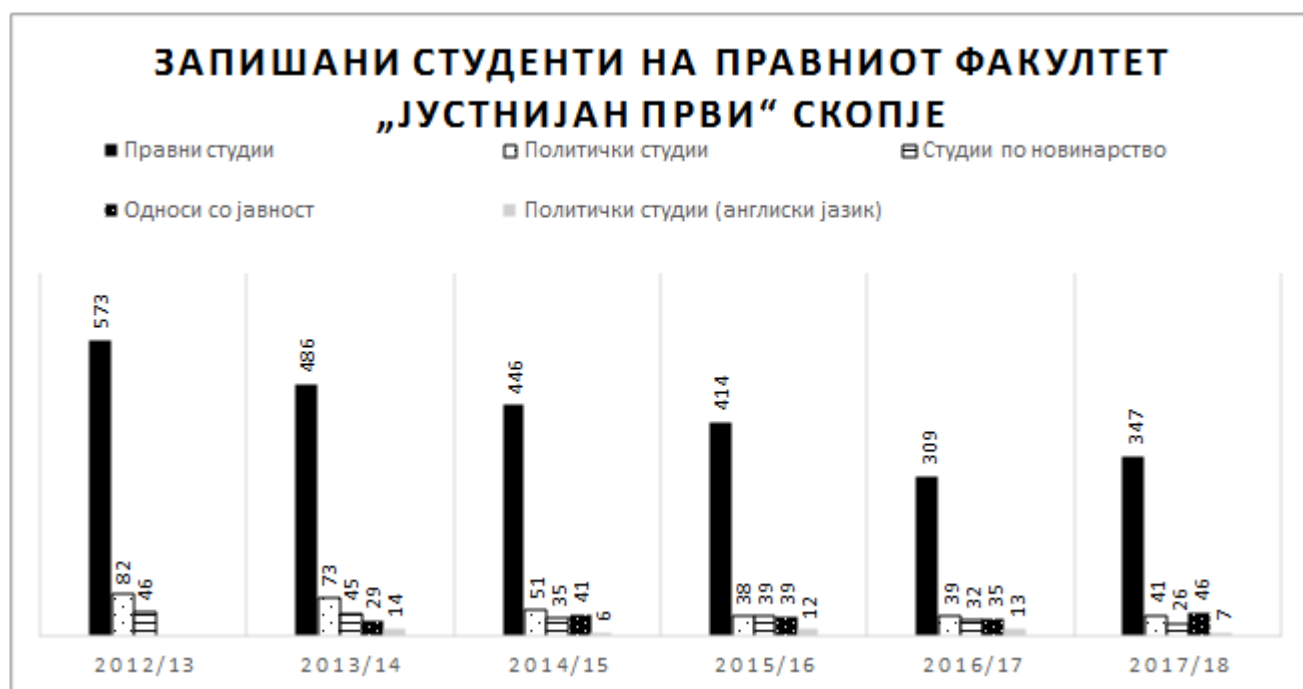
Over 25 years of existence on these studies more than 2770 students have been enrolled. It is interesting to mention that 50 students from the first year of their establishment graduated after four years of studies. Many former students from these studies today are renowned politicians and political analysts in the Republic of Macedonia. One of the founders of the political studies department is the current Presedent of Republic of Macedonia prof.Gjorgi Ivanov.

The internal statistics show that some of the students that are enrolled at the political studies deal with political analytics while studying. At institutional level, efforts are being made engagement for students in foreign countries to be provided with international cooperation. The students with high grades have an opportunity to receive scholarships from the Ministry of Education and Science to continue the process of their education in foreign countries.

When asked to comment the job opportunities for the graduated students from political studies the dean of the political studies department prof.d-r Zivko Andreevski from European Faculty in Skopje said: ``-And as a fact and as an encouragement I can say that list of jobs is quite large. The graduated students can work as analysts of political processes specialized institutions, or they can establish agencies and institutes for themselves. In this manner, they can also organize public relations for political subjects, political parties and groups. There are also job opportunities in the state institutions, in the government services, in the ministries, departments and agencies, as well as in bodies of the judiciary, such as the Constitutional Court``. He underlines that a large part of this graduated students could recognize their chance for work in the diplomacy within the Macedonian institutions in the country and

abroad, such as embassies, consulates, but also as representatives in international regional organizations, external representative offices operating in the Republic of Macedonia and representations of international organizations of different types. This refers to the OSCE, NATO, the European Union, the United Nations, etc. A great sphere of job opportunities, adds Dean Andreevski, is open in the field of communications and media for example for analysts of the media system with opportunities to work as editors, journalists, image creators and on popularization for various institutions. Graduated students can find their opportunities in the commercial sphere and in the political areas from the state and the civil sector, but also from areas such as popularization of culture, education, health, and the like.

Although there are many job opportunities for the students from the political studies still it is evident that in the past years the interest for studying at these studies is decreasing. It can be seen from the picture below that in the academic year 2012/13 at the political studies department were enrolled 82 students. In the academic year 2013/14 the number of students enrolled was 73. It must be pointed out that at the same time another academic program at the political studies department was opened, here students have lecturers on English language. At 2013/14 academic year 14 students were enrolled on this program. From the picture below can be seen that there is decreasing interest for the political studies in the academic year 2014/15 when 51 students were enrolled on the political studies on Macedonian language and 6 students on the English language program. Unfortunately the same trend can be seen in the other academic years: 2015/16 (38 students were enrolled on Macedonian language program and 12 students on English language program); 2016/17 (39 students were enrolled on Macedonian language program and 13 students on English language program); and 2017/18 (41 students were enrolled on Macedonian language program and 7 students on English language program);



2.3. Postgraduate studies

The Faculty of Law also organizes postgraduate and doctoral studies in the field of the political science. In 2017 for the first time joint degree in Doctoral studies in fields of Communology and Political Sciences was organized.

In 2005, the ECTS criteria applied in the postgraduate studies. Today there are two modules of postgraduate studies: International relations, European integrations and diplomacy and Public policies and political system.

In their 25 years period of existence numerous students were enrolled on the postgraduate studies at the department for political studies at the Law Faculty ``Iustinianus Primus``. The number of students that obtained master degree is decreasing in the past years followed up by the decreased number of students enrolled at the undergraduate political studies. The same is with the number of students that obtained PhD diploma in the field of political science.

3. Periodization of the political science in the Republic of Macedonia according to the methodology of the scientific papers

In the effort to establish the path of the institutionalization of the political science in the Republic of Macedonia two methods can be used. One is comparison of the curricula over the years and the other is with analyses of the papers written by the academic staff and scientist engaged in the field of the political science.

Namely, the methodology used in the research is very important and is also defined by the nature of the subject of the research. Thus, for example, the possibility of quantitative research (measurements, experiment, calculations) is much greater in the natural sciences, hence the high degree of reliability and different valuation of the knowledge of the natural sciences. Regarding the social sciences today, we may say that there is empirical orientation and that is confirmed by the increasing number of quantitative research and with the more frequent consulting of the scientific results in practice.

It is emphasized that the empiricism also shows the development of the social sciences. For the development of social sciences in the 20th century,⁹ two interconnected tendencies are characteristic: the increasing role of the empirical orientation, which leads to an increase in the number of quantitative and topical research and a growing specialization, which is expressed to the stratification of science and the separation in sub-disciplines.¹⁰¹¹ The development of the sophisticated methods of research and checking enable the elimination of subjectivism in the attitudes of the society and enable them to turn from one intellectual-philosophical conception of social trends into scientific and quality knowledge that can be checked. The sophistication of the methods and their adaptability to particular subject determines the quality of the science so in that manner we may say that the more expensive the methodology is the more successful the science will be.

⁹ The Social science has developed its own methodology, especially in the last 200 years, when it is possible to talk about the science of the society, and not for philosophy. In this direction, with the development of the empirical techniques in the United States (in the 50s and 60s of the 20th century), the pursuit of excellence is more pronounced, which also affects the strategic orientation in science.

¹⁰ Antonija Kloskovska, Sociologija kulture, Cigoja stampa, Beograd 2001, pp. 7

It should be noted that the position of the science in countries is directly correlated with their economic development. A series of empirical indicators confirm this correlation, for example: the number of researchers is rapidly increasing, the amount of money planned for funding scientific activities, the number of scientific institutions, etc. The largest number of researchers per capita has Japan. In the last decade of this century, the percentage of income allocation for scientific and research work from the gross national product ranges from 3% of GDP in developed countries and less than 1% in underdeveloped countries.

If as a criteria for the success of the science in one country is the amount of budget funds that is invested in its development then there is need for short comment on the facts in Macedonia. Namely, the amount of money devoted on science and research in Macedonia in 2018 was for 30 percent lower than it was in 2017. Slovenia is the leader in the region with 2.2 percent of the gross domestic product devoted on science and research. Republic of Macedonia set a modest 0.2 percent. Serbia, Croatia and Bulgaria stand at between 0.7 and 0.8 percent of the gross domestic product devoted on science and research.¹² When asked to answer how the Macedonian science will survive this situation prof. Dimitrov, former dean of the Technological Faculty in Skopje answer: `` Scientists face big problems when there is not enough money. This decision will be detrimental to young scientists who have yet to build a career. To apply for a major project abroad, to offer some great research, you need a good background. All funds applications require each scientist to offer what he has done in the past. What will the youth offer when there is no money for research at home?``.¹³

If we take the methodology used in research in the academic papers from the field of the political science as a criteria for periodization of the development of political science in the Republic of Macedonia, we can generally distinguish three periods of development of the political science in the Republic of Macedonia.

1. The first period is the beginning of the 90's when in the academic papers from this field we can find argumentations for the concepts of democracy and division of power.
2. The second period begins with the emergence of the Internet and the increasing mobility of the academic staff (scientists, professors, students in the west). We can say that this period is defined with empirical tendency in the political science.
3. The third period is a period when the socio-economic level of the development and globalization initiates the need for exact and applicative knowledge of the social economic and political trends, psycho-social phenomena, for which there is awareness in the scientific field, but we do not have enough investment, conditions and competitiveness for that. As a result of this development, today we have the most creative phase of scientific engineering, which means putting emphasis on the experiential data, possibilities for checking the hypothesis, usage of statistical surveys, measurements, experiments, surveys, etc.

¹² http://www.fakulteti.mk/news/17-11-23/reakcija_na_profesori_budzhetot_za_nauka_za_2018_e_poguben_za_mladite_nauchnici.aspx, visited on 05.04.2018.

¹³ Ibid.

4. Interview with the Head of the Department of the political science prof. Nenad Markovic, PhD.

Professor Nenad Markovic is Associate professor at the political studies department at the Law Faculty in Skopje ``Iustinianus Primus``.

1. How will you comment the development of political science in comparison with the development of the curricula?

I think that the development of political science in the Republic of Macedonia is rather modest. The first reason for this is that the number of scientists working in the field is very small. This means that they can not work on the many research fields that there are in the political science. The second, is the quality of the academic staff. I consider that there is a huge space for improvement, not so much in the field of normative politics, as in relation with the methodology of political science, where the existing of the academic staff is more than modest. The third reason is not having a separate Faculty of Political Science that would serve as a focal point around which all the political scientists would gravitate. Finally, many disciplines of political science (security, international relations, etc.) are located at other faculties and scientific institutions and not in one academic point in which they would develop. On the other side, I think that the curriculum was always at the dissent level. However, the last change introduced several years ago, stemming from the Higher Education Law, formatted too big and too much heterogeneous curriculum, which I think is almost dysfunctional. I find also that the curriculum lack from methodology and applied political science and on the other hand there is there is too much theory.

2. According to your opinion what kind of impact does the political science have in the Macedonian society?

Unfortunately not too big. If the direct participation of certain political scientists in various jurisdictions is taken away, science is ignored "by necessity". Also, "by need" is used when it is politically correct. At the level of the scientists working at the field, the impact should be much more influential.

3. According to your opinion what is more common in the political science in the Republic of Macedonia the research or the theory? Do you have the knowledge who finances the research in the political science in Macedonia?

There is a research in the political science but I must say that is on behalf on the individual efforts of certain political scientists. There is no systemic investment in scientific funds by the Universities or the Government. And if there is research , the funds are too modest to carry out serious and comprehensive research. Funds can still be found through the FP7 or H2020 program of the European Commission, the German foundations, the Swiss funds through the SCD or the RRPP program, the US funds through US AID, etc.

4. According your opinion where was the political science at the beginning of the 90`s, and where is today?

Today, the political science in the Republic of Macedonia is far more development. At the beginning of the 90's the political science was in the nascent and part of the legal science. Today, the political science is a separate science with a certain weight. There are also more political scientists who are devoted exclusively to the political science. This certainly improves the position of the political science. In relation with the research today more articles are published from the field of political science but still there are many things to be improved.

5. According to you, why the interest among young people for political science is declining?

According to me there is not downplay of the interest. The number of young people decreases as a consequence of depopulation and the spread of competition among higher education institutions. However, there may be a slight decrease in the number of students because it is very difficult to find a job after graduating on political science. But this is a problem with all social sciences not just with the political science.

Conclusion

The foundation of the political science in the Republic of Macedonia was established in the beginning of the 1990's as a necessity of the transition process and the urgent need for improved understanding of certain social events. This urgency was reflected in the theoretical frame of certain social and political phenomena and their empirical monitoring. The main topics that become dominant on the classes were the basic ethical, political and economic pillars on which capitalism and Western democracy relies. At the same time dramatically rejection of certain theories that were previously dominant over the years happened and this can be seen after the analysis of the curricula of these studies. After the establishment the political science was continuously developed. That is why when making analyze of the methodology used in the academic papers we can distinguish three periods of development of the political science in the Republic of Macedonia. Unfortunately the main characteristic of the development of the political science is lack of funds for research and science devoted from the University and the Government. Still and despite that fact as we saw in the interview with prof. Markovic there are enthusiastic scientists that manage to find funds from foreign supporters and manage to maintain the evolution of the science on satisfactory level. The situation cannot be left on this level. If we want to establish qualitative political science final support from the Government is inevitable. The recommendations from this research are in that direction: The Government to find way to finance the research in the field of political science so that the political science can become competitive and can follow the development of world's political sciences.

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THE SEMIOTICS OF GAME IN OLGA SLAVNIKOVA'S *LIGHT HEAD*

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Abstract

Records of games were found dating back to Antiquity. Over the centuries games were a way of social interaction. From children to the elders, from the poor to the upper class of society games had a vital role in the development of human relations.

Contemporary society it is known to be under the sign of the “superfluous”, an idea well argued by Jean Baudrillard. The hyperreality to which we are exposed is closely linked to the creation of virtual reality. A relatively new concept, virtual reality gained territory especially due to computer games, becoming an aspect of our daily life.

The novel *Light Head* deals with one of the fears society has been having over the past decades: are we in danger of “losing our reality”? Does virtual reality really can take over our lives?

What is the purpose of a computer game and which is the motive behind the computer game in Slavnikova's novel? Are computer games just a way of entertainment or behind them lies a deeper significance? These are part of the questions to which we intend to answer in our paper.

Introduction

Playing games is an activity that characterizes cultures all over the world. Thousands of years ago people used to gather and play games whether as a leisure activity or as a means of establishing social ties. Although the form and the means of games have evolved over the centuries, nothing much has changed in its basic function: that is to develop a range of skills that will help human being to survive.

As Celia Pearce And Artemesia argues in her book, *Communities of play*, games were predominantly meant to be played by at least two players and only after the technological development and the creation of computer based games, single player games began to be more popular.¹

We have records of games dating thousands of years before Christ. The Egyptian, the Mesopotamians, the Romans, the Greek, the Chinese are just some of the cultures that had a high regard for board games and their interest in this activity perpetrated to the present days. However, from board games with a limited number of players, the world has grown to play computer games with an unlimited number of players.

The creation of the computer in the 20th century changed the way people relate to games and the way they perceive them. In almost half a century games became from restricted (in terms of players, of space, of tables and pawns) to unlimited. Computer games unlocked a new era in the history of playing games.

We find it important to distinguish in this paper between board games and games that suppose a physical movement and the existence of a team. If we look back in history not only that we find records of games that usually need two players (e.g. senet in Ancient Egypt,

¹ Celia Pearce and Artemesia, *Communities of Play. Emergent Cultures in Multiplayer Games and Virtual Worlds* (Cambridge, MA: MIT Press, 2009), 8.

Chinese go, Viking hnefatafl), but we also have records of games that play in the field and which are tightly connected to some sort of ritual or dedicated to a certain god. One example for the latter game type would be the Mesoamerican ballgame which held a deeply religious significance.

Were we to trace the history of what playing means and of games we will find that over the millennia, board games, team/sports games or computer games are an omnipresent social practice regardless of ethnicity, religion, skin colour, sexual preference, language etc.

The practice of games has been investigated from multiple perspectives such as anthropological, psychological, philosophical, of language acquisition, historical, religious and many others. All this attention given to what at first sight seems an easy and maybe superficial pastime, does nothing but to show its importance and the need to be even more explored.

Although a large part of society still considers games as “a waste of time”, there is a large part concerned about how they truly influence the individual and how they shape society. Many theoreticians try to give games in general and, lately, video and computer games, in particular, their deserved place. Rachel Wagner even affirms that “video games, especially those with religious content, create something similar to sacred space.”² In her paper, the author argues that just like rituals, virtual games offer us an opportunity to reach eternity.

The history of video games (and of computer games) is less than a century old. Nonetheless, this practice is so widespread and it shaped our society in such a way that researchers have still plenty of aspects to analyse.

Further on we will discuss the place of the computer game in Olga Slavnikova’s novel, *Light Head*³. In this book, the Russian author reinterprets in her own unique way an old theme that has been explored over the centuries and that still makes the ground research for different fields of study: freedom. We are going to investigate in our paper the way computer games and the concept of freedom are connected in the above-mentioned book.

The Virtual Reality of Games in *Light Head*

Light head (2010) tells the story of Maksim T. Yermakov, a manager of a chocolate factory who, one day, discovers to be the main character of a computer game and that in order to save his family and the Moscow citizens he must kill himself. All across the novel he is being followed by governmental representatives whose only task is to convince him to take this step.

In order to better understand the dynamics of game in the novel, we need to clarify the meaning of it. The first entry for the word “game” in *The Oxford English Dictionary* defines it as “an activity that one engages in for amusement or fun”.⁴ Therefore, playing a game has, at first sight, a single purpose that is of entertaining. In Slavnikova’s novel we deal with two types of games: the computer game in which Yermakov “stars” as the main character and the game the state representatives play with him. Between the first type of game and the concept of virtual reality there is a tight connection.

² Rachel Wagner, “This Is Not a Game: Violent, Video Games, Sacred Space, and Ritual”, *Iowa Journal of Cultural Studies*, Volume 15, Issue 1, (2014), 12.

³ *Лёгкая голова* (in Russian, in original).

⁴ The Oxford Living Dictionaries, s.v. “game”, <https://en.oxforddictionaries.com/definition/game> (10.09.2019).

Virtual Reality (VR) defined as an “interactive, immersive experience generated by a computer”⁵ is used in the novel as a means of manipulation through which Yermakov is “guided” to do as the states wants him to.

Marie-Laure Ryan makes a solid parallel between texts and virtual reality environments in terms of immersion.⁶ Just as in games the player plays by a set of pre-established rules, when reading a text, the reader follows the directions of the narrator. The same thing happens to players when they play a game. VR offers the player an immersion in the world of the game. In *Light Head*, the eponymous game intrudes in Yermakov’s life and makes others intrude in his life. It escalates to such a point that there is, actually, no distinction between the computer game character and Yermakov himself. Yermakov is with all his body and self into the game.

When his coworker, Little Lucy, shows him the game, Yermakov is confused although he tries to still seem undisturbed and even to joke about it. What impresses him is the astonishing graphic of the game. Referring to narratives, Marie-Laure Ryan states that

For a text to be immersive, then, it must create a space to which the reader, spectator, or user can relate, and it must populate this space with individuated objects. [...] This fundamentally mimetic concept of immersion remains faithful to the VR experience, since the purpose of VR technology is to connect the user to a simulated reality.⁷

Light Head – the game – reproduces reality so faithfully that even the main character is left wordless. His house, his apartment, his clothes and himself are replicated in such detail that is difficult to distinguish between the original and the computer generated world. By playing the game, the users intrude in Yermakov’s world and life not even once thinking that they do not have the right to. By playing the game they imagine they are, to some extent, guardians of their world and their society.

Maksim T. Yermakov can access the game in two ways: by logging in as any user and, obviously, being the leading character of the game. In the second way he is playing the game without knowing or wanting to do it. It is widely known that every user before starting to play a game is supposed to create or to pick an avatar. This avatar will represent the player in the encounter with Non-Player Characters (NPCs) or with characters controlled by a human being, rather than a computer. The avatar can either be a life-like description of the person behind it, or it can be the opposite. By entering a PC game you can be whoever you want, you can reinvent yourself, you can tell lies without hurting anyone.

About the relation between players and their game representation as players, Marie-Laure Ryan writes:

Some critics view the virtual bodies of cyberspace [...] as the liberating expression of culturally repressed desires; others insist that we have only one body, located in the real world, and that all this play with virtual bodies and virtual personae does not alter the fact that the only body that really matters is the material body; Halfway in between are those who maintain that the self is multiple and that digital identities actualize its potential, but that all these identities are ultimately supported, held together, or “warranted”.⁸

⁵ Pimentel and Teixeira, 1993 quoted in Marie-Laure Ryan, *Narrative as Virtual Reality. Immersion and Interactivity in Literature and Electronic Media* (Baltimore and London: The Johns Hopkins University Press, 2001), 2.

⁶ Marie-Laure Ryan, *Narrative as Virtual Reality*.

⁷ *Ibid.*, 15-16.

⁸ Marie-Laure Ryan, *Narrative as Virtual Reality*, 61.

Yermakov's persona is not a figure created by himself that embodies unique and special features; it is not a mask at all. His avatar is an accurate description of himself. This is more striking since instead of being a liberating character, it puts more pressure on him.

All the players who watch and follow Yermakov can see whom he meets, what he has for dinner, where he goes, but they are after one thing: to convince the real Yermakov to take his own life, by killing the Yermakov-character. In the context of VR "[...] the simulation becomes the life story of the user."⁹ The game created is addictive, the users leave their lives behind them and step into the reality that lies in front of them, provided by the computer screen. They only live with a goal in mind, that is, to complete levels, gather more and more weapons and kill "the bad guy". All Yermakovs' doings in trying to escape from the state representatives are pure failures. The more he tries to run, the more they give him the impression that he is free to take a decision on his own. Only for him to act as they want in the end.

The game proposed by O. Slavnikova is not one played by pure pleasure. Although it is fun for the players to shoot the character in his head, they become so involved in it that at some point they are not able to make a distinction between life and game. On the other hand, the other game, the one that the social forecasters make him play has a deeper significance. It is more goal-oriented than played just for pleasure, thing that contrasts with the idea that in games "a necessary condition is the pleasure dimension: games are freely played, and for their own sake."¹⁰

The dynamics of game as defined by Ryan apply to how Maksim T. Yermakov interacts with the others and behaves. Two important ideas have to be highlighted in order to explain the transparency between the actions of the state representatives and those of the Alpha Object. The first idea refers to the fact that "playing a game is a lucid activity: the player must see through the deceptive moves attempted by the opponent."¹¹ The leading character is continuously swindled and at his turn he becomes a con artist himself. Both sides play with all cards on the table (apparently), and when Yermakov attempts to elude from the eyes of The State, things become even more distorted around him. The second idea focused on the fact that "in order to play a game, the player must be thoroughly familiar with the rules."¹² The rules of games in the book are reduced to a minimum. While the PC game relies on a basic rule¹³, the other game is based on no rule. There is only a purpose and the computer game offers a simulation of what should and what will, eventually, happen in real life.

Being a lucid activity it requires a detailed planning of what is to be done next and Yermakov is carefully preparing and making plans of how to get rid of the social forecasters. But his mistake is not seeing that they play a double game with him.

In accordance with Marie-Laure Ryan, Celia Pearce and Artemesia cites Murray's concept of "action creation of belief"¹⁴, similar to Coleridge's "willing suspension of disbelief" and to Ryan's theory of immersion. The leading idea that we find behind these concepts is that any entrance in a virtual world supposes a set of rules you are willing to follow and a set of preconceptions you are ready to leave behind. For a virtual world (be it generated by computers or not) to be plausible, it has to contain a set of rules. Pearce and Artemesia builds a list of characteristics virtual worlds have to meet. These are based on the ability of the

⁹ Ibid., 64.

¹⁰ Marie-Laure Ryan, *Narrative as Virtual Reality*, 177.

¹¹ Ibidem, 193.

¹² Ibidem, 195.

¹³ The higher the level you are and the more complex weapons you have, the highest are the chances to shoot the character.

¹⁴ Murray (1997, 110) quoted in Celia Pearce and Artemesia, *Communities of Play*, 17.

character to spatially explore the world, his/her ability to transpose into the world through avatars or other ways, to interact with other characters, to relevantly contribute to the development of that virtual environment, etc.¹⁵ All these features are to be found in Slavnikova's novel. All these characteristics define the world "made up" for Yermakov, the character. They work together to create such a real-like world, to transform the real into a "more real" world so that he fulfills the task he is given.

Through the ages whenever people played a game or talked about games, there was always a sacred dimension. The connection between the sacred element and playing a game is as old as playing itself. From the Olympic games to the South American sportive competitions, games were dedicated to gods, played in order to complete a ritual, or they preceded a sacrifice.

The game played in *Light Head* has not got a religious content. However, it does have a deeply spiritual and moral meaning. Just like the Mesoamerican ballgame which had a religious *telos*, and was ritualistic, at some peoples ending with a human sacrifice, Slavnikova's game is also about sacrifice. In the novel, the offering is not made to the gods, but it serves the purposes of the state.

Olga Slavnikova constructs a network of games and virtual realities to demonstrate that ancient practices have not lost their meanings. New means are only used to enforce old habits and human behaviours. The labyrinthine virtual realities that entangle Yermakov are part of the stratagem of manipulation orchestrated by social forecasters.

A parallel between computer games and the early implication of games is drawn by Rachel Wagner who considers that:

Video game construction, like ritual performance, is a means of demonstrating desire, of mapping order, of developing rules for how to live. People who build sacred spaces are often making the claim, through their actions, that there is a sacred model, a Real, that should be copied in this world.¹⁶

In *Light Head* the sensitive world takes the characteristics of a cyberspace. Reality becomes a copy of a copy with the only goal of making the main character succumb to the state interests. The game in the novel is not at all supposed to be a pastime activity, unarmful, and done only in order to decrease stress. The game is reinvested with a primordial significance and through Yermakov's final gesture, it reaches its purpose.

Conclusions

The novel written by Olga Slavnikova is a tale of fighting for freedom, for the fundamental individual rights. Pearce and Artemesia revives a fundamental question that is relevant nowadays when we are surrounded by internet and other technological devices: "Do we play games, or do they play us?"¹⁷ It is widely said that computer games are addictive and that once caught in a game it is hard to let it go. However, here Yermakov found himself caught in the middle of events, and instead of taking actions so as to change the course of the game, he acts as a consequence of other's will.

¹⁵ Ibid., 18-20.

¹⁶ Rachel Wagner, "This Is Not a Game: Violent Video Games, Sacred Space, and Ritual", *Iowa Journal of Cultural Studies*, Volume 15, Issue 1 (2014), 12-35.

¹⁷ Paul Willis, quoted in Celia Pearce and Artemesia, *Communities of Play*, 53.

The game in *Light Head* becomes an instrument in the social forecasters' hands. From a simple leisure, the game becomes a life and death matter. In the novel, the game does not help the main player, does not prepare him for life. It is just a path to his demise.

The ritual dimension in the novel is subject to further investigation. Olga Slavnikova's novel is a generous field of research for modern interpretations of sacred ritual and sacred space.

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INTEGRATED KNOWLEDGE IN PRE-ISLAMIC ERA: "ANWA" METEOROLOGICAL OBSERVATIONS AND RAIN'S PREDICTION AS A MODEL

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Abstract

Some scholars are still thinking that Arabs in Pre-Islamic era were immersed in errors, and they had not knowledge and sciences to serve them in their life, even these scholars believe in passiveness, negativeness and nihilism.

This paper aims to demonstrate a scientific refutation by improving that Arabs were dealing at high level with every item of their environment. The researcher will specify his defense with this case by taking one issue as a model which is The Rain and its predictions.

Abundant of poems have mentioned rains and its falls in their odes, then in the documentation era, a lot of books have authored and appeared, which are called "Anwa" meteorological observations. Some of them are published nowadays, and many are still as manuscripts or lost.

I concluded that Arabs have dealt with the predictions of rains and established rubrics in exploring the rainy clouds. They knew the times of falls by the clouds' colors and lightning, in addition that there were persons and tribes who were the most knower in this regard.

Another conclusion in this paper is worth to mention is Arabs have achieved integrated Knowledge, and this paper represents a response against those who defame Pre-Islamic Era and its people in satisfaction of eloquence, orations and poets. Furthermore, I found out that Arabs have linked with other countries and benefited from their knowledge and they were not isolated in the Arabic Peninsula.

1. Introduction

This paper will discuss an issue which reflects how Arabs were so curious to discover the environment and its ingredients. It clarifies that Arabs in Pre-Islamic Era have accomplished an integrated knowledge. The major issue of this paper is meteorological observations. Arabs in that time knew how to predict the rain by looking to the clouds, and they recognized the nimbus clouds and other types. The researcher will formulate an introduction to explain and differ between to concepts: Physiognomy and exploring the unseen "metaphysics".

A short introduction: In the limits of concept: Physiognomy and exploring the unseen "Metaphysics".

Arabs were so thirsty for knowledge –as all human beings- in every hidden and mysterious. In the same time, they have always been obsessed and Intrigued with the inquiry about future. AlMuthaqeqb who is considered as one of a prosperous poem in that era states:

وَمَا أَذْرِي إِذَا يَمَمْتُ أَمْرًا أَرْدُ الْخَيْرَ: أَيُّهُمَا يَلِينِي
أَلْخَيْرُ الَّذِي أَنَا أَبْتَغِيهِ أَمِ الشَّرُّ الَّذِي هُوَ يَبْتَغِينِي⁽¹⁾

¹ Addeewan: 212-213

2. Metaphysics and Physiognomy

Metaphysics represented an insistent inquiry in Arabs' mentality and needed answers for their existential questions. This leads us to state that Arabs were thinking further of every hidden which are so non understandable, such as death and destination. Hence, the Physiognomy appeared, so I attempt to discuss this concept and its concern of this paper. Exploring metaphysics is "to demonstrate whatever you cannot understand by senses and mentality...so such these are out of human beings' hands, because it is just for ALLAH ALMIGHTY Who is responsible for the secrets of this universe"⁽²⁾.

But, Physiognomy is "to demonstrate a hidden thing according to some precise signs. And, if this thing concerns self attributes, it is called "Qiyafa" which means "Following", like scrutinizing stupidity in the widened-nape person, or cleverness in the short person. On the other hand, if it concerns public or private thing, it is called "Prediction", like what the politicians scrutinize about the future of nations and phenomena"⁽³⁾.

The researcher thinks that the difference between the two concepts "Exploring metaphysics and scrutinizing (Prediction) is too explicit. I mean that scrutinizing (Prediction) needs evidence, signals and relations, and then it builds rules and facts according to a harmony among all cases. But, exploring metaphysics is a hopeless attempt to acknowledge an invisible thing, such as what will happen next year, or the destiny and result of a battle before start.

It is worth to mention that Arabs in Pre-Islamic Era were thinking in both styles, but my aim in this paper is to investigate the scrutinizing (Prediction), specifically with rains and the conditions of the sky.

In this regard, Ibn Manthour states:"...Prophet Mohammad (PBUH) said: Fear the believer's physiognomy. Ibn AlAtheer explains: it takes two meanings: First- which is concluded from the superficial of the saying-is what ALLAH ALMIGHTY reveals in his pious worshippers' hearts, so, they are authorized to by their right beliefs and conjecture the circumstances of some people. Second is an aspect which is learned by evidences, tries, innovation and ethics, then the circumstances of some people"⁽⁴⁾.

AlAlousi defines physiognomy that is:"to judge the ethics, chastity and depravity of the person according to his appearance, shapes, colors, and sayings. And this takes two lines: First which is got by unreasonable idea, and it is a kind of inspiration or revelation,...,The second one is coming by learning and it needs acknowledging of shapes, colors, ethics and morals,..., physiognomy is type of belief and follows the mentality. Hence, if the mentality is perfect, physiognomy is perfect and strong, so Arabs got a great deal more than the others in this case"⁽⁵⁾.

3. The Need for Physiognomy and Weather Forecast

Arabs in Arabic Peninsula in Pre-Islamic Era were so familiar with their environment and its factors: mountains, dunes, deserts and plains. They lived in bounties of fruitful, and at the opposite, they suffered from barrenness. So, they were obliged to be aware of the sky's conditions when the rain falls to know how to deal with. AlJahez stipulates:"...from this topic, they knew the sands and ground, Anwa'a(meteorological observations) and the

² Alhay'a WalIslam: 44.

³ Alhay'a WalIslam: 44.

⁴ Lisan AlArab V 6: P 160.

⁵ Boloug AlArab V 3 : P263-264.

stars,...,needs to the rains, fleeing from barrenness, so, it seemed compulsory to them to understand everything about rains"⁽⁶⁾.

AlMarzouqi emphasized AlJahez's statement and stated:"...Despite of the differences of their towns and perseverance, they took care for the winds, stars' display and time's change more than the inhabitants of cities and Bedouins. This is not new, but tradition which has bequeathed from forefathers, and their measurement is practice"⁽⁷⁾.

Here, I have to refer to the debate between Ibn Qutayba and Aby Rayhan AlBeerouni –in spite of non contemporaneous-in this issue. Ibn Qutayba stated:"One of the aspects that Arabs have individualized in many sciences is their knowledge of stars, its names, kinds, rises, sets and guidance by it"⁽⁸⁾.

Albeerouni differed and wrote:" If Abu Mohammad Abdullah Bin Muslem Bin Qutayba AlJabali exaggerated in his all books, especially, his book about the preference Arabs against Persians. He pretended that Arabs are the most scientific nations in stars, its rises and sets. I do not know that he ignored or pretended to be ignorant what the farmers are working everywhere,...,If you(He means the receiver and the reader) check AlAnwa"s books, especially Ibn Qutayba's book about the science of stars (Astronomy),...,you will discover that Arabs are not exclusive in this knowledge than the others. Ibn Qutayba has exaggerated, close-minded man, and full of vulgar ethics. His discourse in his book is an evidence of malice and hatred to the Persians"⁽⁹⁾.

My opinion in this debate is like Waleed Khalis's opinion who edited Ibn Qutayba's book. AlBeerouni:"is right in some statements, when he said about Arab's knowledge of the stars,..., but he exaggerated by humiliating Hbn Qutaybah's opinion,...,and for the malice and hatred, it is demonstrated from Albeerouni's side"⁽¹⁰⁾.

Furthermore, it is unobjectionable to state that Arabs have taken this science from another nation like Chaldeans and Babylonians, because, there were relations between Arab Tribes and their neighbors, specifically, Iraq. This statement does not affect negatively on Arabs' situation, but it is an advantage. It means that they were open to take benefits from the other cultures, and exchanged sciences from many nations, which gives us a signal and solid evidence that they were not isolated.

The orientlist Nallino clarified this issue and wrote:"For the ancient Arabs, they acknowledged to be aware of air situations, and seasons, because they justified all these cases according to the rises and sets of the stars, from the sunrise till the sunset"⁽¹¹⁾.

4. Discussion: Rain Forecast in Traditional Arab Lore

Arabs knew time to inhabit in the desert "striving for their food and water"⁽¹²⁾, so I will compile all their styles in dealing with environment and its factors which surrounded them, by concentrating on rains:

First: Canopus: Its display before the dawn in middle of August is a signal to travel to the Badiya. Ibn Qutayba stated:" the start of transfer to Badiya is the rise of Canopus in the dawn. It rises in AlHijaz in night fourteenth of August"⁽¹³⁾.

⁶ AlHayawan V6 : P 30.

⁷ AlAzmina WalAmkina V2 : P179.

⁸ Fadl AlArab Wattanbeeh Ala Ulumiha: P 129.

⁹ AlAathar AlBaqiya An AlQuroun AlKhaliya: P 238-239.

¹⁰ Fadl AlArab Wattanbeeh Ala Ulumiha: P : 129, footnote : 2.

¹¹ Ilm AlFalak: TareekhuhuInd AlArab Fi AlQuroun AlWusta : P 122. See the whole chapter P : 118-126.

¹² AlAnwa' Fi Mawasem AlArab : P 96.

¹³ AlAnwa' Fi Mawasem AlArab : P 96.

Second: Knowledge of the place of clouds' origins: If the origins of clouds are from the side of KiblaK they knew that it will rain> Ibn Qutayba formulated:" If the clouds have created from (Alain) at the side of Kibla, they trusted that it will rain"⁽¹⁴⁾.

Third: Clouds' color: Arabs knew the time of rain by the color of the clouds. Ibn Qutayba wrote:" If the clouds are black, it is an evidence of rain"⁽¹⁵⁾. And whiteness with shining means the same. Ibn Qutayba stated:" If the clouds are so white and shining, it is a sign of rain. It is said that: if the sky seems like an abdomen of white jenny, it will rain heavily"⁽¹⁶⁾.

In this regard, Ibn Qutaybah formulated that" If the clouds' color is between reddish and white, it is a signal that they are empty of water and the barrenness will take a place"⁽¹⁷⁾.

Redness is an evidence of barrenness, Ibn Qutaybah stated:" Perhaps, redness appears in the morning and evening without clouds in winter, which is a signal of barrenness"⁽¹⁸⁾.

Ibn Qutaybah differentiated between two kinds of redness, he wrote:" If the redness is so dark, and it appears from the sunrise till the sunset, perhaps it is evidence that it rains. The redness which means barrenness is without clouds, but the another one is with simple clouds"⁽¹⁹⁾.

Fourth: Arabs, perhaps, looked to the clouds and imagine it as what he saw, so sometimes he compared it to camels. Ibn Qutaybah stated:" If the clouds seem like forehead water of female camel, it means that it rains"⁽²⁰⁾. He added:" If the cloud is like leopardess, the rain will take a place"⁽²¹⁾.

Sometimes, Arabs likened clouds to wires (the borders of a piece of cloth) because they are so closest of the ground, as Ibn Qutaybah stated, which means that it rains ⁽²²⁾.

Fifth: Arabs have a vision about the fastness and slowdown of clouds, IbnQutaybah said:" If the clouds are passing slowly, it means that they are full of water"⁽²³⁾.

Sixth: Arabs used to predict rains by shine, Ibn Qutaybah stated:" If the sky shines seventy times, they travel to another secured place, because of their trust that it rains. And, if the sky shines two times with repetition,...,and continuously, it rains"⁽²⁴⁾.

Seventh: Arabs knew fixed periods of the heavy rain, Ibn Qutaybah stated:" If the rain takes a place at the last night and the start of the month, the rain will be heavy and fruitful"⁽²⁵⁾.

Forecasters in Pre-Islamic Era:

When we check resources of this era, we find out that Arabs were at high level of predictions and physiognomy of rains. Ibn AlA'arabi stated:" AlUqayli stated: if the sky's color becomes between blackness and yellowness, like an abdomen of white jenny, and the clouds are so closest of the ground, like a flabby meat, it rains"⁽²⁶⁾.

Also, Ibn AlA'arabi stated:" Abu Saleh AlFazari state: when we see the shine above and beside the clouds, it means that –If ALLAH wills- it rains, and if it beneath, there is no rain ⁽²⁷⁾.

¹⁴ AlAnwa' Fi Mawasem AlArab : P : 169

¹⁵ AlAnwa' Fi Mawasem AlArab : P : 170.

¹⁶ AlAnwa' Fi Mawasem AlArab : P : 172.

¹⁷ AlAnwa' Fi Mawasem AlArab : P : 175.

¹⁸ AlAnwa' Fi Mawasem AlArab : P : 176.

¹⁹ AlAnwa' Fi Mawasem AlArab : P : 179-180.

²⁰ AlAnwa' Fi Mawasem AlArab : P : 172-173.

²¹ AlAnwa' Fi Mawasem AlArab : P : 173.

²² AlAnwa' Fi Mawasem AlArab : P : 174.

²³ AlAnwa' Fi Mawasem AlArab : P : 173.

²⁴ AlAnwa' Fi Mawasem AlArab : P : 177.

²⁵ AlAnwa' Fi Mawasem AlArab : P : 180-181.

²⁶ Sharh Diwan Umruqays : P : 307.

²⁷ Sharh Diwan Umruqays : P : 307

In this regard, the story of Mu'aqquer Bin Himar AlBariqi is solid evidence on how they were aware of rain predictions⁽²⁸⁾. Ibn Qutaybah stated: "The most important tribe among Arabs who are having more knowledge in stars are Kalb and Shayban Tribes. And, this science is in Mawiya, a branch of Kalb Tribe, and in Murrah, a branch of Shayban Tribe"⁽²⁹⁾.

Among Arabs who was known as forecaster is AlAbbas, the uncle of Prophet Mohammad (PBUH). Azzabeedi stated: "Omar Bin AlKhattab prayed to ALLAH ALMIGHTY for rain, then asked AlAbbas: how far from Pleiades star? AlAbbas replied: scholars state that after its fall, it stay in the horizon seven days. The narrator swears by ALLAH ALMIGHTY that after seven days, it rained"⁽³⁰⁾.

AlHareth BinZeyad Bin Arrabee' was one who knows the stars and "No one among Arabs is equivalent him the stars"⁽³¹⁾.

It is worth to mention that Jawad Ali stated that Christians and Jewish have had a good knolege in AlAnwa' "They understood the eastern sciences and befitted from Greeks and Latins books in stars sciences"⁽³²⁾.

5. Conclusions:

1-Arabs were not isolated and far from other nations. They established relations between each other and exchanged benefits.

2-Arabs were dealing strongly with the surrounded environment and its aspects and overcome all difficulties. They knew by physiognomy how to predict and forecast the rains and its sites for the sake of agriculture and gathering.

3-Arabs have performed integrated knowledge by understanding the sciences of that era. They were not eloquent, but also use language and its eloquence in expressing about their issues. Among these issues is the issue of this paper. I found out texts about clouds, rains and stars which are formulated in high level rhetoric.

4-I cannot generalize that all Arabs were satisfied in dealing with stars, but I did my best to compile evidences and names of some persons who were known in this topic.

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³¹ AlIshitiqaq : P 400.

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EXECUTIVE ORDER AS AN EFFECTIVE TOOL IN COMBATING INSECURITIES AND HUMAN RIGHTS VIOLATIONS: THE CASE OF THE SPECIAL ANTI-ROBBERY SQUAD AND YOUTHS IN NIGERIA

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Abstract

Following countless violations of Human Rights in Nigeria by the various arms and agencies of government; from the Military to the Federal Police and other law enforcement agencies, Nigeria has been riddled with several reports of acts by these agencies against the citizens, ranging from illegal arrest and imprisonment, torture, disappearing, and extrajudicial killings, just to mention a few. This paper focuses on SARS – Special Anti-Robbery Squad, a division of the Nigeria Police Force, and its reported threats to the people’s security, particularly the Nigerian youths, with continuous violence, extortion, illegal arrest and imprisonment, terror, and extrajudicial activities resulting in maiming and in most cases death, thus infringing on the human rights of the people it’s sworn to protect. This research further analyses how the activities of SARS has over the years instigated fear on the average Nigerian youth, preventing the free participation in daily life, education, job and individual development, in turn impeding the realization of their full potentials for growth and participation in collective national development. However, with the executive order by the then Acting President (Vice-President) Prof. Yemi Osinbajo directing the overhauling of SARS, this research analyzes the directive and its implementation by the Federal Police Force in determining if it’s enough to prevent or put a stop to the continuous Human Rights abuse and threat to the security of the individual citizen. Concluding that although the order by the Acting President was given with an intent to halt the various violations by SARS, and the Inspector General of Police – IGP’s subsequent action by releasing a statement following the order, the bureaucracy in Nigeria, with a history of incompetency and a return to “business as usual” after a reduced public outcry, it’s most likely that there won’t be adequate follow up put in place and these violations would be slowly “swept under the rug” with SARS officials not held accountable. It is recommended therefore that the Federal Government through the Nigeria Police Force - NPF, following the reforms made, in collaboration with the mentioned Independent Human Rights and Civil Societies organizations should periodically produce unbiased and publicly accessible reports on the implementation of these reforms and progress made. This will go a long way in assuring the public of actual fulfillment of the restructuring, reduce fear by the youths and restore some public faith in the government.

