



Univerzitet Jang Ordebi u Puli
Fakultet ekonomije i turizma "Dr. Mijo Mirković"
Jang Ordebi University of Pula
Faculty of Economics and Tourism "Dr. Mijo Mirković"

8th International
Conference
"Future World by 2050"
1st-3rd June 2017
Pula, Croatia

Book of Abstracts



Sveučilište Jurja Dobriše u Puli
Fakultet ekonomije i turizma "Dr. Mijo Mirković"
Juraj Dobriša University of Pula
Faculty of Economics and Tourism "Dr. Mijo Mirković"

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"Future World by 2050"
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Conference Organization

**Faculty of Economics and Tourism „Dr. Mijo Mirković“
Juraj Dobrila University of Pula
Preradovićeva 1/1, 52100 Pula, Croatia**

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WELCOME REMARKS

On behalf of Faculty of Economics and Tourism "Dr. Mijo Mirković", Juraj Dobrila University of Pula, we welcome you to Pula, Croatia to attend 8th International Scientific Conference "Future world 2050". We hope that over the next three days you'll get theoretical grounding, practical knowledge, and personal contacts that will help you build long-term and fruitful communication among researches in a wide variety of scientific areas with a common interest in investigating opportunities of the Future World 2050.

On behalf of Conference Committees, we would like to thank all the authors, key note speakers and panelists. Their high competence, enthusiasm, dedication and knowledge, enabled us to prepare this high quality program and helped us to make the conference a successful event.

Once again, thank you for coming to this conference and we are looking forward to meeting you next time.

What this conference offers you...

- 6 sessions, on topics as Socioeconomic Challenges of the Future World, Economics, Finance and Accounting, Marketing and Management, Tourism Track, and Innovation and Competitiveness
- Inspiring keynote speeches: Prof. Soumitra Sharma, emeritus professor from Juraj Dobrila University of Pula, Dr. Nawazish Mirza from S P Jain School of Global Management, Dubai Campus, and Dr. Daphna Kariv from School of Business, Administration, the College of Management Academic Studies (COMAS), Rishon Lezion, Israel
- Panel session on business and innovation opportunities for future
- Plenty of opportunities to network

PROGRAM COMMITTEE

Ph.D. Soumitra Sharma, Juraj Dobrila University of Pula, Croatia
Ph.D. Alfio Barbieri, Juraj Dobrila University of Pula, Croatia
Ph.D. Danijela Križman Pavlović, Juraj Dobrila University of Pula, Croatia
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Ph.D. Steve Keen, Kingston University, United Kingdom
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Ph.D. Maria Guglielmo Caporale, Brunel University, United Kingdom
Ph.D. Milford Bateman, Free consultant, United Kingdom
Ph.D. Hazbo Skoko, Charles Sturt University - Australia, Alfaisal University - Kingdom of Saudi Arabia
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Ph.D. Luis Alberiko Gil-Alana, University of Navarra, Spain
Ph.D. Angel Antonio Barajas Alonso, University of Vigo, Spain
Ph.D. Romualdas Ginevicius, Vilnius Gediminas Technical University, Lithuania
Ph.D. Edmundas Kazimieras Zavadskas, Vilnius Gediminas Technical University, Lithuania
Ph.D. Peter Mihalyi, University of Pannonia, Central European University, Hungary
Ph.D. Szekely Csaba, University of West Hungary, Hungary
Ph.D. Irena Zavrl, Professor, University of Applied Sciences FH Burgenland, Austria.

ORGANIZING COMMITTEE

Ph.D. Morena Paulišić, Juraj Dobrila University of Pula, Croatia

Ph.D. Dean Sinković, Juraj Dobrila University of Pula, Croatia

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Ph.D. Violeta Šugar, Juraj Dobrila University of Pula, Croatia

Ph.D. Iva Slivar, Juraj Dobrila University of Pula, Croatia

Ph.D. Katarina Kostelić, Juraj Dobrila University of Pula, Croatia

CONFERENCE GOALS AND TOPICS

The Faculty of Economics and Tourism "Dr. Mijo Mirković" Pula is organizing its 8th International Scientific Conference with the central theme "Future World by 2050". The seven previous international conferences were focused on some aspects of globalization, macroeconomic management and entrepreneurship.