Keywords— Special Anti-Robbery Squad, Youths in Nigeria, Overhaul, Insecurities, Human Rights Violations.

I. INTRODUCTION

SARS – The Special Anti-Robbery Squad, a police unit created for the purpose of protecting the citizens of Nigeria instead became a much bigger danger and nuisance to the society, carrying out numerous forms of extrajudicial activities with impunity, inciting fear in the populace.

A social media campaign #EndSARS swept through 2017 calling for the dissolving of the unit. This was a protest against the activities of SARS on the citizenry, especially on the Nigerian youths in cases of extortion, harassments, torture, robbery, intimidation and extrajudicial killings. Youths on social media repeatedly shared their individual experiences (including photos and videos) with SARS that span earlier mentioned allegations. The campaign reached its climax toward the end of 2017 with comments from every member of the society (Omilana 2018). This resulted in the attempt by the Inspector General of Police (IGP) for a reform on December 4, 2017 which didn't see yield any notable result, although there was also a previous attempt of a reform by the IGP in 2015 (Omilana 2018; Ugwu 2016).

However, with continuous and increased protests both online and physically in several parts of the country, the Acting President, Yemi Osinbajo signed an executive order on August 14, 2018, directing the IGP on the re-organizing and re-structuring of the Special Anti-Robbery Squad (SARS) (Sahara Reporters 2018). The convener of the #EndSARS movement, as well many youths, human rights organizations and civil societies welcomed the move as a positive step in the right direction.

II. Human rights violations by security agencies in Nigeria

There have been numerous Human Rights violations by the security agencies in Nigeria, especially during the Military regime, countless has also been recorded during this 21st century democratic governance in the country. The Nigerian Police and other security agencies frequently abuse their power and they are rarely investigated or prosecuted. In cases where investigation was carried out there has been, lack of transparency, non-compliance with the law or international standards, and in most cases, officers are sent on training or transferred to other states to avoid prosecution. In other cases, investigations or charges brought against accused officers by individuals and/or groups are often dragged for a long time in court and end up being unresolved or 'swept under the rug'. In the end, these security agencies are barely held accountable for their extrajudicial activities against citizens. Few cases include:

A. Odi Massacre

This is arguably the first recorded Human Rights violation by the Nigerian security agencies after the return to democratic government. A response to the killing of 12 police officers by armed gang member with no political affiliation, in November 1999, in the oil rich town of Odi, Bayelsa State. The Federal government in retaliation deployed 2000 soldiers to the small town of about 15,000 people, attacking youths believed to have been involved in the earlier mentioned confrontation, destroying the town and killing unarmed civilians in the process. Subsequent report by Human Rights Watch in 1999 sets the killing to be hundreds of residents by the military which included unarmed civilians, also stating the impossibility of estimating the exact number of deaths with certainty that the figure would be much higher (Human Rights Watch 1999). However more reports published conflicting numbers, but the Nigerian government admitted to 43 deaths from the operation, to include 8 soldiers. At the end of the operation, every building in the town was destroyed except the town bank, Anglican church - which was where the soldiers camped, and the town hospital (Human

Rights Watch 1999). This massacre is a typical example of the extreme violent nature of the Nigerian military in response to conflicts within the country.

A. Baga Massacre

The Joint Task Force (JTF), security division set aside for the fight against the terrorist group, Boko Haram, in April 16, 2013, raided Baga, a village in Borno State (Northeast Nigeria), close to Lake Chad. In the attempt to fight suspected members of the sect, the soldiers destroyed the village; set houses and businesses on fire, killing an estimate of 200 civilians in the process and displacing hundreds more. Although as much expected there were conflicting reports behind the reason of said attack, the soldiers claimed to be performing a routine patrol and acting in self-defense following an attack from members of the sect, while the residences believe it to be retaliation by the soldiers for the killing of one of their comrades, a usual move by the soldiers in such instance (Human Rights Watch 1999; Nigeria Intel 2013).

B. Murder at Checkpoints

The Nigerian army and but most especially the Nigerian Police Force at various road blocks and checkpoints extort motorists, demanding monetary bribes. A refusal by motorists to pay these bribes often lead to disagreements, resulting in them being shot, and sometimes bystanders as well. There have been several reported cases of such. One such case, a 39-year old commercial motorcyclist in Emene, Enugu State was shot on May 15, 2009 after refusing to pay bribe at a police checkpoint. Reports claim that the police planted a gun on him after he was shot on the stomach to seem like he's an armed robber. He later died on his way to the hospital. This is a usual 'trick' by such policemen in situations like this. Police sometimes plant evidence on suspects when they have no substantial proof to charge them with or as a means of intimidating people into giving up whatever they ask for. Another is a case of a two-year-old girl, accidentally shot by the police in Lagos at a checkpoint on April 5, 2009. Worthy of mention is the case of a commercial driver in Imo State, chased, stopped and shot by the police on December 15, 2008 after refusing to bribe the police at the checkpoint. He died in the hospital from the gunshot wounds (Amnesty International 2016, 9).

C. Other Extrajudicial Killings

The police force, while performing their duties shoot suspects on sight, and/or others who attempt to run. The example of a 23-year-old student in Elingbu, River State who was shot dead at a guesthouse during a raid by the police on July 29, 2009. He was shot while attempting to run, whereas his friends were arrested and subsequently released. Another case was of a police officer opening fire at a crowd of about 50 people during a burial ceremony in Suleja on January 27, 2009. It was reported as a calculated target at a young man who was eventually killed in the process, leaving others injured (Amnesty International 2009, 8–9). A notable case in Bayelsa State is that of Victor Emmanuel on October 16, 2011 who after openly criticizing the police for bribery and extortion of money from motorists, was shot dead by the police and for a coverup, evidence was planted on him (Onwuazombe 2017, 122). This is an exemplary case of what is done to individuals who openly criticize the actions of the police.

A. Torture and Enforced Disappearance

Torture is the most used means of interrogation of criminal offense suspects by the Nigerian Police Force. Numerous organizations, both national and international have confirmed to the use of torture and various forms of degrading treatments to forcibly demand confessions from suspects which is used to speed up cases for prosecution in court. Another violation by the Nigerian Police Force is enforced Disappearance which is predominantly used to prevent

suspected criminals from facing trials in court, if said trial is believed not to go in the Police's favor. These individuals are often claimed to be transferred to another location or the headquarters in Abuja, without prior knowledge by their relatives, who in most cases never see them again and are not able to trace their whereabouts. These relatives are sometimes eventually informed unofficially or found out by their lawyers that they – the suspects have been killed by the Police and either buried or dumped in canals (Amnesty International 2009, 19–20).

III. Focus on SARS

The Special Anti-Robbery Squad (SARS) is a branch formed during the military regime within the police force with the aim to fight violent crimes such as armed robbery, kidnapping, communal and religious violence in the major cities in the country. SARS is under the jurisdiction of the Nigeria Police Force and according to law commanded directly by the Inspector General of Police, the National head of the Nigeria Police Force (Amnesty International 2002, 15). Although SARS personnel who are not conventional police officers of the NPF are believed to before deployment receive special training in which human rights is a content, and human rights manual is used as a tool for effecting such trainings (Amnesty International 2016, 8). This doesn't seem to have any positive impact in the field of engagement. The alleged human rights violations by SARS has been ongoing for almost two decades, and every new government over the years turned a blind eye to its excesses. This section will further explain some instances of violations by the agency.

A. Disappearance

On August 20, 2008, a young man, Azuamaka Victor Maduomago, age 24 was arrested in Onitsha (Southeast Nigeria) and transferred to SARS office in Awkuzu. His family was denied visitation, so was his lawyer. Azuamaka was soon reported to have been 'transferred' to Abuja FCID (Force Criminal Investigation Department) but said report of custody was denied by the FCID and his whereabouts was without trace. Enforced disappearance, a gross violation of Human Rights is a predominant practice by the Special Anti-Robbery Squads (SARS) who are believed to quietly murder suspects and dispose of their bodies without any evidence leading back to them (Amnesty International 2009, 19–21).

B. Torture

Various reports through thorough research was discovered with sequence of human rights violations where victims were arrested and tortured until they either pay bribes to be released or 'confess' to whatever crimes they've been accused.

Arrested suspects are often detained in detention centers by SARS like the one uncovered in July 2009, in Abuja. About 130 detainees were found in the detention center called "Abattoir" living in inhumane and overcrowded cells. The abattoir, a former animal slaughterhouse is a location out of many typically used by officers to torture and kill suspects. With former detainees confirming these acts, explaining the gruesome ways in which they were tortured; constantly hit with heavy metals and other dangerous tools (Amnesty International 2009, 14; Ugwu 2016).

After a raid and shooting spree by the Police at about 9:30pm in an end of year celebration, some men were arrested and asked to pay several fees for their release from custody of the Ketu Divisional Police Station, Lagos State. A young man who couldn't pay said fee was brutally beaten with iron bar and rifle-bottom by SARS and returned home where he lost consciousness and subsequently died from the injuries inflicted before he could arrive at the hospital (Amnesty International 2009, 17).

In June 11, 2002, Ndudiri Onyekwere a 28-year-old student whose friend accused of robbery was arrested in Onitsha, Anambra State and moved to Alausa Police Station. Thereafter, he was taken into SARS custody in Panti, Yaba, Lagos State where he reportedly died six days later. Autopsy reports showed that Ndudiri had been critically beaten, revealing cuts on his face, nose, lips and chin, and bruises all over his body, head and neck. He died from traumatic shock resulting from tissue and skeletal injuries (Amnesty International 2002, 15).

Investigation by Amnesty International found that aside violent crimes, SARS has also been involved in some civil matters outside their authority and mandate. Cases involving businesses and non-criminal disputes. A notable case of a 25-year-old fuel attendant accused by his employer of being responsible for a burglary at the company. He was arrested by SARS, beaten and tortured inhumanely till he was unconscious, and almost dead. He subsequently was denied medical care, a lawyer or visit from his family throughout his two-week long detention (Sahara Reporters 2018). These examples are just a very small fraction of various allegations of abuses gotten from in-depth research and findings.

C. Extortion and Intimidation

The stories are endless, countless accounts of extortion and intimidation by SARS officials on Nigerians, especially the youths. These officers in often cases are not easily identifiable, choosing not to put on any identifiable official police outfit or insignia with a claim of being ‘undercover’. This has been used to effortlessly collect bribes and extort individuals along the streets, other public places, and steal private properties. Some of these officers not in official attire are off duty but still use police status to conduct illegal these activities.

A vital case of 32-year-old Chidi Oluchi who was robbed, arrested and tortured by SARS with the side of machetes and sticks until he was bleeding and suffered blurred vision. He was released after paying N25,500 to the SARS agents. There are many cases also of family being robbed by SARS officers, their cars forcefully taken from them and all the money from their bank accounts withdrawn. One example is the case which the home of the brother of a suspected armed robber was raided in Nsukka by SARS officials, valuables were carted away. The victim was quoted as being too scared to report what had happened (Ugwu 2016).

Another instance was that of a young university student who was arrested in Awka, Anambra State by SARS officers. On the advice of his lawyer, his mother had to pay N100,000 to the Investigating Police Officer (IPO), who had previously threatened not to release Ekene and threatened that the young man would be killed before the day ended if the bribe wasn’t paid. The 24-year-old student declined taken actions against the treatment because he feared SARS (Amnesty International 2016, 15). Another notable case of a younger individual was in December 2014, when an 18-year-old secondary school girl was apprehended by a mob with two other male teenagers in Onitsha, Anambra State, and they were handed over to SARS. Explaining her two weeks detention in SARS custody without a lawyer, doctor or permitted visit by her family members, her life was repeatedly threatened by the officers if her family didn’t pay for her to be released (Amnesty International 2016, 18).

In retrospect, one can’t estimate the exact statistics of extrajudicial killings by the Nigerian Police Force and units working within the Force. Available numbers are those declared by the NPF itself. This statistics by the Police states cases of “Armed Robbers” being killed by the Police between 2003 and 2008. These numbers published are believed to be lesser than the reality. For example, the IGP in July 2004 officially informed Human Rights Watch that between 2000-2004, 7,198 “armed robbers” were killed in urtication, with 3,100 deaths in 2003, whereas the NPF’s official declared figure was 545 deaths for 2003. More findings by Amnesty International showed that the number of killings is most likely higher than those presented, of which many are extrajudicial executions (Amnesty International 2009, 21–22).

The table below shows the statistics released by the NPF on the number of “Armed Robbers” cases between 2003 and 2008.

TABLE I

NPF ARMED ROBBERY STATISTICS (Amnesty International 2009; Nigeria Police Watch 2007)

“ARMED ROBBERS”	2003	2004	2005	2006	2007	2008	Total
Arrested	4,360	4,537	3,853	2,946	4,109	3,423	23,228
Prosecuted	1,046	300	117	135	715	2,026	4,339
Awaiting trial	1,049	338	379	303	1,442	2,026	5,537
Cases pending investigation	1,873	2,105	2,105	1,208	1,252	109	8,652
Killed by police	545	569	252	329	462	857	3,014
Injured by police	194	203	59	28	38	53	575

The Police denied severally any form of torture taking place, although top police personnel unofficially admitted that about officers in April 2016 alleged to have been involved in torture and illegal activities against suspects had been transferred to other stations confirming the impunity and lack of accountability for violations (Amnesty International 2016, 20–21). Victims of these acts are often those who are poor and unable to actively defend themselves legally and aren’t also able to pay the bribes forced on them by the SARS officers.

IV. Human Rights and Insecurities

A. Violations of Human Rights Instruments

Nigeria is party to majority of international laws and conventions on Human Rights. Explicitly stipulated under Article 5 of the 1948 Universal Declaration of Human rights is the prohibition against torture and other inhumane treatments of people. Other international and regional legal framework to which Nigeria is party to include the International Covenant on Civil and Political Rights (ICCPR); the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (UNCAT) and its Optional Protocol (OPCAT); the International Convention for the Protection of All Persons from Enforced Disappearance; and the African Charter on Human and Peoples’ Rights. Nigeria also ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (Amnesty International 2016, 22).

These laws compel the government to actively prevent any case of rights abuse, investigate any case of alleged abuse brought forward, and thereafter charge and prosecute offenders, as well as provide adequate compensation to victims. This obliges the government to take seriously the human rights violations of its citizens, most especially those committed by agencies of government.

With the few examples stated in this paper and several others not mentioned, it can be observed that the allegations against SARS span across violations in these binding instruments.

Although some of these human rights instruments are already instituted in the Nigerian (1999) constitution, and others being adopted in consecutive constitutional amendments, however, effective implementation has over the years been the major challenge in the country.

For example, on July 29, 2009, the National Committee Against Torture (NCAT) was set up to aid the preventive process of the UNCAT and OPCAT. However, the activities of the committee have been restricted and rendered almost ineffective as it hasn't yet had a legal standing with any legislation and it's operationally not independent (Amnesty International 2016, 22).

B. Insecurities and Policies

Global knowledge is that there is no consensus on a concise definition of Human Security, but the widely agreed principle is its people-centric approach to security, transcending the traditional security of only the state territory to the security of individuals living within the territory. And on another hand, in a broader sense would translate as well to the security of the state system to which they are part of (Tadjbakhsh and Chenoy 2005, 5; Gierszewski 2017, 64). Security which is agreed to be the “absence of insecurity and threats”, and as such being secure involves the freedom from fear and freedom from want. The fear of physical, sexual or psychological abuse, violence, persecution or death, and want from gainful employment, food, and health. Involving also the freedom from any form of humiliation and stampede on human dignity. These are the general ideals of human security, focusing on the identification of these threats, trying to avoid them, and mitigate the impact on such threats on the people when they take place. This involves as well preventing all forms of insecurities that could arise relating to various violent conflicts, human rights violations and staggering development, and thus mitigate aftereffects of these insecurities (Tadjbakhsh and Chenoy 2005, 5).

The threat that the Special Anti-Robbery Squad pose is apparent. The activities of the agency have over the years inflicted fear on the citizenry, especially the youths. Evident from the numerous cases of inflicted violence, torture, killings and fear of being killed by the agency, the agency poses a threat to the lives of the youths. Furthermore, SARS' terrorizing and intimidation of students - including secondary and University students, extortion and intimidation of business owners (SME – Small Business Enterprise) including commercial and private motorists as well as pedestrians demonstrates the threats to the free participation of daily life, education, adequate living (employment and involvement in business) as well as the realization of individual growth and development – without the individual and collective realization of these, the achievement of increased national growth and development is farfetched.

Although there have been different scholastic arguments on the implementation of human security in governmental policy making process, however, the primary responsibility is on the state to protect the citizens from any threat of insecurity, including ensuring their safety and freedom (Bajpai 2000, 37). This involves, therefore, investigating the root cause of specific insecurity particular to individuals or groups of individuals in a particular place, time and circumstance, establishing and implementing policies in coalition with relevant organizations and civil societies in finding long-term sustainable solutions. Which in this case is the establishment and implementation of effective policies that proffer solutions to threats against the security of citizens posed by SARS.

The role of the state is crucial in providing an enabling and safe environment for individuals within its borders for the pursuit of sustainable standard of living without fear and intimidation. Not only is the provision of social services and economic opportunities for its citizens one function of the government, but protection against any form of threat that hinders the free realization of these opportunities, including threats from within its agencies (Barnett and Adger 2007, 646).

V. Analysis of the Executive Order

On August 14, 2018, during the 10-day holiday of President Buhari, the Acting President (Vice-President) Yemi Osinbajo ordered the ‘overhaul’ of the Special Anti-Robbery Squad (SARS). The executive order’s first directive was the renaming of the unit to FSARS – Federal Special Anti-Robbery Squad (FSARS). Furthermore, the order restructured the hierarchy of the Police Force regarding the new FSARS, creating an office of the Commissioner of Police in charge of the unit who would answer directly to the Inspector General of Police (IGP) through the Deputy Inspector General of Police, Department of Operations. This enables easy and direct link to the National police chief, making the IGP also answerable in any case brought against the new FSARS. The restructure also showed the importance of much qualified personnel to head leadership positions at each level of the FSARS hierarchy, detailing the appointment of specific top-ranked Police officers (Sahara Reporters 2018).

Furthermore, the order reiterated the initial mandate of the unit as that of intelligence-based operations, and the prevention and detection of violent crimes of Armed Robbery, kidnapping; also, the arresting of only offenders of these crimes. The directive also made compulsory the scheduling for a new training for all FSARS officers. The executive order upholding the rule of law, established a new Standard Operational Guidelines and Procedure, and code of conduct for FSARS in line with international human rights standards and that of the Nigeria constitution, to respect the fundamental rights of all citizens. This includes suspects of any alleged crime (Sahara Reporters 2018).

Regarding violations, following the directive from the Acting President Osinbajo, the Police paved the way for a transparent collaboration with the National Human Rights Commission to investigate any illegal activity of FSARS and public grievances. Furthermore, a qualified Human Rights Desk Officer was to be assigned in every State, to take public complaints on FSARS, to be directed straight to the NPF Headquarters and as well answerable to the FSARS Commissioner of Police at the same National Headquarters. This would foster rapid investigation and response of grievances on any form of violation against citizens by the unit. It could also be a means of assuring the citizens of the Federal Government’s concern and direct involvement in matters concerning their rights (Sahara Reporters 2018).

VI. Conclusion

There is no denial that events following the Presidential directives brought about investigations and subsequently hearing on cases of Human Rights violations on the citizens previously perpetuated by FSARS (former SARS). As at the writing of this paper, 103 complaints of alleged violations were said to have been received by a special panel set up to investigate the allegations. This was in collaboration with the National Human Rights Commission (NHRC). And of the 103 complaints, the panel is said to have concluded hearing on 51 of the complaints and the other 52 are pending (Isah 2019).

Notwithstanding, this is a step, although slow, in the right direction. However, one could be certain that the number of complains should be more. Perhaps there is still so much fear and doubt in the minds of victims as to the effectiveness of this procedure or maybe it’s still widely believed that the charges would be dismissed or silently dissolved, and offenders would go scot free or be transferred to other branches as in previous experiences. Perhaps it’s the increasing fear of being targeted by same agents if previous violations are reported. Whichever the case is, it is evident that with the social media outcry and numerous cases researched for years by organizations like Amnesty International and Human Rights Watch these complains should be in the hundreds, if not thousands.

However, for a sustainable solution to be achieved, the government should take steps further from the executive order and progresses made so far. The Nigerian government, through the NPF should involve more and allow for transparency and collaboration with the National Human Rights Commission (NHRC), the appropriate international and civil societies like Amnesty International, Human Rights Watch, and other relevant Independent (both International and National) and unbiased NGOs. This would allow free monitoring of progresses made and contribute to the publishing of periodical reports, accessible to the public on the developments made. This also would do well in reducing the fear the youths have in law enforcements and aid the restoring of public faith in the government over time. Thereafter there may as well be a noticeable increase in reports of previous human rights violations.

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**RELIABILITY OF THE SELF-ASSESSMENT IN 7-12 YEARS OLD FOOTBALL PLAYERS.
OPPORTUNITIES TO USE IN THE TRAINING PROCESS.**

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Abstract

During the training process the football coach can receive important information (both long-term or short-term) from the trainees self-assessment. However such information is seriously underestimated in the work with 7-12 year old children. It's widely accepted that the children's self-assessment is inaccurate. This research shows that under certain circumstances (focusing on certain elements, towards self-performance and performance of the others, physical or emotional sensations), the self-assessment of children (7-12 years old) can be very accurate and adequate. In the first part of the research the term "self-assessment" is explained, also how it's formed, and in what forms is displayed. The second part of the research tracks the self-assessment capabilities, of the 7-12 year football players, based on a survey cards. The survey cards also tracks the influence of factors like age, fatigue and the results of other participants, over the self-assessment process. The research ends with conclusion and advices how to use the self-assessment in the training of such young age participants.

Keywords: sport, self-assessment, early age, evaluation, football, soccer, survey card, training, drills.

During the training process the football coach can receive important information from the participant's self-assessment. However such information is seriously underestimated in the work with 7-12 year old children. It's widely accepted that the children's self-assessment is inaccurate.

This research shows that under certain circumstances (focusing on certain elements, towards self-performance and performance of the others, physical or emotional sensations), the self-assessment of children (7-12 years old) can be very accurate and adequate. In the first part of the research the term "self-assessment" is explained, also how it's formed, and in what forms is displayed. The second part of the research tracks the self-assessment capabilities, of the 7-12 year football players, based on a survey cards. The survey cards also tracks the influence of factors like age, fatigue and the results of other participants, on the self-assessment process. The research ends with conclusion and advices how to use the self-assessment in the training of such young age participants.

For the achieving of high sports results and high training efficiency, the mental preparation is crucial for the children in the “Middle childhood” (primary school age). The positive mental attitude for sports training or competition is formed from various factors, like ambition, confidence and determination.

During the training process the trainers can receive important information (both long-term, and short-term) from the trainees self-assessment. The correct self-assessment of the children can indicate needs for improvement in technical, tactical, mental or physical aspects. It also can show the strengths and the reliability of the children in these aspects.

What actually means self-assessment?

Student self-assessment involves students in evaluating their own work, abilities and learning progress. Self-assessment is a valuable learning tool as well as part of an assessment process. Through self-assessment, students can: identify their own skill gaps, where their knowledge and skills are weak, or vice versa. This process helps the students to stay involved and motivated, and also encourages the self-reflection and responsibility for their learning.

Self-assessment is a component of the self-consciousness and involves knowledge, assessment of the own personality, abilities, moral qualities and actions. The self-assessment is a dynamic formation of the mentality and its content is determined by the specific conditions of individual development of the personality. The self-assessments process shapes the parameters of the relationship between the child and the world around him, contribute to the development of his/her competence and guarantee the quality of its activities. (Slavin, 2005)

Components of the self-assessment

Cognitive - knowledge of oneself, connected with the level of intelligence

Affective (emotional) - the emotional attitude of the person to himself - satisfaction with subjective assessments and dissatisfaction with achievements and general expression in all spheres of life;

Behavioral - related to willingness for action and mainly to the rate of self-regulation of the personality

Types of self-assessment

The self-evaluation exists in two basic forms - adequate and inadequate. The adequate form is expressed in full compliance between the ambition of the personality and the opportunities for their achievements.

Normal self-assessment suggests maintaining a positive self-perception by diminishing failures, combined with behavioral effectiveness in problem solving. Failure forms critical attitude towards the own actions, new tools to deal with problems and adjusts future goals.

In the childhood and adolescence due to poor social experience and insufficient stability criteria, the forming of adequate self-assessment is hard, so it has a temporary and situational nature. The inadequate self-assessment can be lowered or exaggerated. The lowered one leads to

insecurity, because of setting goals that are below capabilities. It also leads to increased anxiety, mistrust towards the positive assessment of others and feeling of inferiority. The inadequately high rating of self-assessment leads to overestimation of the own abilities, and setting of goals that the person can't accomplish. (Todorova, 2011)

Psychological Aspects of Self-Assessment

The proper self-assessment is considered a source of self-esteem, satisfaction, emotional well-being and self-confidence. People with low self-assessment are more sensitive to failures, rather than to success. Increased self-assessment is associated with certain disorders in mental balance and behavior. Such individuals have increased self-confidence and always seek for recognition regardless of whether they deserve it. Often they cause conflicts in the group because they are distrustful, critical and suspicious. (Todorova, 2011) Self-assessment is associated with a sense of success and failure. Feeling for success arises when the realization surpasses or reaches the expected target. The reverse of the feeling for success is the fear of failure.

Forming of the self-assessment in childhood

The formation of self-assessment in adolescents is complicated and prolonged process with specific features in the different ages. The idea for “myself”, the children forms in the process of learning activity and in the process of communicating with other people. The children in primary school (6-12 years old) - assessment is formed in the process of the specific activity and as a result of evaluating this activity from the adults. Engaging the child in the evaluation of the results of his/her individual activity helps to the tracking of the formation of the general self-assessment as a personal quality. The self-assessment of the child not only reflects the attitude toward already achieved, but also the desired level. (Todorova, 2011)

Three groups of children can be differentiated by the level of completion of the self-assessment:

- with relatively adequate and sustainable self-assessment - possessing skills to analyze their actions and to separate their motives, more orientate from knowledge for themselves rather than the assessment of adults.
- with inadequate and unsustainable assessment - do not have enough skills to separate their essential qualities and to analyze their actions.
- with low level of development - self-assessment contains characteristics given to them by others, mostly adults. (Geron, 1965) (Todorova, 2011)

Children's understandings and views about their own qualities and capabilities

We already know that it is of great importance for the children of primary school age to receive the approval of authoritative adults - parents, teachers and coaches. Seeking this approval, children often try to emulate adults, and they tend to attach more importance to themselves, as well as exaggerate their own abilities and achievements. The current study is based on self-assessment survey cards. They track children's ability to make a fairly adequate assessment of their own qualities and abilities, and whether it is influenced by factors such as age or achievements of others.

The survey was conducted in June 2018 with two groups of children from the football club "Talent 2015" in Sofia. Each group contains 10 children. The first group includes children born in 2009 and 2010, and the second children born in 2006.

The survey card №1 contains 10 questions. The children respond to the questions immediately after the training, but before the coach's analysis of the training. This is of great importance in order to prevent his words from affecting the opinion of the children.

Name and group	Question	Answer
	Was the training interesting?	Yes/No
	Do you feel tired?	Yes/No
	Did you experience any difficulties in today's training session?	Yes – go to question No.4 No – go to question No.5
	In which drill you experienced difficulties?	Free answer
	Which drill was the easiest?	Free answer
	Which part (of the training) you liked the most?	Free answer
	What you didn't like? (if any)	Free answer
	Do you think you did well today? Are you satisfied with yourself?	Yes/No
	Can you do better in the training? (generally)	Yes/No Yes - go to question No.10 No - end of survey
	What you want to do better next time?	Free answer

Survey Card №1

Question №1: Was the training interesting?

Possible answers: Yes/No

Purpose of the question: To consider whether the participants are engaged with interest and desire in the training process.

Answers and results:

Group 8-9 years³³

All children respond positive
(10 “Yes” answers)

Group 11-12 years³⁴

All children respond positive
(10 “Yes” answers)

Analysis of the answer, connection between the analysis and the topic of the research:

The increased and sustained interest of the trainees is crucial for the quality of the training process and the objectivity of the research.

Question №2: Do you feel tired?

Possible answers: Yes/No

Purpose of the question: To be checked if the children exaggerate their capabilities, and how often.

Answers and results:

Group 8-9 years

“Yes” – 2

”No” – 8

Group 11-12 years

“Yes” – 10

“No” – 0

Analysis of the answer, connection between the analysis and the topic of the research:

By observing external signs (skin redness, sweating, rapid breathing, worsening of performance), it is confirmed that during exercise all the occupants have reached some level of fatigue. (Rachev, 1987)

This shows that the younger children more often tend to exaggerate their opportunities in order to gain the approval of adults (80% answers that they’re not tired), while the older ones have no worries to respond positively (100% answers that they’re tired). Some of the older children even say they feel good after they have put the maximum effort into the workout.

Question №3: Did you experience any difficulties in today's training session?

Possible answers: Yes/No

Purpose of the question: Checking whether children can admit they have certain difficulties?

Answers and results:

Group 8-9 years

³³Check figures 2and 2a for the results of “Group 2009+2010”

³⁴Check figures from 3 to 4a for the results of “Group 2006”

“Yes” – 2

“No” – 8

Group 11-12 years

“Yes” – 6

“No” – 4

Analysis of the answer, connection between the analysis and the topic of the research:

The results confirm that the younger children tend to be more self-confident and to increase inadequate their self-assessment. The older children show, a lot more self-criticism and no worries about the answers.

Question №4: In which drill you experienced difficulties?

Possible answers: Free answer

Purpose of the question: Tracking whether children can determine where their gaps are.

Answers and results:

Group 8-9 years

“I had no difficulties” – 8 (all of the also answered with “No” on question №3)

“I experienced difficulties in the technical drills for dribbling” – 2 (both of the answered with „Yes” on question №2)

Group 2006

“I had no difficulties” – 4 (all of the also answered with “No” on question №3)

“I experienced difficulties in the drills for physical quality improvement”- 6

Analysis of the answer, connection between the analysis and the topic of the research:

The children from the 8-9 years group still confirms the statement of impossibility of adequate self-assessment, but there also appears a certain individualization of the process - two of the children show that they have good observations about their own skills. In the specific training session, the 11-12 years group unanimously indicated that they had difficulty with the physical training exercises. They have very stable observations over their own capabilities in the physical aspect.

Question №5: Which drill was the easiest?

Possible answers: Free answer

Purpose of the question: Tracking how adequate is the assessment of the own capabilities, based on satisfaction after performing an element (personally selected).

Answers and results:

Group 8-9 years

“I can’t decide”- 2

“The training football game”- 8

Group 11-12 years

“Drills for physical quality improvement” – 4 (all of them answered with “No” on question №3)

Technical drills (passing) – 3

Tactical drills (defensive actions) – 3

Analysis of the answer, connection between the analysis and the topic of the research:

The majority of children from the 8-9 years group point to the easiest elements that give them the greatest pleasure (two-sided training football game). The 11-12 years group points a variety of elements, but it should be noted that four of them, that have indicated the physical drills as the easiest also answered with “Now” on question №3 of a question. This leads to the conclusion that they are in good physical shape and understand it on the basis of their results and feelings.

Question №6: Which part (of the training) you liked the most?

Possible answers: Free answer

Purpose of the question: Check out which elements of the workout are most enjoyable to the participants, and whether children like the drills that they do well.

Answers and results:

Group 8-9 years

“Two-sided training football game” – 10

Group 11-12 years

Physical drills – 3 (all of them answered with “No” on question 3, and with “Drills for physical quality improvement” on question №5)

“Two-sided training football game” – 5

“Technical drills (passing)” – 2 (one of them also answered with “Technical drills (passing)” on question №5)

Analysis of the answer, connection between the analysis and the topic of the research:

There is a direct correlation between the drills mentioned and the results the children have achieved in their performance. Children like more the drills in which they perform better. The 8-9 year olds are expected to point out the two-sided game. The game's satisfaction is the most important for them.

Question №7: What you didn't like? (if any)

Possible answers: Free answer

Purpose of the question: To confirm question №6 i.e. to show that children do not like the drills they perform badly.

Answers and results:

Group 8-9 years

“No”-10

“Yes”-0

Group 11-12 years

“No” - 7

“Drills for physical quality improvement” - 3 (the same children answered with “Drills for physical quality improvement” on question №4)

Analysis of the answer, connection between the analysis and the topic of the research:

In the 8-9 years old group, there are no acceptable results from the survey, because no one points out something that does not like it. This may be the answer children give because they suggest this is the answer the researcher wants to hear. In the 11-12 years old group it is proved that children do not like the drills in which they have difficulties.

Question №8: Do you think you performed well today?

Possible answers: Yes/No

Purpose of the question: Check whether it is possible for children to make an overall assessment of their performance based on their own understandings. Measuring the possible level of criticism towards own performance and participation in the activity.

Answers and results:

Group 8-9 years

“Yes”-7

“No” - 3 (two of them answered question №3 with “Yes” (experienced difficulties), and the other one answered with “Yes” on question №2 (feels fatigue).

Group 11-12 years

“Yes” – 10

Analysis of the answer, connection between the analysis and the topic of the research:

In the 8-9 years group, the children who think they had some difficulties during the training are more critical to their overall performance. The 11-12 years old are pleased with their performance, as most of them think they have put the maximum effort into it, and this satisfies them.

Question №9: Can you do better in the training? (in general)

Possible answers: Yes/No

Purpose of the question: To clarify whether self-assessment affects overall motivation

Answers and results:

Group 8-9 years

“Yes” – 10

“No” – 0

Group 11-12 years

“Yes” – 10

“No” – 0

Analysis of the answer, connection between the analysis and the topic of the research:

No matter if self-assessment is adequate or not, the children of both ages are highly motivated to perform better in the future.

Question №10: What you want to improve next time?

Possible answers: Free answer

Purpose of the question: To prove that the children can decide in which aspect to focus their efforts for improving their overall performance.

Answers and results:

Group 8-9 years

“Technical elements” – 7 (two of them answered with “Yes” on question №3 (experienced difficulties), and with “I experienced difficulties in the technical drills for dribbling” on question №4)

“Tactical elements” – 3

Group 11-12 years

“Tactical elements” – 4

“Physical condition”/“Physical drills”- 6 (all of them answered with “Yes” on question №3 (experienced difficulties), and with “I experienced difficulties in the drills for physical quality improvement” on question №4)

Analysis of the answers, connection between the analysis and the topic of the research:

Analyzing their personal experiences the 11-12-year-olds demonstrate realistic valuation about where they need improvements. In the 8-9 years group this is less noticeable. Only 2 out of 10 children show some introspection capabilities.

Graphical representation of the data from the survey card №1:

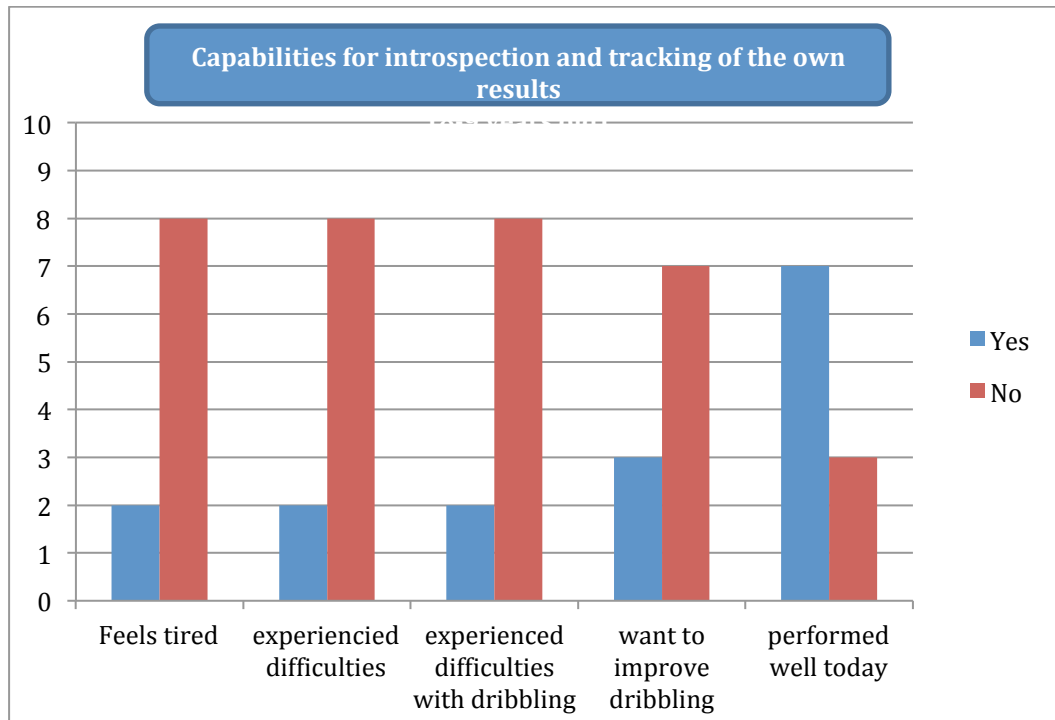


Figure 1

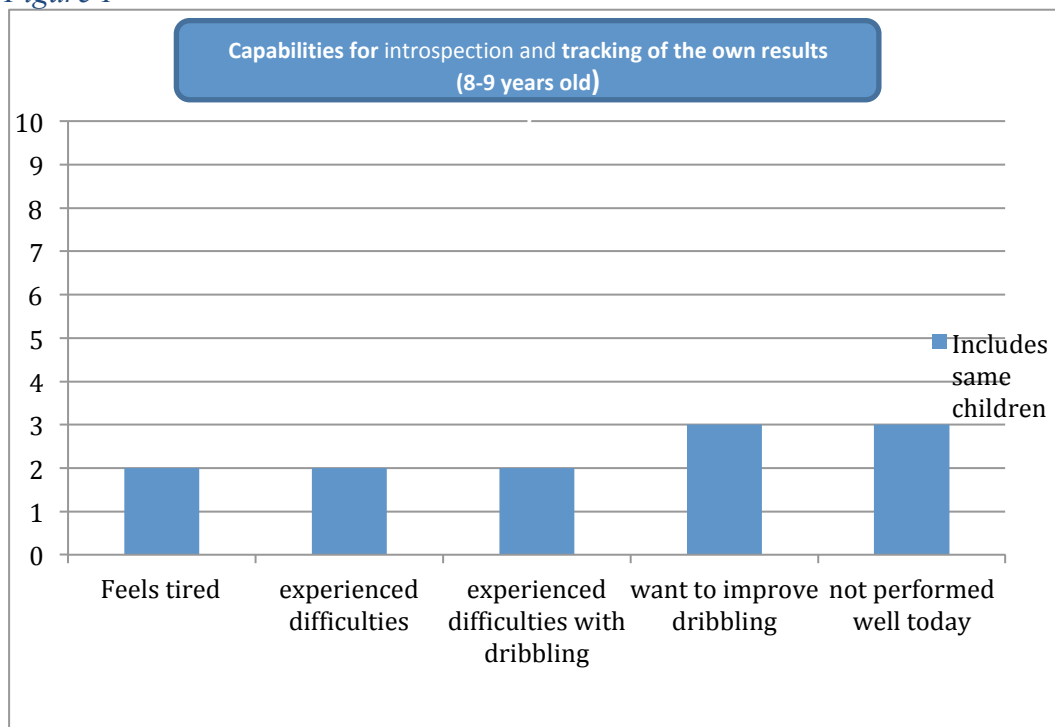


Figure 1a

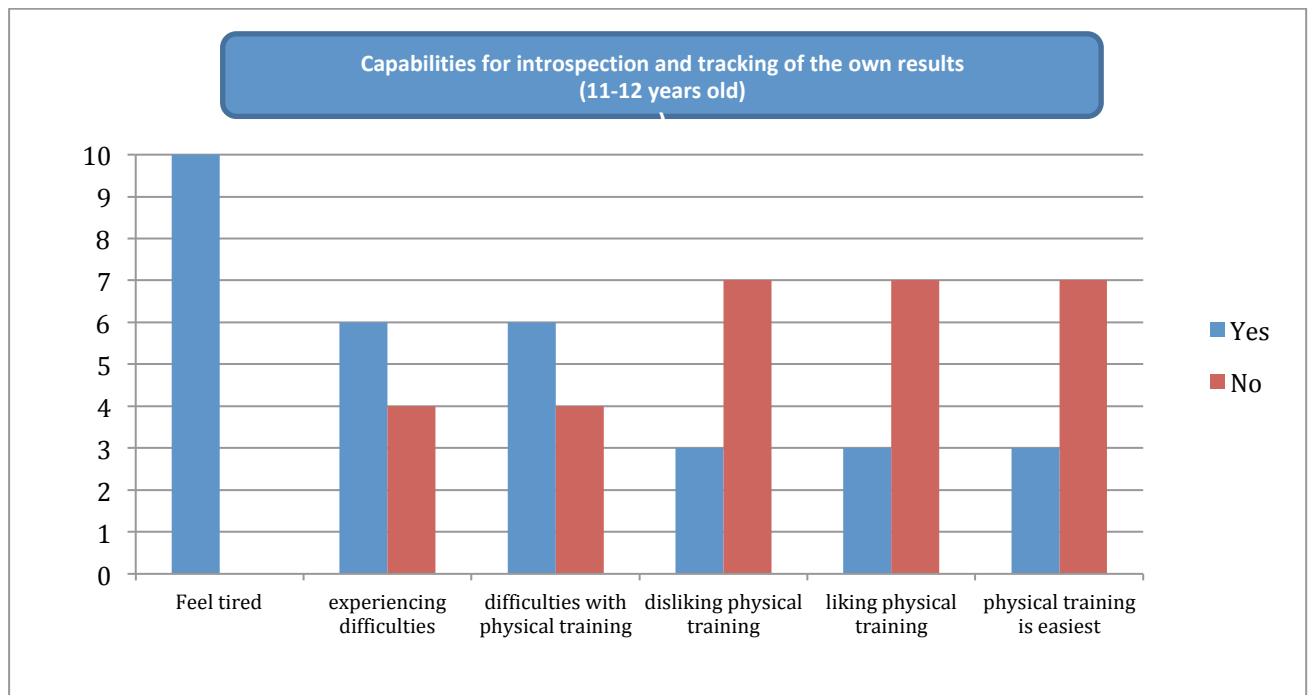


Figure 2

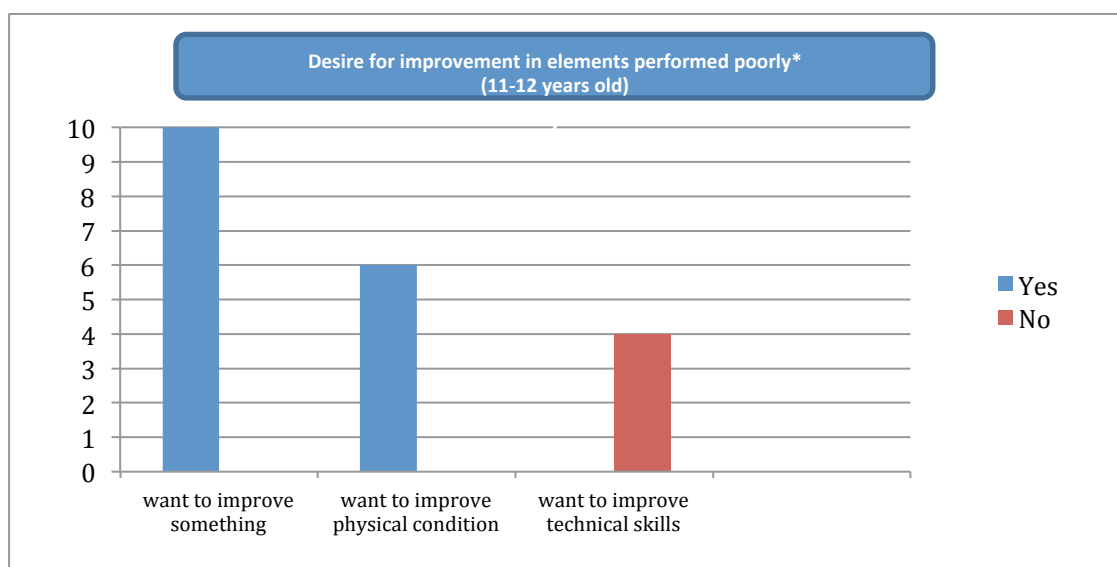


Figure 2a*according to the children's view

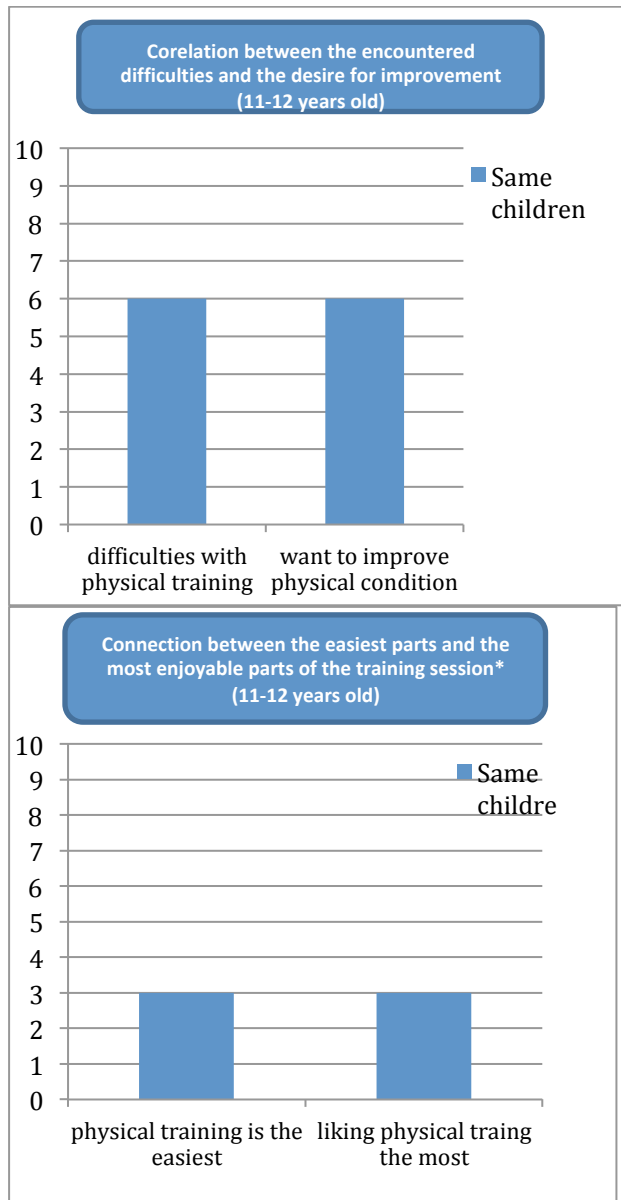


Figure 3

Figure 3a*according to the children's view

Survey Card №2

Before the start of the training, the coach determines a drill that, in his opinion, will cause difficulties for the children during the training. Without further explanations from the coach, right after the training each of the children answers whether there were any difficulties with the selected drill.

For control drill, the coach selects a drill for juggling:

Each child has a ball that must kick with the top of the foot, and before it bounce back for a second time, it must kick it up again. The drill is performed in two consecutive training sessions. The first time the coach does not give specific instructions on the number of repeats, only tells the kids to try to make the maximum number of repeats.

The second time he requires each child to count his own number of repeats and then report them to the group. In both sessions the coach equally encourages all children.

Question: Did you experience difficulties with the juggling drill?

Possible answers: Yes/No

Purpose of the question: To clarify whether children are influenced by the results of others in forming their own self-assessments.

Answers/results after training session 1:

“I experienced difficulties” – 2

“I didn’t experience any difficulties” – 9

Answers/results after training session 2:

“I experienced difficulties” – 6

“I didn’t experience any difficulties” – 5

Analysis of the answers, Connection between the analysis and the topic of the research:

After watching and consultation with the coach, it is confirmed that the drill really creates difficulties for the children. The drill requires a high level of motor coordination, which at this stage of the training process has not yet been reached. However, a large group of the children (9 out of 11; figure 4) think that they have done well, when they have no basis for comparison with their teammates.

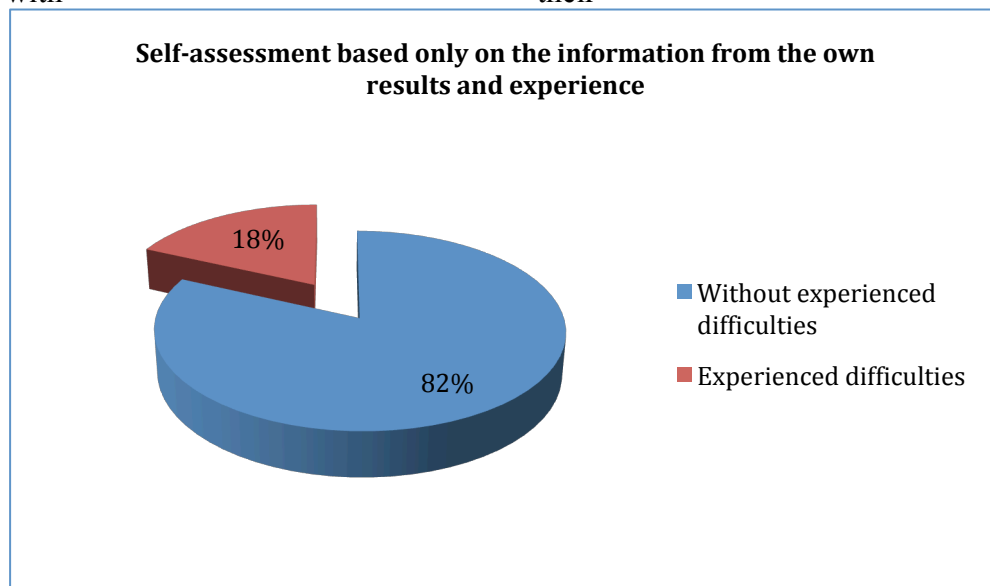


Figure 4

After announcing their results to the group and hearing the others' achievements, however, there are noticeable changes. The children who have made fewer repeats from their teammates (or a few repeats in general) tend to admit that they have difficulty. These are 6 out of 11 children (figure 4a), which is three times more than the result when the children have no

basis for comparison of their score.

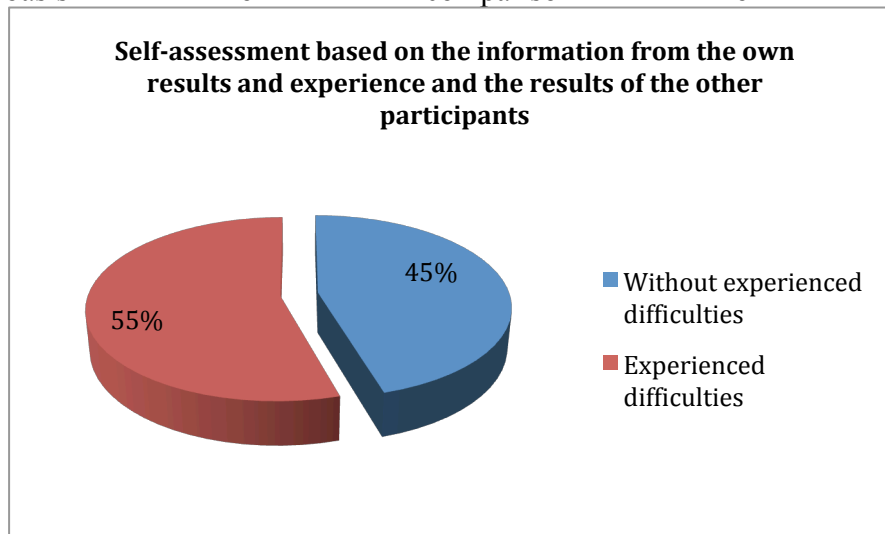


Figure 4a

In general this demonstrates how important the role of the competition is in the formation of adequate self-assessment, especially in sport. Another very important element in the forming of a proper self-assessment is to put real, achievable goals for the children. Extremely difficult drills can lead children to decrease in self-confidence and even a drop-out from sport, while the result of easy exercise, can be loss of interest or unreal increase in self-confidence.

Conclusion

On the basis of the results obtained from the research, it can be concluded that the children of primary school age have some potential for adequate self-assessment. This potential is limited and strictly individual in the 8-9 years old children. However, they show that they can self-assess adequately if they previously receive a certain benchmark. However, at this age, it is very likely that the children can exaggerate their abilities, or respond in the way they think adults want, only to get their approval. Older children (11-12 year old) demonstrate stable capabilities to assess their own actions, emotions and results. They can estimate their strengths and weaknesses on the basis of their performance in a specific activity. Furthermore, on the basis of their own difficulties or the results of others, they can judge in which direction they should aim their efforts, so that they can work to improve their own results. Although the research is conducted with a comparatively small contingent, it shows that under certain circumstances (focusing on certain elements, towards self-performance and performance of the others, physical or emotional sensations), the self-assessment of children (7-12 years old) can be very accurate and adequate. This can be used by coaches in regulating the training process, or in developing individual or group training regimes and programs.

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ANALYSIS OF FINANCIAL INDICATORS HOTELS COMPANIES BY USING THE ANALYTIC HIERARCHY PROCESS AND THE DELPHI METHOD

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Abstract

Hotel companies provide a diverse set of services to their clients in order to survive in a complex and dynamic environment. For the successful implementation of any strategy adopted by the company, it is necessary to develop a set of performance that depends on the type of service provided by the company. The uncertainty and complexity of the future period conditions the company to determine the significance of certain types of services in order to be able to cope with its competitors. Determining the significance of service types is done using a model that is based on an integrated approach to the Analytic Hierarchical Process and Delphi technique. The paper analyzes the performance of the company based on the applied model for determining the significance of the performance set. The subject of this paper is to explore the application of this methodology in various hotel companies of the same category in order to determine the competitive position.

Keywords: hotel companies, AHP-Delphi method, performance, analysis, decision making

Introduction

Measuring the performance of an enterprise is an important part of the control and management activity, because through the measurement process its strength, potential and efficiency are determined. (Peter J. Harris, 2001) The purpose of this measurement is to influence the ratios between output results (realized physical volume of production, output value, total revenue and profit) and investments for achieving these results (spending of production factors and engaging capital) in order to achieve the highest quality of the

relationship between results investment and its quantitatively expressive economic success. Accordingly, the performance measurement process enables the company to identify the economic resources it has at its disposal, to examine the key factors that affect its performance and to find the most profitable course of action. Kaplan and Norton (1992) have shown that financial measures do not sufficiently explain the organization's trend or effectiveness of decisions. The most important purpose, however, is that whatever happens in the organization is due to various causes - competition, product quality or service, resource use, and these causes are prompted by customers (internal and external), employees (whose behavior affects the organization) and other stakeholders (shareholders, suppliers and investors).

The analysis of the financial statements - balance sheet, income statement and cash flow statements - as three key financial statements of hotel companies that help to better understand the financial picture of these companies (Mitrović, Knežević, & Veličković, 2015). "As a managerial technique, ratio analysis has a very wide application" and is especially useful for business decision-making in combination with other methods. With a hotel industry that plays an important role, it is very important to define a set of financial transactions that can be used to analyze the company for the whole industry, regardless of the activity. The hotel industry is capital intensive and has a lot of fixed assets, and therefore requires a specific set of financial transactions to analyze the industry, and the conclusion is based on the performance of individual companies.

Selection of financial performance measures of hotel companies as a critical evaluation factor

The choice of performance measures is one of the key challenges that catering are facing organizations. Performance measures help organizations to define and implement the strategy (Brignall, Fitzgerald, Johnston, & Silvestro, 1991). They are also an integral part of the current value-based management practice, with an emphasis on creating value for shareholders. Considering the importance of the performance measurement system in the organization, it is surprising how little is known about which measures should be used and how to combine them in order to have the desired benefits. Performance indicators have a critical role in evaluating past and predicting future performance.

The users of accounting information are, besides the management of all levels in the company, numerous external users as well, due to successful realization of management activities. External users are primarily interested in the financial statements in the company (Knežević & Mitrović, 2017). Financial statements can provide information on concise economic information, so users who encounter an excessive amount of information can often come to the situation that they, trying to use them in the business decision-making process, ignore the importance of key information that is needed (Mitrović & Knežević, 2016).

In order to improve business and achieve a strategy, it is necessary to identify the fundamental activities and context of key performance indicators of the company that relates to the set-up, which will help in calculating the performance and progress of the company in relation to its strategic plans. It is necessary to define a set of performance measures, for each type of service that the hotel provides to its guests.

Based on the presentation from the statistical bulletin, and the basic division of services of the hotel company, it is concluded that the basic services are:

- accommodation services;
- food and beverage services;
- other services.

In the hospitality industry, through basic accommodation services, and on the other side of food and drinks, the appropriate revenue is obtained, as shown by the following table:

Revenue	Calculation:
Revenue from the rooms rented	Rooms rented x Room price
Revenue from restaurant services	Number of Served Customers x Prices in the menu
Revenue from other services	Number of served customers x Prices of other services

Table 1 Revenue structure, depending on the type of service

Based on the previous table, it can be noted that the size is defined as the number of units sold, served, received or purchased by customers during a specific period. The incomes from rented rooms can be reported on a daily basis. Customers of the restaurant are generally recorded by a meal: breakfast, lunch and dinner. Each of these transactions has a price or rate that is associated with it. Based on incomes decomposed and defined business strategies in this way, it is possible to define the key performance measures towards each of the services that the hotel provides to its customers. As the highest revenue arises from accommodation and food and beverage services, the following will show a set of financial performance that is characteristic of evaluating the efficiency of these services.

Key performance measures for accommodation services

Revenue per available room (Abb. *RevPAR*) is the most commonly used measure for managing hotel room services. "*RevPAR*" is the most frequently used measure of valuation of financial performance in the hospitality industry and it monitors the success of hotel room management. (Melia & Robinson, 2010) Total revenue per room sums up all the factors of revenues that are generated by the hotel and provide an insight into profitability.

$$\text{Revenue per available room (abb. RevPAR)} = \frac{\text{Revenues per Accommodation Services}}{\text{Number of Rooms Available}}$$

Occupancy rate (Eng. abb. OR) is the percentage of available rooms rented over a given period of time. It is calculated by dividing the number of rooms rented (sold) with the total number of available rooms. (Srivastava & Maitra, 2016) The occupancy rate is often considered as one of the three most useful measures for the company's revenue strategy, in addition to the average daily price and revenue per available room. Generally speaking, this indicator should be at as high level as possible.

$$\text{Occupation rate (abb. OR)} = \frac{\text{Number of rented rooms}}{\text{Number of available rooms}}$$

Average Daily Rate (abb. ADR) is calculated by dividing revenue from rented rooms with the number of rooms. Hotels use this measure to calculate average price of renting a hotel room per night.

$$\text{Average room price (abb. ADR)} = \frac{\text{Revenues from rented rooms}}{\text{Number of rooms rented}}$$

The Gross Operating Profit per Available Room (abb. *GOPPAR*) provides a broader picture of the hotel's current performance than the revenue per available room and the total revenue per available room, as it considers all the factors of revenue generated by the hotel, and which are related to variable costs. (Mašić, 2013) Like other services, food and beverage services have special characteristics, and therefore, the measures used to evaluate performance should reflect the specific issues they face.

$$\text{Gross Profit per Available Room (abb. GOPPAR)} = \frac{\text{Gross profit}}{\text{Number of available rooms}}$$

The simplest measure of hotel performance is the degree of capacity utilization, that is, the extent to which the percentage of free rooms is used during a separate period of time. The average daily price is the average price per room on a specific date, while the revenue per available room measures the generation of revenue per room based on the average daily income. In addition to these, there are also several key performance measures, which are at the same time at lower levels of decomposition in the structure of the hotel company.

Key performance measures for food and beverage services

The revenue is measured by the seat available, with the total number of available places in the dining room. On the other hand, it measures the profit per available square meter, which is placed in relation to the total free space in square meters. *RevPASH* measures the extent to which the use of capacity contributes to generating profits. *RevPASH* provides an overview of how many customers appear and how quickly they are serviced, which contributes to the efficiency and effectiveness of services.

However, like *RevPAR*, independent use of *RevPASH* cannot provide a complete picture of the profitability of these services. In all hotels, it is almost identical, because production costs are evenly distributed across all sales units. The cost of production for each menu varies in restaurants because of the different ingredients for every meal. Therefore, hotels should consider a gross margin for each item in the menu, and not just total revenue. *RevPASH* does not reflect the profitability of food and beverage services, therefore, it should not be the only measure to measure profitability. *ProPASH* measures the current profit by calculating the total contribution margin for each item in the menu that is being sold. (Cindy Yoonjung, 2017)

$$ProPASH = \frac{\sum(MP - FC)}{\text{Total number of available seats at the restaurant}}$$

Profit per Available Square Meter (*abb.ProPASM*) is relative measure of key performance indicators for hotels. (Cindy Yoonjung, 2017) It refers to profit that is put in a relation to available space in the restaurant. It is calculated by dividing total profit per hour with total available space calculated in m².

$$ProPASM = \frac{\sum(MP - FC)}{\text{Available space calculated in m}^2}$$

As the fixed revenue per available seat in the restaurant service room, the restaurant services can also be decomposed, in order to determine the revenue from food services, and the revenue from the services of the beverage.

$$\begin{aligned} \text{Revenue from food services} &= \frac{\text{Total revenue from food services}}{\text{Number of serviced customers}} \\ \text{Revenue from beverage services} &= \frac{\text{Total revenue from beverage services}}{\text{Number of serviced customers}} \end{aligned}$$

Key performance measures for other services

For performance measures of other services, it is necessary to first define other hotel services. The hotel does not have to realize only the revenue from accommodation and restaurant services to its guests. As hotels have large capacities, they can rent their halls for various scientific conferences.

$$RevCON = \text{Revenues for renting conference halls} / \text{Number of halls rented}$$

The revenue from these conferences can be significant in the share of the company's total revenues. Also, the hotel can rent its free capacities for various sports activities, as well as spa centers.

$$\begin{aligned} RevCON = \text{Revenue from conference halls} &= \frac{\text{Revenue from renting conference halls}}{\text{Number of rented halls}} \\ RevSPA = \text{Revenue from spa center services} &= \frac{\text{Revenue from spa centers}}{\text{Number of serviced customers}} \end{aligned}$$

$$\text{RevSPO} = \text{Revenue from sport center services} = \frac{\text{Revenue from sport activities}}{\text{Number of serviced customers}}$$

Problem definition

In the 1970s, Thomas Saaty developed an approach to help decision-makers in modeling complex problems in a simple way. In 1977, Saaty formulated the procedure of "the hierarchical prioritization theory", and described the first complete application of this theory to 103 airline networks, trails, river roads and other transport projects in Sudan. His published book: "The Analytical Hierarchical Process", and its application in the "Expert Choice" software program helped to popularize this method. After 25 years of publication of the first books and software articles, the method of analytical hierarchical process is often used by decision makers around the world to model problems in more than 30 different studies, including resource allocation, strategic planning and public policy. It is used to rank, select, evaluate and compare different alternatives to decisions. "The analytical hierarchical process is based on three principles: decomposition, comparison and synthesis of priorities." (Pakkar, 2014) AHP is a problem-solving model and a systematic procedure for presenting the elements of any problem. The AHP method consists of three steps. The first step is the structure of the problem in a hierarchical approach, with a successive level of goals, criteria and alternatives. Alternatives are at the last level. After the established hierarchy, the next step is to develop the priorities of each segment in the hierarchy. This is done by comparing all alternatives. The comparison is made by comparing pairs of subordinate items of the hierarchical node. Comparisons are made with respect to the significance or contribution of the item to the hierarchical node. Therefore, this comparison analysis is generally implemented from bottom to top. As these priorities reflect the relative importance of items below the hierarchical level, they are called local weights. The third and final step is the aggregation of local weights into the composite priority. This is the final phase of the AHP process and is done through the hierarchical composition principle that first multiplies local weights with the product of higher-level priorities. (Delibašić, Knežević, Mandić, & Dmitrović, 2017) In accordance with the hierarchy, the process transforms local weights into global ones to measure the importance of the node in the hierarchy.

These global weights are summarized for a specific alternative and a composite priority that measures the common impact on all criteria. After that, the alternative with the highest weight is selected.

Therefore, the AHP model should be used in such a way that the key financial performance of the hotel company will be used, in line with the chosen business strategy, and then the opinion of the experts will be given to determine the significance of the key financial indicators in measuring the performance of the hotel company. Following the analysis, the criteria are ranked, and the selection of the most significant performance measures for the chosen business strategy is made.

The process of determining weight coefficients consists of several phases. It is necessary to first categorize the parameters into certain groups, as was done in the previous section. Hotel services are divided into 3 groups: accommodation services, food and beverage services, other services. Within each service, there are performance indicators that are important for determining business performance. Within accommodation services we have the following indicators: *RevPAR*, *ADR*, *OR*, and *GOPPAR*. Within the food and beverage services, the following indicators are considered: *ProPASH*, *ProPASM*, *ProFood*, *ProBev*. For other hotel services the following indicators are used: *RevCON*, *RevSPA*, *RevSPO*. Structuring begins with a "top-down" approach, that is, setting goals, then criteria, and ultimately alternatives

that have an impact on the goal, or can help achieve the goals. Below is a presentation of the research focusing on financial decision making and financial performance.

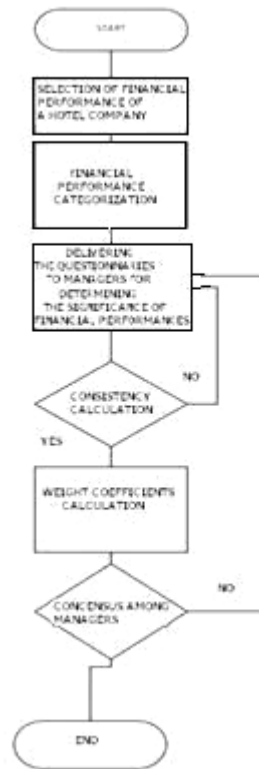


Figure 1 Flow of research for financial decision making³⁵

As can be seen from the previous figure, after distribution of criteria by groups, it is necessary to apply Delphi technique in order to distribute questionnaires to department managers and retain objectivity in determining the most important indicators in a particular group, as well as determining the significance of the group relative to the goal. Matrix consistency calculation is the next step, and if the estimation matrices are not consistent, then the process returns to the previous step." After determining these weight coefficients, it is necessary to determine the consistency of the matrix, which is recommended to be at the level of 90%." (Čupić & Suknović, 2008) When the matrix is sufficiently consistent, the next step is to process the results of the experiments from the Delphi method, and then determine the weight coefficients in a particular group of parameters. When the coefficients are determined within the parameters, then the weighting coefficients of the groups of parameters in relation to the target are determined. If the performance group matrices are consistent, the next step is to determine which group of parameters is most important for managing the revenues of the hotel company, as well as the parameters that are most significant within the group of parameters. AHP method is a very useful technique for determining the significance of key financial performance of the hotel, which can help managing them.

Results and discussion

First, it is necessary to determine the assessment matrices for the significance of hotel services. The process of determining hotel services begins by sending questionnaires to departmental managers that are relevant to the assessment of significance. Then it goes through the consistency test, and if the matrices are not consistent, the process is repeated

³⁵Made according to: Poompipatong, C., & Kengpol, A. (2013). An integrated AHP – Delphi group decision approach to weight engine's performance and emission parameters. *The 2013 World Congress on Advances in Nano, Biomechanics, Robotics and Energy Research (ANBRE13)*, (str. 73). Seoul.

until the matrix is at a 90% consistency level. After certain weighting coefficients, it is concluded which performances are most significant in relation to others. The assessment matrices are given in Table 21, while the weight coefficients are calculated in Table 2.

	Accommodation services	Food and beverage services	Other services
Accommodation services	1	3	5
Food and beverage services	0,33	1	2
Other services	0,2	0,5	1

Table 1 The assessment matrix of hotel service significance

	Accommodation services	Food and beverage services	Other services	Weight coefficient
Accommodation services	65,22%	66,67%	62,50%	64,79%
Food and beverage services	21,74%	22,22%	25,00%	22,99%
Other services	13,04%	11,11%	12,50%	12,22%

Table 2 Weight coefficients for hotel services

The consistency index is obtained by multiplying the weight coefficients in Table 28 with the values from the assessment matrix (Table 1) as follows:

$$0,647 * \begin{bmatrix} 1 \\ 0,33 \\ 0,2 \end{bmatrix} + 0,229 * \begin{bmatrix} 3 \\ 1 \\ 0,5 \end{bmatrix} + 0,122 * \begin{bmatrix} 5 \\ 2 \\ 1 \end{bmatrix} = \begin{bmatrix} 1,89 \\ 0,72 \\ 0,41 \end{bmatrix}$$

After this solution is obtained, the result is divided by the weight vector (weight coefficients in Table 2).

$$\begin{bmatrix} 1,89 \\ 0,72 \\ 0,41 \end{bmatrix} / \begin{bmatrix} 0,647 \\ 0,229 \\ 0,122 \end{bmatrix} = \begin{bmatrix} 3,03 \\ 3,01 \\ 3,00 \end{bmatrix}$$

The largest value of the matrix is chosen λ_{max} and it is 3.03. This value is used to calculate the consistency of the matrix. Besides λ_{max} , n is also needed. As n is the dimensionality of the matrix, we know that its value is 3 (3 criteria/3 alternatives).

$$CI = \frac{\lambda_{max} - n}{n - 1} = \frac{3.03 - 3}{2} = 0.016$$

When we have obtained a consistency ratio, we need to calculate the inconsistency ratio. In order to calculate the inconsistency ratios, it is necessary to use the values from the following table, depending on the number of alternatives.

n	1	2	3	4	5	6	7	8	9	10
RI	0	0	0,58	0,9	1,12	1,24	1,32	1,41	1,45	1,49

Table 3 Table for computing inconsistencies

The inconsistency score is calculated as follows

$$CR = \frac{0.016}{0.58} = 0.029$$

The rule used to interpret the inconsistency ratios is that it is less than 0.1. It can be interpreted as if the matrix of the estimation is inconsistent less than 10%, or that it is consistent over 90%. As our example the value is 0.02, we consider that the matrix is consistent at 98%. After the established level of significance of the hotel services, it is necessary to determine the significance of the indicators within each service provided by the hotel. As hotel services, accommodation services, food and beverage services and other services are the basic, it is also necessary to perform assessment matrices for performance sets within each hotel service.

Determining the significance of the performance of accommodation services is shown in the following tables:

Accommodation services	RevPAR	ADR	OR	GOPPAR
RevPAR	1	2	3	4
ADR	0,5	1	2	3
OR	0,33	0,5	1	4
GOPPAR	0,25	0,33	0,25	1

Table 4 Matrix of performance evaluation for accommodation services

Table 4 shows the results of the Delphi technique, with managers determining the mutual significance of performance indicators. Determination of the significance of the indicators was done over a scale of nine points. (Saaty, 1970) After that, it is necessary to determine the weight coefficients of each performance indicator according to the conclusions of the department manager of the Delphi technique. The results of the method of analytical hierarchical processes are defined in Table 4. The inconsistency ratio of this matrix is 0,08, which means that this matrix is consistent 92%, which is in accordance with the limit.

Accommodation services	RevPAR	ADR	OR	GOPPAR	Weight coefficient
RevPAR	48,00%	52,17%	48,00%	33,33%	45,38%
ADR	24,00%	26,09%	32,00%	25,00%	26,77%
OR	16,00%	13,04%	16,00%	33,33%	19,59%
GOPPAR	12,00%	8,70%	4,00%	8,33%	8,26%

Table 5 Weight coefficients for performance indicators of accommodation services

For food and beverage services (Table 6), the most important are the place-to-site profits in the restaurant, as well as the available square meters in the restaurant. Subsequently, the percentage of food and beverage services is at a lower level of significance than the previous two indicators, but they are also very important for the overall assessment of performance indicators.

Food and beverage services	ProPASH	ProPASM	RevFood	RevBev
ProPASH	1	2	5	6
ProPASM	0,5	1	3	4
RevFood	0,2	0,33	1	2

RevBev	0,16	0,25	0,5	1
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Table 6 Matrix of performance evaluation for food and beverages services

Based on the performed method of analytical hierarchical processes, we find that the profit per available seat at the restaurant, is the most important criterion determined by the hotel managers, and therefore it carries the highest weight coefficient. The inconsistency ratio of this matrix is 0,09, which means that this matrix is consistent 91%.

Food and beverage services	ProPASH	ProPASM	RevFoodD	RevBev	Weight coefficient
ProPASH	53,57%	55,81%	52,63%	46,15%	52,04%
ProPASM	26,79%	27,91%	31,58%	30,77%	29,26%
RevFoodD	10,71%	9,30%	10,53%	15,38%	11,48%
RevBev	8,93%	6,98%	5,26%	7,69%	7,22%

Table 7 Weight coefficients for performance indicators of food and beverage services

Since the hotel can provide other services based on renting space for conference needs, spa services, and rental of recreational facilities for recreational guests, thus performance indicators for these services must also be measured. The most significant are the revenues from the conference rooms, since every hotel has a certain conference area today.

Other services	RevCon	RevSpa	RevSpo
RevCon	1	3	4
RevSpa	0,33	1	3
RevSpo	0,25	0,33	1

Table 8 Matrix of performance evaluation for other services

Based on the method of analytical hierarchical processes, we find that the profit at the available seat in the restaurant (Table 7), the most important criterion determined by the hotel managers, and therefore it carries the highest weight coefficient. The inconsistency ratio of this matrix is 0,06, which means that this matrix is consistent 94%.

Other services	RevCon	RevSpa	RevSpo	Weight coefficients
RevCon	63,16%	69,23%	50,00%	60,80%
RevSpa	21,05%	23,08%	37,50%	27,21%
RevSpo	15,79%	7,69%	12,50%	11,99%

Table 9 Weight coefficient of performance indicators for other services

Finally, from Table 9, we conclude that it is precisely the revenue from conference services, which the hotel managers considered to be the most significant. After that, the revenues from spa centers are on the second level of significance, while the revenues from sports services are the last.

Concluding remarks

At the end of the analysis, we note that the integral approach of the AHP method and Delphi technique found that accommodation services are the most important for hotel companies. The greatest disadvantages of the AHP method are the large number of decision makers, and the possible inconsistency of the assessment matrix. It is also important to note that if there are criteria that are mutually correlated, there comes to the situation to include the same information several times. An integrated approach to the AHP - Delphi method is used

because it can convert human perception into numeric values and also includes consistency checking. The result of this research can help the researcher select the best alternative for his research. Therefore, the merging of the target programming process is a very efficient and effective way to find the optimum result for future research. Precise implementation of procedures in the application of the AHP method has yielded that the RevPAR (Revenue per available room) performance has the highest total value of 45.38%, and therefore is the best alternative in selecting the significance of performance measures in the case of accommodation services. In the case of food and beverage services, the most significant measure of performance determined by the study is ProPASH (Profit per available Seat per Hour); while for other services the most important measure is RevCon, or revenue from conference events.

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IS THERE A CORRELATION BETWEEN INFLATION AND UNEMPLOYMENT THAT HAS REGISTERED THE US ECONOMY 2007- 2017?

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Abstract

The project is an application of quadrilateral equation and its graph in economics, as part of College Algebra syllabus, as well as hybrid courses of Algebra and Statistics.

The work presented as a handout requires collecting data from Bureau of Labor Statistics, US, and World Bank, and one reading. After analyzing the results of inflation rate and unemployment rate, students will be asked to do prediction on this indicators, using the quadrilateral equation function. According with the point of view of the author of the suggested reading, some structural factors and the relation between them influence the recession.

Students will interpret the Project required scatter plot, using Excel, and analyze the correlation between the above indicators.

As conclusions, students will be asked to give their opinions and suggestions regarding the two variables and their influence on everyday life, based on reading.

The suggested project is an application of Quadrilateral functions and their graphs in the analysis of the US economy for a period of years, 2007 to 2017. It is a part of the College Algebra syllabus at City University of New York, where I am teaching. It will help students to better understand how the Math theoretical concept is related to real life topic, as economy is, and what are its implications in their lives. Or, to connect the abstract nature of Math with a concrete, real life topic, in the end, to comprehend the Math topic of the lesson.

In order to complete the project, they need to be introduce in the economy topic of the application, by reading the purposed article of, by Alan Greenblatt; that is necessary, because I presume, students that take that Math course are not business or economy majors, to know basic economy' concepts. The author of the suggested article help students to introduce in the topic, by giving specific examples in the economic field. On his point of view, the author illustrate some structural factors that influence a slow recovery of the economy, such as: shifting demographics, technological advances, and globalization, despite the US economy is rebounding from recession. In addition with internal factors, the author states that "if the economy of the word that interacts with each other keeps or remain slow, it will make recession so deep and recovery so week" can US continue to expand in a global economy where everyone else is slowing down?

Also, the author explains the relationship between productivity, wage increase, economy and unemployment. As the efficiency of worker increases, the output and investment of firms also increases, and investments lead to labor demand, so the increase of productivity will reduce unemployment rates.

After becoming familiar with the topic, they will use data of the indicators of inflation rate (using as source Bureau of Labor Statistics) and unemployment rate (using as source Word Bank) to analyze the behavior of this two indicators, during more than a decade. Many students in their projects, come to a conclusion that the unemployment rate is a key way to measure the state of a country economy. Also, by updating the values of the indicators, students find that the US unemployment rate is at its lowest, and productivity continues to increase with corresponding wage increases; these are the important factors in analyzing the success of an economy.

The project has three parts: part I (introducing to the topic), which is a theoretical part, part II (analyzing the indicators), that is the Math part, and part III, conclusions. The suggested timeframe' work for parts I and conclusions, is three days each, and one week for part two.

I handled the project to the students in the format of a handout, which I will present bellow.

Is a correlation between inflation and unemployment that has registered the US economy 2007-2017?

Due date

Part I (15 points)

After reading the article by Alan Greenblatt, answer following questions:

- a) From the point of view of the author, what are the structural factors that made the recession so deep and the recovery so week?
- b) Why average earnings for workers, the author said “barely cover inflation?” (Support your opinion from reading the article).
- c) What are relations between productivity, wage increase, economy, and unemployment? (Support your answer using the reading)

Part II (65 points)

Table

Unemployment rate versus Inflation rate

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Unemployment Rate (%)	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.9
Inflation rate (%)	2.8	3.8	- 0.4	1.6	3.2	2.1	1.5	1.6	0.1	1.3	2.1

Source Word Bank and Bureau of Labor Statistics

- d) Using the data of the above Table, draw the scatter plot between 2007- 2017 of unemployment rate, and inflation rate, in the US economy.
- e) Interpret the scatter plot that you draw, using Excel; do you think there is a correlation between the unemployment rate and inflation rate. If yes, what kind of correlation does it seem to be? (Use the scatter plot to help you make characterize that correlation.
- f) Assuming that the inflation rate behavior looks as a parabola with the equation of the line:

$$Y = 0.1643x^2 - 1.5071x + 4.5286$$

Find: 1. the minimum value of inflation rate

2. What will be the inflation rate in 2020, if it follows the same pattern, and if it is described by the same equation?

- g) Presuming that the unemployment rate in described by the equation of the line:

$$Y = - 0.2548x^2 + 1.9786x + 5.1679$$

- Find: 1. what will be the unemployment rate in 2020, if, it follows the same equation line?
 2. Theoretical, when will the unemployment rate be zero?
- h) Without seen the graph of the two functions, what tells us if it has a maximum (the graph opens downwards) or a minimum (the graph opens upwards)?

Part III (Conclusions)

Write a letter (200 words – 300 words) to governor regarding your concerns about that two issues. What are your opinions and what policies you suggest in order for the two variables to be equilibrated? (Justify your opinion, based on reading). (20 points)

After reviewing the students' projects, I realized that even not all projects are satisfactory, regarding all my points of view, all answer correctly on the math part of the project; actually, it was the main aim of the lesson. One explanation of my conclusion, is that some students are first time writing a reflective conclusion in the format of a letter upon reading an academic article; they are beginners on this matter, hopefully my project was a challenge for that students, to do better, next projects.

I also, want to enumerate some interesting proposals, of my students in their letters, such as:

- To initiate the Gateway Program, a big infrastructure project, with expected positive solutions in unemployment and inflation rate.
- To vote on policies which promotes increased manufacturing.
- Implementation of new technologies.
- Beneficial international and bi-lateral trade policies.

Fortunately, New York City is a place where all different types of employment, in all variety of fields, can make everyone get a job, and support business. After initiating a discussion with those regarding their goals, all come to the conclusion that education offers them more possibilities, for a better life.

Materials and Resources

- **Reading: “Are things finally looking up?”** by Alan Greenblatt, April 27th, 2015, SAGE journals, **CQ Researcher – Economy.**
- **Bureau of Labor Statistics, US, source Statista 2018**
- **World Bank, source Statista 2018**

APPLICATION OF COST-VOLUME-PROFIT (CVP) ANALYSIS FOR BUSINESS DECISION MAKING BASED ON REAL CASE

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Abstract

Cost–volume–profit (CVP) analysis is among the more popular methods for predicting profitability (goods/services) in the service of effective financial decision making. In reality, companies do business in complex environments, the CVP model reduces that complexity by focusing only on relevant relations. CVP analysis is useful for calculating the units that need to be sold to break even, as well as achieving target operating income or target operating net income, so it is gladly used in managerial circles for business decision making. The subject of this paper is the use of CVP analyses on the example of a real-life company in short-term decision making. The goal of the research given in this paper is aimed at the usage of the contribution method in financial decision making and the theoretical concept of likelihood on CVP analysis.

Keywords: retail companies, CVP analysis, probability, decision making

Introduction

Break-even point analysis can be very useful when making business decisions. In essence, the analysis of the break-even point can be used in three different situations:

1. It can be used in decisions determining the contribution of a new product in total sales revenue;
2. It can also be used as a means of testing the consequences of increasing the size of production.
3. It can be used in automation programs, by which the company will constantly change variable costs with fixed costs. (Chrysafis & Papadopoulos, 2009)

This method is not suitable for long-term planning, but it shows its usefulness in conditions when relatively small changes in activities are planned, whereby the established structures and cost relationships remain unchanged. Break-even point analysis, or CVP (Cost-Volume-Profit, CVP) analysis is a technique that is not necessarily a substitute for detailed budget

preparation, but it is an important tool that should support the planning of profits and improve the process of budget preparation. Instead of using detailed statistics for control, they can be used as a basis for analyzing and planning future business activities to provide a wider indication of their effects on profits in different scenarios. For example, the break-even point model indicates that the annual forecast can signal the level of profits that the management found to be inadequate.

1. Break-even point of profitability

Break-even point analysis is the oldest, but also the most popular method for forecasting the viability of business decisions. Break-even point analysis is a practical means of measuring profitability at different levels of production or services. It is the application of marginal pricing that studies the ratio between costs, volume and profits at different levels of activity and can be useful for short-term planning and decision making. The break-even point analysis involves examining the relationship between the variable volume of production or the delivery of services, costs, sales and profit earnings. The assumptions for the break-even point analysis are as follows:

- 1) "All costs must be divided into fixed and variable;
- 2) Fixed costs will remain constant, and the variable costs will vary in proportion to the volume of activity;
- 3) Through some of the observed activity levels, costs and contributions will have a linear trend;
- 4) The only factor affecting costs and profits is the scope of activities;
- 5) Technology, production methods and efficiency remain unchanged;
- 6) In particular for graphic methods, the analyzes are in relation to only one product;
- 7) There are no changes in inventory level, or inventories are valued only through marginal costs;
- 8) It is assumed that there is no fluctuation. " (Žarkić Joksimović, 1994)

Traditional break-even point analysis seeks to estimate the revenues that need to be generated by providing services in order to make the profit equal to zero. Accounting break-even represents the number of units of the product, or the scope of services that the company has to handle in order to have an accounting gain of zero. The financial break-even point is calculated on the basis of an estimate of the number of units to be sold in order to realize the estimated revenue (Bogojević Arsić, 2014).

Its reflection may be considering a higher average price of the product. Assuming that the addition of higher rates in the model improved profit to an acceptable level, then it would be necessary to examine the market segmentation rates to determine the probability of the feasibility of that share. If it was subsequently concluded that the market could be subject to an increase in the rate, the budget would be redesigned. If not, then alternative solutions should be sought.

2. Identification of fixed and variable costs

Some business costs of restaurants' activities are not included in the level of sales change. These fixed costs may include occupational costs such as interest costs, property insurance, depreciation, and certain lease costs. They will usually include salaries for management, marketing, property maintenance, and so on. As fixed costs are costs that do not change with the change in sales level, in the case of hotel and food and beverage services, variable costs will include food, beverage and available items that are altered by changing sales volumes.

"In addition to fixed and variable costs, there is also a third category, semi-variable costs, which include a fixed and variable component." (Harris, 1992) For example, wages and

associated costs are an example of semi-variable costs. In order to determine the fixed part of the wage, it is first necessary to determine the minimum level of staff required for a hotel restaurant to function for a certain period, such as managers, service personnel, office employees, and then the associated value should be calculated. When determining the fixed part, a part of the variable costs will include all added employees, since the number increases beyond the minimum capacity of the staff. In order to be able to use the break-even point analysis, the costs must be divided according to the fixed and variable component. Then they are used to make information-aware and rational decisions.

A critical point to keep in mind when identifying fixed and variable parts of semi-variable costs is to determine proportions in a practical way. Since these costs represent the most subjective area of cost-benefit analysis, the quality of behavioral judgments will have a direct connection to the final cost structure set for the enterprise, which will affect the accuracy of the breakpoint model. (Phillips, 1994) The key to all semi-variable cost behavior analysis lies in the ability to determine the fixed part of each cost unit for a specific period, and to estimate the proportion of costs that varies depending on the size of service volumes. In most cases, analysis should be allowed on an annual, monthly, weekly or even daily basis, although to a certain extent this will depend on the available records. For example, a hotel or restaurant, with a high market rate in the summer season and a lower rate in the winter season, could do two "CVP" models to determine the different cost, volume and profit relationships in the summer, and especially in the winter season.

Revenues remained the main component related to generating profits. Sales revenue is often transmitted when managers become preoccupied with cost and control analysis, but it is also important to determine how revenue falls in relation to sales volume, such as costs. Thus, revenues that are widely changed in proportion to the number of customers are classified as variable revenues; on the other hand, revenues that remain constant are classified as fixed income.

The breakpoint is determined using the percentage of the contribution margin. Most enterprises have a wide range of products and services, and hence the complex nature of the percentage of the contribution margin provides a satisfactory overview of individual mixes of sales and variable costs (Table 42).

Contribution margin balance	Amount
Sales revenues	RSD 288,257,000
Fixed costs	RSD 95,269,000
Contribution gain	RSD 192,988,000
Variable costs	RSD 173,150,000
Operating profit	RSD 19,838,000

Table 42 Contribution margin balance of the hotel "M"

Calculation of the contribution gain requires the division of costs into fixed and variable. Identification of fixed and variable costs is carried out according to the profit and loss account. The breaking point of profitability can be calculated in terms of value and natural value. The value breakpoint is calculated as follows:

$$\text{Break – even point of profitability} = \frac{\text{Fixed costs}}{1 - \frac{\text{Variable costs}}{\text{Sale revenues}}}$$

Although the break-point illustration is determined annually, it can be displayed weekly, monthly, or quarterly in relation to a certain length of viewing the projection. The equation for the target profit can also be derived from the formula for the break-even point:

$$\text{The size of the sales necessary to achieve the target profit} = \frac{\text{Fixed costs} + \text{Profit}}{\frac{\text{Variable costs}}{\text{Sale revenues}}}$$

If we look at the income statement of the company "Apejron L.L.C", we see that sales revenues amount to RSD 288,257,000, fixed costs RSD 95,269,000 and variable costs RSD 173,150,000. The structure of variable and fixed costs in the company "Apejron L.L.C" can be seen in the following table:

The cost structure			
Fixed costs		Variable costs	
Wages, salaries and other personal expenses	RSD 30,341,000	Cost of goods sold	RSD 151,808,000
Depreciation costs	RSD 1,995,000	Cost of materials	RSD 8,591,000
Intangible costs	RSD 62,933,000	Fuel and energy costs	RSD 7,758,000
		Costs of production services	RSD 4,993,000
Total fixed costs	RSD 95,269,000	Total variable costs	RSD 173,150,000

Table 43 Structure of costs of "Apejron L.L.C" (according to the income statement from 2017)

Respecting the first assumption of the break-even point of profitability, the breakpoint of profitability according to the formula should now be calculated:

$$\text{Break – even point of profitability} = \frac{\text{RSD 95,269,000}}{1 - \frac{\text{RSD 173,150,000}}{\text{RSD 288,257,000}}}$$

$$\text{Break – even point of profitability} = \text{RSD 238,577,637}$$

In this way, the break-even point of profitability is calculated, indicating that the company needs to generate RSD 238,257,000 in sales revenue to cover all fixed and variable costs. In the income statement (shown in the table) we see that total sales revenues amount to RSD 288,257,000, which is more than the break-even point, and shows that the company manages to achieve a break-even point of profitability, whereby the business profit is at a low level. Also concluded is that the variable costs are quite high, which is naturally given the activity that the company deals with. In order to calculate the natural calculated breakpoint of profitability, or in order to find out how many products a company must sell to achieve the breakpoint of profitability, we use the following formula:

$$\begin{aligned} \text{Break – even point of profitability} &= \frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}} \\ &= \frac{\text{RSD } 95,269,000}{\text{RSD } 11,400 - \text{RSD } 6,848} = 20.298 \text{ units} \end{aligned}$$

The company “Apejron L.L.C.” produces a type of product called "Nutribullet" and sells it at a price of RSD 11,400. After the determined selling price, it is necessary to calculate the variable costs per unit. The variable costs per unit will be obtained when the total variable costs are divided by the volume of sales in the units of the enterprise.