The focus of the Eighth conference are challenges with which the world is faced in the future (for example as poverty, aging population, (un)employment, (dis)integration, environmental catastrophes, innovations, etc.), and the challenges with which is faced economics as a science in the future.

"It is impossible to go backwards; the only possible and natural path is the one leading ahead. It means the path towards the economic development, the entry into the full civilization."

Mijo Mirković, PhD (1898-1963)

CONFERENCE TOPICS

include but are not limited to:

Socioeconomic Challenges of the Future World	Economics Track	Finance & Accounting Track	Marketing & Management Track	Tourism Track
Poverty Amidst Increased Prosperity of Nations The Future of Aging World Population How To Cope With Ever Rising Immigration The Threats of International Terrorism to Prosperity and Security of Nations	(Un)Employment In a Globalized World Economic Growth and Development Versus Environmental Catastrophe Economic Implications of BREXIT: Renegotiations or Hard Exit Economic, Social and Territorial Cohesion Integration and Disintegration of World Economy The Future of Economics as a Science	Fiscal Policy in a Changing World Behavioral Finance vs Conventional Finance Economic and Monetary Union: Integration or Differentiation Accounting for the Future Accounting for the Sustainability	Innovations for the World 2050 Trends in Work Environment SMEs And Their Survival Strategies in Face of International Competition Multinationals Versus SMEs Companies in a Growing World The Future of Organizations	Tourism Forecasts 2050 New approaches in Tourism Modelling Development Trends and Issues in Tourism Monitoring Systems of Tourism Impacts

CONFERENCE PROGRAMME

SIMPLE TIMELINE OVERVIEW

Day 1	June 1 st , 2017 (Thursday)			
	08.00 - 18.00			
	Venue. Hotel Park Plaza Histria			
	8.00 - 18.00	Registration and conference materials collection		
	9.30 - 11.30	Opening remarks and keynote speeches Hall: Uluka		
		Main Plenary Session		
		PhD Soumitra Sharma		
		PhD Nawazish Mirza		
		PhD Daphna Kariv		
	11.30 - 12.00	Coffee break		
12.00 - 14.15	Session I Hall: Belica	Session II Hall: Biancha Istriana		
14.15 - 15.30	Lunch break		3rd interchair meeting in the field of business informatics Hall: Bianchera	
15.30 - 16.00	Journals presentation Hall: Uluka			
16.00 - 18.15	Session III Hall: Belica	Session IV Hall: Biancha Istriana		
Day 2	June 2 nd , 2017 (Friday)			
	8.00 - 15.00			
	Venue. Hotel Park Plaza Histria			
	8.00 - 9.00	Registration and conference materials collection		
	9.00 - 11.00	Session V Hall: Belica	Session VI Hall: Biancha Istriana	
	11.00 - 11.30	Networking coffee break		
	11.30 - 13.00	Panel session Hall: Belica	Panel session Hall: Biancha Istriana	
	13.00 - 15.00	Lunch at Histria Yacht Restaurant		
Day 3	June 3 rd , 2017 (Saturday)			
	9.00 - 16.00			
	Optional excursion to Brioni Island			

ORAL PRESENTATION GUIDELINES

Devices provided by the conference organizer:

Laptops (with MS Office and Adobe Reader)

Projectors and Screens

Laser pointers

Materials provided by the presenters:

PowerPoint or PDF files

Presentation handouts (optional)

Note: Presenters should arrive 15 minutes before the session to copy the presentation file to the provided laptop and try if it works.

Duration of each presentation:

Regular oral session: about 10 minutes of presentation, 15 minutes including Q&A.

Keynote Speech: about 20 minutes of presentation, 30 minutes including Q&A.

Dress Code

All participants are required to dress business casual, business or formally. Casual wear is not acceptable.

KEYNOTE SPEAKERS' PRESENTATION TITLES

Main plenary session will involve eminent keynote speakers to talk about economics trends through the prism of lessons learned, opportunities and threats for the future world.