The calculated break-even point of profitability means that it is necessary to sell 20,298 products annually to cover the fixed and variable costs. The following table shows the display of fixed, variable and total costs that will be used to graphically display the breaking point of profitability. As the break-even point is in the cross-section of total revenues and total costs, it is also necessary to include sales revenues in the table depending on the scope of activities. The revenues and cost items are shown in the following table:

Volume	Total revenues	Variable costs	Fixed costs	Total costs
4.185	47.714.681 RSD	28.660.881 RSD	95.269.000 RSD	123.929.881 RSD
6.278	71.572.021 RSD	42.991.321 RSD	95.269.000 RSD	138.260.321 RSD
8.371	95.429.362 RSD	57.321.762 RSD	95.269.000 RSD	152.590.762 RSD
10.464	119.286.702 RSD	71.652.202 RSD	95.269.000 RSD	166.921.202 RSD
12.556	143.144.043 RSD	85.982.643 RSD	95.269.000 RSD	181.251.643 RSD
14.649	167.001.383 RSD	100.313.083 RSD	95.269.000 RSD	195.582.083 RSD
16.742	190.858.724 RSD	114.643.524 RSD	95.269.000 RSD	209.912.524 RSD
18.835	214.716.064 RSD	128.973.964 RSD	95.269.000 RSD	224.242.964 RSD
20.927	238.573.405 RSD	143.304.405 RSD	95.269.000 RSD	238.573.405 RSD
23.020	262.430.745 RSD	157.634.845 RSD	95.269.000 RSD	252.903.845 RSD
25.113	286.288.086 RSD	171.965.286 RSD	95.269.000 RSD	267.234.286 RSD
27.206	310.145.426 RSD	186.295.726 RSD	95.269.000 RSD	281.564.726 RSD
29.298	334.002.767 RSD	200.626.167 RSD	95.269.000 RSD	295.895.167 RSD
31.391	357.860.107 RSD	214.956.607 RSD	95.269.000 RSD	310.225.607 RSD
33.484	381.717.448 RSD	229.287.048 RSD	95.269.000 RSD	324.556.048 RSD
35.577	405.574.788 RSD	243.617.488 RSD	95.269.000 RSD	338.886.488 RSD
37.669	429.432.129 RSD	257.947.929 RSD	95.269.000 RSD	353.216.929 RSD

				RSD
39.762	453.289.469 RSD	272.278.369 RSD	95.269.000 RSD	367.547.369 RSD
41.855	477.146.809 RSD	286.608.809 RSD	95.269.000 RSD	381.877.809 RSD

Error! Not a valid link. Table 45 Revenues, costs and scope of activities for the break-even point of profitability

After using these data, they need to be graphically displayed. Therefore, the graphic display of the breaking point of profitability is in the following chart:

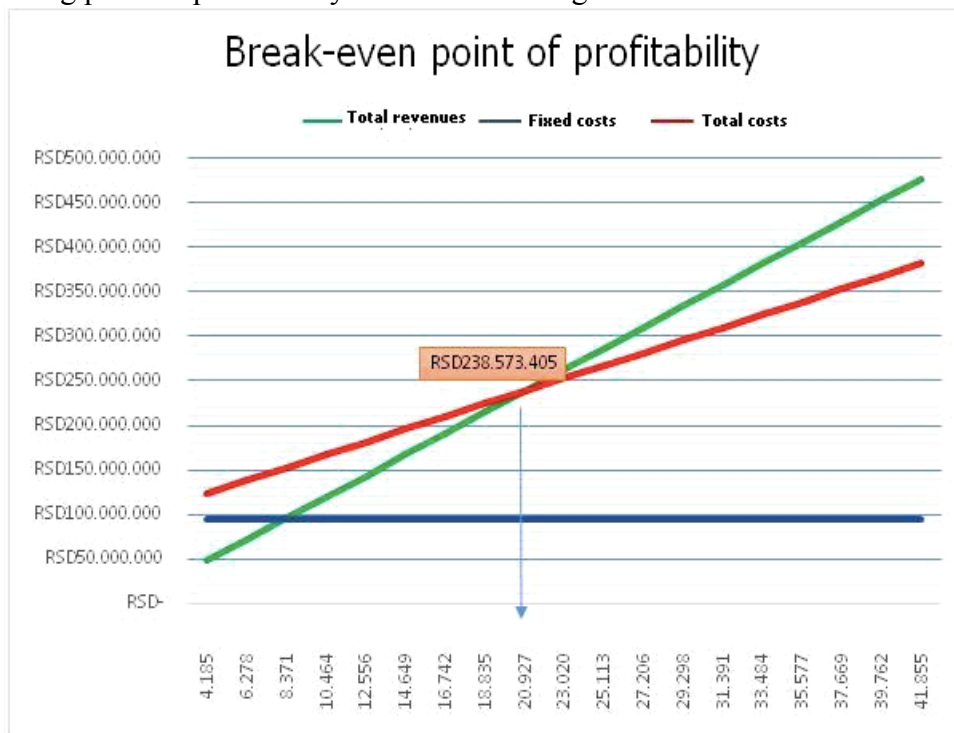


Figure 1 Break-even point of profitability

Based on the break-even point, shown graphically in the figure of the company “Apejron L.L.C.”, it is clearly visible that the company achieves the break-even point in profitability at the level of sales volume of 20,928, which is equal to the amount of sales revenue, i.e. it manages to cover all costs, but does not succeed in achieving a satisfactory profit. As can be seen from Figure 6, the break-even point of profitability is at the level of 3760 overnights.

3. Calculating the contribution margin

Hotels have high fixed costs due to large investments. Under normal circumstances, the company will cover fixed costs, and will earn a profit. However, due to the specificity of the hotel industry, if a particular strategy for attracting and retaining customers is not chosen, a small drop in sales revenue can be disastrous for the company, which will not be able to cover the fixed costs. The traditional model of break-even point analysis ignores uncertainty and insecurity.

Therefore, great attention is paid to the traditional *CVP model* (which ignores insecurity), because the failure to cover fixed costs in the long run can lead to the bankruptcy of any organization. Is the basic *CVP model* adequate, bearing in mind that security does not always exist in the decision-making process? This article examines the basic *CVP model* and describes how to incorporate uncertainty in the decision-making process. Before any discussion of uncertainty, a revision of the traditional *CVP analysis* will be performed.

$$NP = Px - (a + bx)$$

In the given equation, NP is net profit, P is the selling price per unit, x is the number of units sold, a are fixed costs, while b are the variable costs per unit. Although the model has several drawbacks due to its assumptions, (Žarkić Joksimović, 1994), it also assumes that all variable costs are certainly known. This last assumption is not the most credible because managers make decisions in a very turbulent environment. Therefore, the overall merit of the model must be called into question.

The contribution margin per unit is calculated on the basis of sales revenue and total variable and fixed costs. More precisely, the contribution margin represents the sales revenue and variable costs. The contribution margin ratio is obtained as follows

$$\text{Contribution margin ratio} = \frac{\text{Selling price} - \text{Variable costs per unit}}{\text{Selling price}}$$

$$\text{Contribution margin ratio} = \frac{11.400 - 6.848}{11.400} = 0,399$$

On the basis of this formula, the ratio of the contribution margin is obtained, which serves for the percentage determination of variable costs in total sales revenue. Our goal is to determine the size of the variable and the fixed costs in order to achieve the target profit.³⁶ The size of the target profit can be determined by quantitative and qualitative methods. In this case let's say that the managers of the company have decided that the size of the target profit is RSD 20,000,000. By using the following equation:

$$\text{Sales revenues} = \frac{\text{Target profit} + \text{Fixed costs}}{\text{Contribution margin ratio}}$$

$$\text{Sales revenues} = \frac{20,000,000 + 95.269.000}{0,399} = \text{RSD } 288,662,688$$

we obtain the amount of sales revenue that is needed to achieve the target profit. When we determine the value of the sales revenue, it is possible to make a profit margin of the contribution margin, in order to determine the amount of variable and fixed costs, if the intended profit is to be realized. The nature of the fixed costs is to remain at the same level for any volume of production, while the variable costs are changed in the same direction as the quantity of units produced.

Income statement of the contribution margin	Calculation	Amount
Sales revenues	$\frac{\text{Target profit} + \text{Fixed costs}}{\text{Contribution margin ratio}}$	RSD 288,662,689
Variable costs	$(1 - \text{contribution margin ratio}) * \text{Value of sale revenues}$	RSD 173,393,689
Contribution gain	Sale revenues – Variable costs	RSD 115,269,000
Fixed costs	Remain at the same level	RSD 95,269,000
Operating profit	Contribution gain– Fixed costs	RSD 20,000,000

³⁶The term profit will refer to the size of the business profit.

Table 1 Income statement of the contribution margin

Based on Table 1 it can be concluded that it is necessary to realize 288,662,689 income from sales in order to achieve a profit (business profit) in the amount of RSD 20,000,000. Every dollar of sales above the break-even point of profitability, contributes to the realization of RSD 0,399 profit (operating profit). The assumption of such a model is that the fixed costs are constant over time, and that the ratios of the contribution margin can be used to estimate the effect of profits on changes in sales revenues. In order to obtain the overall change in profit, based on changes in sales revenues, it is necessary to multiply the account of the contribution margin with changes in sales. For example, if revenues increase by RSD 300,000 instead of 405,689, what would happen with profits? Reduction in sales will have an impact on profits decrease of RSD 42,170 ($0,399 * \text{RSD } 105,689$)

4. The application of probability theory to determine the size of sales revenue

CVP analysis is an important technique that is widely used for short-term planning purposes. The goal is to examine the ratio of costs, size of sales and profits. It is a useful manager tool in a variety of situations, including performing a breakeven point analysis, evaluating a pricing strategy and specifying a special mix of sales. According to the frequently cited paper (Jaedicke, 1964), normal distribution can be used to show the effect of one variable (price) on another variable (cost), with both variables subject to normal distribution, with known uncertainty. In practice, the probability estimation is poorly used, as Drury (2005) proved, who, following a study of 300 UK companies, concluded:

- 49% never used a statistical analysis of probability for decision making;
- 24% rarely use statistical probability analysis;
- 20% sometimes used statistical probability analysis;
- 7 percent often use a statistical probability analysis.

Although the study indicates a certain refusal to use statistical probability estimates, the analysis is not difficult to apply. The aim of this paper was to demonstrate how this methodology is applied on the basis of the CVP model. In addition, since most hotels have long-term goals, emphasis is placed on the volume of sales (sales revenue based on the rooms rented) and net profits. The model is structured in such a way that variable costs, fixed costs, and the selling price are known, while the uncertain variable is the volume of sales subject to normal distribution. This means that it can be assumed that profit, or net profit, is also subject to normal distribution.

The traditional model of break-even point analysis ignores uncertainty and insecurity. Therefore, great attention is paid to the traditional CVP model (which ignores insecurity), because the failure to cover fixed costs in the long run can lead to the bankruptcy of any organization. Is the basic CVP model adequate, bearing in mind that security does not always exist in the decision-making process? This article examines the basic CVP model and describes how to incorporate uncertainty in the decision-making process.

$$Z = \frac{X - \mu}{\sigma}$$

For example, if the variable X has a normal distribution with a mean value of 200, and a deviation of 20, with an observed value of 230, the Z value, when calculated can be used to determine the probability of this phenomenon. Using the given equation, the Z-value can be calculated:

$$Z = \frac{230 - 200}{20} = 1.5$$

The Z-value of 1.5 is shown in the diagram in Figure 7, and since the total surface below the normal distribution curve is equal to 1, the shaded portion is equal to the probability of obtaining a value greater than 1.5σ of significance. In order to convert the Z-value from 1.5 to real probability estimation, it is necessary to use the normal distribution tables. The probability estimation can be done by moving the left column to "1.5" and moving horizontally to the median. The size of 0.0668 is equal to the probability of obtaining values from the original distribution greater than 1.5σ from the mean value. In contrast, the probability of obtaining a value of less than 1.5σ from the mean value is 0.9332. Finally, Figure 7 shows that approximately the probability of obtaining accurate values is 99.7%, 95.4% and 68.3% , within the standard deviation of 3.2.1 respectively.

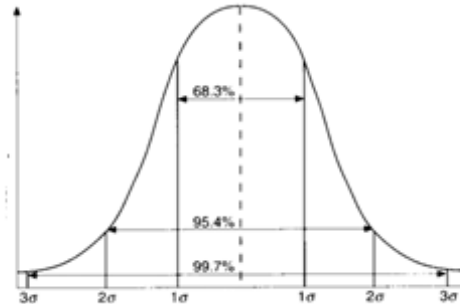


Figure 7 Normal distribution according to the standard deviation from 1 to 3

"In order to perform the break-even point analysis from the profit and loss account, it is necessary to make the income statement of the contribution margin." (Kotas, 1986) The contribution margin is equal to the sales revenue from which the variable costs are deducted. In order to determine the variable costs, it is necessary to separate all costs to a fixed and variable component. Generally speaking, the costs of sales, salaries and direct costs associated with the size of sales are variable.

The normal distribution is symmetric, with the same arithmetic mean and median (Vuković & Bulajić, 2014). It is necessary to determine the arithmetic mean (μ) and the standard deviation (σ) to confirm that the distribution is normal. In order to compare two distributions, they are necessary to be reduced to the same distribution. Z - values convert each distribution into a standardized normal distribution with a mean value of 0, and a standard deviation of 1 if you define the size of X as the size that relates to the amount of sales revenue, realized on the basis of the defined equation for the size of the sales revenue (288,662,689), while the mean value refers to the size of the contribution margin. The size of the standard deviation is determined by the company's managers. It is possible to determine the probability of achieving that target profit, based on the defined equation for the normal distribution.

The formula used to calculate the Z value is as follows:

$$Z = \frac{x - \mu}{\sigma}$$

$$Z = \frac{RSD\ 288,662,689 - RSD\ 238,577,638}{RSD\ 250,000,000} = 0,20\sigma$$

In this way the calculated value is found in the tables for the Normal distribution. When this value is found in the tables, based on the formula:

$$1 - \Phi(0.20) = 1 - 0,0796 = 0.9214$$

The value thus obtained tells us that there is a 92% chance that the company will generate RSD 288,662,689 of sales revenue.

In the second scenario, if the company intends to achieve RSD 30,000,000 of target profit, it is necessary to determine the probability of realization of the size of these revenues.

$$\text{Sales revenues} = \frac{\text{RSD } 30,000,000 + \text{RSD } 95,269,000}{0,399} = \text{RSD } 313,957,393$$

The probability of achieving the magnitude of these revenues is calculated in the same way as for the previous one.

$$Z = \frac{x - \mu}{\sigma}$$

$$Z = \frac{\text{RSD } 313,957,393 - \text{RSD } 238,577,638}{\text{RSD } 250,000,000} = 0,30\sigma$$

Based on the size from the Normal Distribution tables, it is estimated that the probability of realizing these sales revenue is 0.887, or that there is 88% chance that sales revenue will be realized according to the stated proportions. What can be deduced from these indicators is that, as the sales revenue increases, the probability of realizing these revenues starts to decrease.

Conclusion

The standard technique of break-even point analysis cannot answer the questions posed in today's environment. The uncertainty and the dynamism of the environment condition the company to use different analytical techniques in order to predict and determine the scope of activities that will be necessary to achieve an adequate level of revenue. The paper uses concepts based on the Normal Distribution models in order to determine the probability of achieving the target profit, assuming that the other values included in the CVP model remain unchanged. The limitations of this model are foremost connected with the use of normal distribution, that allows the possibility of a company having a negative revenue. The suggestion for further research is related to the use of lognormal, which assumes that the revenue can't be negative.

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PRECONDITIONS FOR AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION FOR TAX PURPOSES IN THE EUROPEAN UNION

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Abstract

Automatic exchange of financial account information is a key measure for financial transparency through co-operation between countries. The significance of the topic is determined by the fact that the regular communication of financial account data for tax purposes by automatic means has become a regulatory framework in the European Union and globally. The research will cast light on the preconditions for this exchange in the EU and will highlight its impact as a game changer in the field of taxation.

Key words: automatic exchange, financial account information, taxation, financial transparency, European Union.

Cross-border income that is not declared and not taxed leads to a significant reduction in national tax revenue. A possible decision is found in the process of automatic exchange of information for tax purposes. It is designed as one of the measures for financial transparency for coping with current challenges that have been in the spotlight in the European Union such as tax evasion, corruption, money laundering. Automatic exchange of data demonstrates the ultimate goal of tax administrations to counter effectively international tax non-compliance, but still many aspects of the phenomenon are open for debate and analysis. Such are the preconditions for automatic exchange of financial account information, especially for the administrative cooperation in this field in the European Union.

Automatic exchange of information “involves the systematic and periodic transmission of “bulk” taxpayer information by the source country to the residence country concerning various categories of income (e.g. dividends, interest, royalties, salaries, pensions, etc.)” (OECD, 2012:7). This new international standard for exchange is a proactive approach for improving tax collection through co-operation between countries, which has “become a globally accepted solution” to counteract cross-border tax evasion on capital income (Marsoul, 2014). It achieves global support because it is “a politically-feasible solution” that does not fundamentally change the current international tax regime and does not dictate specific tax policies (Cockfield, 2010).

EU member countries exchange financial account data including information constituting bank secrecy in the field of taxation regarding residents (individuals and legal entities) in other participating states. This information is communicated on the basis of Directive 2014/107/EU from 2017 without request, at established regular one-year intervals, as a form of control and prevention of the increasing cross-border cases of tax fraud. The process requires financial institutions in the EU to identify their clients and to report information for accounts of foreign natural and legal persons from other Member States to the local tax

administration, which should submit the information on an annual basis to the EU countries where account holders are resident for tax purposes.

The power of the EU Member States to tax their resident taxpayers is related to their sovereignty, and in the tax area they have granted only limited competence to the European Union. This is related to the important functions that taxes have as an instrument for raising financial resources for implementing government policies; for redistribution of income between social groups and reducing inequality in the income of the population through various incentives, tax exemptions or the structure of the tax scale; fulfilling the first and second function, they are important for stimulating internal and external demand, and through them - for achieving higher economic growth and accelerating economic development.

Current tax systems in the Member States of the European Union are formed by the interaction of many social, cultural, economic, political-constitutional and legal factors. Taxes also directly affect the purchasing power of taxpayers; they are costs from the point of view of entrepreneurs and thus have a significant impact on the growth of the gross domestic product of the country concerned.

The development of EU tax legislation is oriented towards the effective functioning of the Single market, and therefore the harmonization of indirect taxation is more developed than of direct taxation (European parliament, 2018). Under the Treaty on the Functioning of the EU, tax measures must be adopted unanimously by Member States (European parliament, 2018). They set the tax rates applicable to their respective taxes but, in the case of indirect taxes, they must comply with the minimum rates laid down in the European legal framework and build a tax system that does not violate the four fundamental freedoms. The role of the European Union is to monitor national tax rules, which should be in line with certain EU policies such as policies to promote economic growth and job creation; to ensure the free movement of goods, services and capital in the EU (within the Single market); to ensure that businesses in one Member State do not have unfair advantage over their competitors in another country and that taxes do not discriminate against consumers, workers or businesses from other European Union countries.

As opposed to harmonization, there is the so-called tax competition, which is a rivalry between countries to attract tax base. Tax competition is a significant contemporary challenge due to the globalization process of production, markets and investment activity, increasing capital mobility and EU enlargement.

Harmonization of tax legislation can be achieved in two ways (Mitchel, 2004). A direct form of tax harmonization is used when setting minimum tax rates. For example, the European Union requires value added tax (VAT) at a rate of tax of at least 15 per cent.

Indirect harmonization applies when governments collect financial information from non-resident investors and exchange this information with foreign governments. This information exchange system tends to be one-way, as labour and capital movements are generally in the direction of countries with high taxes to those with lower rates. Within this indirect form of tax harmonization, taxpayers are not able to benefit from better tax policy in other countries (Mitchell, 2004).

For some taxes, such as VAT or taxes on fuel, tobacco and alcoholic beverages (excise duties), all Member States have agreed to harmonize their rules to some extent and to set minimum rates in order not to breach competition within the European Union. As regards other taxes, such as corporate and income taxes, the EU's primary role is to monitor compliance with certain principles, such as non-discrimination and free movement.

The European Union also does not determine how countries spend their tax revenues, but because of the growing interdependence of the EU economies, countries that accumulate too much debt can threaten the stability of the eurozone. To reduce this risk, Member States

are trying to closely coordinate their economic policies, including on the basis of Commission recommendations, some of which refer to national tax policies in order to make them fairer, more efficient and more favourable to growth.

Under European Union rules, although taxation of individuals and businesses is primarily the responsibility of EU countries, it must not create obstacles to mobility in Europe. Most EU countries have bilateral treaties to avoid double taxation, but in some cases these arrangements are not effectively implemented and do not cover all taxes or cross-border situations.

The process of European tax harmonization is connected to the implementation of measures to achieve transparency among EU Member States in the field of taxation in order to curb tax fraud and ensure greater fairness throughout the European Union. Due to the cross-border nature of tax evasion and avoidance, the uncoordinated national anti-tax actions can worsen the situation because they fragment the Single market, create new burdens for taxpayers and open new opportunities for aggressive tax planning. A coordinated approach to tackling tax non-compliance, both at European Union level and at international level, is essential (European Commission, 2016).

In recent years, and in particular in connection with the Panama papers, the European Union has launched new initiatives at European and world level to combat tax evasion, aggressive tax planning and money laundering. They include the strengthening of the administrative cooperation in the field of taxation through more effective automatic exchange of tax information between Member States. The systematic place of automatic exchange of data for the purposes of direct taxation in the construction of the Union's tax policy is related to the preconditions for its introduction.

Since direct taxation remains a national prerogative within the European Union and due to the advantages of the internal market in the European Union, some taxpayers are able to avoid paying taxes in their country of residence. The financial system in the EU could be a useful tool for tax fraud and subsequent legalization of criminal assets by means of payment and transfer operations. Financial sector could be seen as a potential conductor of capital with undefined or illegal origin, which in turn implies the active involvement of the EU in prevention measures.

The introduction of the euro as a single European currency encourages Europeans to invest their capital in other eurozone countries due to the lack of currency risk. The legitimacy of the single European banking and capital market leads to the need for EU governments to cooperate in taxing the increasing amount of cross-border savings income. Differences in national tax systems are a prerequisite for certain entities, mostly multinationals, to avoid taxes through aggressive tax planning practices that directly affect the internal market. The possibilities for Member States to properly determine the tax bases are also reduced by the process of globalization and the increasing mobility of taxpayers, in particular their assets and capital not only within the European Union but also in preferential tax jurisdictions.

The modern world is characterized by an increasing volume of trade and capital flows and the use of new technologies to carry out financial operations. All these factors lead to large-scale tax avoidance and evasion, which are a serious threat to the functioning of the internal market. The will of the Member States to increase the transparency of their residents' income in other jurisdictions is inevitably related to the reduction of tax revenues in the context of the global financial crisis since 2008. The origin of this unprecedented global solidarity for information exchange can be sought after the crisis when global financial and economic systems recover from its effects (Blundell-Wignall, Atkinson and Lee, 2008).

Another precondition for the introduction of automatic exchange of information is the fact that all restrictions on the movement of capital and payments between Member States and

between Member States and third countries are prohibited in the European Union. There is a gradual understanding of the need for cooperation between Member States to prevent tax evasion in cross-border financial investments.

The free movement of capital within the European Union is gradually developing, with the long-term capital being liberalized at the beginning of the integration process in the 1950s. The existence of restrictions is mainly due to the fact that the movement of capital is very closely linked to both the monetary and economic policies of the Member States, and these policies are, in turn, the basis of national sovereignty (Georgieva and Simeonov, 2008).

Since the adoption of the "white paper" on completing the internal market in the European Community in 1985 and after the decision on the creation of the Economic and Monetary Union, it is inconceivable to preserve existing barriers. The general ban on restrictions and the complete liberalization of capital movements between Member States and between Member States and third countries was introduced in the early 1990s. The free movement of capital is one of the basic conditions for the establishment of the Economic and Monetary Union (Georgieva and Simeonov, 2008).

The free movement of capital in the European Union involves transfer of investments to Member States that do not impose tax at source while taxpayers do not fully report or do not report at all their income from foreign sources in the country where they are residents for tax purposes. In the framework of the tax package to combat harmful tax competition in 2003, the European Union adopted the "Savings Directive" (Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments) to address these consequences. The Directive imposes an obligation on each EU Member State to submit automatically information on interests paid by a paying agent, i.e. an economic operator (for example, a financial institution, a bank or an investment fund) to beneficial owners, established in the territory of the EU. The Savings Directive ensures that each Member State of the Union receives information for the purposes of taxation for the savings income of its residents. Through the Savings Directive, the European Union introduces automatic exchange to overcome existing violations of effective taxation of savings income in the form of interest payments. These regulations are applicable in the EU as of July 2005. The legal document includes provisions for automatic exchange regarding specific revenues (interest on savings accounts).

The scope of automatic exchange between the tax authorities of the EU Member States has been significantly expanded in the coming years through the amendments to the Directive on administrative cooperation (Directive 2011/16/EU), due to the impact of the OECD's work on the Common Reporting Standard (standard for automatic exchange of information regarding financial accounts on a global level). Savings Directive 2003/48/EC has been repealed since the introduction of Directive 2014/107/EU.

One of the main incentives for introducing automatic data exchange for financial accounts in the European Union is the Foreign Account Tax Compliance Act (FATCA) of the United States of America. It generally requires that foreign financial institutions report on the foreign assets held by their U.S. account holders. The EU reacted to FATCA, stating that "the fact that Member States have concluded or are close to concluding agreements with the United States of America relating to FATCA means that those Member States are providing or will provide for wider cooperation within the meaning of Article 19 of Directive 2011/16/EU, and are or will be under an obligation to provide such wider cooperation to other Member States as well" (Directive 2014/107/EU, 2014). Directive 2014/107/EU of 9 December 2014 on the mandatory automatic exchange of information in the field of taxation is accepted.

A Global Reporting Standard is initiated by the G20 and developed by the Organization for Economic Cooperation and Development (OECD). The standard requires financial institutions around the world to identify their account holders and to provide data on the accounts of foreign residents (including trusts and foundations) to the local tax administration, which should submit the information on an annual basis to the countries where the persons are residents for tax purposes. On 9 July 2014 the OECD published the full version of the Standard for Automatic Exchange of Financial Account Information in Tax Matters.

In September 2014, the global standard was approved by the finance ministers and the G20 central bank governors. On 29 October 2014, 51 countries signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information. Over 100 jurisdictions have committed themselves to providing information within the OECD Global Standard. A group of them actually exchanged data for the first time in 2017.

In conclusion, national actions to tackle cross-border tax evasion and avoidance are generally ineffective. The transnational nature of these cash flows and the illegal activities they fund justify the will of the EU Member States to prevent tax non-compliance on a regional and global scale. The automatic exchange of data for tax purposes has the potential to propose a solution for some of the issues of tax evasion and avoidance at regional and global level, which necessitates the analysis and understanding of the preconditions for the automatic exchange of financial account information in the EU.

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CHARACTERISTICS AND ORIGINS OF MODERN AND ENDURING JAPANESE MANAGERIAL PRACTICE

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Abstract

Japan was transformed after World War II into an industrial powerhouse. The combination of strategic support from the West after the war, together with a unique set of cultural factors which manifest themselves in everyday life and, as a result, into the corporate management culture seen in many traditional organizations, left many in the West in awe at what Japanese companies could accomplish in such a relatively short period of time. New management concepts such as Theory Z emerged as something to consider not only in corporate America, but global corporate management culture within the context of globalization as it emerged in the 80s and 90s. Unfortunately the same factors that enabled Japan to become so strong also became impediments to Japanese organizations as globalization developed in full force and its affects began to be felt. The concept of lifetime employment for example clashed with emerging ideas such as micro-entrepreneurship, sidepreneurship, intreprenuers, global outsourcing, and the idea of employees as essentially independent contractors. Japan as a country addressed these new trends and made efforts towards conforming to the new realities; however Japan Inc., those venerated traditionally-conservative organizations which endured for so many years did little to change these managerial practices, deep-rooted in the culture and psyche of the Japanese people themselves for hundreds if not a thousand years or more.

Key words: Japanese management, groupism, Theory Z, lifetime employment, seniority

Introduction

Within a relatively short period of time, the Japanese turned a war-wracked nation into one of the most powerful economies in the world; to the point where Japan's economy grew at an average rate of 10% per year from 1981 to 1991. Many believe that a major factor for this post-war success is *Nihonteki Keiei* or Japanese-style management, also referred to as *Theory Z*.

This paper will analyze the concepts of Japanese-style management and the so-called pillars or fundamental elements on which it is based. It will further discuss certain historical origins of Japanese-style management and the corresponding socio-economic foundation of these, along with a critique of advantages and disadvantages and the future of *Nihonteki Keiei* based on current management practices for success.

I. Elements of Traditional Japanese-Style Management

a. *Zaibatsu, Keiretsu* : Government and Corporate Structure

Japan dates its beginnings to the founding Emperor Jimmu who in 660 BC established the Yamato imperial line.^[1] But, it was not until 710 AD that the country was organized into coherent states with a permanent capital. Almost 500 years later in 1192 AD, local military warlords known as *shogun* seized power from the imperial court and the emperor at the time became simply a figurehead. Japan remained relatively isolated until 1854 when a military expedition from the U.S. opened relations with the country under threat of force. Fourteen years later the Tokugawa Shogunate collapsed and power returned to the emperor (Meiji Restoration). But, contrary to the hope that since the shogunate military rule had ended, Japan would now reform its political systems unto a more democratic orientation; on the contrary, Japan embarked on a rapid political and economic transformation which was based on *fukoku kyohei* (rich country-strong army).^[2] The ultimate objective was to match Western development and deal with the West on equal terms.

Starting in the 1870s the Japanese government proceeded to borrow private capital and invest in the development of strategic industries such as mining, shipbuilding, steel, textiles and armaments. When these enterprises matured beginning in 1880, the state transferred ownership to selected private hands at ridiculously low prices. This privatization paved the way for the formation of the large industrial and financial, vertically-linked conglomerates known as *zaibatsu* which included Mitsubishi, Mitsui and Sumitomo. The loyalties of these *zaibatsu* were rooted to the government. They supported, virtually without exception, both national and international initiatives of the Japanese government including Japan's expansionist policies and its foray into World War II.^[3] In turn, the *zaibatsu* benefited from the expansionist-war efforts of the government and its armies and navies. This relationship forms the foundation of the current government - big business relationship that still exists in Japan today.

After World War II, MacArthur did not fundamentally change the relationship between government and big business. The *zaibatsu* were dismantled under charges of war crimes but were quickly replaced by large, now horizontally-linked, *keiretsu*. Where the *zaibatsu* groups formed monopolies, these new *keiretsu* were oligopolies. Thus, the pattern of ownership now changed from a hierarchical system in which the owning families controlled stocks of the holding company and it, in turn, controlled the stocks of affiliated companies; to an interlocking ownership pattern with the member companies cross-owning the stocks within their *keiretsu* group. Some groups, such as Mitsubishi and Sumitomo, even kept their former *zaibatsu* names. Thus while the militarists were tried and disgraced, the old theme of catching up to the West was maintained; the only difference being that, now the focus shifted from a military to a more economic-based expansion.

A very basic comparison of the two Japanese business corporate structures is shown in Figure 1.

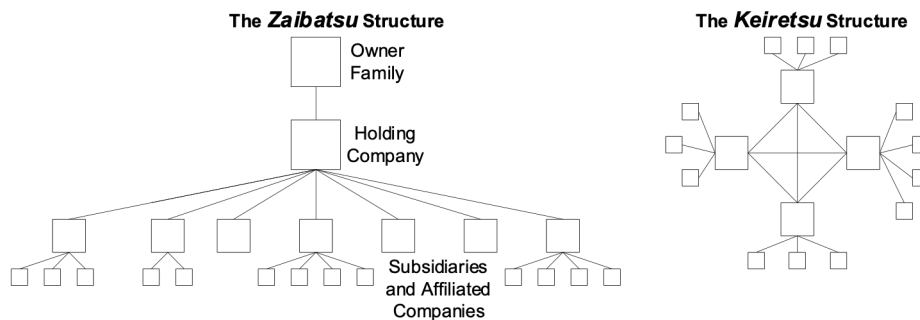


Fig. 1 Comparison of Zaibatsu and Keiretsu (Typical) Structures

The basic underlying theme of Japanese corporate structure can be summarized by a sense of close *groupism* with relatively strong ties to government and the “*national ideal*.” From the 1880s and up to and throughout the 1930s this “*ideal*” unfortunately took the form of military expansionism. Japanese big business mirrored this course. After World War II, this national ideal was transformed from a military basis to an economic one commonly referred to as *Japan Inc.*

b. Managerial Autonomy But at a Price

One of the most important aspects of traditional Japanese management is the fact that Japanese executives and managers can devote their time to competing with other companies, both nationally and internationally, without having to worry too much about satisfying the interests of shareholders. In traditional Western corporations the board of directors represents the interests of the shareholders - the de facto owners. Directors are named to the board from outside the company in the majority of cases. The board is supposed to monitor company affairs and intervene in cases of mismanagement. Dividend payout of 50% is seen as appropriate and dividends symbolize how successful company operations are and how well the company is managed. Essentially in the West, the company is a means for profit optimization.

The situation in Japanese companies is quite different. Japanese shareholders also expect a decent return on their investment in the form of dividends. But, the difference is that the dividends are paid as a percent of the par value of shares of the company.^[4] Consequently, dividend yields as a percent of market value of Japanese shares are very low, typically 1% ~ 2% as opposed to the 50% in the West. The shareholder in Japan, as long as this, albeit low, dividend is paid, has little or no further voice in corporate affairs. The board of directors of a typical Japanese company consists almost entirely of inside people, that is the most senior management of the company itself. Outside directors simply do not exist. Everyone on the board is usually an insider. Thus, in essence, Japanese managers have significantly more autonomy than their counterparts in the West. Their actions and decisions are, for the most part, not checked to the same degree as they are for Western executives and managers.

Additionally, since dividends are paid as a percent of par value of shares, a highly profitable Japanese company can meet its dividend requirements with only a small percent of its total earnings, while most of these earnings (as much as 97%) are reinvested back into the company; the result : successful companies become stronger and buy weaker ones. Thus *keiretsu* groups are strengthened while managers tend to do whatever they feel is to the best interest of the group. However, this managerial autonomy comes at a price; corporate managers *personally* guarantee the loans made to their companies.^[5] This is not a legal requirement but it is common practice of most traditional Japanese companies. One of the first duties of a newly appointed company president is to affix his personal seal to such a guarantee. Thus in effect the fate of many corporate managers is tied into that of their company's. This is the price they must pay for maintaining managerial autonomy.

Because of this system, Japanese managers are not subject to the pressures that their Western counterparts have for steady improvement in earnings per share. The Japanese manager is free to look further into the long-term future of the company without worrying too much about short-term gains. This long-term view is not completely culturally-based but a result of the corporate system in Japan. Similarly, in the West, especially in the U.S. where steady and constant gains are expected, the American executive's short-term outlook does not arise from a lack of understanding or concern for his company's future. He is operating in a system that emphasizes his shorter horizon outlook.

Although this may represent an "ideal" system, it is only ideal when the overall economy is doing well. Once the economy begins to slip, this actual system turns on itself and becomes very disadvantageous.

c. Recruitment and Lifetime Employment

Managerial autonomy lies not only in the relationship between management and shareholders but also in the relationship between management and employees. Because of the way the human resource process functions in Japan, mobility among Japanese employees is virtually non-existent, although this is beginning to change in recent years. The fact is, Japanese employees overall have a high commitment to their companies. This high commitment essentially frees up management even further.

Lifetime employment is a basic element in Japanese management style. In fact, it is often cited as the very backbone of Japanese management.^[6] This system has 3 distinct components : the majority of employees are recruited directly from school rather than from the open job market; they are expected to stay with the company essentially until they retire, and in turn are offered solid job security; and, for the most part, recruitment focuses on general characteristics and abilities rather than particular skills.

Recruitment of new employees usually takes place in April which is also the start of most Japanese companies' fiscal year. The typical manager will seek out an individual which he can mold into what the company needs. Very rarely do companies seek out specialists. Thus an aerospace engineer, for example, may be recruited as a mechanical engineer in machine design in a company that manufactures gears and gearboxes. The main point is that managers look at the individual's capacity to learn and be trained. Many Japanese managers look upon college graduates with liberal arts degrees as potentially ignorant, unreliable, and virtually worthless until they are whipped into shape at the company "boot camp."^[7] This

“*boot camp*” closely emulates the traditional notion of military recruitment. New Japanese company recruits wake up in the morning, perform calisthenics at their desk, work, eat, sleep, bath, *together*. The next day they do it over again. What is the purpose of this? The same as with any military boot camp in the world, break down individualism to an extent, and begin to create a moldable individual that will serve well.

Managers in traditional Japanese companies do not look for the most intelligent, most ambitious, or the most energetic employee candidates.^[8] The fact is that these young people may not fit into the traditional Japanese system. Those that are sought are those with average ambition, and average opinions and views. They will be molded into company soldiers who will adhere to the military-like hierarchy of the Japanese company, obey its rules, and devote their lives to diligently working and slowly rising in the ranks.

What is the implication of this system for managers? It is this sense of belonging to the Company-group, or more importantly, being part of the company *family*. Once the new recruit is accepted into the company, the company becomes an extension of his family. These ideas of groupism, belonging and family are fundamentally the strongest elements, not only in Japanese corporate life, but in the psyche of Japan as a country and as a people. Nothing in Japanese society is more feared than to be an outsider and to be excluded from the group. So this sense of recruitment, training and the relationship between the employee and the company, in the context of lifetime employment, is very important. Managers realize this in their everyday dealings with their employees. A Japanese manager will not worry that his employees are looking to leave, therefore his actions reflect this knowledge. This creates a sense of stability.

Furthermore, since every company provides its own distinct training program which may last up to 2 years or more, companies rarely value each other’s training programs, making it nearly impossible for an employee to make a step up if he does change jobs. Usually, changing companies means a step down with less job security, and less pay and benefits.^[9] As far as motivation is concerned, the Japanese lifetime employment system is a tradeoff of opportunity for security. And, owing to cultural and historical factors most Japanese prefer security.^[10]

d. Seniority, Promotion, Compensation and Wage Parity

In addition to lifetime employment another major characteristic of Japanese-style management is seniority and the promotion system. The importance that length of service plays in determining promotion cannot be overly emphasized. The specific term *nenko* refers to the merit in the number of years an employee has provided service to the company.^[11] Since the vast majority of *keiretsu* employees are recruited directly from school, age and length of service parallel each other and seniority seems to be an appropriate standard for reward in Japanese companies. This system also serves as an additional motivator for employees to stay with one company by assuring regular pay raises and promotions. An employee who quits to go work for another company must first tackle the stigma associated with his resigning, must then work very hard to be accepted at the new company by his new colleagues, and finally must resolve him/herself to the fact that they will not be a prime candidate for promotion unless special circumstances warrant. More than likely, this individual will be a specialist who will be staying at their initial entry post for a long time since they were probably hired for that specific job anyway.

Seniority based wages and promotion further strengthen the sense of equality that Japanese companies feel permeates their structure. To the Japanese manager who, like his Western counterpart, has to try to keep spirits high, morale is best served by treating everyone in as equal a manner as possible. This attitude is held at all levels of the Japanese company. The notion is that if everyone is treated the same there will be no resentment. Unfortunately this is the complete opposite of the merit-based system which western companies seem to have adopted. Performance in Japanese companies need not be stellar because: (1) you do not wish to stand out; and (2) there is no motivation to perform knowing that from a compensation and promotion point of view nothing much will change for you.

At Mitsubishi Heavy Industries for instance, the average difference in wage increases for new recruits after 10 years (1967-1977) was only about \$1.50 per month. Even when employees with the best and worst records were compared to each other, the difference in salary per month was only about \$17.00 !^[12] In addition to promoting a sense of equality this relative equity in distribution of benefits is often cited as a major factor enhancing integration and a sense of common destiny. This seniority system within the context of lifetime employment has benefited Japanese companies in another way as well. Since most, if not all, hires are new recruits fresh out of school, the average age of a company's employees is decreased and so is the average pay level; thus the growth of the company is accelerated. However based on the overall aging demographics of the country as a whole and the ever-present difficulty with immigration, this overall trend is beginning to reverse. This has many companies worried.

Another component of the overall compensation system that is often cited as a competitive advantage of Japanese-style management is the bonus system. In large companies, *keiretsu*, 25% to 35% of the total annual compensation of virtually all employees is paid in the form of semiannual bonuses. Traditionally these are handed out in June and December. This is actually a deferred payment system that provides a good portion of working capital for the company until the bonus is paid. In reality the bonus system is a flexible payment system which is contingent more on the performance of the company; it can easily be cut during economic downturns without having to layoff employees. And, at times it is used to make up slight deficiencies inherent in the seniority system.^[13] From a national point of view, the bonus system has served as a major factor in bringing about the high rate of savings of Japanese households. But this also has a down side because it has instilled a sense of frugality in the Japanese population which during economic downturns runs counter to what needs to happen to boost the economy- spending.

e. Labor Unions and Management

Another aspect of Japanese-style management is that of the relationship between labor unions, and management. The majority of non-management employees whether blue or white collar belong to a labor union closely associated with their company. Such unions do not differentiate based on skills or job category. Labor union law in Japan is largely a post-war phenomenon established by the US occupation forces. Most Japanese unions are organized on an enterprise, rather than on a trade or professional basis. As a result, unions in Japan are closely tied to the success of their associated companies. They do not exist as separate entities or with an adversarial role to their companies. Their future and their company's future are essentially one and the same. This linking of fate and common destiny limits the extent to

which the union is prepared to risk damaging the economic situation of the company and is a direct contrast to the labor-management relationship found in most of the West.^[14]

Unions are viewed as a protective measure against potential abuses by management but, as mentioned, the union members themselves are keenly aware of the fact that damage to their company may involve damage to their own self-interests. So the extent to which unions in Japan control or monitor employees / management relations is in fact very limited. Work stoppages are virtually unthinkable. This has obvious implications for the particular style managers may employ in Japanese companies. They are much more free to make decisions for the good of the company; decisions which may not be seen the same way by their employees. For example, unions pose no barriers to the movement of workers from one job to another. Unlike the situation where workers are organized by skills or job categories, there is no institutional restraint within the company against reassigning employees to the limits of their capabilities. Employees are constantly reassigned in Japan both within the same facility (from department-to-department) but also to other facilities; they and the unions have no real say in the matter.

f. Leadership, Decision-Making and Harmony: Ringi & Nemawashi

As with Japanese society in general, Japanese companies are rigidly organized and hierarchical. Although companies promote a sense of equality through equal compensation and wage parity this is true only within each specific level of the organization, that is, these concepts are valid horizontally not vertically. At the top of the organizational structure is the *kaicho* (chairman), who is followed by the *shacho* (president). In most companies however the vast majority of the actual work is accomplished by the *kacho* (department manager). The overall structure of this system is shown in Figure 2.

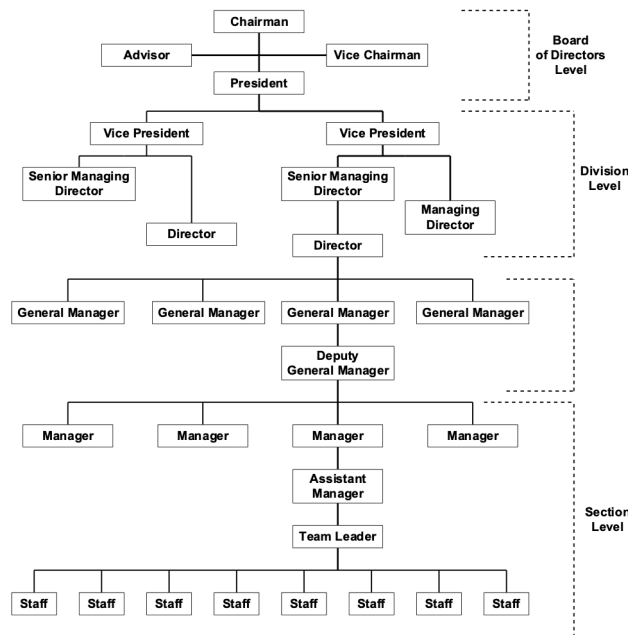


Fig. 2 Typical Japanese Company Structure

Leaders in Japan are generalists and their main responsibility is to maintain the morale of their workers, who do the actual work.^[15] Japanese often choose their leaders with personal qualities in mind rather than particular skills, experience or some specific knowledge. Younger employees are closely observed as they come up the ranks. Those selected for promotion are not necessarily the brightest and quickest but they are likely to be the best listeners and above all the best harmonizers, the ones who work loyally, steadily and quietly and promote these qualities in others.^[16]

Above all else *wa* or *harmony* is of prime importance to both Japanese society as well as to the Japanese organization. It can be said that *wa* constitutes the essence of Japanese life as a whole. The Japanese try to promote *wa* in all situations of their daily lives. Harmony is the single key for maintaining face. Japanese managers concentrate their efforts on motivating all workers, whatever their background and ways of thinking, to work harmoniously together. Japanese managers see themselves as humanists with utmost concern for human beings. However, Japanese humanism is different from Western humanism. In the West individual personalities are the focus of humanistic philosophy and personal liberties are of prime concern. Japanese humanism on the other hand is not concerned with the individual but rather with *relationships* between individuals and groups. Japanese see it as a sign of strength for an individual to conform to the norms of society and not act out his or her selfish individual desires. Japanese strive to develop a self that is in harmony with the surroundings while in the West the exact opposite occurs. Westerners strive to express a unique personal character that sets each apart.

It is a deep part of the Japanese heritage to be extremely careful of other peoples' feelings. Harmony is to be maintained at all cost. Errors require deep and sincere apology.^[17] *Ringi seido* is a commonly-used formal procedure of management by group consensus. A *ringisho* is a proposal that originates in one section, and is forwarded to all relevant sections on the same level, the section heads, the managers, the directors and the president of the company.^[18] Upon receiving the *ringisho*, each individual reviews the proposal, makes comments and affixes his personal seal to it. He then passes on to the next individual. If there is significant opposition to the proposal as it stands, it will be revised and the process will be repeated once again. The ultimate purpose of this system is to eliminate dissension and get general agreement on a proposal. This system provides for greater participation in the decision-making process within the Japanese company.

Nemawashi means "root-binding" a term taken from *bonsai* culture in which, whenever a miniature tree is repotted, its roots are carefully pruned and positioned in such a way as to determine the tree's future shape.^[19] In terms of the Japanese company, *nemawashi* involves a cautious and informal feeling-out of all people legitimately concerned with a particular issue, a proposed course of action or project. This is a highly tentative process in which no firm stance is openly taken and arguments are implicit rather than explicit. From the Japanese point of view, the overriding advantage of this indirect approach is that it all but rules-out the possibility of direct personal conflicts thus maintaining harmony.

II. Historical Origins: "eating rice from the same pot"

According to Alston, Japanese corporations are organized around three general principles : (1) **groupism**, (2) what he refers to as **familism**, and (3) the familiar **Japan Inc.**^[20] As we have seen, the concept of “*groupism*,” is based on the fact that Japanese corporations promote the group and de-emphasize the individual. “*Familism*” reflects the notion that companies, in effect, are seen as extended families. Employees in Japan have come to expect companies to take care of them and in turn they exhibit loyalty and hard work in order to help the company grow. In Japan many times an employee will introduce himself in the following manner “*I am Yamamoto from Sumitomo Corporation*” Instead of saying “*I am an engineer.*” They identify themselves very closely with their company. If we go even further and look at the literal translation, it translates as : “*I am Sumitomo Corporation’s Yamamoto*” The individual comes in second after the company. Many times an employee will use the term *uchi* in introducing themselves. *Uchi* literally means “home” in Japanese but also has the connotation of “family.”^[21]

a. Traditional Sources of Japanese Values and Beliefs

In order to understand modern Japan one must look beyond the external Western-style façade and investigate the centuries-old traditional concepts that still continue to guide the Japanese. The Japanese value system stems from five basic cultural traditions: (1) **Shinto**, (2) **Confucianism**, (3) **Buddhism**, (4) **Taoism**, and (5) **Scientific Materialism**.^[22] Today these five traditions have been fused together in Japanese society resulting in the so-called Japanese ethic.

Shinto (literally *Way of the Gods*) is the indigenous religion of Japan. It emphasizes harmony of all living and natural elements. Furthermore, Shinto holds that the Japanese race is descended from *kami* or gods. Thus the overwhelming concept of harmony in all surroundings and situations and the traditional belief of superiority of the Japanese race, which many Japanese still believe in, originates from the *Shinto* tradition.

Confucianism was imported to Japan from China approximately 2,500 years ago and is more of a social code of behavior rather than a religion. Confucianism identifies five types of relationships with distinctly clear patterns of behavior that govern each. These include the relationship between ruler and those ruled, husband and wife, parent and child, older and younger, and friend-to-friend. This distinct social code is easily transferable to the Japanese corporation in relation to the seniority system previously discussed. The main effect of Confucianism on Japanese business has been the development of the strict hierarchical nature of Japanese companies.

Like Confucianism, Buddhism and Taoism also originated in China and were brought to Japan approximately 1,000 years ago. Japanese society developed its own mixture of these two concepts calling the result Zen Buddhism. Zen stresses meditation and concentration and actually reinforces *Shinto*. Together these were practiced by the samurai. In modern Japan traditionalists still practice these concepts; and, in relation to the business culture, it can be said that modern-day samurai, in the form of company managers, practice these philosophies as well.

Scientific materialism refers to the Western concepts of the natural universe and the cause-and-effect relationships that are at the core of scientific thinking.^[23] These concepts

were first introduced to Japan beginning in 1854 when the country began opening up to active Western trade and modernization. Japan adopted this philosophy when it embarked on this course of modernizing its industries.

It is interesting to note that in certain areas the 5 concepts mentioned above actually conflict and compete with each other on an ideological basis. But, the Japanese have learned to accept such competing ideologies where many Westerners would find them mutually exclusive. In effect, the Japanese have come to use whatever belief system or ideology they see as appropriate at any given time based on the particular situation at hand. This is quite a profound ability on their part. This author believes that it is this particular ability and the resulting behavior patterns of the Japanese that causes confusion on the part of Westerners on “how the Japanese think.”

An additional basis for modern day Japanese values and behavior is the notion of “wet-rice farming.” Many historians claim that the introduction of wet-rice farming to Japan from China sometime between 1,000 to 300 BC created a lifestyle that instilled the Japanese with a high level of patience, perseverance, diligence, cooperation, and group dependence. Wet-rice farming is a fairly complicated process requiring elaborate irrigation systems. Maintaining such systems is virtually impossible for one individual or even one family, and requires those qualities mentioned above.^[24] The fact that Japan is an isolated country of which the majority of the terrain is very rugged and natural resources are relatively scarce, only adds to the difficulty. No wonder that the Japanese hold their rice almost sacred even to the point of preferring to pay up to 500% more for Japanese rice rather than import foreign versions. In Japan the saying goes “eating rice from the same pot” meaning: we, the Japanese, are all in it together.

We have seen that many of the traditional ideologies thought to make up the Japanese system of values and beliefs were actually brought over from China. A valid but purposely simplistic question is presented for discussion: “*why don't the Chinese act the same way as the Japanese?*” In fact China shares many of the cultural values of Japan but it also differs in many areas. The sense of groupism is not so strong in China as it is in Japan. Why? One theory is that China incorporates such a vast land territory with a mixture of ethnic groups that this groupism has not developed. So, physical landscape and proximity to other ethnic groups also plays a role. The homogenous nature of the Japanese race contributes to the psyche of the people. Japan is 99.8% ethnic Japanese. There are few countries in the world, even island nations that have such a homogenous structure in their people. It is important to note that in the Japanese scheme of things a foreigner is a non-Japanese first, an individual second, and possibly a business associate third.

b. Post War Development and Government's Administrative Guidance

Following the end of the Tokugawa Period in the 1860s and under the Meiji Restoration, Japan began a significant push to modernize its economy. During this period Japan came to realize that its lack of natural resources and its vulnerability to modern Western powers was a significant threat to the country. The government first began by studying Western industry and methods. This was done by actively sending out thousands of bureaucrats and officials to both the U.S. and Europe to learn these modern industrial methods and bring them back to Japan. Japanese government then began a program to build up key industrial sectors that had never previously existed. These were then privatized (the *zaibatsu*).

By doing this the government and private industry created a very strong relationship which endures even today. This relationship has withstood significant turmoil. In 1894 Japan went to war with China and in 1904 with Russia. In 1910 Japan annexed the Korean peninsula. In the 1930s Japan made an explicit policy decision to deal with its domestic economic problems through territorial expansion first by seizing Manchuria in 1931 and by invading China in 1937. In 1941 Pearl Harbor was attacked and the cycle of conflict directly involved the U.S. It was during this period that “administrative guidance” initially began. This refers to the policy in which the government “guides” industry in a direction it sees as the best course of action for the country and a necessary step to eliminate unhealthy domestic rivalry and focus this instead unto the international sector. Whether the ultimate direction of this guidance is the correct one or not is a different issue as was the case with World War II and more recently with the Bubble-Economy.

Japan’s workforce and its infrastructure were completely decimated at the end of WW II. The country set out to rebuild essentially from the ground up. “Administrative guidance” really took off in earnest during this time because of the circumstances of the war. The idea had informally begun some 30 years earlier, but was essentially validated and actually institutionalized in the form of MITI the Ministry of International Trade and Industry.

The first task Japan faced after WW II was to satisfy its domestic demand for basic every-day necessities; and reconstruct its infrastructure. During this period, strict restrictions on imports kept demand under tight control. And, in order to generate the funds needed to rebuild, Japan developed its export-oriented light manufacturing industries.^[25] During the 1950s the slogan “*export or die*” became popular.^[26] It is here that the notion of Japan Inc. was born. Throughout the 1950s and early 1960s all groups in Japanese society were called upon to forsake their natural competitiveness towards each other and work together for the nation’s overall well-being. At Kawasaki Heavy Industries the slogan was “steel is the nation.” At Matsushita (Panasonic) the linking of business with patriotism can clearly be seen in their so-called anthem:

*For the building of a new Japan, Let’s put our strength and minds together,
Doing our best to promote production, Sending our goods to the people of the
world
Endlessly and continuously, Like water gushing from a fountain.*^[27]

In addition to close cooperation between government and industry, several additional factors enabled Japan to move quickly beyond its post-war recovery efforts to major economic growth in a relatively short span: a strong work ethic; a conscious decision to focus on quality control; a small defense budget at a time when other economies were spending billions on a global arms race; substantial foreign aid credits; and the opportunity to replace old obsolete plants with new state-of-the-art facilities and machinery.^[28]

Until the 1970s Japan did not possess the resources needed to support basic research and development activities on its own. Instead, its industries became highly adept at developing *applications* for technology that had been created elsewhere. One example is of course consumer electronics. The result of this particular endeavor was that Japan amassed an increasingly large trade surplus and in the process significant wealth as a nation.

c. The “Golden 80’s” Give Way to the “Lost Decades”

From 1975 to 1990 the Japanese economy grew by almost 5% per year. And, if we focus on the 1980s (1981-1991) the average growth rate was a staggering 10% per year. This was primarily accomplished through excess government budget deficits and excess trade surpluses with the rest of the world. Essentially Japan was continuing to follow a variation of its 1950s slogan “*export or die,*” but the new slogan was “*export to live high.*” During this period, approximately 40% of all GDP growth was supplied by a trade surplus. However, Japan could generate ever-increasing surpluses only as long as the rest of the world absorbed ever-increasing deficits; and for a time many countries were willing to do just that due to the value of Japanese goods like electronics and automobiles. However, this soon came to a halt in 1985-1986 by the Plaza Accords and by the soaring yen, effectively placing a ceiling on deficit absorption. The Japanese economy felt a collective tremor and the country was posed at the proverbial fork in the road. Industrial production fell and there was talk of recession. The Japanese government however, through “administrative guidance” felt the best course of action was to step in and boost the yen. By doing this MITI inadvertently unleashed an enormous stock and real-estate bubble which eventually caused Japan’s economic woes throughout the 1990s, the “*lost decade.*”

The mid-to-late 1980s was a time of record growth and profits for Japanese banks. Through a combination of aggressive lending both in Japan and overseas, combined with huge investments in stocks and bonds, Japanese banks reported unparalleled profits. Virtually assured of these profits from their stock portfolios, banks had plenty of cheap money to lend, at very low interest rates, to virtually anybody who came knocking. Because of this, a vicious cycle ensued in which companies issued stock at almost no cost because share prices rose so steeply and regularly that they could borrow against their stock to invest in other assets including stock in other companies and real-estate.^[29] The fact is that during the late 1980s many of Japan’s famous *keiretsu* derived the vast majority of their earnings from just such financial manipulation rather than from actual operation of businesses they were supposed to be engaged in. *Keiretsu* were buying up everything they could get a hold of, from Hollywood movie studios to Rockefeller Center in New York City. It seemed that Japan Inc. was unstoppable and many were praising the relationship between MITI and the *keiretsu*. Outside Japan many Western business leaders were lauding Japanese-style management which suddenly became vogue. Numerous books were written on the subject and ***Theory Z*** was born to the West. But all this came crashing down by 1992.

The Nikkei collapsed from a high of 40,000 in 1989 to just 14,000 in 1992. Today the Nikkei hovers around 21,000 (March 2019). The value of portfolios held by *keiretsu* including Japanese banks was wiped out. Furthermore, the risky loans the banks made in the 1980s went into default and the assets that *keiretsu* and banks acquired especially in real estate could not be sold at any price, further tying-up huge amounts of capital. Japan fell into a recession that has lasted almost two decades.

Although things are slowly changing, Japan even today is still managed by an “iron triangle” composed of big business (the *keiretsu*), bureaucrats - Ministry of Economy, Trade and Industry (the successor of MITI), and politicians, all of whom generally work towards the same indirect goal – a strong Japan Corporate structure. “Administrative guidance” is still a factor in today’s Japan although it is losing some of its power as Japanese multinational

companies are setting their own, more-independent and profit-oriented, course both in business decisions and managerial style.

III. Implications for Today's Business Management Culture

a. Managerial Autonomy

Japanese corporations have concentrated on the long-term, developing relationships and gaining market share at the expense of near-term profitability. It can be argued that this was the overall objective of Japanese business. *Keiretsu* set out to establish themselves in the world market and they have done exactly that; but now they must refocus their objectives. In the past, shareholders have long been considered to be an unimportant constituency thus providing management of large *keiretsu* the freedom to focus on their companies. However, companies realized that they must move away from a focus on gaining market share to one of increasing profits and satisfying shareholders if they are to adapt successfully to a new global economy; the rise of China has seen to that.^[30] And for the most part Japan has heeded the call with corporate profits coming back comparably strongly over the past few years.

On the one hand managerial autonomy can be seen as a tremendous advantage for managers to do what they feel is right for their companies, but the Japanese system has no checks and balances and in a significant number of situations, managerial decisions were simply not correct and mistakes were never caught. Furthermore, there have been numerous times when managers sought to hide their mistakes mainly to save face. This is possible only in a system where such managers are not accountable to independent third parties. The Sumitomo Copper incident of the 1990s is a prime example. A top Sumitomo Metals executive hid losses hoping that eventually things would turn around for the world copper market. They didn't and Sumitomo caused a significant impact to the market when the executives actions were brought to light. Situations such as these demonstrate the significant disadvantage of managerial autonomy; the lack of third party neutral checks and balances. And Sumitomo is not the only one, opaque rules and systems enable companies like Sony, Olympus, even recently with Nissan to do similar things that may not be perfectly above board.

b. Lifetime Employment

Japanese corporate profits have declined significantly over the past two decades, as a whole. This is the first time this has happened since World War II. Although few employees have been actually laid off so far, they are feeling the squeeze in other ways. Starting in the mid-1990s a majority of companies have cut overtime pay and bonuses. Many more large, over-staffed, *keiretsu* are forcing their employees to take early retirement or dropping the retirement age in order to systematically reduce head-count. A significant number of companies now require retirement at age 55. Other companies have frozen promotions across the board from the top level executives to the lowest blue-collar factory worker. New hiring has trickled to an all-time low. From the 1960s though 1980s it was not uncommon to see large auditoriums filled with hundreds of new recruits being initiated into a particular *keiretsu* during the month of April (recruiting season), see Figure 3.



Fig. 3 The Japanese Recruiting Cycle

By the mid-to-late 1990s these same companies were hiring less than a dozen new employees per year and many times none at all. The once-filled auditoriums were now empty. In what is perhaps the most psychologically significant move that Japanese companies are now forced to make is essentially the tearing down of one of the most sacred pillars of Japanese style management : the slow dismantling of white-collar lifetime employment itself. In more and more cases new employees can no longer count on lifetime employment with their new company. What does this do to these employees ? It would seem that their very group, their very “family” can no longer offer the security that the majority of Japanese employees seek. Employers’ loyalty to their employees is slowly fading as is workers’ loyalty to their companies. Why is this happening ? Lifetime employment cannot quickly adjust to economic downturns. It was instituted when Japan was going through rapid economic growth, when companies were competing with each other for workers to satisfy their expanding businesses. Now, Japan’s economy has essentially matured. Also, the dismantling of this system is a consequence of the fact that Japan has to adjust to its *post-industrial* economy. In the 1960s and 1970s workers were needed to *apply* new technologies gained from abroad in the form of consumer goods. Now that Japan itself has become one of the world’s most technologically advanced countries, this no longer seems to be a factor in the company-employee relationship.

Overall, the lifetime employment system has been prone to over-employment for a number of years. This phenomenon is actually referred to in Japan as *in-house unemployment*.^[31] Many employees have been kept on the payroll without producing. This creates tremendous inefficiency from a country which prides itself on its efficient manufacturing systems. But now Japan is sacrificing this efficiency for the sake of job security, and as a result is ending-up with neither. Over the past several years the cycle seems to have reversed with companies scrambling to fill positions with more foreign employees.

c. Seniority, Promotion, Compensation and Wage Parity

Seniority, promotion and compensation / wage parity has always been based on a perception of fairness in Japanese corporations. But fairness is highly relative and subjective. A “slack” performer may view the Japanese system as “fair” but how does a young, bright engineer who has contributed many new ideas view a system which compensates him equally,

exactly the same as with the “slacker” ? It is highly doubtful that he would view the Japanese system as fair.

In the past, the Western-style merit system was seen as weak because, it was argued, no objective standards to evaluate merit could be found - at least none that could be adapted for use in Japanese companies. The basic flaw in this reasoning is obvious. Japanese management makes the wrong assumption that everyone is exactly equal in their performance. This assumption is made within the context of equality, harmony and saving face, factors which have been virtually hammered into Japanese managers for years. It is the same assumption made under their own system, now trying to be applied to the merit-based system. This assumption can not hold. People are *not* equal. Everyone does not have the same abilities. Employee performance varies and so should compensation. Young researchers in Japan are subject to the directives of old-fashioned, hard-headed top executives in setting research projects, but receive little rewards even though they may be at the cutting edge of the company research.

Consider the following :

“Japanese businesses start with the belief that all employees have the same ability.

Lets suppose that Mr. Suzuki has developed an innovative technology. Other employees of the company recognize his achievement but this does not mean that they assess his ability particularly highly. They will probably say: Mr. Sato, Mr. Yamada, and others worked hard at the factory and earned profits to provide ample funds for Mr. Suzuki to perform his research. If Mr. Sato, Mr. Yamada and others had been assigned to the same job as Mr. Suzuki, they too would have produced the same achievement. They were engaged in harder and thankless work instead. Mr. Suzuki was able to develop the technology by the efforts of many other researchers working under him and by his seniors and fellow workers” ^[32]

This is a very realistic and typical example of how Japanese companies view achievement. Yes, in many situations accomplishment is a group effort but appropriate individuals must be recognized when recognition is due. Although things are slowly changing, Japan has a long way to go in this areas. The Japanese must realize that in order to participate in business successfully on a truly global scale their management practices relating to recognizing high performers must be modified.

Kenichi Ohmae in his work *“The Mind of the Strategist: The Art of Japanese Business”* notes, “A person spends 25 years with Sumitomo or Mitsubishi as a *nobody*. After 25 years, he begins to become somebody. After 35 years he is somebody of consequence.” ^[33] Japanese companies can no longer afford to maintain such a system which “carries” non-performers and is based only on age-based seniority. Younger employees who want to contribute, either can not, or are not recognized for their contributions. Slowly these employees become increasingly frustrated at the system that sacrifices them for the good of the group.

d. Leadership, Decision-Making and Harmony: Ringi & Nemawashi

The concept of maintaining and respecting harmony is so strong in Japanese culture that it continues to weed out most of the more competent, maverick-type individuals, thus

frequently resulting in inferior leaders reaching the summit of the seniority system in all areas of Japanese life.^[34] This is exactly opposite of what is valued in the West. It will be very difficult for Japan to move away from this thinking based on its cultural background of emphasizing conformity.

In the Ringi and Nemawashi systems, besides the obvious fact that these processes take an extraordinary amount of time to make a decision, the actual initiative does not even come from below. There is a tendency on the part of the West to think that Japanese companies are driven from the bottom-up. And on the surface this seems to be the case, however, deep down it is not so. Initiative comes from the *top*, just like it does in Western companies. The Japanese wait around to be told what to do and otherwise are in a waiting mode.^[35] Consensus in Japan is not usually everybody getting together and deciding what to do. More often than not, consensus is everybody else assimilating what the boss has decided and following suit. Furthermore, Ringi is a method of actually *diluting* responsibility. This is very surprising coming from a society where taking responsibility is viewed as honorable. So is it a matter of the Top diluting their potential responsibility by using Ringi? Or is the case that the Japanese fear so much being alienated from their group for making a potentially wrong move that they purposefully seek out all and every means of approval prior to proceeding with a proposal? The reader is left to decide by themselves the answer to these questions. What is clear however, as mentioned above, the process is very slow; often too many people get involved; and too much time is spent on too many meetings. This is a potential problem if Japan is going to be a player in the global market place.

This author believes that the Ringi and Nemawashi systems are nothing more than confirmation-authorization processes. They often end up being nothing more than a *record* of a decision already made at the top and instruments of distributing responsibility throughout the entire company.

e. The Relative Failure of Theory Z and Japan Inc.

It is clear that Japanese-style management has significant shortcomings. Theory Z may have served the Japanese well the past 40 years but with the maturing of their economy, and with the post-industrial, more service-oriented trend the country is now facing, Theory Z is simply outdated and grossly inefficient. This is evident today when we see Japan struggling to position itself, especially in relation to China.

Japan is a nation of groups and groupism but while group-orientation has many advantages for mass production, in the distribution and information industries, where there are many opportunities for spontaneous creativity and decision-making, it is a drawback. The major advantages of Japanese-style management can be exploited primarily in growing mass-production manufacturing industries that require little decision making and are focused inward. Japan is changing, moving away from manufacturing towards service economy, thus their style must also change.

It is true that there are many positive aspects of Japanese-style management and this author truly believes that when the management style was developed there was sincere effort to account for the equality and fairness of all, but the outcome is such that this has not been maintained in the long-run. Japanese-style management is not fair for the best and brightest employees. In fact, they are made to conform to relative mediocrity in most cases. Japanese-style management protects those making decisions by enabling the dilution of responsibility.

The idea that Japanese companies treat everyone fairly and equally is, in reality, ***not true***. This author has witnessed first-hand how younger employees are treated by their older colleagues. In some cases this treatment borders on a master-servant relationship at worst, to a drill sergeant-enlistee relationship at best. It was not uncommon for the author to see younger employees literally run when called, usually with the slang “*oi*,” or “hey you” by older colleagues. Superiors are immediately recognized by the language they use, by how they act, and by where they sit in the office. As it was shown in this report, some Japanese authors attempt to portray the Japanese office as a place of equals but this is far from the truth.

The Japanese themselves know and understand this issue of fairness. Keitaro Hasegawa in his text “*Japanese-Style Management: An Insider’s Analysis*” states “One outstanding weakness of the Japanese system has been the failure to achieve complete fairness and equality, which are otherwise unique to Japanese business management.”^[36] There is no equality between men and women in the workforce; no equality between younger and more senior workers regardless of performance. Mr. Hasegawa in fact goes on to criticize the very system of seniority which the Japanese hold so dear. The number of outstanding young engineers who resign from major companies is on the increase. Unable to gain promotion and wage increases commensurate with their achievements because of restrictions in the seniority system.^[37] Job hopping, unheard of up until the late 1970s, is slowly but surely increasing. The younger generation or “new breed” as they are called in Japan is no longer willing to trade job satisfaction for security something their parents did without any thought. With the current trends, they may not have a choice. As we have seen, job security is slowly but surely diminishing and Japan is at least beginning to acknowledge the need for a more flexible approach to seniority and lifetime employment.

While Japan’s business façade generally presents a world of *wa* (harmony) in excellent if not perfect working order, reality is often quite different. In many companies there are overriding conflicts of interest among the section and department managers as each tries to outdo or outmaneuver the other to stay on the corporate escalator to the top.^[38] Furthermore, the combination of exclusive group orientation and the vertical structure of traditional Japanese companies – the classic pyramid organization – often results in very poor communication between the departments within companies, inability to delegate authority and verify slow response time - this author has witness this first-hand.

Conclusion

It has been said by several Japanese management experts that Japanese style management would be a good system to apply to the U.S. since it shares the U.S. affinity for freedom and equality – but this is true only on the surface. This author contends that the Japanese system is more reflective of the former Soviet system rather than that of the U.S. At the risk of over-simplifying the issue, Japan can be described as the ideal communist society. Based on the points outlined in this report, it is felt that in Japan, the pure, ideal form of communism / socialism actually has been made to work !

Japan is a nation of *kata*. Those familiar with martial arts know that *kata* refers to the stylized pre-arranged form movements done to simulate a battle. So *kata* means ***form***. Japan has always been a nation of *kata*: proper forms and rules. But in today’s Japan the playing

field is changing, as it should, but the *kata* of the nation unfortunately is staying the same, this is the main problem. In traditional isolated Japan, the *kata* served as a specific, absolute guideline for all behavior. Now they are often a trap. But, from growing exposure to other cultures, the Japanese are slowly realizing that they are living in a fish bowl of a sort, that their society is ruled by form and formulas but is empty of true individual human content.^[39] The traditional cultural values and rigid molds of the past are slowly being broken, but, Japan has a very long way to go.

In the end, Japanese management style will be modified because of external pressures, but it remains highly unlikely that it will become a copy of the American system for example. Cultural values and norms are too deep-rooted. Japan has always discouraged heroes, but now, this is exactly what it needs in order to bring the country up again financially to its optimal full potential once again: heroes in the form of young, talented individuals that go beyond traditional thinking and truly are internationally-oriented. It remains to be seen if the Japanese system will ever allow these potential heroes to emerge. It is trying, but centuries of cultural pressures remain.

Over the last 10 years several administrations in Japan have made significant efforts to position the country to more competitive external as well as internal growth and development levels; overall these efforts have met with some success. Japan has been climbing out of its (two) “lost decades” for a few years now and has strived to a better position economically.^[40] Due to significant growth in competition from South Korea and subsequently from China, it has established a strategic focus primarily on high-tech and precision products; for example, being a leader in robotics has distinguished the country. One lingering macro-factor however remains in that it is number one among developed countries in public debt to GDP at approximately 240%. The positive side to this however is that the debt is actually owned by the Japanese themselves, therefore maintaining stable leverage. A critical factor with a potentially huge impact however remains – that of the steady decline of the population. Japan’s population is estimated to fall below 100 million within 30 years. At the same time, Japan unfortunately but consistently ranks almost at the bottom of countries with wage and opportunity parity in terms of equal employment between men and women. A cultural factor which endures; this is not the only one.

Culturally we must address once again the managerial style of Japanese organizations regardless of the fact that the country seems to be making a stronger effort at the macro-level. When we dive back deeper into the very traditional Japanese style organizations, we find that essentially little has changed in terms of managerial style. And, unfortunately this will continue to impact the country in the near future. The samurai culture that is at the heart of Japan does endure into the business world. Things are still done, managed, under *kata* or “*form*” “*way of doing things*”that essentially has not much deviated over the past centuries for the culture, and decades for Japan Incorporated.^[41] The sense of *giri* or obligation in the management-employee relationship endures thus still having an effect on organizational management. While Western culture conditions individuals to a more self-centered concept where workers look upon themselves as individuals, and relationships are based on self-interest; in Japan’s business world, an idealized relationship of the *group’s* self-interests strictly remains and based on the factors outlined in this paper. Whereas in the West, the nature of work is evolving into a “*free-lancer*,” the concept of the company as “*family*” remains and thus the managerial factors in the organizational behavior of many companies. It will be interesting to see the inter-relationships that may develop emanating from the macro-

environment of the country overall, with the more micro-environment of such traditional corporate structures and behaviors in management.

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TRIAD-ROLE: PUBLIC, POLICY CULTURAL AND CONSUMER-DYNAMICS OF THE CREATIVE PROCESS

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Abstract

What are the main categories of people who consume or support art programs?

Is the sponsor or consumer public?

Is the artistic product designed according to the demand of art consumers? What is the dynamics of supply and demand for arts goods and services?

Art must be designed to be consumed. There is great potential and there are many talented artists who are confronted with the problem of small diverse audiences. In any creative industry in Romania, there is a problem of having a non-educated audience. It is important to identify gaps in a market, as they will turn into opportunities. Public awareness is a very important first step in developing appropriate strategies and achieving the mission proposed by the organizers. An important issue is the promotion of cultural events, especially their announcement in as many media as possible. Indeed, in many cases there is a causal relationship between the financial possibilities of the Romanians and the access to the culture of quality. It is equally true that new forms of culture and the progress of new channels of communication in the virtual environment can be invoked as unequal competitors for classical forms of culture, especially since their access is free, even if real content is often superficial. In today's society, the media play a crucial role in social life, becoming, over time, an increasing and indispensable power, with a strong influence on the segments of society. Their active presence can be felt at the financial-banking level, industrial developments in the evolution of technology, in politics, but also in everyday life. The development of a strategy implies the qualitative and quantitative research of the different cultural and creative segments in Timisoara to see the current state of each identified area, namely its potential for change and growth opportunities in the coming years.

Key words: creative sector, cultural education, policy makers, culture, Community Cultural Workers, Media Specialists,

I.1 Which are the main population categories that consume or support art programs?

I.2 Is the audience a sponsor or a consumer?

I.3 Is the artistic product conceived according to the art consumers demand? What is the dynamic between supply and demand in terms of goods and services in the arts domain?

Art must be conceived to be consumed. There is much potential and there are many talented artists who are facing the problem of a little diversified public. In any creative industry of Romania, the issue of having an uneducated public is present. It is important to identify the gaps in a market, because those will transform into opportunities. Also, it's very important to read a lot about what is going on elsewhere, find some models and trends to

follow. Nobody is reinventing the wheel: sooner or later we will catch up with the habits of the UK, but you should ensure yourself a know-how. In order to become an entrepreneur in a creative field, it is first necessary to be an entrepreneur, then creative. You have to combine the two aspects. It's hard for a creative person to also become an entrepreneur. Unfortunately in Romania the private companies still manifest little interest towards cultural / artistic projects - the balance unequally tilts towards projects with social stake. Balance is necessary for a very simple reason: if we don't care for our brains, we will end up needing permanent social assistance. The time has come for us to understand why we must invest in a society from a cultural standpoint as well. It's hard to grow the top of a pyramid if the base is poorly conceived. This is happening to us - we have a very small consumer base and therefore the tip, consisting of buyers, is situated at a very low level. In order to understand the "state" of our art market, it is enough to have a look at a real estate website in other countries. Over there you will see houses with walls covered by paintings and art photos, and no blank walls, by any means. Over here, art has not entered the dimensions of our everyday life. In order to help the development of the art market we must ensure an early education in art forms. We must begin to educate students, instead of simply waiting for them to finally meet the works by the likes of Georges Pompidou or Tate as their first contact with contemporary art. We need to tackle pupils and creative areas, we must find a way to promote exhibitions, museums, festivals and events in general, places and artistic phenomenon in a much better way than we do now. People are intimidated when confronted with the elitism and the sense of impermeability of a gallery; They are not comfortable entering into a gallery and asking for prices, they are unable to evaluate what is hanging from the walls to be 500 or 15,000 euros. And I can understand that, even when it comes to people who have financial means or the required space for it, it's just that there is a gap between the gallery and its audience, especially in Romania, where much of a gallery's public are actually artists and people working in the field, there are very few pure art consumers who are actually outsiders. That particular group of people is my subject of interest.

Consumption culture of Romania, the odds of damage. There's a Cultural Consumption Barometer study conducted by the National Institute for Cultural Research and Training (INCFC) which claims to be the most important statistical analysis of the cultural sector in Romania, and the results are downright astounding. 63% of the population never goes to the theater, 79.2% of respondents never visited libraries in order to read, 80.6% of the population stated that they don't attend musical events specific to the philharmonic activities, while 24% of Romanians consider that culture is "not very important". If we add the Eurostat data to these statistics, which indicated that in 2013 only 51% of the Romanian population had read a book in the past year, we obtain a picture of the culture consumption level in Romania which is not very flattering. Of course, there are multiple explanations for the Romanian's lack of appetite when it comes to forms of classical culture. Starting with the reduced weight of disciplines of the cultural-artistic curricula in the educational segment that addresses pupils of all levels, also half of the population living in poverty (according to INS / EUROSTAT) and concerning to cover their basic needs first, as defined in Maslow's pyramid, to the expansion of the Internet and new forms of assault concluding with the pseudo-culture specific to the consumerist companies, we will be able to find arguments in order to legitimize the Romanians cultural disinterest. To be noted here that a small amount of the population is aware about the possibility of redirecting a fragment of their taxes towards non-profit organisations. Of those who had heard about the 2% system (which enables people employed to forward 2% of their income tax wage and also companies to direct parts of their tax amounts to an NGO), the number of those who have actually accessed the program until now

is only sizing up half of the population. Those who have directed their money were more focused towards organizations that complement areas with difficulties in operation and immediate need in healthcare, social services and education, or organizations functioning in areas that draw much of the public confidence (religion). Cultural experiences are important factors of cultural consumption. The present application aims to identify and analyze the factors influencing the dynamics of cultural consumption, such as frequency of "domestic" cultural consumption practices (use of television and radio, listening to music, reading media, written culture consumption); Frequency of the "public" cultural consumption practices (cinema, theater, museums, entertainment, festivals, participating in local celebrations); The frequency of other leisure practices (going shopping in the mall and hypermarket, attending sporting events, going on trips, playing sports, going to discos or clubs, walking in parks or green areas); The time budget (assigned to working, resting, various recreational activities etc.); People's attachment to values: the importance attributed to family, work, education, friends, leisure, money, religion. Socio-economic and demographic structure of the population: age, education, personal income, type of locality of residence.

During communist times, the museums were part of the political education mechanism, where the role of teachers and schools has been active since the early stage of the cycle of nursery education. The decline, for various reasons, of the educational programs in the cultural-artistic field, at the beginning of the transition period, the lack of interest manifested by teachers and also financial and precarious economic situation led to decreased interest in culture and education. During this period, museums, cinemas, theaters and exhibition spaces began to suffer a dramatic lack of audience, many of them ended up changing their original destination or simply stopped hosting cultural and artistic events. Among other things, the crisis of visitors in native museums has emerged as an expression of freedom by individuals, including the freedom not to visit a museum, while public museums were associated by the public with a lack of mobility, a particular static culture type, or austere areas, which were removed from their daily life pattern.

Identifying the dynamics of mutual relations between public policy in the arts - public - artists domain, regarding cultural development strategy projects. Case Study, the Timisoara-Cultural Capital project.

In pursuing this specific objective, we start from the following research questions:

I.1 What are the forms of funding and investment in art? (The material aspect)

I.2 What are the forms of art education in the community? (The educational aspect)

Knowing the audience is a very important first step in the development of appropriate strategies and the achievement of the mission proposed by the organizers. An important issue is the media coverage of the cultural events, especially announcing them in as many different types of media as possible. Indeed, in many cases there is a causal relationship between financial possibilities of the Romanians and the access to quality culture. Tickets devoted to plays or famous opera performances usually have prices that are inaccessible to most citizens. The situation is even worse in the case of Romanians who can barely afford to pay their monthly bills and daily food basket. Equally true is that new forms of culture and the progress of new channels of communication in the virtual environment can be also invoked as unequal competitors for the classical forms of culture, especially since accessing them is free of charge, even though the actual content they provide is often superficial. On the other hand, to motivate the low interest in culture manifested by the Romanians only from such a perspective would create a slightly distorted image. Lack of financial resources can not be reliably invoked, as even if the budget does not allow someone to attend a play as a spectator,

one can always attend a library in order to read a book as an alternative to a second-grade film that he would be watching sitting at home, in an armchair. Therefore, in my opinion, there's another obvious element interfering into the cultural consumption equation we discuss - convenience. Cultural behavior, in the most direct sense of spiritual cultivation, also depends a lot on the family development role. Without resorting to hasty generalizations, it is nevertheless a fact that most of our children do not read or read very little, and they only do that because they find themselves conditioned by the syllabus for the examinations. Maybe today's youth belonging to what is called the "emerging generation" is also to blame here, this being a pragmatic and goal oriented generation, but which is unfortunately very less leaning towards forms of culture that the previous generations grew up with. The domestic electronic network of cultural goods and cultural domestic consumption. The most spread goods of the physical domestic network are electronic devices: TV, mobile phone, radio. One possible explanation is the rapid development of technology and access to personal computers, the devices for tracking and processing of music and video images, especially the fulminant technological change, moving very fast from static machines to small-sized devices, becoming portable, mobile. For professionals working in the cultural and creative sectors, this research becomes an essential tool for the cultural programs and projects they run through, because of the detailed information they provide in each sector of activity (performing arts, national cultural heritage, museums and exhibitions, creative industries, etc.), but mostly it is an essential support for medium and long-term vision translated into strategies and policies for cultural and artistic development. For the policy makers representatives, the central and / or local authorities, statistical data can be leveraged for the founding of strategic development policies in the cultural and occupational sector, as well as the culture and art education domain. For the general public, we provide a comprehensive analysis of the participation in the cultural act in its artistic manifestation, giving each reader the possibility to identify himself with a particular cultural consumer profile or to compare their own cultural practices with those of the general population. The term "cultural consumption" should be seen in the sense of frequency of reading, viewing television programs or performances, preferably for cultural products or services. The use of this term is appropriate in the context of culture savings, based on a certain supply and demand of cultural products and services dynamics pattern. Differences between artistic expressions led to the construction of two types of cultural activities. Under the term "elitist culture type" (or "high culture") the less accessible artistic expressions meet, which need extra training for their meaning and significance to be understood and therefore appreciated, valued. Theater, opera, ballet and museums are included in the elitist culture. "Mass culture" defines artistic expressions widely accessible, part of a consumer society and globalization. Within this category we include going to the cinema, entertainment shows and music festivals, local events, and concern for house arranging, clothing options, implications of a certain conduct and attitudes in relation to cultural and artistic products which are accessible to the general public.

The influence of mass media in the success of programs and cultural events.

I.1 What are the criteria for the selection of cultural events promoted by the media?

I.2 What role does the art journalist hold in the dynamic of cultural programs/events?

I.3 Do sensitive topics attract more promotion? Art by therapy.

Even if we talk about emerging artists, prices are at least a few hundred Euros. It's a delicate dance between artistic and monetary value. Many people have a problem in talking about art in terms of money / financial, they feel it diminishes the importance of the artistic act or the perception of a work of art, as a product with monetary value transforms the artistic

act or a creative act in a purely mercantile action. Art is art, but it also pays, and this is nothing new. The media presents things as if they were a transaction on the stock exchange. There are many layers here, and I think the first concern of an artist or someone who exposes and promotes the artist is to make him popular and to attract interest, therefore the financial value becomes a secondary concern. The Internet is becoming the most important channel of distribution. The cultural products market is part of this new trend, consumers can read books or newspapers, listen to music or watch movies, can purchase art objects that they encounter in virtual reality and only see them on the TV screen or a smartphone. At the same time, more and more publishers and performing arts institutions have begun to create their own web pages, which facilitates consumer access to certain cultural products. In these circumstances, the use of the Internet and the analysis of web access by institutions and art promoters are indicators that reflect the cultural consumption. A very high percentage of the population is unable to appreciate the effects of artistic activities on social cohesion or the economy. Poor crystallization of public opinion on these issues suggests a low exposure to questions and debates concerning the role and importance of art to society as a whole. (Maria-Rosario Jackson - Study of the Support Structure for U.S. Artists). In today's society, the media plays a crucial role in social life, becoming, over time, an increasing and indispensable power, with a strong influence on society segments. Their active presence can be felt on the financial level - banking, industrial developments in the evolution of technology, in politics, but also in everyday life.

In a democracy, the media's role is to select information sources and data, to form opinions and attitudes, to comment and criticize, being considered "the vital center of public life". (Coste-Cerdan N., A. Le Diberder 1991, Television, Bucharest Ed. Humanistas). The industrial size of the mass communication has led to a "mass culture", which has resulted in cultural product standardization, simplified contents, the removal of intellectual dimensions in favor of affective attributes and enhancing economic criterion, based on profits. "Mass culture is not defined by the fact that it is the culture of the masses or that it is produced to be consumed by the masses, but that it lacks both reflective character, subtleness of the "high" social cultural and academical elite ", as well as it lacks the simplicity and concreteness of folk culture in the traditional society ". (John Storey, Cultural Theory and Popular Culture: An Introduction). The role of media is to get information and spread it. In addition, they are subject to a selection process, hierarchy and interpretation before being delivered to the public. Thus, the media provides a mediated image, a particular version of an event. Sometimes people get the message received as such, without examining or reflecting on it, due to the huge volume of information received every day. Media effects can be felt in different areas of society. The media can act upon: a) individuals, b) groups, c) institutions, d) the whole society; also, it can affect the human personality: cognitive dimension (changing the image of the world), affective dimension (creation or modification of attitudes and feelings) or behavioral dimension (changes the mode of action of individuals and social mobilization phenomena). From another perspective, the influence of the media can occur in a short period of time or may need, until it becomes operational, a wider range. Also the effects of the media can create desired as well as undesired changes: they can be the result of a controlled process (media campaigns) or of occurrences more or less unexpected. The media not only promotes behavioral patterns, but also generates new ones, such as the consumer pattern. Romanian media rarely mentions cultural events, therefore the manipulated teen does not give importance to these activities and even ends up being unable to understand them. In an era in which appearance is pursued greatly over essence, the poor content and layout of cultural activities alienate the youngsters. The very fact that different ideals are being promoted nowadays prompts investors to avoid risking their money by promoting

culture, especially towards youngsters. Young people are not interested, therefore there would be no profit. Dedicated cultural magazines are less popular because they do not have good graphics, fine paper, layouts, they are presented in "miserable" fashion, and therefore unappealing to young people. Classical culture is overshadowed by most Romanian institutes.