ANCIENT CIVILIZATION'S (UN)HOLY TRINITY OF RELIGION, PHILOSOPHY AND ECONOMICS

Soumitra Sharma

Professor Emeritus Soumitra Sharma (b. 1941, India) was educated at the University of Agra. He earned his Ph. D. in Economics from the University of Zagreb in 1967. Professor Sharma served Economics Faculty of Zagreb University until 2002 when he joined faculty in Pula. He has been a guest/exchange professor at various prestigious universities in the US, Europe, Japan, China and Australia. His major works are: (1988) *Economic Development and World Debt*, Macmillan, London; (1989) *Growth & External Debt Management*, Macmillan, London; (1992) *Development Policy*, St. Martin Press, New York; (1995) *Macroeconomic Management*, St. Martin Press, New York; (1997) *Restructuring in Eastern Europe: Microeconomics of Transition Process*, Edward Elgar, Cheltenham, Lyme (USA); (1998) *John Maynard Keynes: Keynesianism in 21st Century*, Edward Elgar, Cheltenham (UK); (2002) *Economics Does Matter: About Economics and Economists*, Mikrorad, Zagreb; (2010) *Reflections on the Philosophical Foundations of Economics*, Mikrorad, Zagreb; (2015) *Economics in an Awkward Corner*, University of Pula. Currently he is Senior Editor of the *Journal of Philosophical Economics and Social Sciences*.



Abstract: There seem to be two fundamental truths that we should accept, first, that human history is an excellent teacher and one can learn a quite a sum; and second, nothing begins from us as it has already been there in the past. Past and future are very much related. To look at the future one needs to look at the past.

This talk is an attempt to explore the ancient history of human civilizations that had existed at their zenith after 3100 BC until the Christian era, and were considered "great" for one or other reason: e.g. vastly covered geographical area, their military might, their economic growth and trade record, efficient public administration, for their deliverance of socio-economic welfare to larger section of people, their contributions to architecture, science, technology, or their cultural legacy etc.

From ancient history, we learn that humans have consistently fought to create a better future. Visions of intellectuals, rulers, men of faiths, and business people

have helped shape civilizations to progress. But, underneath this progress were also sown the seeds of their downfall. The future visions of an "endless" progress abruptly (in a relative sense) ended for reasons of wars, natural disasters, poor socio-political management of societies, etc. As continuity and recovery are natural process, once again these civilizations started their rebuilding. But their past determined their future, and rarely any of these rose to its glorious past.

THE FINANCIAL SYSTEM OF THE FUTURE: INNOVATIONS, OPPORTUNITIES AND CHALLENGES

Nawazish Mirza

Dr Mirza has more than ten years of academic, research and consulting experience. Currently, he is Associate Professor of Finance and Deputy Director of Global MBA programs at S P Jain School of Global Management, Dubai Campus. He holds a PhD degree in financial markets and an MS in Quantitative Finance from University of Paris Dauphine. Dr Mirza teaches courses in risk management, corporate finance, investments, and corporate valuations to MBA classes across three campuses of his business school in Dubai, Singapore and Sydney. His core research interests include financial intermediation, risk management, valuations and asset pricing. Dr Mirza contributes as referee for Journal of Banking and Finance, Pacific Basin Finance Journal, Economic Modelling and Economic Research. He has worked as a consultant on various projects with International Islamic Rating Agency, Bahrain, United States Agency for International Development and IFS Securities, Atlanta.



Abstract: A resilient and stable financial system is imperative for economic development and growth. In the recent years, global financial system has experienced colossal changes. These are either triggered by volatile economic indicators like declining oil prices or by disruptive technological innovations. These changes have impacted economic systems in multiple ways. On one side, we see major policy transitions and evolution of new fiscal and regulatory regime like introduction of taxation in GCC, banking reform package in EU, demonetization in India etc. On the flip side, technological disruption has warranted regulators to reshape financial architecture to adapt automation in financial services. As this economic and technological dynamism is likely to continue, the financial systems of the future will have some interesting perspectives with increasing contribution of developing economies in global savings, investments and capital stocks. While this may increase the challenges for financial intermediation, it will enhance the interdependence of developed and developing nations. In presence of proper governance policies, this cointegration will yield mutual dividends but in absence of robust discipline this interdependence may lead to

systemic shocks, asset price bubbles and other economic fragilities that may hamper developing countries. Similarly, the technological innovations may enhance financial inclusion through digital outreach but the regulatory lapses in micro prudential governance of fintech can lead to new economic traps. Therefore, economic systems of the future will have to demonstrate flexibility in financial architecture to capitalize on innovation driven opportunities as well as show resilience towards new challenges.