Impact. Amid poor coverage of social issues, but also by advancing the idea of the necessity of completing economic and social phenomena measurements with measurements of the dimension of cultural life, the development of cultural indicators was initiated in the 70's. Thus, towards socio-economic and cultural measurements conjugation, George Gerbner emphasized that by including cultural indicators, one can articulate public policies which are more appropriate to local or regional conditions. (Gerbner quoted by James Shanahan et al., "Cultural Indicators). A cultural and creative strategy of a city must be updated regularly and consistently, through further analysis and through updating of quantitative and qualitative data, making proposals and specific development recommendations, so that it remains a viable work tool for both private and public cultural operators, creative entrepreneurs, public institutions and local governments.

Methodology. In the form subjected to public consultation, the research involves an analysis of the local cultural life, culture and creativity as a lifestyle (diagnostics) and a suggested course of action for the coming years (Vision and Action Plan). Developing a strategy involves qualitative and quantitative research of various cultural and creative segments of Timisoara, in order to see the current state of each identified area, namely its potential for change and growth opportunities in the coming years. The document concludes with the proposal of a vision and an action plan in cultural and creative domains. The Action Plan is built on a Domino Effect-type structure at three levels: Transverse axis, Objectives and Actions which, through their appliance, lead to sustainable development of the city and problem solutions in successive manner. Cultural education is a basic necessary obligation, therefore the project will consist primarily in researching the cultural activity of the Banat area; information gathering in the first six months; preparing the forms for the presentation of the objective, surveys, questionnaires; analysis of the public need; content analysis on media articles; a brief description of current activities and impact measurement; audio-video documentation of the stages of investigation; interviews; organizing a workshop, public debate on the partial results of the covered activity (infographics). In the second part we try to promote other sources of cultural financing, obviously by reminding people of the existence of the 2% tax redirection program, or various other forms of tax deduction regarding cultural activity. Dissemination of results will be done by submitting articles / papers and scientific works which will be published / indexed in international databases, but also in a volume that will be launched with the occasion of a second, final workshop, where the obtained information will be forwarded to local institutions and regional policy makers.

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APPLICATION OF LINEAR PROGRAMMING MODEL IN ROE MANAGEMENT IN HOTELS

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Abstract

Today's companies are facing the problem of the optimal size of the source of funds to be used in the business. The consequences of globalization and a dynamic environment in hotel companies condition hotel companies to use effective analytical tools to support decision-making in choosing the size of the source of funds. Management of hotel companies aims to maximize shareholder returns. Return on equity is calculated by dividing the total net gain from invested funds by shareholders. In hotel companies, the problem of the paper will be related to the application of linear programming, which implies the definition of maximization of return on equity under the defined limits. The subject of the paper is the application of linear programming in order to determine the maximum size of return on equity under predefined limits. The aim of the paper is to improve the process of financial performance analysis that is used to apply the best mix of the source of funds.

Keywords: hotel, ROE, management, linear programming, decision making.

Introduction

Hotel companies can be divided into two groups: independent hotels and hotel chains. Independent hotels have nothing to do with other hotel companies, or an independent hotel means direct investment by the owner of the company. The owners of hotel chains can have several different forms, including various management contracts, franchise and the like. However, in these cases, the structure of capital may differ. Hotel companies recognize that in the early years, the welfare of the hotel is at a low level. Some analysts claim that the hotel's

revenue can be stabilized between the second and the fifth year, while others consider that hotels cannot actually stabilize revenues, due to the need for continuous investment in maintenance of the building. (John W. O'Neill, 2011) If the hotel company is regarded as an independent project then it is necessary to determine the amount of own funds to be invested and how much to borrow, in order to maximize return on total invested funds. In the case of independent hotel companies, considerably higher investments are needed, while on the other hand the level of investment in hotel chains is lower. (Čučić, 2013) The answer to the question about the amount of funds the hotel uses from its own sources, and how much of the source from others is in the financial statements.

The financial statements represent the information basis for making investment, credit and other economic decisions. "Internal and external users expect the presented financial information to be understandable, reliable, important and comparable and should show the real state of the company for a certain period of time. " (Hudgins, 2010)

Financial reporting is important for all interest groups - stakeholders. The stakeholders can be divided into internal and external. The subject of this paper is focused on the indicators of the profitability of hotel companies; therefore a special focus will be placed on the owners of the company. The owners are a group of people who are interested in organizational issues that influences the manner of problem-solving. (Yilmaz & Devrim Gunel, 2009) Owners of the company are interested in indicators of company growth, while management is more focused on current indicators, i.e. liquidity, solvency, profitability, etc.

Significance of the profitability ratio for the owners of hotel companies

Indicators that are important for corporate governance are in the balance sheet and the income statement. The management of the company should be interested in all aspects of managing the company. Owners of the company are interested in return on their own capital, movement of own capital, activity indicators and the like. There is often a conflict between business owners and the management of the company. The role of the management of the company is to increase the welfare of the owners of the company, without departing from the increase in the value of the company as a whole.

Investors are most interested in the profitability and market value of shares of the company. From this point of view, significant for the investors is the amount of profitability indicators, i.e. return on capital since it is one of the main factors determining the market value of shares. The company should find the optimal ratio of reinvested earnings and dividend payments in order to maximize the market value of the share. (Bogojević Arsić, 2014)

Profitability ratios reveal the company's ability to profit and return on investment. These ratios are indicators of financial health of the company and show how effectively the company manages assets. The profitability ratios measure the company's business performance, i.e. its profitability, which can be analyzed in detail applying the "DuPont" analysis using the system of financial coefficients. (Knežević & Mitrović, 2017)

A large amount in the name of the dividend will attract dividend-oriented shareholders, but this cannot be a long-term solution, because high dividend payments and small amounts of reinvested earnings indicate a small possibility of company growth, and consequently a decrease in market value of shares. "A high amount of reinvested earnings will increase the ability to grow the market value of shares, but on the other hand it will dissuade dividend-oriented investors." In addition to profitability, investors must pay attention to cash flows that are often the subject of manipulative actions in the financial statements. " (Knežević, Mitrović, & Ilić, 2016)

There are four main qualitative characteristics that affect the usefulness of accounting information. However, accounting information should be material and benefit from providing

information that exceeds their costs. It is necessary to include information in the financial statements. Characteristics determining the usefulness of computational information are: relevance, comprehensibility, reality, and comparability.

Profitability analysis

Profit is the result of the business, and its main goal. Profitability is the ratio of some level of results and the corresponding level of engaged funds. Resources and assets have been made available to the management to carry out sales and revenue generation activities, and profitability ratios show the efficiency of management in the use of funds during the working period. The profitability factors discussed are returnable funds, return on capital, profit margin, and gross return on assets.

In the stock company, equity holders benefit from dividends, but profit can be reinvested into the business, thereby increasing the amount invested, increasing the value of the equity invested in the company. The company's creditors also want to see the growth of the company's profits because higher the profits lower the risk for them as lenders. Therefore, one of the main tasks of management is to continue to bring profit to the enterprise. Profitability ratios are often used to measure the effectiveness of management in the realization of profitability. A company may have a net profit in the profit and loss account, and the net profit, explained through a percentage of revenue, may seem acceptable; however, the link between net profit and other items (for example, the amount of money invested by shareholders) will not look acceptable or too profitable. The forms for calculating profit ratios are presented below.

Profitability ratios	Calculation:	Ratio significance ³⁷
Profit margin	Net Profit / Total revenue	1
Return on capital	Net Profit / Average Equity	3
Return on assets	Net gain / Average total assets	4
Earnings per share	Net gains / Number of issued shares	2

Table 1 Profitability ratios

Profit margins measure part of every dollar of sales that goes through the profit and loss account to the net profit. This ratio is particularly important for operational managers because it shows the company's pricing strategy and its ability to control operational costs. The profit margin and the ratios of assets turnover tend to vary inversely. The companies with high profit margins have a low asset turnover ratio, and vice versa. The companies that add significant value to their product can have multi-profit margins. However, due to adding value to the product, those require having a large share of the assets, so these companies have a lower turnover ratio. On the other hand, those companies that add little value to the product have low profit margins and high turnover. Therefore, it can be concluded that a high profit margin is not necessarily better than low because everything depends on the combined effect of the profit margin and the turnover of funds. The profit margin shows a part of the net profit that is generated on the basis of sales revenue. The goal of every hotel is that this percentage

³⁷ Performed according to : Schimdgall, R. S., & Singh, A. (2002). Analysis of financial ratios commonly used by US lodging financial executives. *Journal of Leisure Property*, Vol.2 No.3 pp 201-213.

is higher, because in this way it is shown that the company manages to cover all the expenditures by sale revenues.

ROE: Here we see ROE increases because of additional investment and for tremendous growth in net income. ROE:

encircles the three pillars of corporate management profitability, asset management, and financial leverage. Here

ROE proves that the hotel management is efficient enough to get the job done. If we see, return on equity at 2015

was so good in comparison to previous year.

Return on Capital employed:It is used to gauge a company's efficiency at allocating the capital under its control to

profitable investments. Here return on capital employed increased due to the proper utilization of fund in profitable section.

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Return on Equity (Abb. *ROE*), is the coefficient on how much profit is generated on invested capital. How much will the return on capital be necessary will depend on the shareholder's demands. The higher return on equity means that the company will do business excellently or will generate higher profit on invested capital, and therefore better manage share capital. Higher return on equity means greater attractiveness to investors.

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Revenues from sales}} * \frac{\text{Revenues from sales}}{\text{Total assets}} * \frac{\text{Total assets}}{\text{Owner's equity}}$$

These three ratios represent a profit margin, a turnover of assets and a financial leverage respectively. The equation can be written in the form (Hudgins, 2010):

$$\text{Return on equity} = \text{Profit margin} * \text{Assets turnover} * \text{Financial leverage}$$

Return on equity has three important roles (Helfert, 2003)

1. 3. It represents an indicator that shows the degree of allocation of sources of funds of the owner of the current business, and the efficiency of using this capital in the business;
2. This indicator reflects the return on the shareholders' equity, and represents the measure of the company's capacity to pay dividends to shareholders;
3. In internal business analysis, most companies have different systems of indicators and standards, which are divided into components depending on their impact on decisions in business performance, total revenue or shareholder expectations.

The profit margin summarizes the performance of the company's profit and loss account by showing profit on the cash-generating unit. The assets turnover summarizes the assets management in the balance sheet by showing the resources needed to support the sale. The financial leverage summarizes the management of the balance sheet liabilities by showing the amount of equity capital used to finance the assets.

Return on Assets (abb. *ROA*) is a coefficient that tells how much enterprise management is effective. It is useful for comparison between enterprises. Return to assets is the basic measure of efficiency in which a company allocates and manages resources. It differs from return on equity because it measures profit as a percentage of money given by the owner and the lender, and not only from the money given by the owner. A high profit margin and a high turnover of assets are ideal. The return on assets is a combined effect of a profit margin and a turnover, and therefore can be calculated as follows:

$$\text{Return on assets} = \text{Profit margin} * \text{Turnover of assets} = \text{Net profit} / \text{Total assets}$$

Earnings per share are part of a company's profit that is allocated to equity holders. Earnings per share are one of the company's profitability indicators. It is often required from the company to report on the amount of this ratio. The higher the amount of this ratio, the owners of the company will be more satisfied. If this ratio is at a low level, then they should reconsider the company's various positions of the costs in the profit and loss account. This ratio will also depend on the number of shares issued. If the company intends to issue more

shares, while simultaneously achieving the same net profit, diversification of stocks will occur, and this ratio will decline.

Application of linear programming in determining the optimal return on equity

One of the most common and basic problems of optimization is linear optimization, or the problem of linear programming. The problem of linear programming belongs to the problems of mathematical programming that consist in finding the minimum or maximum value of a function in a particular set. Linear programming is the problem of maximizing or minimizing the target function, under the defined limitations of linear equality and (or) inequality. (Cornuejols & Tütüncü, 2006) The problem of linear programming will be used in order to maximize capital yields in cases where there is a limited source of funds for a particular hotel company.

The structure of the linear programming model includes the target function, decision variables, limitations and parameters. The target function implies planning the set of performance parameters that are described through the decision variables. Limitations are linear equations, which refer to restrictions relative to resource availability, while parameters are designed with numerical values that describe the allocation of resources. (Ebiendele & Ebiendele, 2018) Linear programming will be applied to a problem that is specific to performance management in the hotel industry, whereby an optimal solution for the maximum number of guests is found.

The general task of linear programming is:

"Find that non-negative solution $X = (x_1, x_2, \dots, x_n)$ of the system of linear equations (limitations):

$$\begin{aligned} a_{11}x_1 + a_{12}x_2 + \dots + a_{1n}x_n &\leq b_1 \\ a_{21}x_1 + a_{22}x_2 + \dots + a_{2n}x_n &\leq b_2 \\ &\dots \dots \dots \\ a_{m1}x_1 + a_{m2}x_2 + \dots + a_{mn}x_n &\leq b_m \end{aligned}$$

for which the target function (linear function of variables x_1, x_2, \dots, x_n):

$$F = F(x_1, x_2, \dots, x_n) = c_1x_1 + c_2x_2 + \dots + c_nx_n$$

reaches a maximum (minimum) value. "(Krčevinac et al., 2013)

Any non-negative solutions to the system of equations are called an acceptable solution. In hotel companies, maximization will refer to the maximization of return on shareholders' equity. The task of linear programming will be to find an optimal solution of the capital and liabilities mix, which maximizes return on shareholders' equity. Applying the linear programming method, the target function is to maximize return on equity, that is:

$$(\max) F = x_3$$

wherein the values x_1 and x_2 relate to the size of their own sources, and borrowed resources, respectively. The value x_3 represents a return on shareholder's equity, which is obtained in such a way that the realized net gain is shared with the invested own sources.

Scenario 1.

The limitations of the linear model can be written in the following form. Assuming that the hotel opens, and that \$ 250,000 (for equipment, working capital and fixed assets) is required to open it, the restriction can be in the form of:

$$x_1 + x_2 = 250.000\$$$

The investors have the necessary capital, but they are not interested in using all their own capital. Let us assume that they are considering the amount of capital return depending on the way of financing. It is possible to compare the situation in which the funds are entirely financed from their own sources, or that the funds are financed partly from capital and partly from liabilities. Let's assume that the percentage share of the resource is at a level of 50%.

$$x_1 = 125.000\$$$

$$x_2 = 125.000\$$$

$$x_1, x_2, x_3 \geq 0.$$

In the first case, \$ 50,000 of revenue will be generated before interest and taxes. There are no interest costs because the company is fully funded by the capital.³⁸ In the second case, there will be certain interest that will have to be paid. However, interest is not taxed, as opposed to dividends. Assuming that the tax rate is 50%, there will be a tax expense, which in the first case will be higher than in the case when the company is financed with a debt and equity mix.

	Option A	Option B
Required capital	250.000,00 \$	250.000,00 \$
Financing from capital	250.000,00 \$	125.000,00 \$
Financing from liabilities	0 \$	125.000,00 \$
Profit before interest and taxes	50.000,00 \$	50.000,00 \$
Interest costs	0 \$	12.500,00 \$
Profit before taxes	50.000,00 \$	37.500,00 \$
Tax expenses	-25.000,00 \$	-18.750,00 \$
Net profit	25.000,00 \$	18.750,00 \$
Return on equity	10%	15%

Table 2 Amount of return on equity according to the limitations in scenario 1.

As can be seen from the table, investors will have a higher return on equity, in the case of option B, they will also have \$ 125,000 that they will be able to invest in another alternative. In this case, if the mix of capital and debt is 50/50, the return on equity is higher than in the case when the company is fully financed by equity.

$$(\max) F = 15\%$$

However, other ratios of profitability must not be omitted. Namely, it can be assumed what would have happened to other indicators of profitability, if we were to try to maximize return on equity. It is necessary to determine the amount of other ratios, i.e. the amount of the profit margin, the amount of the return on assets and the amount of earnings per share. In this example, where it is assumed that \$ 250,000 is required for the purchase of equipment and working capital, according to the balance sheet, where assets must always be equal to liabilities, the amount of funds will be \$ 250,000. If it is also assumed that the share price of a particular hotel's is \$ 500, then in the first case (Option A) the company will issue 500 shares, while in the second case (Option B), 250 shares will be issued. Also, there is a presumption that the company has \$ 200,000 in sales.

³⁸If the company is financed by capital, it will involve issuing shares, which will result in flotation costs. In this case, these costs will be considered irrelevant.

	Option A	Option B
ROE	10%	15%
Revenues from sales	200.000 \$	200.000 \$
The size of the total assets	250.000 \$	250.000 \$
The size of the total assets	250.000 \$	250.000 \$
Number of issued shares	500	250
ROA	10%	8%
Profit margin	13 %	9 %
Earnings per share	50 \$	75 \$

Table 3 Profitability ratios

Based on Table 3, we can conclude that the result of the maximization of return on equity has negative consequences for the size of the profit margin and the return on assets. Earnings per share changes in the same direction as return on capital. It can be concluded that in the event of an increase in the return on equity, there will be a decrease in the level of other significant ratios, to which particular attention must be paid.

Scenario 2.

It is assumed that the hotel chain opens. In this case, it is possible to use less own sources of funds, and more borrowed ones. The question can be raised as to whether the capital and debt ratio in the amount of 20:80 will reach an even higher amount of return on equity? In other words, what would happen if investors could use \$ 50,000 of their capital, and at the same time they could also borrow the amount of \$ 200,000, at an interest rate of 10%? The limitations of the given mathematical model could be written in the following form:

$$\begin{aligned}x_1 &= 50.000\$ \\x_2 &= 200.000\$ \\x_1, x_2, x_3 &\geq 0\end{aligned}$$

The results of the shown mathematical model are given in the table:

	Option C
Required capital	250.000,00 \$
Financing from capital	50.000,00 \$
Financing from liabilities	200.000,00 \$
Profit before interest and taxes	50.000,00 \$
Interest costs	20.000,00 \$
Profit before taxes	30.000,00 \$
Tax expense	-15.000,00\$
Net profit	15.000,00 \$
Return on equity	30%

Table 4 Amount of return on equity according to the limitations in scenario 2.

According to option C, return on capital has risen to 30%, but we have the other \$ 200,000 cash, which can be invested in 4 new similar ventures. The advantage of leverage is obvious, the higher the debt to equity ratio, the higher the return on the capital of the investor.

$$(\max) F = 30\%$$

However, this is only feasible if the percentage of earnings before interest is higher than the interest that must be paid on the debt. For example, if the interest rate on the debt is 10%, the percentage of revenue before interest should be higher than 10%, so that the leverage is profitable. The higher the amount of debt, the higher the risk. If revenue falls, a company with a higher leverage will have more difficulty paying off its debt. In the case of option B, revenue before interest and taxes may fall from \$ 50,000 to \$ 12,500, in which case the net profit will be equal to 0. In the case of option C, revenue before interest and taxes can fall from \$ 50,000 to just \$ 20,000. However, in this case, we have to look at the amount of other ratios, that is, if the return on capital was 30%, what would happen to other indicators of profitability.

Option C	
ROE	30%
Revenues from sales	200.000 \$
The size of the total assets	250.000 \$
The size of total liabilities	250.000 \$
Number of issued shares	100
ROA	6%
Profit margin	8%
Earnings per share	150 \$

Table 5 Profitability ratios

If we observe the size of other ratios, based on the return on equity in Table 4, we conclude that the return on assets will be further reduced, while earnings per share will increase even further. The profit margin will also be at a low level. From the above ratios it can be confirmed that in relation to the level of these ratios, there will always be a conflict of interest between shareholders and managers, as shareholders will always strive for their share of earnings per share to be at a higher level, but this can lead the enterprise to serious problems, in cases where interest rates on borrowed funds are at a high level.

Scenario 3.

If we assume that investors want to invest a minimum of \$ 100,000, but not more than \$ 175,000, while the company can simultaneously be debited at an interest rate of 10%, to an amount not exceeding \$ 150,000, but not lower than \$ 100,000, What will be the maximum return on invested capital? To find out which is the maximum mix of capital and liabilities that will allow maximum return on equity using the “*Solver*” application in the Microsoft Office Excel software, it will be seen that the maximum return on capital is 7%, in relation to these constraints, along with the structure of liabilities that will amount to \$ 100,000 of the capital, and \$ 150,000 of the liabilities.

Option D	
Financing from capital	100.000 \$
Financing from liabilities	150.000 \$
Required capital	250.000 \$
Profit before interest and taxes	50.000 \$

Interest costs	15.000 \$
Profit before taxes	35.000 \$
Tax expense	17.500 \$
Net profit	17.500 \$
Return on equity	18%

Table 6 Amount of return on equity according to defined limitations

The limitations of the previous model can be displayed as follows:

$$\begin{aligned}
 x_1 &\leq 175.000\$ \\
 x_1 &\geq 100.000\$ \\
 x_2 &\geq 100.000\$ \\
 x_2 &\leq 150.000\$ \\
 x_1 + x_2 &= 250.000 \$ \\
 x_1, x_2, x_3 &\geq 0
 \end{aligned}$$

$$(\max) F = 18\%.$$

Based on such a mix of capital and liabilities, it is concluded that return on capital will be 18%. This is the most realistic percentage than the previously calculated, given the level of limitation set to gain a percentage of return on equity. Owners will want to see this amount at a higher level, so a mix that maximizes return on equity should be found, but therefore respecting the limitations of the models that are realistic. The other levels of profitability ratios according to this scenario are:

Option D	
ROE	18%
Revenues from sales	200.000 \$
The size of the total assets	250.000 \$
The size of total liabilities	250.000 \$
Number of issued shares	200
ROA	7%
Profit margin	9%
Earnings per share	87,5 \$

Table 7 Profitability ratios

In this case, the profitability ratios will be at a more acceptable level than in scenario 2 described earlier. Based on Table 6, we see that the amount of return on assets and profit margins will be at a higher level, while the earnings per share ratio will be lower than the previous one.

The model limitations and conclusion

The model that has been developed has its function in improving the profitability analysis of hotel companies, whereby resources are assumed to be a limited category. A modern analysis of the financial statements must disclose the inclusion of methods applied in other areas in order to anticipate, evaluate and make the best business decisions on time. For hotel companies, the goal is primarily to determine the type of hotel, or to check whether a hotel can be developed as an independent project, or it is necessary to use different types of business models if it is considered that the hotel will have more success if it operates in the form of a hotel chain. Depending on the type of hotel company, the structure of capital will also differ. On the basis of this difference, it is necessary to estimate the maximum return on

shareholders' equity, in order for them to be fully satisfied. In today's environment where hotel companies operate, it is very difficult to find an optimal mix of borrowed and own sources. In this regard, this model represents an efficient analytical tool in order to determine the maximum return on shareholders' equity.

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BRIEF CONSIDERATIONS REGARDING THE TECHNICAL SPECIFICATIONS IN THE TENDER DOCUMENTATION

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Abstract

The contracting authority has the obligation to elaborate the procurement documents, which contain all the information necessary to ensure full and accurate information about the procurement requirements, the object of the contract and the description of each stage of the procedure. The technical specifications will be drafted by the contracting authority in such a way as to avoid artificially narrowing down competition through requirements that favour a specific economic operator by mirroring key characteristics of the supplies, services or works habitually offered by that economic operator.

Keynotes: contracting authority, technical specifications, competition, principle of transparency

The paper will analyze the legal regime of technical specifications from the perspective of Law no. 98/2016³⁹ (hereinafter "Law") on public Procurement and Government Decision no. 395/2016⁴⁰ (hereinafter referred to as the "decision"). The two normative acts transpose Directive no. 2014/24/ EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/ EC (hereinafter "directive")⁴¹. It can be considered that the issues detailed in this paper are also applicable in the case of a contracting entity carrying out a sectorial procurement procedure.

The analysis will take into consideration all the periods of a public procurement procedure, starting with the elaboration of the tender documentation, the establishment of technical specifications, submission of bids, technical/financial evaluation and the signing of the public procurement contract.

The award of public procurement contracts in the Member States of the European Union must comply with the principles laid down in the EU treaties, in particular the principle of the free movement of goods, the principle of freedom of establishment and the principle of freedom to provide services, such as equal treatment, non-discrimination, mutual recognition, proportionality and transparency.

➤ Preparation of the tender documentation and its publicity

According to art. 154 of the Law, the contracting authority has the obligation to elaborate the procurement documents, which contain all the information necessary to ensure full and

³⁹ Law no. 98/19th of May 2016 was published in Official Journal no. 390/23th of May 2016, with subsequent modifications

⁴⁰ Government Decision no. 395/2th of June 2016 for the approval of the Methodological Norms for the application of the provisions regarding the award of the public procurement contract/framework agreement of Law no. 98/2016 on public procurement was published in Official Journal no. 423/ 6th of June 2016

⁴¹ <https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=celex%3A32014L0024>

accurate information about the procurement requirements, the object of the contract and the description of each stage of the procedure.

The tender documentation includes, inter alia, technical specifications or the descriptive document, which applies to competitive dialogue, negotiation or innovation partnership procedures. Technical specifications have been defined by legislation in article 20 par. (10) of the Decision as requirements, prescriptions, technical features that allow each product, service or work to be described, in the contract documents objectively, so as to meet the need of the contracting authority.

At the same time, in the case of competitive negotiation, competitive dialogue or innovation partnership⁴², the descriptive document shall include at least a description of the contracting authority's needs, objectives and constraints on which the negotiations will be conducted, as well as the minimum requirements for technical order or minimum performance / functionality that must be met by each offer / solution to be admitted to the next phase.

So, during this stage of the procedure, it is important that the preparation of the technical specifications must be established in relation to the contracting authority's needs and the complexity of the procurement object. Moreover, when drawing up technical specifications, contracting authorities should take into account requirements ensuing from Union law in the field of data protection law, in particular in relation to the design of the processing of personal data (data protection by design)⁴³.

After preparation of procurement documents, the contracting authority will publish the tender documentation together with the contract notice on the electronic platform of SICAP in order to allow to economic operators interested in the procedure sufficient time to prepare their bids in line with those requested in the documents.

We underline that the contracting authority can only initiate the procurement procedure after the tender documentation and the supporting documents have been prepared and approved (Article 21 of the Decision). Once published, in case of doubts or misunderstandings, any economic operator has the right to request clarification or additional information⁴⁴ in relation to technical specifications or he can challenge the criteria before a court.

The non-contestation of the specifications in the legal term is equivalent to the acceptance by the bidders of the technical specifications mentioned by the contracting authority in the tender documentation.

At the same time, we specify that mandatory minimum technical specifications can't be negotiated during the evaluation period of tenders with bidders who do not fulfill these elements⁴⁵.

➤ Preparation of the technical specifications or of descriptive document

According to art. 155 par. (1) of the Law, the technical specifications are set out in the procurement documents and establish the required characteristics of the works, services or products that are the object of the procurement procedure.

These characteristics may also relate to the process or specific method of execution of the works, the manufacture of the products or the provision of the services requested or a specific process for another stage of their life, even if these elements are not part of the material content of the products, works or services to be procured but provided that those

⁴² Law no. 98/2016 states that that an authority has the right to apply competitive negotiation or competitive dialogue procedure where technical specifications can not be defined with sufficient precision by the contracting authority by reference to a standard, a common European technical assessment or a technical reference according to art. 70 par. (1) (d) of the Law. The same idea is invoked in art. 26 of the Directive

⁴³ Point 77 from the Preamble of the Directive

⁴⁴ art. 160 par. (1) of the Law

⁴⁵ Judgement of the Court from 5th of december 2013, case C-561/12

characteristics are related to the subject matter of the public procurement/framework agreement and are proportionate by reference to its value and its objectives.

It is furthermore appropriate to state that technical specifications can determine whether the transfer of intellectual property rights is requested or not.

At this initial stage of procedure, the contracting authority must draft the technical specifications in a general, but specific way that is clear to every economic operator interested in participating in the procedure.

For example, setting requirements such as "360° vertical rotation without a stop" or "rotation of the dome in a vertical plane of at least 400 degrees without stopping" for a satellite operation lamp and video camera training were considered by the National Council of Solving Complaints proportional requirements that do not introduce unjustified obstacles because these technical specifications were justified by the necessity of describing the product in such a manner as to correspond to the quality of procurement object desired by the contracting authority⁴⁶.

Instead, the technical criteria can't be defined by copying the technical-functional parameters of a particular product. For example, the use of technical requirements such as "New Holland Model TD 5050", "Luxe Operator Chair", etc., demonstrates that the technical specifications have been copied from New Holland TD 5050 tractor product, made by a particular manufacturer. In this case, there is a flagrant violation of the purpose and principles of public procurement⁴⁷.

Going further, the direction and the national legislation provide ways of expressing technical requirements in procurement documents⁴⁸. So, these requirements may be defined by reference to:

- in terms of performance or functional requirements, including environmental characteristics, provided that the parameters are sufficiently precise to allow tenderers to determine the subject-matter of the contract and to allow contracting authorities to award the contract,
- by reference to technical specifications and, in order of preference, to national standards transposing European standards, European Technical Assessments, common technical specifications, international standards, other technical reference systems established by the European standardisation bodies or - when any of those do not exist - national standards, national technical approvals or national technical specifications relating to the design, calculation and execution of the works and use of the supplies; each reference shall be accompanied by the words 'or equivalent'.

Moreover, unless justified by the subject-matter of the contract, technical specifications shall not refer to a specific make or source, or a particular process which characterises the products or services provided by a specific economic operator, or to trade marks, patents, types or a specific origin or production with the effect of favouring or eliminating certain undertakings or certain products. Such reference shall be permitted on an exceptional basis, where a sufficiently precise and intelligible description of the subject-matter of the contract pursuant to paragraph 3 is not possible. Such reference shall be accompanied by the words 'or equivalent'.

Also, a contracting authority may request, according to art. 158 of the Law, the provision of a test report issued by a conformity assessment body or a certificate of compliance of the products, services or works issued by such a body as evidence. If an economic operator does

⁴⁶ <http://portal.cnsr.ro/ghiddebuneprectici.pdf>; the decision is available at: http://www.cnsr.ro/wp-content/uploads/bo/2014/BO2014_1348.pdf

⁴⁷ The decision is available at: http://www.cnsr.ro/wp-content/uploads/bo/2014/BO2014_1753.pdf

⁴⁸ Art. 156 para. (1) of the Law and art. 42 of the Directive

not have the certificates or test reports or is unable to obtain them within the set deadlines, the contracting authority has the obligation to accept other appropriate evidence.

- The right of economic operators to equal access to the procedure

The Directive and the national legislation stress the idea that technical specifications drawn up by public purchasers need to allow public procurement to be open to competition as well as to achieve objectives of sustainability. To that end, it should be possible to submit tenders that reflect the diversity of technical solutions standards and technical specifications in the marketplace, including those drawn up on the basis of performance criteria linked to the life cycle and the sustainability of the production process of the works, supplies and services.

Consequently, technical specifications should be drafted in such a way as to avoid artificially narrowing down competition through requirements⁴⁹ that favour a specific economic operator by mirroring key characteristics of the supplies, services or works habitually offered by that economic operator⁵⁰.

For example, it can not be required in the tender documentation, as the object of the acquisition is the supply of products, that those products be the property of the bidder and provide documents evidencing the ownership of the object.

In this case, if a contracting authority would lay down in the procurement documents specifications additional technical criteria and documents in the case of products in order to prove their equivalence with the original products (for example, the addition of both the technical dossier and the documents drawn up by a neutral testing laboratory), there is a discriminatory requirement, which introduces unjustified obstacles for economic operators offering equivalent products to bidders presenting original products⁵¹.

For example, the Court of Justice of the European Union has decided that a condition requiring an undertaking submitting a tender to have, at the time the tender is submitted, an office open to the public in the capital of the province where the service is to be supplied is applied in a discriminatory manner, is not justified by imperative requirements in the general interest, not suitable for securing the attainment of the objective which they pursue or go beyond what is necessary to attain it⁵².

At the same time, bearing in mind the principles for the award of contracts, set up by the European legislation, contracting authorities should treat economic operators equally and without discrimination and act in accordance with the principle of transparency. These principles are of crucial importance with regard to technical specifications, given the risks of discrimination related to either their choice or the way they are formulated.

- Lack of references to a manufacturer, origin or trademark

Going further, as mentioned before, the technical specifications must avoid every reference to a manufacturer, origin, trademark or any other distinctive sign or label.

Alin. (2) of art. 156 of the Law stipulates that, unless justified by the subject-matter of the contract, the technical specifications do not specify a particular producer, origin or procedure that characterizes the products or services provided by a particular economic operator, nor

⁴⁹ The previous legislation, Emergency Government Ordinance no. 34/2006, was stipulating similar provisions in art. 35 par. (5), that the technical specifications must allow any tenderer equal access to the award procedure and must not have the effect of introducing unjustified obstacles which restrict competition between economic operators.

⁵⁰ Art. 155 par. 6 of the Law defines the idea expressed by the directive in its Preamble.

⁵¹ The decision is available at: http://www.cnsr.ro/wp-content/uploads/bo/2014/BO2014_0544.pdf

⁵² Judgement of the Court from 27 October 2005, Case C-234/03, Contse SA, Vivisol SRL, Oxigen Salud SA vs Instituto Nacional de Gestion Sanitaria (Ingesa), fostul Instituto Nacional de la Salud (Insalud); decision available at: <https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX%3A62003CJ0234>; ECLI identifier: ECLI:EU:C:2005:644

does it refers to trademarks, patents, types, to a specific origin or production which would have the effect of favoring or eliminating certain economic operators or products⁵³.

In its judgment from 24 of January 1995, in Case C-359/93, Commission of the European Communities vs. Netherlands⁵⁴ has determined that the use, in a procurement procedure for the provision and maintenance of a meteorological station, of the reference to the UNIX operating system without the words "or equivalent" leads to deterring economic operators from taking part in the procurement procedure, as well as the impact of intra-Community imports.

Where a contracting authority provides, for technical specifications, environmental characteristics in terms of performance or functional requirements as technical specifications, contracting authorities may use detailed technical specifications defined by European, international or national labels but may not refer to them.

To this end, it must be possible the submission of bids reflecting the diversity of technical solutions. Therefore, on the one hand, the technical specifications must be capable of being established in terms of performance and functional requirements, and, on the other hand, where reference is made to the European standard - or, if such a standard does not exist, to the national standard - contracting authorities must also consider offers based on other equivalent solutions.

In order to demonstrate equivalence, tenderers must be able to use any means of proof. Contracting authorities must be able to provide reasons for any decision that there is no equivalence in a given case. Contracting authorities wishing to define environmental needs in the technical specifications of a given contract may provide for environmental characteristics such as a particular production method and the specific environmental effects of the product or service groups.

Contracting authorities may use, but are not obliged to do so, the appropriate specifications defined by eco-labels, such as the European Eco-label, the multinational ecological label or any other eco-label, provided that the label requirements are defined and adopted on the basis of scientific information through a procedure that stakeholders, such as government bodies, consumers, manufacturers, distributors or environmental organizations can participate, and that the label is accessible and available to all interested parties. [...] Technical specifications must be clearly stated so that all bidders know what the criteria set by the contracting authority refer to⁵⁵.

For example, in the CJEU judgment⁵⁶ of 10 May 2012 in Case C-368/10 on the European Commission vs. The Kingdom of the Netherlands, the Dutch Province of Noord-Holland, used in a public procurement award procedure for the delivery and management of coffee dispensers in the technical specifications, "*With regard to coffee and tea consumption, Noord Province Holland uses the Max Havelaar and EKO quality labels. (...) As far as possible, the ingredients must comply with the EKO and / or Max Havelaar quality label*". In this case, the technical specifications imposed in the product specification were considered by the European Court of Justice to be discriminatory in view of the obligation that certain products to be supplied should bear a specific eco-label instead of using detailed specifications.

At the same time, it was made clear that by imposing conditions that bidders must comply with, such as "*the criteria for constant purchases and socially responsible conduct of enterprises*" without showing how they meet these criteria and how "they contribute to

⁵³ Art. 42 par. (4) of the Directive

⁵⁴ <http://curia.europa.eu/juris/showPdf.jsf?text=&docid=99193&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=3602118>

⁵⁵ Pct. 29 from the Judgement in Case C-368/10, Commission vs. Netherlands, ECLI:EU:C:2012:284

⁵⁶ ECLI:EU:C:2012:284

improving sustainability coffee market and ecologically, socially and economically responsible production ", the contracting authority has not complied with its transparency obligations.

- The mention „or equivalent”

Par. (3) of art. 156 of the Law establishes that the preparation of technical specifications by reference to a manufacturer, origin or trademark is permitted in exceptional circumstances where it is not possible to provide a sufficiently precise and intelligible description of the subject matter of the contract and, in those circumstances, shall be accompanied by the words "or equivalent".

Also, if the technical specifications can be defined by reference only to a national, international or European label, the contracting authority must indicate "or equivalent" next to the label.

If this is not mentioned in the tender documentation and there are requests for clarification on these issues during the bidding period, we recommend that contracting authorities accept these equivalences by formulating a general response such as "where technical specifications appear indicating a particular origin, source, production, special process, trade mark, trade mark, patent, manufacturing license, will be read "or equivalent"⁵⁷.

Inclusion of a requirement that "asbestos-cement tubes for pressurized sewerage will be certified for compliance with Irish Standard 188: 1975 according to the Irish Standard Mark Licensing Scheme of the Irish Research and Standardization Institute" in the specifications⁵⁸ without the mention "or equivalent" was considered by the European Court to be a violation of the rules, hindering the free movement of goods and tube imports in Ireland. The Court has held that the introduction of such a clause in the contract notice may have the effect of taking the decision not to respond to the call for tenders by economic operators producing or using tubes equivalent to those certified to meet Irish standards.

- Extension of the deadline for submitting bids if the technical specifications are changed

Under Article 102 of the Decision, the contracting authority has the obligation to determine the period for the submission of tenders or requests to participate depending on the complexity of the public procurement/framework agreement and the specific requirements so that the economic operators concerned can benefit from a period of time adequate and sufficient for the preparation of tenders and for the preparation of qualification and selection documents, if required by the procurement documents.

If, the contracting authority brings adjustments/additions to the technical specifications which require additional time for the elaboration of the offers, according to art. 55 of the Decision, the contracting authority has the obligation to extend the deadline for the submission of tenders, except for the substantive changes leading to the cancellation of the award procedure.

Also, in the context of the competitive dialogue procedure (Article 85 of the Law) or the Innovation Partnership (Article 103 of the Act), the contracting authority shall negotiate with the tenderers the initial offers and any subsequent tenders submitted by them, with the exception of the final offers, improving the content during the procedure, the contracting authority having the obligation to inform in writing the tenderers whose offers have not been removed from the competition in connection with any changes to the technical specifications.

- Presentation of supporting documents to demonstrate the fulfillment of technical specifications

⁵⁷ Decision available at: http://www.cnsr.ro/wp-content/uploads/bo/2014/BO2014_1308.pdf

⁵⁸ Judgement from 22nd of september 1988, Case C-45/87, Commission of the European Communities vs. Irlanda, available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:61987CJ0045>

The economic operator concerned must submit the tender by the closing date for the submission of tenders provided by the contracting authority in the contract notice together with all the supporting documents required by the tender documents.

Thus, according to art. 137 par. (1) lit. a) of the Decision, if the tender does not adequately meet the technical specifications, it will be declared irregular by the evaluation commission. We emphasize that if a contracting authority establishes technical specifications by reference to the standards, it can not reject a tender on the grounds that the works, products or services offered do not comply with the technical specifications to which reference is made, if the tenderer demonstrates in its tender, through adequate means, that the proposed solutions meet in an equivalent manner the requirements defined by the technical specifications (Article 156 (4) of the Law).

At the same time, according to the case-law of the European Court of Justice, contracting authorities which have launched a call for tenders for the supply of medical products bearing the CE marking can not reject directly and beyond the protection procedure provided for by the relevant legislation for reasons of health protection public supply of such products⁵⁹.

In this context, the technical specifications are expressly mentioned in the tender documents, so that any tenderer must comply with the technical specifications described by the contracting authority and can not make any other technical proposals. Similarly, the contracting authority must also assess the tenders by reference to the technical specifications set out in the procurement documents and not by reference to other elements which do not appear in the documents or have not been brought to the attention of economic operators, for example by reference to some technical rules or standards that were not part of the awarding documentation.

In conclusion, technical specifications should be drafted by the contracting authority in such a way as to avoid artificially narrowing down competition through requirements that favour a specific economic operator by mirroring key characteristics of the supplies, services or works habitually offered by that economic operator. If there is reference to a certain trademark, label or similar in the procurement documents, it is absolutely necessary to be used the mention „or equivalent” in order to avoid detection of irregularities and application of financial corrections, especially in projects financed by Union law.

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THE INFLUENCE OF PSYCHOLOGICAL FACTORS ON FINANCIAL DECISION-MAKING

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Abstract

The subject of this paper is to show the role of psychology in enriching finances. Having in mind that behavioral finances have a pragmatic role of analyzing decision making, that means that, this subject is very close to the real world, so we should pay special academic attention to this field. The goal of the research is to show the importance of psychology in finances in three aspects: cognitive, emotional and social. In our research, we have used the desk research method.

Keywords: psychology, finance, influence, factors, decision-making.

1. Introduction

In all organizations, regardless of their purpose of establishment, decisions are made on a daily basis. All managers in organizations face a number of complex problems that require the best possible solutions. The set of activities (functions) of the organization's management in solving these problems includes: planning, organizing, leading and controlling. In addition to the basic management activities, controlling and logistics as ancillary management activities should be added.

1. Planning - a function that involves defining goals, defining strategies for achieving these goals and developing plans for integrating and coordinating the activities of the bank;
2. Organizing - a function that includes defining the tasks to be done, the bearers of these tasks, the way in which the tasks are implemented, the scope of the reporting competencies, and the levels of decision making;

3. Leading- a function that involves motivating a bank personnel during the performance of tasks and selecting an adequate communication system;
4. Control - a function that includes monitoring the effects achieved and its comparison with standard effects, and taking necessary measures, if necessary.

Decision making is the activity of bank management, which, with the application of scientific methods, is managed by the organization, that is, the organization adjusts and reacts to the influence of the environment in which it performs its targeted activity. The characteristics of the decision-making process depend on: the specifics of the organization, the character of the management decision, the time dimension to which the decisions relate and the levels of governance at which decisions are made (Knežević et al., 2012).

Strategic management as a system of making business-financial decisions that are vital to the organization involves the following activities: the activities defining the strategic direction of the development of organization, financial aspects in the realization of tasks, and other. Strategic decisions are anticipatory. In other words, strategic decision-making represents a process that identifies future phenomena, selects those who will optimally satisfy the desired goals and defines ways and means to achieve those goals. Strategic decision-making is done by the top management of the organization. A very important role in the decision-making process, regardless of the level of decision-making, is a matter of behavioral finance because they have a pragmatic goal, that is, decision making analysis.

The quality of decision-making can be influenced by a large number of factors, and some of the most important are:

1. good and professional preparedness of decision,
2. good and objective information awareness,
3. the level of education of decision-makers,
4. motivation for decision making,
5. the correct distribution of power and influence in the organization, etc. (Knežević et al., 2012).

The paper consists of several parts: first it starts from a different perspective of finance, then the Impact of human error is considered, followed by Behavioral finance, and finally, psychological factors of human error and decision-making, and then loss aversion and the overconfidence effect.

2. A different perspective of finance

Finances are considered both as a scientific discipline and managerial concept in the company. The basic function of finances is tracking the cash flow from cash input to cash output. The focus of finances is finding the most efficient use of cash in the company and outside of it. The focus is on the company, individual and financial cash flow rather than on the production transformation. (Žarkić et al. 2013)

According to Aabo et al. (2018), on the basis of the research of multiple authors, conventional corporate finance is a set of broad assumptions that both the preferences and beliefs of investors and managers are fully rational. Behavioral corporate finance abandons these traditional rationality assumptions replacing them with behavioral foundations driven by

evidence whereby elements of psychology are applied to finance by addressing cognitive biases on the individual level. There is a more specific area of the behavioral corporate finance literature on managerial biases focusing on irrational managers and investors. The Chief Executive Officer (CEO) and the overconfidence bias has been the primary focus of the research. Regarding the managerial biases, the literature shows considerable evidence of CEO-s psychology being associated with a variety of firm strategies and decisions.

Finance is the science of managing money. It plays the major role in each segment of operating activities being the integral part. Finance are widely used in the entire business but are named differently. Both in the area of Private Finances and the area of Government Finances managers are making decisions. As the next picture shows, private finances include: Individual, Firms, Business or Corporate Financial activities to meet the requirements. The public finances include: issues of revenue and disbursement of Government such as Central Government and Semi-Government Financial matters. (Paramasivan et al. 2019)

3. Impact of human error

In their paper (Aabo et al. 2018) examined the link between CEO narcissism and corporate risk taking. They applied a five-point scale to measure narcissism and found that CEO-s who were on the extremes of the scale graded 1 and 5 had the tendency to less take corporate risks. The CEO-s with medium score tended to take relatively higher levels of corporate risk. Those CEO-s who had higher narcissism usually took higher risks. This experiment shows that financial decision making is not affected only by objective factors and that decision makers are not completely rational.

According to Muradoglu et al. (2012) Cosma and Pattarin have studied the factors that affect the probability of an individual taking on debt, finding that some objective factors such as the „number of household income earners“ and „expectation that income will increase“ affected the decision of taking on debt. Further, they have also discovered that a psychological factor of „attitude towards debt“, played a crucial role in this decision. Therefore, a very significant factor in consumer credit decisions is the psychological profile of the borrower.

The two examples clearly point to the influence of psychological factors in financial decision making. The paper below is based on the paradigm of behavioral-finance.

According to Power (2010), finance is influenced by behavioral finance in a multitude of positive ways. It enables investors to avoid mental mistakes and errors. It further helps them develop more effective investment strategies. Thus, market-efficiency is promoted, the need for regulation is limited and information dissemination is improved.

Further, it can help customers to avoid the analysis paralysis while simultaneously making easy for the professionals to nudge their customers in the appropriate direction. According to DeBondt et al. (2010) people facing with a huge amount of choices are prone not to make a choice. Therefore, studying decision making helps the customer to make the optimal financial choices.

4. Behavioral finance

Behavioral Finance studies finance based on the credible assumptions on people's behaviour and often relying on psychological findings. (Power, 2010) The findings are usually applied for explaining market anomalies and irrational behavior of investors. (Godoi et al. 2005)

Behavioral finance's pragmatic aim is decision-making analysis. This implies that behavioral finance is more connected the real world than some mainstream finance approaches, such as the Chicago School of thought, assuming that the world is fully optimal and efficient. The assumptions on the markets being fully rational is irrational and only the minority of people thinks that efficient market hypothesis is functional. The productivity of new theoretical and practical insights makes behavioral finances attractive. This scientific branch is well instructed in triangulation methods. Behavioral Finance has risen out of such methodology. It is pragmatic and the basis is problem-solving addressing precisely the issue the boards of directors and investment managers face. Behavioral Finance also supports alternative ways of viewing financial decision making and improving giving advice to clients. (DeBondt et al. 2010)

It mostly uses the methods from other social sciences, predominantly from experimental psychology. The reason for not using much sociological methods like surveys, interviews, participant observation and focus groups is twofold. The first is the typically higher cost of implementation. The second reason could be the discrepancy between educational background of financial academics with the tendency to more specific answers and the more correlational nature of these methods. (Muradoglu et al, 2012)

According to Godoi et al. (2005) the Behavioral Finance studies the following issues: loss aversion, excessive self- confidence, exaggeration as to optimism and pessimism, over-reaction and under-reaction to the market news.

A simple example will provide us the understanding of the distinction between modern finance theories and behavioral finance: A person is about to decide to move to a different town. How is the person going to make the decision? The presumption of an economist: this person strives to maximize the expected benefits and choose the apartment appropriately. Behavioral finance would thoroughly consider the decision process: The person will evaluate the place by the proximity to his work place, the parking space availability, bedroom capacity and so on. As pointed out by DeBondt et al. (2010) Behavioral finance contributes to three major insights:

(1) Fragility of human intuition – A significant number of people making investments are not prone to studying basic investment principles. Reasonably, decisions of these people are biased and highly irrational.

(2) Considering decision processes is understanding how decisions are made. In what way did the person make the choice? In this regard, financial choices are similar to medical, consumer and other structured choices.

(3) In finance one's personal beliefs are relevant. For the purpose of improving the procedures and quality of services in medicine and the airline-industry the decision-making

processes are already studied. Traditional financial economics regards humans as “homo-economicus” (completely rational and reasoning) and that is why it significant to study decision making in finances since we are not always rational in life.

5. Psychological factors of human error and decision-making

Efficient management of any type of organization is impossible without making quality decisions. The purpose of making decisions is to direct the business process towards the set goals. The basis for determining objectives is information, and self-determination of objectives is the process of processing available information. People play a key role in the management process. A human factor is crucial for good results.

Some authors consider that management consists of four functions: planning, organizing, guiding and controlling, which can be shown in the following way:

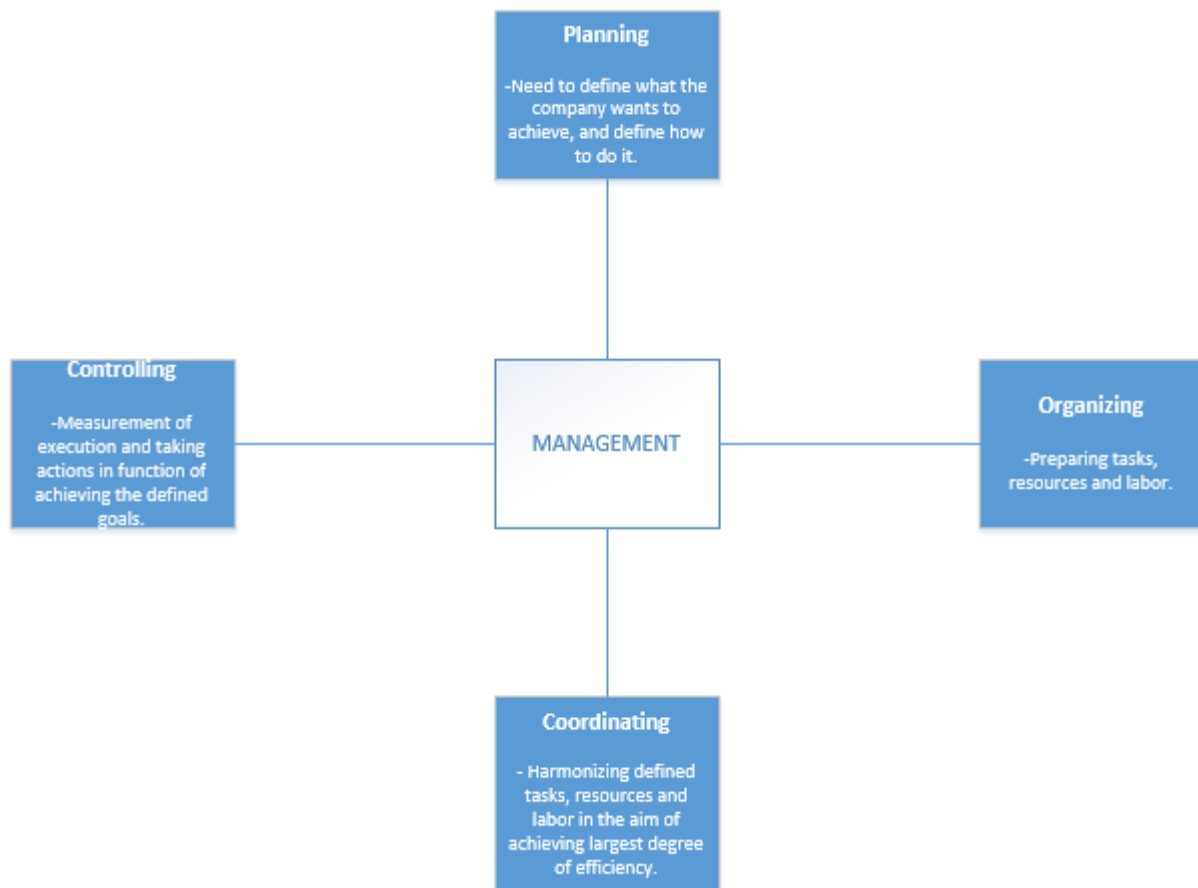


Figure: Basic management functions

Source: S.R. Schermerhorn, JR: *Management and Organizational Behavior*, John Wiley and Sons, Chisces-Ter etc., 1996, p. 6.

Numerous research and experiments have shown a lot of anomalies from rational decision making in finance decision making. The paper further presents certain factors that according to Kapor (2014) drive irrational decision making (Bodie et al. (2009), Hirshleifer (2001),

Pampian (2006), Vučković (2008), Twerski et al. (1974), Kahneman (2003), Ritter (2003), Shefrin (2007)):

- 1) Cognitive biases are based on mental shortcuts called heuristics. Decision-making is made less complex and faster by the heuristics and faster their functionality is mostly present. However, in changing environments they can lead to suboptimal or even harmful financial decisions.
- 2) Overconfidence implies overestimating one's own abilities.
- 3) *Loss aversion bias* implies greater aversion toward loss than the drive for gain. Simply said, having stronger impulses toward avoiding risk than toward obtaining gain.
- 4) *Framing* is a manner in which something presented to the individual heavily influences his decision. It is a combination of attitudes, values and mental models for assessing the situation.
- 5) Anchoring implies the phenomenon of people evaluating the situation based on an initial impression (anchor). People often struggle to change the initial attitude (anchor) off even if suggested that it is wrong.
- 6) Representation implies an anomaly of people underestimating long term tendencies and overvaluing new experience. This means not paying attention to the sample size of sample and identifying the small sample's validity to a large sample.
- 7) *Availability represents* the anomaly of people sometimes evaluating the probability of a certain chain of events based on the experience and not on the statistical likelihood.
- 8) Regret avoidance is regretting more the bad decisions made in an unconventional way than the once made in the conventional way. It implies personal decisions made contrary to the widely accepted norm are more punishable than the same decisions made in accordance with the common wisdom. E.g. if we buy stock in young company rather than in a well-established company that flops for the same amount we will feel more guilt.
- 9) Overvaluing possessions implies valuing things that we possess more than those we do not possess. We are prone to putting more effort in keeping things we have than in getting the thing we do not. Eventually this can lead us to maintaining certain stock market positions even though we should sell them and invest elsewhere.
- 10) Overreaction is the case of overvaluing the closest event by the investors. Meaning that they are overemphasizing the bad event as terrible and a good event as amazing. This mistake induces the investors to bring the stock price too low, and vice versa.

6. Loss aversion and the overconfidence effect

The most researched phenomena in behavioral finance are loss aversion and overconfidence. Let us have a deeper insight into them.

According to Bouteska et al. 2018 citing De Bondt and Thaler finding that loss-aversion negatively affects the economic performance of the US companies. Then again, if the investor is overconfident it will reflect positively on the stock market and the companies. Han et al. (2015) and Berger and Turtle (2012) supported these findings, pointing out that the shareholders will have more benefit in employing overconfident managers through higher stock returns, greater profitability and lower risk as opposed to employing managers having a high loss aversion may bring the opposite effect. Investors and managers should have high benefits from investing in protecting them self against loss aversion, which is not the case regarding to protection from overconfidence. According to Bouteska et al. managerial overconfidence influences industry sector and service sectors in a different manner. Meaning that the investor overconfidence in industry sector leads to profitable results, while in service sector it leads to negative results and therefore the managers should protect themselves against it.

As Metawa et al. (2019) pointed out it is in our nature to overestimate the chances of success and underestimate chances of failure and risk. Further, overconfidence causes overestimation of individual skills. In his paper he cited Dittrich concluding in his experiments that overconfident people are more prone to making suboptimal choices and complex decisions, and that older people are less overconfident. Whereas, if moderately overconfident investors are actors in an evolutionary game they will survive or even dominate the market. Simultaneously those investors having high risk aversion do not survive the market.

The loss aversion implies feeling more pain for losing than the pleasure with the equivalent gain. These findings are contrary to traditional logic of the utility theory considering investors as fully rational and ambitious. Deciding on taking a risk much depends on the expectation of a person on the utility or on the feeling of loss aversion. Deciding based on the later means avoiding changes that could lead to loss of goods. (Godoi et al. 2015)

As Godoi et al. (2011) have stated many customers of the financial service companies have a significant loss aversion leading to their reluctance in investing in assets bearing capital-risk, such as stock market based investments. And most of their portfolios are under-diversified and the risky assets are underrepresented. This issue could be made more prominent by the mandatory product warnings in highlighting the prospect of losses on investment. Those warnings remind the customers of the risk and increase the probability of customers avoiding the risk. Nevertheless, there customers should be know that avoiding risky assets could lead to detrimental outcomes for investors such as smaller returns and higher risk of inflation-erosion of capital. Accordingly, regarding long term investments we should include both risky assets and those of small risk. Also, customers should be warned by the financial consultants of long term dangers of not investing in risky assets and on the dangers of investing in them.

Conclusion

CEO psychology is significantly related to the different strategies that are being adopted and implemented, as well as the decisions that accompany this process. All decisions involve taking a certain risk. Decision-making is influenced both by objective and certain psychological factors, so it is important to consider the paradigm of behavioral financing. Behavioral finance plays an important role in making optimal business decisions. Particularly sensitive areas when it comes to decision-making are investment decisions where, due to human error, investment in risky assets may occur, which again entails a large number of

threats to the organization.

Numerous research and experiments have shown the existence of a significant number of anomalies from rational decision-making in making financial decisions. In this context, factors influencing rational decision-making have been identified and the issues the Board of Directors and investment managers face. Also, alternative ways of looking at making financial decisions and improving advice to clients are encouraged.

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THE IMPORTANCE OF NATURAL SKIN CARE PRODUCTS TO SPECIFIC CONSUMERS SEGMENTS ON CZECH LUXURY COSMETIC MARKET

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Abstract:

Natural skin care cosmetics is gaining popularity and importance worldwide, as this category is significantly growing every year. The purpose of this study aims at examining attitudes and behavior of Czech women in regards to buying, using and their overall attitude to natural skin care products in luxury segment. Method of targeted questionnaire was applied as a base to gain relevant quantitative data. Data were collected from 782 cosmetics costumers in luxury perfumeries all over the Czech Republic market. Data were evaluated by means of descriptive statistics, dependencies were expressed by contingency (Chi-Square Test) and customer segmentation was managed by cluster analysis (k-means method, Euclidian distance). The results clearly show significant importance of natural skin care products to certain women consumers segments, in terms of quality, effects on skin and social environmental consciousness. The results of this research provided valuable insights and learnings to producers, marketers and managers to understand consumer attitudes, behavior and social trends in the natural skin care cosmetics perfumery market and will help them to develop products, marketing and business strategies tailor-made to actual consumer needs and desires.

Key words: consumer behavior, segmentation, skin care, natural cosmetics, influencing factors

Introduction

Growth of the cosmetic market worldwide, especially skin care products, have been significant in recent years, and the Czech Republic market is not an exception. Currently the global market value for natural cosmetics experienced a positive increase lately, as well as Czech cosmetics market is witnessing a trend where consumers are shifting from the purchasing habits using chemical or synthetic based cosmetics to natural cosmetics. Nowadays there is a plenty of "organic, bio, eco, natural, green" products appeared on the cosmetic market. Consumers' interest in a natural skin care cosmetics is growing due to higher standards of living, and even last, but not least, many people's higher desire for their own healthy life management. Therefore, it is not surprising that many consumers prefer cosmetics without preservatives, added dyes and chemical additives. Consequently, the global market value for natural cosmetics between 2007 and 2017 years accounted a positive increase from almost 7 billion U.S. dollars in 2007 to 15 billion U.S. dollars in 2017 worldwide, with a forecast to 2024 reaching up to 21.78 billion U.S. dollars (Statista, 2018).

This study attempts to analyze the understanding and importance of natural products as a green cosmetic product to Czech woman using skin care luxury cosmetics in terms of trust to quality and I importance of natural ingredients and social responsibility towards environmental protection.

Study focuses on *consumer behavior in luxury cosmetics segment* as a consumer segment with its particular specifics. Although majority of consumers buy their cosmetics products in

drugstores and supermarkets, there is a special class of cosmetics for those who want the luxury experience when it comes to makeup and skincare brands. The market for luxury and prestige cosmetics evaluated at 116 billion U.S. dollars in 2017 and expected growth of about 126 billion dollars by 2019. The majority of the sales value of prestige cosmetics generate premium skincare products (Statista, 2018). In economics, luxury products are considered as rare and expensive with a strong positive income demand elasticity, in contrast to necessity goods: an increased income causes larger demand for luxury goods in general (Holman, 2011). Despite a significant price influence, is there any stimuli driving the consumer's luxury consumption? Surely, some factors can be desire and pleasure that luxury goods evoke, for instance (Kemp, 1998), and so values of the luxury brands and its perception are often associated with luxury brand consumption (Vigneron & Johnson, 2004). Moreover, a social prestige status, as a symbol, plays a key role in luxury brands consumption (Vigneron & Johnson, 1999).

Can it be stated that natural products, taken as social and environmental question, is another significant factor influencing luxury consumer behavior?

Do women consumers in luxury cosmetics segment believe in benefit of natural skin care products?

This study will follow the above-mentioned question by focusing on details on natural skin care products theme in luxury skin care products segment.

Growing general awareness that the relatively shortsighted lifestyle worldwide leads to exhaustion of energy sources, pollution, deterioration of soil fertility, reduction of biodiversity, and climate change. The worldwide society has become highly aware of environmental issues because of the damaging effects of significant pollution, also as consequence of industrialization and urbanization (Chen, 2011).

The implementation of relevant environmental strategies has therefore become a major problem that could strengthen the sustainability of businesses in the dynamic world. Green consumerism has significantly influenced the conscious decision of various businesses (Maniatis, 2016). Marketers should therefore seek to gain insight into the factors affecting consumers' interest in buying green products (Paul et al., 2016). It is important to understand the intentions of purchasing customers as these can usually be used to predict customer's behavior. Although numerous consumers have confirmed positive attitudes and perceptions towards environmentally sensitive companies and products (Honkanen et al., 2014).

The concept of natural products relates to sustainable production and supply chain management, which includes environmentally friendly, technologies and practices. The green concept expands to almost all the process steps of raw materials purchase, manufacturing, storing, packaging, transport and products distribution (Palevich, 2012).

Green products and green marketing definition

The definition of "green products" can be stated: "products that will not pollute the earth or deplete natural resources and can be recycled or conserved" (Shamdasani et al., 1993). Alternatively, a product with no or a negligible health hazard to people or animals, efficient in its use of resources when manufactured, does not incorporate materials derived from endangered species or threatened environments and is recyclable. (Chattaraj et al, 2018). If marketers have the aim to promote green products, it is crucial to focus on consumer preferences and decision-making processes (Cherrier et al., 2011).

Marketing specialists worldwide have noticed consumers' increasing concern for the environment in general with an approach called "green marketing". However, not all companies have predictability and competence to create and implement green strategies. The environmental interests of the public persist in spite of some resistance and disbelief in the emerging strategy of "green marketing" in the 1990s already (Crane, 2000).

Green marketing involves developing product whose production, use, or disposal is less harmful to the environment in general than the traditional versions of the products, thus development of various products have a positive impact on the environment or through the purchase of such a product kind to an environmental organization or event. (Hawkins, 2013). Solomon (2011) gives a definition such as: green marketing is a marketing strategy involving an emphasis on protecting the natural environment in general.

Green marketing cannot be simply separated from consumer understanding, negotiation through consumer eco-preference and consumer product quality, so the expected characteristic of the product makes the consumer satisfied. Lack of awareness of organic products, negative perceptions of organic products can be solved by educating customers and producing higher quality products (Bonini, 2008).

Natural "green" skin care products

Natural skin care applies topical creams and lotions made of ingredients of natural origin. Much of the recent literature reviews plant-derived ingredients, which may include herbs, roots, flowers and essential oils but natural substances in skin care products include animal-derived products such as beeswax and minerals. These substances may be combined with various carrier agents, preservatives, surfactants, humectants and emulsifiers. (Wikipedia, 2018).

Cosmetic products are considered natural according to two important parameters: ingredients properties and product technology. However, there is a lack of official specific regulations on this issue of "natural" ingredients and the differences between private standards and administrative interpretations of natural cosmetics create overall uncertainty in the cosmetics industry. There are no legal definitions worldwide in the U.S. for advertising terms "natural" or "organic" when applied to personal care products. Therefore, guarantee of natural cosmetics is therefore provided only by certificates that guarantee that the product falls into the natural category and relieves the consumer of the otherwise complex recognition of the product. Such as Vegan, Leaping Bunny, NaTrue and Certifed Vegan.

Methodology

The *research method* to collect primary data was a structured questionnaire. Questionnaire was the main research instrument, along with face-to-face interviews with the respondents, to clarify the questions and capture additional insights beforehand. The research tool was a standardized survey sent by email within customer's newsletter communication to consumer database provided by local Czech perfumery chain, called FAnn perfumery. Additionally, pop banner was placed on FAnn perfumeries website for the period of 2 weeks. Questionnaire was sent only to consumers regularly and repeatedly bought luxury skin care products, therefore

already with previous experience and knowledge of relevant products. The research was completed in January 2019 and collected feedback from total 782 respondents.

As expected, *research sample* involved 779 women and only 3 men accounted for 99.6% and 0.4% of the sample, as the survey was targeted to certain consumer group - regular luxury skin care cosmetics user. Female gender overweight is not surprising due to general worldwide cosmetics skin care trend. Although men's cosmetic care consumption is growing significantly faster (+ 14%) than women's cosmetics (+ 8%) consumption, the total amount of women's consumption on the global cosmetics market is still more than 65% (Bain and Co., 2012). Analyzing demographics data of the research sample, most of the consumers have secondary education (47.8%) or university degree (41.8%) and the place of residence with over 100.000 inhabitants declared 41.8% of the survey sample. The monthly net income per person in the respondents' households usually ranged from 801 to 1 200€, as 39.5% of the respondents provided such answers. Altogether 388 women (49.6%) declared their family status as married and the 71.9% stated their economic activity as employed. More details stated in Table 1.

Table 1. Characteristics of the research sample (n = 782)			
Specification		Absolute Number	Percentage of Tested Sample
Gender	Female	779	99,6%
	Male	3	0,4%
Age	18 - 24	36	4,6%
	25 - 34	124	15,9%
	35 - 44	203	26,0%
	45 - 54	225	28,8%
	55 and more	194	24,8%
Education	Primary	7	0,9%
	Lower secondary school	74	9,5%
	Secondary school	374	47,8%
	University degree	327	41,8%
Monthly Net Income	Lower than 600 €	120	15,3%
	From 601 € to 800 €	172	22,0%
	From 801 € to 1 200 €	309	39,5%
	From 1201 € to 2 000 €	143	18,3%
	More then 2 000 €	38	4,9%
Family Status	Single	226	28,9%
	Married	388	49,6%
	Divorced	143	18,3%
	Widowed	25	3,2%
Economic Activity	Employed	562	71,9%
	Self-employed	66	8,4%
	Unemployed	12	1,5%
	Retired	84	10,7%
	Student	31	4,0%
	Maternity leave	27	3,5%
Place of residence	Less than 2 000 inhabitants	98	12,5%
	2 001 - 5 000 inhabitants	63	8,1%
	5 001 - 10 000 inhabitants	63	8,1%
	10 001 - 50 000 inhabitants	138	17,6%
	50 001 - 100 000 inhabitants	93	11,9%
	More than 100 000 inhabitants	327	41,8%

Above described demographic identification offer us a customer profile of female luxury cosmetics segment in skin care products on Czech market. Being presented by an employed woman (monthly net income around 2000€, mostly in age 35 – 54, with secondary or university education and leaving in larger city.

The questionnaire composed from general part defining factors influencing skin care cosmetics consumer behavior with focus on brand value, type of advertising, emotional factors and special part dedicated only to natural skin care cosmetics factors definition. Before placing specific questions regards natural skin care

cosmetics, the general question was defined such as follows: Do you use natural skin care products? Totally 213 respondents (27.2%) stated YES, 61 respondents (7.8%) stated NO and 508 (65 %) expressed themselves as “sometimes yes but I am not a regular consumer of natural skincare products”. Meaning that major part of respondents (92%) are natural skin care products users. Following that altogether 9 question were given specifically for natural skin care cosmetics theme (Table2.) The participants responded to the statements using a 10-point Likert scale, where a score of 1 meant, “I strongly disagree” and a score of 10 meant, “I strongly agree”.

Table 2. Statements - natural skin care cosmetics	
1	Using natural skin care cosmetics greatly benefits my skin.
2	Using natural skin care cosmetics protects the environment
3	Natural skin care cosmetics is currently a modern trend.
4	Natural skin care cosmetics is not very widespread in the Czech Republic.
5	Natural skin care cosmetics is only marketing appeal of manufacturers.
6	Natural ingredients in skin care product are crucial to me when buying a skin care product.
7	I do believe in the quality of natural skin care products.
8	I do evaluate the environmental recyclability of the product packaging.
9	The environmental behavior of the manufacturer is important to me.

Results

At first step, collected data were tested on dependencies via pivot tables that express the relationship between the variables. Dependencies were tested using a Pearson chi-square test where the significance level is determined at 5%. The zero hypothesis was rejected if the p-value is lower than 0.05. Dependency was measured in correlation with age and the statement “The use of natural skin care cosmetics protects the environment” with p-value at 0.01698 and Pearson chi-square 56.24596 which clearly show the growing social environmental responsibility with higher age which proves the most represented age group 45 – 44 years with 29% share on total (Table3).

Table3. Chi-square test Using natural skin care cosmetics protects the environment vs. age												
Using natural skin care cosmetics protects the environment.												
AGE	1- disagree	2	3	4	5	6	7	8	9	10- agree	TOTAL FREQUENCY	%
18-24 years	0	1	1	2	4	5	8	2	5	4	32	4%
25-34 years	3	2	2	2	14	10	20	19	15	31	118	16%
35-44 years	3	0	6	3	25	14	15	24	26	65	181	25%
45-44 years	7	8	9	2	32	11	29	25	26	59	208	29%
55 years and more	8	4	8	1	36	8	13	20	17	67	182	25%
TOTAL	21	15	26	10	111	48	85	90	89	226	721	
p-value	0.1698											
Pearson chi-square	56.24596											

Education level also showed dependency to the trust to quality of natural cosmetics products. Statement “I do believe in the quality of natural skin care products” counted p-value at 0.00804 and Pearson chi-square 47.82138 in which secondary school education represented 48% and university degree 43 % (Table 4).

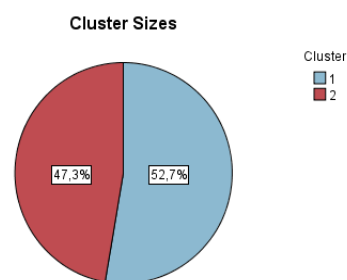
AGE	1- disagree	2	3	4	5	6	7	8	9	10- agree	TOTAL FREQUENCY	%
Primary	0	1	0	1	0	1	0	2	1	0	6	1%
Lower secondary school	6	2	2	4	3	10	1	4	5	27	64	9%
Secondary school	6	7	16	14	22	79	17	45	25	113	344	48%
University degree	5	5	16	5	16	57	20	41	35	107	307	43%
TOTAL	17	15	34	24	41	147	38	92	66	247	721	
p-value	0.00804											
Pearson chi-square	47.82138											

Cluster analysis as multi-dimensional analysis was carried out to identify the main consumer segments of the luxury skin care cosmetics market. The cluster analysis divides the research sample into several groups so that the objects in the file are as similar as possible to the clustered group. The first step is to encode data and to adapt the criteria to appropriate scales. The clustering method was based on the k-means method and the Euclidean distance was used as the distance from the centroid. The data were sorted into clusters based on their attributes.

Further, selection of the initial sample points is necessary which will be randomly selected from the input set of objects. The aim is to place objects into clusters to minimize variability inside each cluster. The individual objects were assigned to the nearest sample point until stable decomposition is achieved. In analyzing, it is necessary to define the criteria that have a significant impact. As the number of clustering variables can affect segment homogeneity. Those criteria were selected where the respondents have the most answers. In addition, questions that have a significant impact on clusters were defined. Subsequently, an analysis of the interdependence between the individual criteria were carried out in order to avoid misallocation of the disproportionate meaning of any variable. The description of segments was based on cross tables, created as a result of using the IBM SPSS Statistics program.

Due to low answer frequencies, following questions were not included into cluster analyses: consumers aged 18-24, basic education, incomes of over 2 000€, widowed, unemployed, economic activity students and women on maternity leave. Also answers with indication “I do not use natural skin care cosmetics”, “I do not buy skin care products” and gender category – male gender (only 3 respondents) were excluded from the research sample. Therefore, final number of the research sample was 385 respondents and cluster analyses led to selection of two segments. As a next step, names were given to the isolated segments which, in the opinion of the authors, best reflected the behavioral habits in each cluster in luxury skin care cosmetics market with focus on natural skin care cosmetics factor. The size of the segments is shown in Table 4. Larger Cluster 1 representing

Table 4. Size of segments obtained (n = 385)



Size of Smallest Cluster	182 (47,3%)
Size of Largest Cluster	203 (52,7%)
Ratio of Sizes: Largest Cluster to Smallest Cluster	1,12

52.7% was named “Frequent user, loyal, and green” and smaller cluster 2 with share of 47.3% gain a name “Novelty lover, not brand and green products addicted”.

Cluster 1

Cluster 1 included consumers buying facial products monthly (64.9%) and using often not only facial skin care products but also body cosmetics (62.1%). Worth to mention that 39% consumers of this cluster have higher willingness to spend on facial skin care, in between 50 to 200€ per one product. So as brand name has high importance, reaching 43% of cluster consumers. This cluster is quite conservative as their interest for novelties declared only 12%, on the other hand 87% would buy product based on previous own satisfactory experience, so as 62% based on own satisfactory experience of the products bearing the same brand name. Taking into consideration quite high level of income, the price sensitivity of this cluster is surprisingly intense reaching 45% of given answers declaring their interest in special price discounts. Coming to the theme of natural skin care products, 69% consumers are convinced about the positive impact of natural ingredients on their skin, 23% of this cluster stated natural ingredients as crucial when choosing skin care product, 42% revealed a trust to quality of natural ingredient inside the product. In addition, they declared ecological social awareness, as 73.6% consider usage of natural ingredient within the skin care products as an important environmental protection. This segment was characterized by women aged 35 – 44 years old (33%), almost half of the consumer who made up this segment have income from 1200 to 2000€, having secondary education (50%), being employed (75%) and married (55%) and having 38% their residence in cities over 100.000 inhabitants. Therefore, the cluster can be described as “Frequent user, loyal, and green”.

Cluster 2

Consumers forming the second segment (cluster 2), are not so frequent users of facial skin care products, as 60% of them declared purchase only once a quarter and their willingness to spend an amount on one product is lower compared to cluster 1, as 40% of them would spend only 20 to 40€ per product. There is no significant attitude to brand equity only 10% of the cluster respondents would clarify a brand awareness as a strong influencing factor when making purchase decision regards skin care products and 32% would buy a product based on own satisfactory experience from the same brand. In connection with this they are quite interested in searching novelties and trend on beauty blogs and internet new pages (53%). Their interest in price discounts or special offers can be measured at 7% of declared answers, so their price sensitivity appears to be extremely low. Focusing more closely on natural cosmetics questions, we see that 26% agreed with statement “natural ingredients in skin care products are crucial for me when choosing skin care product”. Thus, only 15% agreed with the statement “Using natural skin care cosmetics greatly benefits my skin” and not a large number, yet 18% of the cluster, thinks using natural skin care cosmetics protects environment. They do not consider natural ingredients as important (7%) but they trust to the quality of the natural ingredients is significant (31%). This cluster was formed by women aged 45 – 54 years old (63%). Nearly half (44%) of this segment have income from 1200 to 2000€ and gained university level education (51%), being employed (76%) and married (55%) and 45% live in cities over 100.000 inhabitants. Based on the above mentioned, the cluster could be described as “Novelty lover, not brand and green products addicted”.

Conclusions

As anticipated already above the research was made on certain consumer type, specifically consumers in luxury brand environment with knowledge and previous usage of skin care cosmetics products. As via cluster analyses method were created only two different cluster segments, we can state, that this research sample was very homogenous. The two clusters overall differed but not significantly in all attributes. In general, larger cluster consumers were more convinced regards their statement as the answer counting 10 points from the Likert scale (1 to 10) was very frequent thou can be universally classified as “consumers knowing what they want”. Their attitude to natural cosmetics is substantive, their trust to natural ingredients quality is very high and their environmental responsibility really matters. They love their brands but they are smart enough regards their investments and wait for the advantageous price offer. The main age group varies from 35 – 45 years and their income is counted more from 1200 to 2000€. On the other hand, the smaller cluster 2 is not so considered regards natural skin care products as seeing it as important environmental issue or crucial factor during their buying decision. Respondents are eager for novelties and trends with not significant price sensitivity. This second cluster, compared to the cluster 1, is slightly older (45 – 54 years old) and higher level of education (university degree). Some attributes are the same for both clusters such as level of income (1200 to 2000€) , economic activity (employed), family status (married) and living in cities over 100.000 inhabitants, which we can reckon as concrete specifics for luxury segment description.

Limitation of this research can be seen in analyzing only specific luxury consumer segment and leaving out other consumers, therefore the results cannot be applied on the whole population of Czech market and considered as fully representative. However, according to the author’s opinion, the presented results may provide interesting insights regards consumer behavior on skin care cosmetics market with focus on natural skin care products. Despite of this, another survey needs to take place in order to gain relevant and applicable data reaching younger target group, lower income population, and people living in smaller towns with other economic activity than employment. As a next step, consumers from drugstore chain will be place under survey with the same aim to receive additional insight regards consumer buying behavior with deeper focus on natural cosmetics skin care products importance, trust and usage. The research and statistical analysis of the results allowed the questions that were set in the introduction to be answered:

Can it be stated that natural products, taken as social and environmental question, is another significant factor influencing luxury consumer behavior?

Do women consumers in luxury cosmetics segment believe in benefit of natural skin care products?

Result indicate that the attitude of the respondents to green products in cosmetics industry are important factor to certain consumer types and it is following the trend of other industries and businesses. Matters not only the trust of natural ingredients benefit but at the same time, environmental questions are important. Therefore, the importance cannot be overlooked and green marketing and green products is a necessity as consumers give it a priority when making final buying decision in skin care product category. However, needs to be taken into account, that green skin care product is not so much relevant to all consumers at the same level but has higher importance to concrete consumers segment characterized by age, income

or education level. Concretely age group in between 35 – 45 years with income, employed, living in big cities with more than 100.000 inhabitants with income reaching 1200 to 2000€ are more environmentally conscious. From the practical perspective, it confirms to producers, sellers and marketers existence of environmental conscious consumer segment within skin care cosmetics industry, hence they can actively work on products and strategies towards this knowledge, which may be the source of competitive advantage for such companies. It is worth to emphasize still, that there is a gap in environmental consciousness for some consumer segments. This can be a signal for social and governmental institutions whose mission is to promote the idea of eco-friendly consumer behavior and to increase their educational activities. Finally yet importantly, we must realize that our ecological social awareness does not only affect life on the planet of our current generation, but it is also a gift to the future generation of our children.

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THE DISCIPLINE OF INNOVATION AND ITS ENTREPRENEURSHIP PRACTICE TODAY

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Abstract

From the time of Josef Schumpeter to the present day the understanding of the terms innovation and entrepreneurship has changed so much that this study is trying to explore the limits of their understanding.

The study takes into account a number of leading researchers, representatives of major innovation schools, namely Harvard, Oxford, Stanford and INSEAD. (Key authors: Joseph Shumpeter, Peter Drucker, Clayton Cristensen, Peter Zemsky, Paul Geroski, David Kelley, Tim Brown, etc.)

By examining the ways in which concepts of innovation and entrepreneurship are interpreted by different researchers and perceived in the postmodern age this paper challenges some misinterpretations.

What does innovation mean today? What does entrepreneurship mean today? If we remove “new”, “change”, “creativity”, what remains of innovation is hollow or significant?

The systematic nature of the term that underpins understanding of innovation, such as system building, and always has a political implication, remains to be analyzed.

Political implications

In 1942, Austrian economic prophet Joseph Schumpeter coined the term “creative destruction.” Schumpeter envisioned *innovation* to be the key driver by which industries are “destroyed” and replaced with newer, more creative ones. Small businesses born from the bottom of the market that create cheaper, faster, more efficient new products, services, processes, business models threaten large corporations. At the core of his economic theory is the idea of innovation. And the practice of innovation is called entrepreneurship. (Schumpeter’s innovation concept in a context of “first” and “second” Economic and Entrepreneurship theory between 1912-1942).

The context of the term is political. Shumpeter was so focused on economics that in this struggle between economic systems and political ideologies (he saw the struggle for supremacy between two ideologies capitalism and communism), that only innovation produces prosperity he claimed. The unique advantages of capitalism are

productivity and growth, and “creative destruction” follows the path of those significant drivers to technological progress. That’s created such kind of a problem with the definition of progress as permanent improvement of both - knowledge (prosperity) and ethics. As a view of time history develops in cycles of alternative order and chaos. Schumpeter defined that “carrying out innovations is the only function which is fundamental in history”. He also accent- ed that “It is entrepreneurship that replaces today’s Pareto optimum with tomorrow’s different new thing”. Schumpeter's words that entrepreneurship is innovation have never seemed so appropriate as the nowadays, when modern capitalism is experiencing a serious crisis and lost his strength during last subprime and eurodebt crises (Śledzik, Karol, 2013, *Schumpeter’s View on Innovation and Entrepreneurship*).

Clayton Christensen (*Innovator’s Dilemma*) and Paul Geroski (*The Evolution of new markets*) explore further. Paul Geroski, in his book “The Evolution of New Markets”, argues that there is a pattern to technological development, that what is commonly known as “technological revolution” is instead the product of an evolutionary wave. He argues that there are several reasons why technology evolves in a “systematic or orderly fashion”: (1) the existence of technological paradigms, a set of beliefs, shared values, and expectations within the scientific community. These mindsets help set research priorities, establish methods of research, and condition expectations about the possible results of such research; (2) the existence of technological trajectories, or the idea that “each innovation in the sequence [*of a particular technological trajectory*] is not simply an accident, but follows from innovations which have already occurred (and, of course, may lead to more innovations in the future).”

It follows, then, that “the emergence of any particular innovation ... may be no accident.” According to Geroski, the two fundamental drivers of technological innovation are demand pull and supply push. If a particular innovation is user driven i.e. in response to a well-defined market need, then it is clear that there is little that can be properly described as “disruptive” about it. If, on the other hand, and as is most often the case, the source of technological innovation is supply push, the argument is two-fold: firstly, if the innovation is following a broad technological trajectory, it is already building upon previous work and previous innovations; and, secondly, an entirely new technological paradigm will face an “inchoate,” ill-articulated demand, that will take time (and, most importantly, effort) to develop and gain a certain identity that will allow for specific applications of the new technology. The puzzle of “how exactly does ‘it would be nice if...’ gradually transmogrify into ‘it is essential that...’ in the minds of consumers” provides additional evidence that technological innovation is, in itself, rarely disruptive.

In this regard, the TMO (Technology-Markets-Organization) approach provides a useful framework for analysis. In essence, it suggests that, for a technological innovation to become more than a mere curiosity, it needs proper practical application, i.e. it needs a well-defined market and/or demand, and it needs a set of organizational capabilities that would bring such technological innovation to the market. In the TMO framework, it is the **system builders** who play the key role in converting new technology into an innovation. These players, not necessarily cutting-edge-technology-proficient but certainly technology-aware, are the true innovators, as they are capable of bringing together the whole value chain (suppliers of technology,

suppliers of complementary technology, potential users, sellers, financiers, and so on). To illustrate with Afuah's definition of innovation, it is "the use of new technological and market knowledge to offer a new product or service." Therefore, and in the best case, technological innovation can only be disruptive in the way in which it is exploited by system builders.

To conclude, technological innovation is, in itself, product of technological paradigm and of technological trajectory. To be truly disruptive, it needs the emergence of a dominant design and of system builders. As a result, it cannot be claimed to be inherently disruptive. (*Disruptive Technologies and the Emergence of Competition*, Ron Adner, Peter Zemsky).

In his famous book Clayton Christensen demonstrates how successful, outstanding companies can do everything "right" and yet still lose their market leadership - or even fail - as new, unexpected competitors rise and take over the market. Through this compelling multi-industry study, Christensen introduces his seminal theory of "disruptive innovation" following Schumpeter. While decades of researchers have struggled to understand why even the best companies almost inevitably fail, Christensen shows how most companies miss out on new waves of innovation. His answer is surprising: it is actually the same practices that lead the business to be successful in the first place that eventually can also result in their eventual demise.

What is going on is clearly understandable. The term innovation no longer basically explores definitions of "new", "different", "modern", even "creative". Technologies take precedence over the word invention in the context of innovation, but innovation embraces the meaning of social impact. The work of the inventor with the invention ends with the idea of the creation working, acting, and functioning. Innovator's work with innovation ends from idea to impact. Without a *massive impact on society*, no inventor is an innovator. There is no prosperity and growth.

So, the practice of innovation - the entrepreneurship (as clearly understands Peter Drucker) it's a political behaviour and practice of social impact. It is often mentioned that the entrepreneur bears the risk, but more importantly, he bears the responsibility. Not only for the decisions that will affect his life but for the decisions he takes and will influence the course of history and society. The practice of entrepreneurship is a practice of social and political responsibility.

Methodologies and awareness of potential. Systematic nature of innovation.

In December of 1948, while a Lieutenant of the Caspian Sea Military Navy, Genrich Altshuller wrote a dangerous letter addressed: "Personally to comrade Stalin." The author pointed out to his country's leader that there was chaos and ignorance in the USSR's approach to innovation and inventing. He proposed a new theory that will help the country to become the innovation leader.

Modern theories of innovation that originate from the Altshuller's TRIZ (Theory of Inventive Problem Solving) that combines around three main pillars defined by it:

- Problems and decisions are repeated
- Innovation can be classified as the ultimate number of solutions to problems

- Any innovation can also be applied outside the area in which it is created

Systematic Inventive Thinking as one of the four major innovations methodologies.

From this theory, Henrik Altschwler's students in Israel and the United States, in the second half of the 19th century, developed and modified the theory of systematic innovation, in its entirety, Systematic Inventive Thinking (Systematic Invention Thinking). Key writers and researchers on this theory are Jacob Goldenberg, Drew Boyd, David Mazursky, Amnon Levav, etc. Key terms for the method are "functional fixedness", "inside the box" thinking, "the path of greatest resistance", "counter intuition" and "collective creativity."

The next big theory become the Design Thinking approach (USA), based on empathy ad human-centred design. Lean (Japan) as process management innovation and of course the famous - Lean Startup Movement (USA). Product (SIT), service (DT), process (Lean) and business model (Lean Startup) innovation. The practice of innovation has acquired tools. This extends the importance of the term and discipline to a new aspect. There is a laboratory environment between the theoretical framework of innovation and the practice of entrepreneurship. Laboratory, in the context of the opportunity for experimentation before marketing and learning. The simplicity of innovation theory and the reduction to a set of teaching methods leads to the development of the discipline.

Buckminster Fuller In 1956 officially began teaching *Comprehensive Anticipatory Design Science* (CADS) at MIT's Creative engineering Laboratory. His labs applied scientific methods to generating designs. Buckminster's approach built on the knowledge of elite teams of engineers, industrial designers, materials scientists and chemists to innovate. He's known for geodesic domes, the Dymaxion car, Triton city, the "Fly's Eye" Dome and terms like "Spaceship Earth" and synergetic.

In 1969 Herbert Simon Published *The sciences of the artificial* which gives design a new range of classifications and parameters. Simon argued that everything designed should be seen as artificial - as opposed to natural. Major investigators of the method of Design Thinking are Tim Brown, Sarah Beckman, David Kelley, Jane Liedtka, Tom Kellye, John Kembel, Tina Seelig, etc. Basic terms in the method are empathy, collective creativity, brainstorming, user experience design. It was implemented in a thousand organisations and activities during the last 20 years.

Innovators and the limits of social impact

In order to better understand the meaning of the term innovation, we must reject boring examples. The frequently quoted names of Albert Einstein, Steve Jobs, George Lucas are examples-cliches. Let's look beyond them. "Love Symbol" is the fourteenth studio album by American recording artist Prince. It was released on October 13, 1992, by Paisley Park Records and Warner Bros. Records. The official title of the album is an unpronounceable symbol depicted on its cover art, which was copyrighted by Prince under the name "Love Symbol #2" and adopted as his stage name from 1993 through the end of his contract with Warner Bros. Records.

The Love Symbol of Prince made trouble for Warner Bros. executives who couldn't say, or even type, their star's new name.