AN ENTREPRENEURIAL FUTURE - OR THE FUTURE-AL ENTREPRENEURSHIP?

Dafna Kariv

Professor Dafna Kariv is the Chair of the department of Entrepreneurship and Innovation, and the Chair of NOVUS, Center of Entrepreneurship at the School of Business, Administration, the College of Management Academic Studies (COMAS), and Rishon Lezion, Israel. At the Business School, she has initiated and leading the incubator and accelerator programs for entrepreneurs; she is the academic director of the thesis program; and in charge of the collaboration with Zicklin School, Baruch College, NY. Professor Kariv is Affiliate Professor at HEC, Montreal, Canada. She is the co-director of the Center for Social Business and Impact Investment, supported by the Rothschild Caesarea Foundation and Dualis Social Investment Fund. Prof. Kariv is the author of three academic books "Entrepreneurship: An International Introduction", Routledge, UK, "Female entrepreneurship and the new venture creation", Routledge, NY, and "Creating the Social Venture" (co-authored with Prof. Coleman), Routledge, NY. Her forthcoming book co-authored with Prof. Alain Fayolle (France) and Prof. Harry Matlay (UK), has been approved by Edward Elgar publishers; it is entitled: From Intention to Start--Up Performance: The Role and Impact of Entrepreneurship Education. Her research focuses on international entrepreneurship, entrepreneurial performance, entrepreneurial education and gender. She is a recipient of several prized funds including the European Commission funds; she is involved in many academic boards, the Ambassador of 'German-Israeli-Startup-Exchange Program' (GISEP); as well as consultant of the Ministry of Education for entrepreneurship programs.



Abstract: TBA

PANEL SESSIONS

"INNOVATION AND ENTREPRENEURSHIP: SKILLS AND COMPETENCIES FOR THE FUTURE"

Panel moderator: Ph. D. Violeta Šugar

Panelists: Prof. Dafna Kariv, College of Management Academic Studies (COMAS) in Rishon LeZion, Israel; Assist. Prof. Sven Maričić, Juraj Dobrila University of Pula, adviser to the Rector for the new technologies, Danijela Kasumović Maružin, social innovator and social entrepreneur, owner Punkt d.o.o. from Pula, Emin Džanić, MD, medical doctor, innovator, manager.

The panelists will discuss the following (and more): current innovation eco system situation in Croatia, Israel, EU, etc..., good and bad practice examples, opportunities and obstacles; inventors, innovators, entrepreneurs - invention commercialization issues; individual innovators - are they just hobbyists or valuable members of the innovation eco system; skills and competencies for the future innovators, the role of higher education institutions; social innovation and social entrepreneurship, what, why, where, how.

"LOCAL DEVELOPMENT FINANCE, ISSUES AND PERSPECTIVE ON GLOBAL LEVEL BY 2050"

Panel moderator: Ph.D. Dean Sinković

Panelists: prof. Mirza Nawazish Elahi PhD, Deputy Director of Global MBA programs at S P Jain School of Global Management, Dubai, UAE, Milford Bateman PhD - Freelance Consultant, Unctad, Lesley Sherratt PhD - King S College, Great Britain, Phil Mader, PhD, - Institute Of Development Studies, University Of Sussex, Great Britain

The panelists will discuss the perspectives of finance development, compare financial systems and provide good and bad practice examples, as well as examine the opportunities and obstacles for sustainable financial systems for the future.