My second example is even more controversial. Arnold Schwarzenegger began lifting weights at the age of 15. He won the Mr. Universe title at age 20 and went on to win the Mr. Olympia contest seven times, remaining a prominent presence in bodybuilding and writing many books and articles on the sport. The Arnold Sports Festival, considered one of the best professional bodybuilding competitions in recent years, is named after him. He is widely considered to be one of the greatest bodybuilders of all-time as well as that sport's most charismatic ambassador. *Arnold has always been an inspiration. Back in the days when there was no internet he got millions of teenagers to the fitness gym.*

Let's explore further on social impact. Political and economic transition is often blamed for Russia's 40% surge in deaths between 1990 and 1994. Highlighting that increases in mortality occurred primarily among alcohol-related causes and among working-age men (the heaviest drinkers). Before Mikhail Gorbachev rose to power in the 1980s, Soviet leaders welcomed alcohol sales as a source of state revenue and did not view heavy drinking as a significant social problem. In 2010, Russia's finance minister, Aleksei L. Kudrin, explained that the best thing Russians can do to help, "the country's flaccid national economy was to smoke and drink more, thereby paying more in taxes. By facilitating alcohol sales and distribution, the Kremlin has historically had considerable sway in recent decades. But Russia's history with alcohol goes back centuries. This way *the first world law against alcohol was born: "Resolution of the Council of Ministers of the USSR, May 7, 1985, "On measures to overcome drunkenness and alcoholism, the eradication of moonshine"*.

I can go on further and further with my examples and they are becoming increasingly controversial, but in reality, demand for innovation leads to an understanding of social change and, above all, to understanding entrepreneurship as an attempt at social impact. Which is political action par excellence.

To conclude, innovation is, in itself, product, service, process or business model includes not always a dominant design envision - electric vehicles, going to Mars, saving humanity from poverty, convincing kids going to the gym, etc. To be truly disruptive, the innovation needs the emergence of a dominant design and of system builders. Innovation is always a political action, whether it be from the public or the private sector. Innovations do not arise and develop only in relation to the technological sector, but their nature is technological as process. The deeply encoded and implied meaning of political change that Schumpeter encodes in the term turns entrepreneurship not only into an economic but also into a social phenomenon and movement. With lasting implications for the culture of the environment and bearing political responsibility for it from people outside the field of politics. Thus, the discipline of innovation and its practice - entrepreneurship can be read as a new theory of public administration.

We live in an age characterized by innovation-driven economic growth (Helpman, 2004). Innovation fuels not just contemporary economic growth but often also

economic inequality. The political right and left have fought many battles centered on different forms of distributional policies.

While change is always guaranteed, progress is not. Implementing innovative methods in companies' work, routinizing and turning it into a permanent process sometimes succeeds and sometimes fails. The same observation is also valid for the success of innovation strategies at government level or their implementation in the public sphere. In order for the effect of the innovating experience to be fulfilled, it should take into account a series of challenges to its realization - a whole chain or environment of opportunities that connects inventors, suppliers, consumers, investors, regulators, public projects, commercialization and education in their entirety and in a common innovation ecosystem.

“The function of entrepreneurs is to reform, revolutionize, reorganize” (Josef Schumpeter)”

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APPLICATION OF REGRESSION MODELS IN THE AIM OF FINANCIAL PERFORMANCES FORECASTING FOR BUSINESS DECISION MAKING

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Abstract

The ability to generate profit, reflects the success of a company, in relation to that if the company is not able to generate enough profit it will have serious problems with sustainability. Profitability is the most commonly used measure of a successful business venture. The company is expected to be profitable over a long period of time. Dynamic and competitive business environment forces the company to make correct and well-timed decisions so that it can remain profitable. Good timing of business decisions requires that the company estimates its balance positions in relation to their business strategy. The subject of this paper is the usage of the regression model and the concept of „Pro-forma“ with the goal of translating future financial tells, that the company should use as a part of their planned activities and controlling in hotels. The purpose of this paper is the improvement of methods for estimating profitability with the aim of fulfilling previously determined goals.

Key words: hotel companies, financial performances, prediction, regression model

Introduction

Prediction represents a measure of the prediction of future data values. However, most forecasting models assume that the past is a substitute for the future. This is the first and greatest limitation of this model, as all organizations grow and advance, so the previous data may not have such utility in the prediction. When forecasting, it is

necessary to consider the life cycle of the company. In case the company grows and develops, then the previous data will not be of great utility. On the other hand, if the company moves from the maturity phase to the closing phase, prediction models based on historical data will also be irrelevant. Regression models of forecasting are most suitable for companies which have been operating on a stable basis for a longer period.

The regression analysis examines the relationship between the independent "X" variable (also called "explanatory") and "Y" variable, or dependent variables. (J.B. Guerard, 2013) If there is some kind of dependence between the observed features, the question arises as to what connection it is, or can the connection, and in what form, be established in a mathematical manner. Regression analysis is used to evaluate the value of the output variable, based on one or more independent variables.

1. Application of linear regression to predict sales revenue

Linear regression is a statistical technique that examines the dependence between independent variables. The first step in linear regression refers to determining the relationship between independent variables. This is done using the coefficient of correlation, that is, the Pearson coefficient, whose task is to determine the degree of their correlation on the basis of a set of values of independent variables. When calculating the correlation coefficient, it is necessary to calculate the so-called determination coefficient, whose role is based on determining the degree to which independent variables explain the dependent variable. In general, the higher the degree of determination coefficient means that much of the dependent variable can be explained by the independent variables. (Rawlings, Pantula, & Dickey, 1998)

Regression is a statistical method that describes the connection between different phenomena. The significance of the method is reflected in the possibility of predicting the outcome of a certain phenomenon based on the knowledge of some other phenomena. The predictions that occur are independent (deterministic variables) or factors, and the phenomenon that is predicting is called dependent (stochastic) variable. The dependence of the phenomenon is given by the regression model:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 \dots + \beta_n x_n$$

Elements of the equation are a stochastic variable Y , while $\beta_0, \beta_1, \beta_2 \dots \beta_n$ are independent, or deterministic variables. If the prediction is carried out only on the basis of an independent variable, then this is called a simple linear regression model. The equation for a free linear regression model is:

$$Y = \alpha + \beta x$$

The value that is labeled as α is a constant, while the value β changes with the change in the value of the deterministic variable. Linear regression parameters are graded by the smallest squares method. After the estimated parameters, the step that relates to the prediction of the dependent variable follows from the independent ones. In the case where only one independent variable is used, then it is about a simple linear regression model. The goal of a simple linear regression model is to evaluate the value of the output variable based on an independent variable. It will be used to forecast revenue from sales on the basis of income from the financial statements from previous years. The model was developed according to author Simon Beningga (2008), which foresees income from sales on the basis of income generated in previous years. The data on previous revenues are shown in the following table:

Year	The year used for the regression model	Sales revenues in thousands of RSD
2006	0	RSD 434,095,00
2007	1	RSD 534,296,00
2008	2	RSD 559,864,00
2009	3	RSD 578,003,00
2010	4	RSD 623,638,00
2011	5	RSD 650,884,00
2012	6	RSD 705,585,00
2013	7	RSD 747,428,00
2014	8	RSD 782,479,00
2015	9	RSD 828,439,00
2016	10	RSD 888,317,00
2017	11	RSD 912,838,00

Table 1 Revenues from the sale of the company "Metalac SC"

The linear regression model will have an independent variable that will relate to revenue in the future, which will be the framework for the preparation of the Pro-forma report in the next year. The equation will include the independent variable or estimated sales revenue, while the explanatory variables will be the number of years and the sales revenue in those years, or based on the estimated model, it will be:

$$y = 41.192x + \text{RSD } 460,600$$

The cross section is 460,600 while the slope is 41,192. These values are high, because the data related to sales revenues were at a high level in previous years. The main disadvantage of the model is that there is little data, and the only two variables that are included are sales revenue in previous years and a year. However, what is more important is to determine the correlation coefficient between sales revenue and the number of years. The calculated coefficient of correlation is 0,993. This means that sales revenues are almost completely correlated with the number of years. The determination coefficient will be obtained when this value is raised to a square, and when calculating the value obtained is 0.9874. This means that the sales revenue share of the number of years explains 98.74 percent of sales revenue that is projected. If we take into account the limit that the model is only acceptable if the coefficient of determination is higher than 90%, then it can be considered satisfactory. Graph with the data from Table 1 is shown in the following figure:

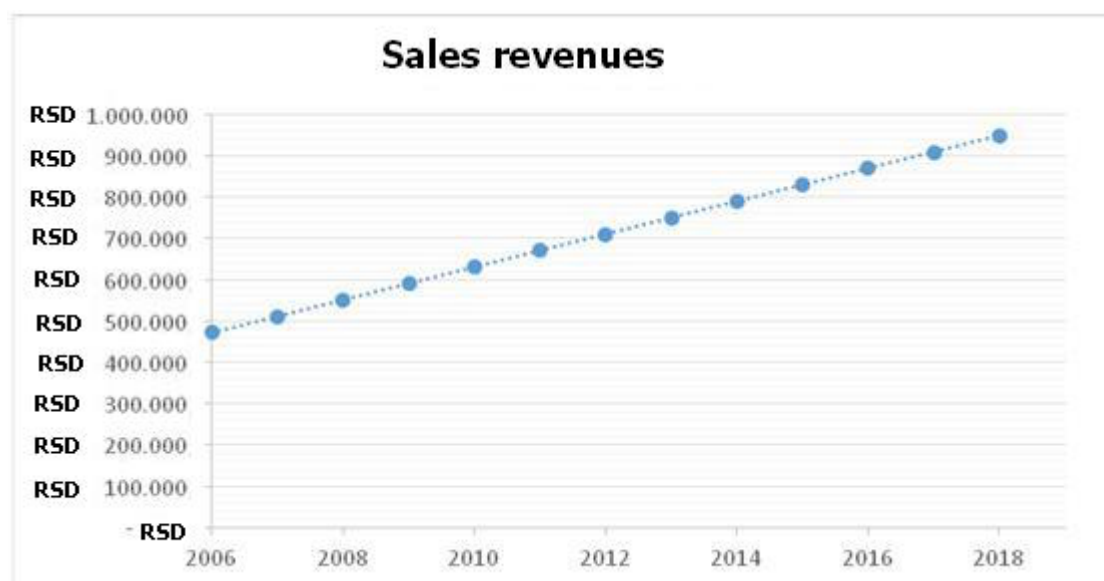


Figure 1 A linear model of predictions of sales revenues

After the calculated coefficients, sales revenues are calculated in the future period (Table 2)

Year	Historical data	Prediction	Prediction error
2006	RSD 434,095,00	RSD 471,685	RSD - 37,590,22
2007	RSD 534,296,00	RSD 511,431	RSD 22,864,82
2008	RSD 559,864,00	RSD 551,177	RSD 8,686,85
2009	RSD 578,003,00	RSD 590,923	RSD -12,920,11
2010	RSD 623,638,00	RSD 630,669	RSD -7,031,07
2011	RSD 650,884,00	RSD 670,415	RSD -19,531,04
2012	RSD 705,585,00	RSD 710,161	RSD -4,576,00
2013	RSD 747,428,00	RSD 749,907	RSD -2,478,96
2014	RSD 782,479,00	RSD 789,653	RSD -7,173,93
2015	RSD 828,439,00	RSD 829,399	RSD - 959,89
2016	RSD 888,317,00	RSD 869,145	RSD 19,172,15
2017	RSD 912,838,00	RSD 908,891	RSD 3,947,18
2018		RSD 948,637	

Table 2 Prediction of sales revenue

Sales revenue, due to the negative correlation coefficient, and the previous decline in sales volume, will tend to decline in the coming years, and indicate that the company has to change something in its strategy in order to survive on the market. In order for the prediction to be credible, it is necessary to calculate the standard error of prediction. The errors are calculated on the basis of the difference between sales revenue data and sales revenue calculated using that equation. Although the standard error of prediction expresses the accuracy of the model, it does not measure the accuracy of the forecast. (Guerard Jr., 2013) It can be intuitively expected that estimation errors should be increased by projecting the trends from the past to further and further into the future, beyond the domain of available data. This behavior is expressed by the equation given to calculate the standard error of prediction:

$$1 + \frac{1}{n \left(\frac{(X_i - [\bar{X}])^2}{\sum_{i=1}^n (X_i - [\bar{X}])^2} \right)}$$

In the given equation, the variables are denoted by:

- X_i = value of the independent variable for which the forecast was done,
- \bar{X} = mean or average value of independent variable and
- n = the number of data value pairs.

Interpretation of the standard error of prediction is essentially similar to standard deviation. (Meier, Brudney, & Bohte, 2009) However, its meaning is rarely used because it is easier for most managers to interpret it. In the calculated model it amounts to RSD 13,584, which is quite high, but it is still understandable, given the limited number of data used. In order to take into account the representativeness of the model, it is necessary to make a prediction error chart. A model that is suitable for estimating future data values should have values that do not deviate much from zero. The standard deviation, as calculated in the model, is RSD 13,584, which is acceptable with regard to the amount of sales revenue in previous years. The highest errors of prediction are RSD-33,590,22, in 2006, and RSD 22,864,82 in 2007. The reason for these high amounts of prediction errors is owed to prediction errors in the initial years.

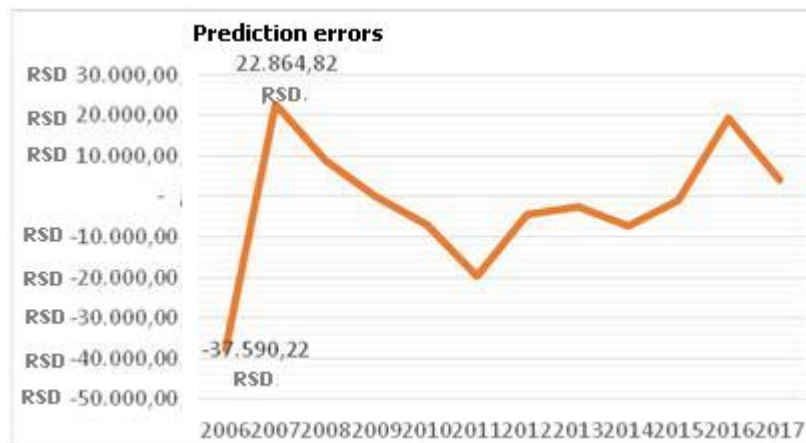


Table 3 Prediction error

2. Application of regression analysis to predict financial performance using the "Pro-forma" statements

The "Pro-forma" statement was the most frequently used financial forecasting tool. The "Proforma" statement is a model for presenting financial statements that will look in a certain way at the end of the forecast period. These predictions can be the culmination of intensive detailed business plans and budgets, and no less important projections. In any case, the "Pro-forma" statement displays the information in a logical and consistent manner. (Hudgins, 2010) If it is assumed that the funds will fall below the projected level of liabilities and capital, the common implication is that the company will generate more cash needed to start the company. Prediction of sales revenue, in order to prepare the Pro-form report, can be done through qualitative and quantitative methods. With qualitative methods, experts are expected to think about the future percentage of sales, taking into account the current economic conditions

and the position of the company in relation to the competition. Qualitative methods include brainstorming, "365" methods, delphi techniques, and the like. On the other hand, quantitative methods use statistical techniques and models that, based on input variables, evaluate and determine the future value of sales. The problem with these techniques requires access to a large number of data to be retrieved. In this paper quantitative methods will be used.

In essence, the "Pro-forma" financial statement can exclude all that the company believes reduces the accuracy of its financial appearance and it may be useful information that will help assess the future prospects of the company. (Halabi, Barrett, & Dyt, 2010) In order to predict future revenues of the company, the most rational approach is to use the balance sheet and income statement in terms of estimating future sales revenues. The method percentage of sale provides a simple logical assessment of most important variables. (Hudgins, 2010) The approach to percentage of sales is useful for predicting variable costs and most of the working capital.

The first step in predicting the percentage of sales should be to examine historical data in order to determine which items in the financial report vary depending on the sales. (Burns & Walker, 2001) This will allow the analyst to decide which items can be estimated as a percentage of sales and which must be estimated using other information. The second step is to predict sales. Because most other report items have a mechanical nature in predicting sales, it is necessary to estimate sales as accurately as possible. Once the Pro-form report is completed, it is a good idea to tackle the sensitivity of results with different variations in sales prediction. The final step in estimating sales revenue is the assessment of individual items in the financial statement. The "Pro-forma" financial report is the result of sales, cost and cash flow planning, and their synthesis in the planned income statement and the planned balance sheet. The planned income statement is the projection of planned revenues, costs and profits for a certain period of time, based on these plans. The planned balance sheet represents, as well as the planned income statement, a significant synthetic plan that should show the expected structure of funds and sources of funds at the beginning and at the end of the planning period, as well as the changes expected in qualitative terms. The prediction of financial statements is important for several reasons. Among them are planning for the future and providing information to the company's investors. The simplest method of predicting the income statement and the balance sheet is the method of percentage of sales. However, in this paper, linear regression analysis will be used to predict the future amount of sales revenue. Costs that are in the income statement will remain at the same level as in the previous years. The percentage method from sales has an additional advantage which requires relatively little data for prediction. The key premise is the method of the percentage of sales is that the balance sheet and the income statement maintain a constant relationship with the level of sales. For example, if the cost of sold products is on average 65% of sales over the past few years, it can be assumed that the connection will be maintained in next year as well. If the sale is expected to be RSD 10,000 next year, the anticipation of the price will be RSD 6,500. Of course, this method assumes that the estimated level of sales is known.

In order to calculate the future items of the balance sheet and the income statement, it is necessary first to take into account their trend in the previous period. This can be done through vertical and horizontal analysis. Firstly, the percentage of sales that will be realized in the next year should be determined. This can be done either by

regression analysis, or by some of the qualitative methods in which experts will give an estimate of the amount of the future percentage of sales. After determining the future percentage of sales, it is necessary to identify all items which sales revenue affects, whether directly or indirectly. The most significant items that will be directly changed with a change in the percentage of sales revenue are, in the balance sheet, cash and cash equivalents, inventories, and receivables from customers. The starting point for the pro-forma income statement is the projection of units and dinar currency of sales. This can be estimated in different ways, from trend lines, to detailed forecasts of sales by the company departments, which are often built on field estimates. "In the absence of other projections, last year's balance sheets of the company may be used." (Helfert, 2001)

It is now crucial to determine the cost of goods sold. The current income statement is based on the total cost method; therefore the cost price of the products sold will be calculated based on the identified variable costs. The simplest approach to the projection is to determine the percentage share of each cost in the total cost of goods sold, and assume that their percentage participation will be retained over the next period.

Variable costs		
Purchase cost of sold goods	RSD 7.867	0,86%
Cost of materials	RSD 22,055	2,42%
Fuel and energy costs	RSD 306,219	33,55%
Costs of production services	RSD 101,672	11,14%
Total variable costs	RSD 437,813	47,96%

Table 4 Percentage of variable costs in relation to sales revenues

Fixed costs should remain at the same level in the upcoming period. Their prediction will be determined in the same way as the variable costs, for this reason the percentage in total costs will first be determined (Table 5). However, they will not grow with sales revenues, but will remain at the same level as they were before.

Fixed costs		
Wages, salaries and other personal expenses	RSD 294,711	73,03%
Depreciation costs	RSD 89,054	13,54%
Intangible costs	RSD 49,465	13,43%
Total fixed costs	RSD 433,230	46,45%

Table

5

Percentage of fixed costs in relation to sales revenues

After determined share of fixed and variable costs, it is necessary to calculate the percentage of the operating margin, which will be changed depending on the change in sales revenue and the change in variable costs. Interest expense, or financial expense, may have an impediment to forecasting as they depend on the amount of remaining debt. In some cases, the amount of new debt (or repayment) may be known. In other cases, the amount of debt may not be known until the full balance sheet is anticipated, since the required debt financing may be a key figure. In this case, the calculation of interest expense becomes an iterative process if the available financing does not follow the required funding and adjustment that has to be made with additional plans. After determining the costs for interest, the next step is to determine other expenditures and other revenues. If it is assumed that they will remain at the same percentage of participation in the total income of the company, then they can be predicted through a percentage of sales, as is done with the costs of the company. After that, the calculation of pre-tax profit and net profit is calculated. Taxes are relatively easy to determine because they relate to a percentage that reduces pre-tax profits and results in a net gain.

In practice, companies often compile pro-forma reports to predict and monitor financial performance. Below is the pro-forma of the performance report, on the example of the company "Metalac". Sales revenues are foreseen for the first time, and variable costs are then projected proportionally. The assumption is that the fixed costs are unchanged.

„Pro-forma“ statement	Year 2018
Revenues from sales	RSD 948,637
Purchase cost of sold goods	RSD 8,157
Costs of material	RSD 22,919
Fuel and energy costs	RSD 318,228
Costs of production services	RSD 105,659
Total variable costs	RSD 437,813
Wages, salaries and other personal expenses	RSD 294,711
Depreciation costs	RSD 89,054
Intangible costs	RSD 49,465
Total fixed costs	RSD 433,230
Operating profit	RSD 77,594
Financial revenues	RSD 310,406
Financial expenses	RSD 1,940
Other revenues	RSD 22,222
Other expenses	RSD 53,567
Profit before taxation	RSD 354,715
Income tax	RSD 53,207
Net profit	RSD 301,508

Table 6 Pro-forma of the balance sheet of the company "Metalac SC"

After the preparation of "Pro-forma" income statement, from Table 6 we can conclude that the operating profit will amount to RSD 77,594,00. The reason for such a high operating profit lies in the fact that the fixed part of the costs did not change, while the variable costs were changed in proportion to the increase in sales revenues. By

this way of forecasting the overall performance of the company will also increase, in proportion to the increase in sales revenue. The remaining part of the income statement related to financial revenues and financial expenses also assumed that these revenues/expenditures are changed in proportion to the increase in sales revenue.

Conclusion

Based on the results presented, we conclude that the linear regression model can be used to improve the access to the "Pro-forma" statement. Models of point sales estimates cannot be used on a stable basis, as regression models can. They represent a developed mathematical approach that can be applied to different future estimates. Models that can be used in the future can examine exponential, cubic, and quadratic dependencies. What is important to note is that as more data is included in the model, or if a multiple regression is used, then forecasting errors will be reduced, which will enhance the representativeness of the model and indicate its relevance. The "Pro-forma" income statement is a useful tool that can be used to assess future business effects.

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CORPORATE GOVERNANCE, OECD PRINCIPLES AND CHALLENGES IN THEIR IMPLEMENTATION IN TWO LARGEST PUBLICLY OWNED COMPANIES IN KOSOVO

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Abstract

This paper addresses theoretical aspects of Corporate Governance and Organization of Economic Cooperation and Development (OECD) principles at POEs (Publicly Owned Enterprises). Corporate governance refers to the structures and mechanisms which ensure long-term growth of the value of assets through balancing interests of the key stakeholders. The OECD Principles refer to the contribution that good corporate governance makes to financial market stability, investment and economic growth. In the first instance, they are aimed at law-makers in emerging markets and less developed economies, secondly, the voluntarily of the Principles may be reduced in practice. This paper evidences how this issue is discussed in recent related to some important aspects especially in their implementation in a case of POEs in Kosovo. Based on the research evidence from Riinvest Institute and other research organizations, this paper evaluate the achievements in implementation of OECD principles The methodology included short literature review, review of secondary sources , especially Riinvest research found in this area and survey of key stakeholders. While Kosovo achieved to build sound legal frame for effective corporate governance this paper shows serious deficiencies in in their implementation. **Key words:** corporate governance, publicly owned companies, OECD.

Introduction

Corporate governance system should provide a proper balance of the interests of key stakeholders (owners, managers, employees) within companies. As a result, companies can improve the conditions to access capital and also use their resources more efficiently in their path towards sustainable growth and competitive advantage. Corporate governance supports fairness, transparency, accountability and trust and refers to mechanisms that are chosen to govern / manage companies, whether in the private or public sector, and assures them that actions are consistent with the interests of shareholders groups. Key issues which raise interesting corporate governance are transparency and accountability. This depends heavily on legal and regulatory environment, risk management, responsibility, the way senior managers, board of

directors committee and govern company, inside ring also best interest of owners. From this we see that the main component of corporate governance is to create an effective relationship between the shareholders, board members and management. Relationship between them should be established in consistency with the principles of corporate governance. (Arjon, 2005).

Central European economies during their transition to market economies marked significant achievements in implementing the OECD principles for corporate governance. But that this is not case with companies at Eastern and Southeast Europe economies because of many deficiencies of privatization process. In many of these countries privatization process was implemented in the conditions of weak rule of law and led to concentrated ownership structures under heavy influence of new owners (oligarchs) which were not motivated to develop structures and mechanisms for sound corporate governance. The interrelation of these structures with political elites in power was reflected in the way that corporations are governed. In these circumstances creation of competent and independent governing structures – company Boards, the transparency and accountability, role of stakeholders, and respect to ethical codes and principles were heavily neglected.

Many of authors like Monks and Minow, 2008; Arjon, 2005; Claesens, 2003; Gilan, 2006; Malin 2007 agreed that poor corporate governance practices can influence bad reputation, mismanagement and corruption. Although corporate governance has emerged as a way to manage modern joint stock corporations, it is equally significant in state-owned enterprises, cooperatives and family business. According to Malin (2007), only “good” governance can deliver sustainable good business performance. Financial scandals (such as Enron 2001, WorldCom, etc.), markets and institutions were mostly affected by pure implementation of corporate governance standards especially those related to transparency and accountability.

An effective corporate governance framework will ensure that the interests of all shareholders (including minority shareholders), investors and creditors are protected.. The borrowing cost for the company will be lower and its access to external finance will improve. Foreign investors, too, will be happier to invest in companies with better corporate governance. Good corporate governance will ensure that the company produces regular and accurate financial information that will portray the company’s real financial position and provide timely information for creditor, investors and the market. A good corporate governance framework will clearly establish the role and responsibilities of the boards and directors, ensure that the company’s finances are in order and risks facing the company are properly assessed by professionals and excessive risk taking is avoided. Members of supervisory boards or boards of directors will be appointed on the basis of their expertise, and not their connections, and will be expected to carry out their duties in the long term interest of the company.

Corporate Governance Principles

OECD has provided the principles which involve a set of relationship between the management, directors, shareholders, and other stakeholders. The principles of corporate governance aims at identifying targets and suggest the use of different means to achieve the goals of companies. Policymakers in general and also during recent years in transition economies were focused to develop the legal and regulatory framework for corporate governance which will be reflected in economic factors, social and cultural one. Therefore governments in various countries, especially countries in transition should take responsibility to create a framework conducive for effective achievements in meeting the expectations of shareholders and other

stakeholders. The OECD principles and their development through the years created standards which in fact developed as benchmarks of assessing and evaluating the corporate governance in different countries (OECD, 2004).

The corporate performance will benefit from the information flows and the qualitative decision making process. Investors will increase confidence based on that the good governance, offers better returns on their investments. Since that time, these principles are a reference to policy makers, investors, corporations and other interested stakeholders and in this way by practicing the principles of corporate governance create stability in the financial market, investment and economic growth. OECD principles help states to evaluate and improve the method of respecting the property rights in POEs.

Promotion leading OECD principles on corporate governance has become a global movement; these principles are relevant to measurable for both public and private business. OECD principles aim to improve the performance and competitiveness of the firm and access to the capital. Five principles of the OECD guidelines are:

Ensuring an effective legal and regulatory framework. This legal and regulatory framework has to ensure creation of an equal market for economic agents (private and public) in order to avoid distortions in competitive market conditions.

State to act as an owner. The state should act as an active and informed owner and develop clear and consistent ownership policies. This would ensure transparent and accountable governance of public enterprises with the required level of professionalism and effectiveness.

Equal treatment of all shareholders. State and state enterprises should recognize all the rights of shareholders and in accordance with the OECD Corporate Governance Principles should ensure equal treatment of all shareholders.

Relationships with other stakeholders. State ownership policy should fully recognize the responsibilities of public enterprises towards all stakeholders involved.

Transparency and disclosure. Public enterprises should respect high transparency standards in accordance with the OECD Corporate Governance Principles.

Responsibilities of boards. Boards of public enterprises should have the necessary level of authority and competencies in order to perform their strategic leadership functions, to monitor the management and to be responsible for their actions. (Riinvest 2012)

Principles focus on governance problems that result the separation from ownership and control. However, this is not simply an issue of the relationship between shareholders and management, although that is indeed the central element. (OECD 2004). Improving corporate governance will have a longer term effect, and more important effect, on company valuation and performance through its improved decision making process, oversight and accountability. One of the most quoted and most influential academic studies in this area is Gompers, et al. (2003), based on the study of 1500 US companies, using 24 governance indicators developed by Institutional Investors Research Center. They find a positive relationship between the corporate governance ranking and company valuation and profits in the 1990-1999 periods. The results were confirmed by another influential study of the same period by Bebchuk, et al. (2004) who used only six of the governance indicators used in the previous study and concluded that there was a positive and significant relation between the governance indicators and company value as well as shareholder return. Drobetz, et al. (2004), replicated Gompers, et al. (2003) for German companies and arrived at the same conclusions. (Riinvest, 2010).

The independence of the board of directors

Professional competence and independence of BoD from political affiliations, especially in the case of POEs is of key importance for the success and in terms of ensuring long term sustainability of companies in a line of best public interest. Numerous studies worldwide have estimated that the role of independence of BoD in good corporate governance is key to enhance corporate performance and shareholder value. (RIINVEST, 2006). Board plays crucial role in building effective corporates. . According to OECD principles (2004c) the board should have the authority and independence to ensure quality of corporate governance. This is related also to the adequate mix of competencies and skills of the members of boards in the area of governance, economy, finance, strategy, and marketing

Case of Public Owned Enterprises in Kosovo”

Public Owned Enterprises have a particular importance since these companies have a dominant role in providing public services to citizens (electricity, water, telecommunication, waste etc.). These companies operate based on the law on POEs is approved in June 2008 Law (number 03/L-087) and it's in accordance with OECD principles and international standards of corporate governance. Due the lack of implementation especially in some cases of the property rights of local POEs and the independence of the board of directors Law has been amended in 20 April 2012(No. 04 / L-111). The new law restricts board involvement in micro-management of enterprises. It eliminates the conflicts with the law on local governance as well as reduces the compensations/bonuses that can be paid to board members. The new law requires that the business plan of POEs must be in harmony with the development policies of the sector and allows for the review of these business plans on set periods. Besides, these amendments allow for the government, parliament or auditor general to undertake any kind of audit that is considered necessary.

The services offered to citizens by the central POEs (especially PTK – telecommunications and KEK- electrical energy), are, at large, considered to be inadequate (for details see: Riinvest, 2009). Specifically KEK which, in absence of effects of competition, continues to have a low level of performance (for details regarding the level of satisfaction of SMEs for public services in Kosovo offered by these two companies, see Riinvest, 2008; 2009; 2009a;2011. For satisfaction of public at large, see UNDP, various years).¹¹⁶

The Public Monitoring Units of Public Enterprises (PMUPE) has been established in 2008 to monitor the proper functioning of POEs and to support the government in exercising property rights over these enterprises. The PMUPE based in the law its obligated to update continually with the information, important and relevant reports, information, stakeholders through the web page. These documents have to be kept in public domain for a five year period. The PMUPE monitors and analyses the work of the boards and publishes evaluating reports for each enterprise on their websites on an annual basis. The PMUPE has achieved to produce some important documents, critical for the advancement of corporate governance of the POEs. This unit has drafted and approved the Code of Ethics and Corporate Governance for POEs as well as has delivered evaluating reports of the performance of POEs, including the performance of the boards, as well as the guideline for board members of POEs. The code meets the legal requirements of the applicable laws in Kosovo and takes into

¹¹⁶Performance of KEK has increased in recent years; however it still relies heavily on state subsidies and grants. In absence of these subsidies and grants KEK would be a loss making enterprise.

account the principles of the OECD for corporate governance. The law clearly defines reporting channels of POEs towards passing the information to the Parliament of Kosovo.

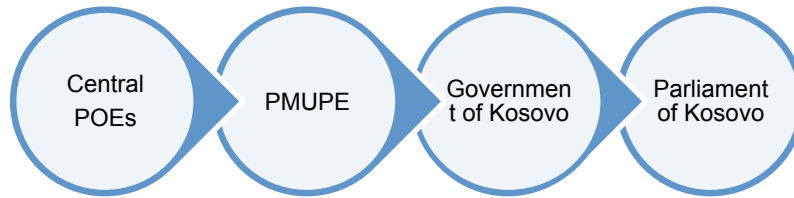


Figure 1. The reporting cycle from POEs to the Parliament of Kosovo
Source: (Riinvest 2012)

The Figure above shows how the POEs function. Firstly they should systematically report to the PMUPE, their performance and should meet other reporting requirements as stated by law. Secondly, PMUPE prepares and submits to the government the analysis and evaluations of POEs performance which is then presented by the government to the parliament in their annual reporting. The data from these reports should provide sufficient information to ensure that the government exercises its property rights in an informed manner as suggested by the OECD standards mentioned earlier. The Law creates conditions for: the state to act as an effective owner of these enterprises; transparency of the management; equal treatment of shareholders and defines, to a large extent, the duties and responsibilities of the board. However, the law does not address sufficiently issues related to political independence of board members and their professionalism. The civil society, media, political parties are sceptic about the level of implementation of the corporate governance principles. The law should specify the need for the involvement of civil society (even only as an observer) in the process of recruitment and selection of board members. (Riinvest 2012)

However there are numerous challenges regarding implementation of OECD principles in corporate governance in the case of POEs in Kosovo:

- **Ensuring an effective legal and regulatory framework** is a key precondition for ensuring effective corporate governance at POEs. Our research shows good progress in this area. New Law of POEs has regulated corporate governance of these companies in a spirit of OECD principles, Code of Ethics is in place, and unit within Ministry of Development for monitoring these companies is reporting annually to Kosovo Parliament.
- **State to act as an owner:** In this area only initial progress has been achieved. While legal frame has been advanced the overall governance of POEs is still heavily impacted by narrow political interests of ruling coalitions, especially by bigger party in coalition. The role of Parliament is underestimated in account of government and respective industries.
- **Equal treatment of all shareholders** has not been ensured yet. This is case especially with regional POEs (waste and water management) where municipalities within regions have minor influence in decision making in BoD.

- **Relationships with other stakeholders** are underdeveloped. Customer's needs are ignored. There is no proper corporate social responsibility practice in place. Relationship with communities, civil society and media is also neglected.
- **Transparency and disclosure also has not been ensured.** Transparency is weak especially in the area of procurement, enumeration, recruitment, financial statements and development policies.
- **Responsibilities of boards** also have not been ensured. The composition of the BoD is mainly inadequate regarding professional competence, political influence and affiliation and this hampering their independence and performance. There is no proper evaluation of the performance of nonexecutive directors – members of BoD and also for CEOs and other managers. This has impacted on deterioration of the value of assets especially in the case of PTK and parts of KEK (Kosovo Electric Energy Company) and their overall performance.

Research Methodology

This paper has been prepared by using primary and secondary sources of data. Secondary data include reports of POEs, PMUPE reports, analysis of the legal framework and other published reports from Riinvest Institute and European Bank for Reconstruction and Development (EBRD) country report 2017. This paper is building up on a survey conducted by Riinvest Institute for Development Research and use primary data generated through that research and as well secondary sources that include annual reports of POEs and other research found produced by Riinvest Institute since 2006 . Semi structured interviews and survey questionnaire has included the officials of the Unit for monitoring the performance of POEs and Ministry of Economic Development, chairs and members of the Boards of POEs, MPs from the ruling coalition and opposition, media representatives and also civil society representatives. The aim was to include opinions and perceptions of different stakeholders regarding the implementation of legal frame and OECD principles in governance of Kosovar POEs. Respondents were asked about their agreement regarding the level of compliance of corporate governance standards at the governance practices of POEs. From the respondents was asked to rank their answers based on Likert scale of 1 (fully disagree) to 5 (fully agree). Their answers than were used to calculate the level of agreement with different statements in a questionnaire. Every answer the rank (1-5) was multiplied with the weight (1-5) where the higher level of agreement is associated with higher. Than the weighted average is divided by 5 and multiplied with 5 to demonstrate the difference between full agreement and average agreement. The scale was calculated using $s = (\sum w_i x_i / n) * 100 / 5$, when $w_i = x_i$; s is the level of agreement with the statement , w is the weight, x is rank given from each respondent and $i = 1, 2, \dots, n$ represent respondents .

Findings: Perceptions of representatives of different stakeholders

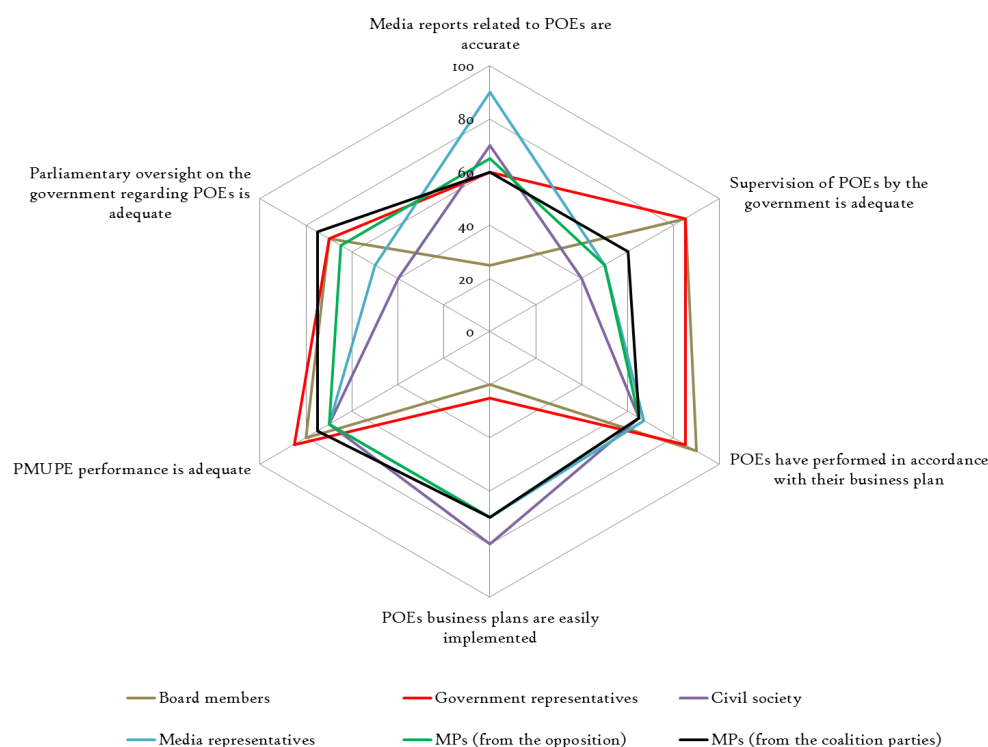


Figure 2. Statements regarding selected areas of central PE Corporate Governance
Source: Riinvest Institute 2012

There is a difference in perception regarding the correctness of reporting by media on POEs affairs between representatives of civil society (80-90) and parliament (60-65). While board members show high discontent in this regard (25). The other issue whether the oversight of government on POEs performance is adequate, the majority of other than government representatives and members of the board shows high disagreement and this is true especially when it comes to perceptions of civil society, media and opposition. Somewhat higher agreement of different stakeholders is regarding the operations of POEs Performance Monitoring Unite within Ministry of Economy “as adequate”. But her opposite is true for the oversight of Parliament on POEs where media and civil society highly disagree.

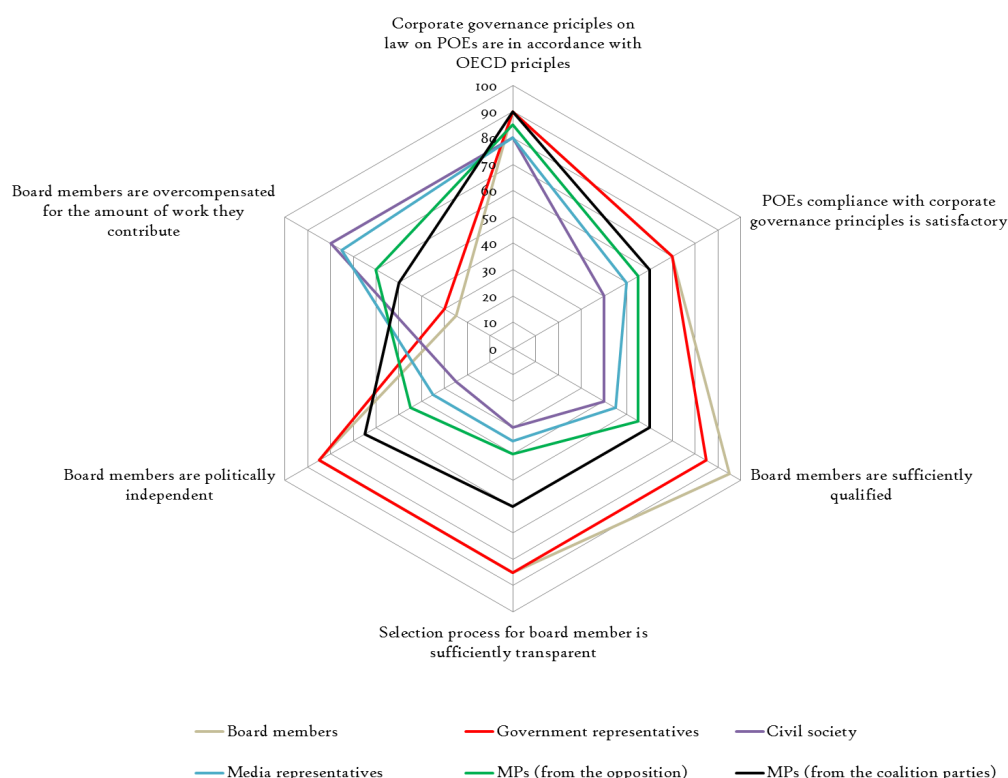


Figure 3: Statements regarding selected areas of central PE Corporate Governance
 Source: Riinvest 2012

There is high consensus amongst respondents that the Law on POEs has properly addressed implementation of OECD principles on corporate governance (85). Higher differences could be noticed regarding whether the “qualifications of board members are adequate” between board members and government and other respondents. The same is true also for the transparency regarding nomination and elections of board members. The highest disagreement level is demonstrated when it comes to the statement that “Board members are politically independent / neutral, especially between government representative’s (85) and civil society (15) . Regarding the enumeration of the board members, except government representative and they themselves other stakeholders considers that their compensations is too high compare to their performance.

Following the research found at Riinvest Institute and the survey outcomes presented below and also secondary sources related to developments in this area we have evaluated trend in developing capacities for corporate governance amongst key stakeholders and at POEs for implementation of OECD principles and achievements in compliance with these principles as follows:

#	2006	2009	2012	2017
Ensuring an effective legal and regulatory framework	1	3	3	4
State to act as an owner	1	3	3	2
Equal treatment of all shareholders	1	3	3	3
Relationships with other stakeholders	1	1	1	2

Transparency and disclosure	1	1	1	2
Responsibilities of boards	1	1	1	1

Evaluation - 5/very well, 4/good, 3/correct, 2/weak and 1/very poor

Table 1: OECD principles, implementation in POES, in Kosovo in a period 2006-2017
Source (Author, based on survey research and secondary sources)

Conclusion

Corporate governance system provides a proper balance of the interests of key stakeholders (owners, managers, employees). As a result, companies can improve the conditions of access to capital and also the firms are encouraged to use resources more efficiently and thus provide a sustainable growth and competitive advantage.

Key issues which raise interesting corporate governance are transparency and accountability. This depends heavily on legal and regulatory environment, risk management, responsibility, the way senior managers, board of directors committee and governs company, considering also best interest of owners. That the main challenge of corporate governance remains to create an effective performance based relationship between the shareholders, board members and management. Relationship between them should be established in consistency with the principles of corporate governance.

Since 2006 a good regulatory framework for implementing OECD principles in corporate governance of POEs in Kosovo has been developed. Despite this progress in Kosovo much more remains to be done in their implementation in order to overcome deficiencies originating from heavy political influence in BoD composition and operations, poor transparency and accountability and the role of stakeholders. In overall only modest initial progress has been achieved in the area of building the role of the state to act as an owner of these companies and to ensure the role of minority shareholders. No progress has been marked and serious challenges remain to ensure influence and communication with other stakeholders, especially costumers and their associations, transparency is underdeveloped.

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