SESSION I – SOCIOECONOMIC CHALLENGES OF THE FUTURE WORLD

Hall: Belica

Time: 1.6.2017., 12.00 – 14.15 h

Session Chair: Ph.D. Milford Bateman

- | | |
|---------------|--|
| 12.00 – 12.15 | Integration and Disintegration of World Economy: Issues and Challenges |
| 12.15 – 12.30 | The Challenges of Environmental Ethics in Global World - Philosophical - Ethical View |
| 12.30 – 12.45 | Challenges Facing the Educational System and School Principals in Croatia: Perceptions of the General Public |
| 12.45 – 13.00 | The Interpretation of the Duty of Care by Lenders to the Poor in Developed and Developing Countries: Antithetical Approaches |
| 13.00 – 13.15 | Post-War Reconstruction and Development of Cambodia and the Destructive Role of Microcredit |
| 13.15 – 13.30 | The Economic Behaviour of Immigrants versus Natives Over the Life Cycle |
| 13.30 – 13.45 | Self-Evaluation of the Necessary Socio-Economic and Digital Competence of School Students of Investment in Education in the Process of Ever Rising Immigration |
| 13.45 – 14.00 | The Poverty Reducing Effect of Health - The Case of Republic of Macedonia |
| 14.00 – 14.15 | Minimum Wage in Croatia: Sectoral and Regional Perspectives |

SESSION II – ECONOMICS TRACK

Hall: Biancha Istriana

Time: 1.6.2017., 12.00 – 14.15 h

Session Chair: Ph. D. Suzana Laporšek

- | | |
|---------------|--|
| 12.00 – 12.15 | Spectral Analysis of Macroeconomic Series for Croatia |
| 12.15 – 12.30 | The Import Content of Croatian Industry and Final Demand |
| 12.30 – 12.45 | Institutions and Economic Performance: System GMM |
| | Modeling of Institutional Effects - The Case of Western Balkan Countries |
| 12.45 – 13.00 | Are Zombies Productive or Not? |
| 13.00 – 13.15 | Impact of Public Expenditure in Labor Market Policies and |
| | Other Selected Factors on Youth Unemployment |
| 13.15 – 13.30 | Making Work Pay In Slovenia |
| 13.30 – 13.45 | Impact of the FDI on Unemployment Rate in Countries of West |
| | Balkan |
| 13.45 – 14.00 | Inflation and the Determinants of Growth in Turkey |
| 14.00 – 14.15 | Relationship between Inward FDI, Domestic Investment, |
| | Formal and Informal Institutions: Evidence from China |

SESSION III - FINANCE & ACCOUNTING TRACK

Hall: Belica

Time: 1.6.2017., 16.00 - 18.15 h

Session Chair: Ph.D. Manuel Benazić

- | | |
|---------------|--|
| 16.00 - 16.15 | Evaluating Alternative Solutions of a New Financial System |
| 16.15 - 16.30 | Measurement and Mitigation of Country Risk: The Role of Quantitative and Qualitative Factors, Insurance Market Trends |
| 16.30 - 16.45 | Deleting Zeroes and Creating Value: Psychological Impact to Control Inflation |
| 16.45 - 17.00 | Weighted Monetary Aggregates for Croatia |
| 17.00 - 17.15 | Share Valuation on the Croatian Capital Market with the Application of CAMP and SML Models |
| 17.15 - 17.30 | Troubles of the Italian Banking System and the Smothered Hopes of Europe |
| 17.30 - 17.45 | Digital Financial Inclusion and the Crusade against Cash: Empowerment or Disempowerment for the Poor? |
| 17.45 - 18.00 | Meeting a Challenge of Non-Financial Reporting On Social Issues in Croatia |
| 18.00 - 18.15 | Windmills versus Weapons: How Alternative Financing Models Adopted for the Set up of Renewable Energy Powered Community Projects can foster Sustainable Economic Development of Post-Conflict Regions in Syria |

SESSION IV – TOURISM TRACK

Hall: Biancha Istriana

Time: 1.6.2017., 16.00 – 17.30 h

Session Chair: Ph. D. Kristina Afrić Rakitovac

- 16.00 – 16.15 Tourism and Hospitality Professionals' Cross-Cultural Communication Competence: Tourists' and Tourism Professionals' Perspectives
- 16.15 – 16.30 The Role of the Organizational Culture in the Tourist Destination Development
- 16.30 – 16.45 Understanding the Chinese Tourist: Content Analysis for Business Intelligence in Tourism
- 16.45 – 17.00 Sustainable Development Potential of Fortified Heritage in Croatia
- 17.00 – 17.15 Analyzing CSR Related Issues in the Hotel Industry - a Supply Chain Approach
- 17.15 – 17.30 Changes in Vat Rate and Liquidity Indicators in Hospitality and Catering Industry

SESSION V – MARKETING & MANAGEMENT TRACK

Hall: Belica

Time: 2.6.2017., 9.00 – 10.45 h

Session Chair: Ph. D. Violeta Šugar

- | | |
|---------------|--|
| 9.00 – 9.15 | The Challenges of Business Ethics - Management and the Question of Ethics |
| 9.15 – 9.30 | Measuring and Managing Employee Engagement - The Path to 2050 |
| 9.30 – 9.45 | Time Management among Employees in the Pollog Region |
| 9.45 – 10.00 | Croatian I ³ , Challenges and Opportunities; Can Innovation Management Education Boost Commercialization? |
| 10.00 – 10.15 | The Future of Leadership: Is Wisdom Next Challenge? |
| 10.15 – 10.30 | Municipal Mergers: Theoretical Considerations, Practical Evidence and Potential Implications |
| 10.30 – 10.45 | The Perceptions of E-Commerce |

SESSION VI – INNOVATION AND COMPETITIVENESS

Hall: Biancha Istriana

Time: 2.6.2017., 9.00 – 10.45 h

Session Chair: Ph. D. Tjaša Redek

- | | |
|---------------|--|
| 9.00 – 9.15 | An Empirical Analysis of Factors Affecting Competitiveness of CEE Countries |
| 9.15 – 9.30 | Influence of Strategic Networking on Business Performance; Evidence from Manufacturing SMEs Operating in Predominantly Service Based Economy |
| 9.30 – 9.45 | Multidimensional Approach to the Role of Internal Business Factors in Internationalization of Manufacturing SMEs |
| 9.45 – 10.00 | Monopolistic Exploitation and Rent-Seeking as an Inevitability of Capital Concentration |
| 10.00 – 10.15 | Intangible Capital Investment, Technological Restructuring and Corporate Presence in Global Value Chains: The Case of Slovenia |
| 10.15 – 10.30 | The Role of Technology Parks in the Entrepreneurial Process: The Case of Technology Park Varaždin |
| 10.30 – 10.45 | Technological Leadership and Employment Effects from a randomized Regional Sample of Innovative Startups In Italy |

BOOK OF ABSTRACTS

SESSION I: SOCIOECONOMIC CHALLENGES OF THE FUTURE WORLD

INTEGRATION AND DISINTEGRATION OF WORLD ECONOMY: ISSUES AND CHALLENGES

Sudhir Sharma

India, Meerut, Department of Economics, Ch. Charan Singh University,
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Abhishta

India, Patiala, Thapar University

Abstract. The prediction of behaviour of economic actors in world economy is very uncertain. The efforts are being made for "[E]nsuring that no one is left behind" on this earth. For attaining this broader goal economic actors shall have to face a blend of 'stochastic' and 'deterministic' environment wherein outcome will be contingent upon adversary proceedings at various levels. The existing institutional frameworks at international as well as at local level are deficient in both design and strength for integrating efforts of economic actors. The institutions like IMF and IBRD at international level and local bodies like Panchayat (Indian Village Council) at grass root level need reform for better governance. The solution lies in integrating knowledge for harmonious development all over the world.

"And, finally, where is compound interest taking us? Is it taking us to Communism; or to the affluent suburbs, nicely rounded out with social overhead capital; to destruction; to moon; or where?"

-- W.W. Rostow

Key words: Economic integration; Economic disintegration

THE CHALLENGES OF ENVIRONMENTAL ETHICS IN GLOBAL WORLD – PHILOSOPHICAL-ETHICAL VIEW

Anton Jamnik

Slovenia, Ljubljana, European Academy for Sciences and Arts in Salzburg, anton.jamnik@guest.arnes.si

Abstract. The paper emphasized that the principal task for an environmental pragmatism is also to reengage the meta-ethical and metaphysical debates of environmental ethics, but the most important is to impress upon environmental philosophers the need to take up the question of what would motivate humans to change their attitudes, behaviors, and policy preferences toward those more supportive of long-term environmental sustainability. While there are other ways to achieve this same end in ethical practice, to abandon such a project would be irresponsible to the different communities we inhabit as environmental ethicists, as well as being broadly inconsistent with the admirable reasons why this field got started in the first place.

Key words: Environmental ethics; Environmental economy

CHALLENGES FACING THE EDUCATIONAL SYSTEM AND SCHOOL PRINCIPALS IN CROATIA: PERCEPTIONS OF THE GENERAL PUBLIC

Dijana Vican

Croatia, Zadar, University of Zadar

Niksa Alfirevic

Croatia, Split, University of Split, Faculty of Economics,
nalf@efst.hr

Jurica Pavicic

Croatia, Split, University of Split, Faculty of Economics and Business

Abstract. This paper explores the theoretical determinants and the results of an empirical research, related to the opinion of the Croatian public on the quality of the national educational system. On the basis of a nationally representative survey, authors also discuss the determinants of the quality of education and the comparison with education in other European countries, as perceived by the general public in Croatia. Additional emphasis has been placed on the assessment of the role of principals in the Croatian educational system, which is discussed from the viewpoint of challenges, related to the professionalization of their role.

Key words: Educational system; School principals; Quality of education; Public opinion; Croatia

THE INTERPRETATION OF THE DUTY OF CARE BY LENDERS TO THE POOR IN DEVELOPED AND DEVELOPING COUNTRIES: ANTITHETICAL APPROACHES

Lesley Sherratt

United Kingdom, London, King's College London,
ls@riversdale.demon.co.uk

Abstract. In developed countries, lenders to the poor are subject to regulations, may face interest rate caps and are expected to exercise a duty of care to borrowers, for example by investigating their capacity to repay a loan. In developing countries, by contrast, despite the poor of these countries being considerably more vulnerable to lenders, the exercise of a duty of care by lenders to the poor is notable by its absence. Why is practice the opposite of what might be expected?

Key words: Duty of care; Microfinance; Absence of duty of care in developing countries

POST-WAR RECONSTRUCTION AND DEVELOPMENT OF CAMBODIA AND THE DESTRUCTIVE ROLE OF MICROCREDIT

Milford Bateman

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Abstract. In the aftermath of its violent conflict, the international development community introduced microcredit model into Cambodia as a way of facilitating sustainable reconstruction and development. Today, the country ranks as one of the world's most microcredit penetrated countries (Rozas, 2015) with as much as 45 per cent of its total financial resources intermediated through microcredit institutions (Sinha, 2013). However, as elsewhere (Bateman, 2010), the much-anticipated gains for the poor, and for the county's overall development ambitions, have yet to be realized and, in fact, this paper argues, a major calamity is approaching thanks to the microcredit sector's explosive growth in recent years. While some new microenterprises have emerged to create employment and incomes as per the general model, a number of very serious and inter-related drawbacks have begun to swamp these minor benefits. As in many other countries in the global south (Bateman, 2010), an evaluation of the microcredit model in Cambodia indicates that it has served as an 'anti-developmental' intervention in Cambodia in at least four main respects. First, it has supported only microenterprises, self-employment ventures and consumer lending, thus denying ('crowding out') funds that could have provided support for real productivity-raising enterprise development projects. Second, massive over-indebtedness of Cambodia's poor is now the norm (Simanowitz and Knotts, 2015), with the result that household assets and family savings are now routinely forfeited in the regular event of default, as well as providing impetus to forced migration to neighboring Thailand (Bylander, 2013). Third, international banks, hedge funds, and investment groups now own and invest in Cambodia's microcredit sector, which has resulted in a major outflow of scarce capital from the poorest parts of Cambodia (as profits, dividends, etc.) into the hands of a narrow global financial elite resident outside of Cambodia. Fourth, land-grabbing has been materially aided by the microcredit movement, plunging a growing number of Cambodia's into irretrievable poverty. Combined these four 'anti-developmental' trends have greatly undermined Cambodia's potential to reduce poverty, inequality and deprivation.

Key words: Enterprise development; Reconstruction; Microcredit

SELF-EVALUATION OF THE NECESSARY SOCIO-ECONOMIC AND DIGITAL COMPETENCE OF SCHOOL STUDENTS OF INVESTMENT IN EDUCATION IN THE PROCESS OF EVER RISING IMMIGRATION

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Abstract. Globalization is frequently viewed in economic and environmental terms. Goods and services move easily across regions and national boundaries. The United States, the European Union, and countless other nation-states and political bodies are struggling to define attitudes and policies towards immigrants and immigration for the 21st Century. The debate over language is often a heated one. Most nations encourage newcomers to learn the national language. Language can be seen as a mechanism for integration and acculturation. For full participation in the national and political life of a country, immigrants benefit from knowledge of the language. Just an Investment in Education in the process of learning the language immigration country Germany considers very important socio-economic factor in the process of socialization of migrants. Where language differences are accepted, there are costs such as bi-lingual education, multi-lingual signs and instructions, and a constant need for qualified interpreters. Language is fluid and constantly changes, especially in terms of the development's informational and communication technologies where it's necessary adoption of digital competence. Digital society implies a transformation of the traditional way of life and the economic, industrial, educational, and labor changes as well as changes of personal and individual way of existence, but also the question of the "new" partnership in education. The study was conducted on N = 185 students of higher education institutions in German among various constituents (faculties and departments) in Mannheim, Mainz, and Heidelberg. The research was conducted during winter semester 2016/2017 academic year, from November 9 to January 14. The survey instrument used was the first part of the questionnaire to record students' opinions on different variables related to various multimedia foreign language learning tool. Research results show that students feel that it's necessary to invest in the Education of migrants in order to prevent the demolition of (inter)

national identity, as well as to facilitate the realization of the process of socialization and more employment.

Keywords: Globalization; Ever Rising Immigration; Socio-economic and digital competence; Technology in education; Employment

THE POVERTY REDUCING EFFECT OF HEALTH - THE CASE OF REPUBLIC OF MACEDONIA

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Abstract. Beyond its intrinsic value for individuals, improving and protecting health is also central to overall human development and to the reduction of poverty. Enjoying the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief and economic or social condition. Good health contributes to development through a number of pathways, having a macro-economic impact, intergenerational spill-over effects that are clearly shown in micro-economic activities, not least in the household itself. Based on this, the aim of this study is to examine the impact of the health costs in reducing the poverty in the Republic of Macedonia, this specifically by excluding the health cost from the poor family budgets, and to therefore reduce the inequality in the country. The at-risk-of-poverty rate in the Republic of Macedonia in 2015 is 21.5% and the Gini coefficient 33.7%. The study examines health cost based on available official data from the State Statistical Office (Household Consumption in the Republic of Macedonia and Laeken poverty indicators) from the period of 2005-2015. Findings show that if we exclude the costs for health from the cost structure, the poverty line would be reduced by 3% on average and the number of poor reduced for 15 000 persons in average. Therefore the health system in the country should be based on the pro-poor approach, be more fair and responsive to the needs of people.

Key words: Health; Poverty; Economic development; Inequality;
Income distribution

MINIMUM WAGE IN CROATIA: SECTORAL AND REGIONAL PERSPECTIVES

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Abstract. In this paper, we identify sectors and regions in Croatia that are particularly exposed to minimum wage changes. By using four criteria, we identify 13 low-wage sectors. The analysis also reveals five regions (counties) in which the minimum wage is of great importance for the local economy. Low-wage sectors in Croatia are manufacture of textiles, manufacture of clothing, manufacture of leather and related products, manufacture of wood and of products of wood, manufacture of rubber and plastic products, manufacture of furniture, construction of buildings, specialized construction activities, retail trade, except of motor vehicles, food and beverage services, security and investigation activities, services to buildings (cleaning etc.) and other personal services. We analyze the employment and wage changes for these sectors in the period 2009–2015. It turns out that tradable low-wage sectors are potentially most exposed to minimum wage changes due to high concentration of employees with wages just above the minimum wage. During the recent recession, these sectors had a smaller employment decline and higher wage growth compared to the manufacturing industry and non-tradable low-wage sectors.

Key words: Minimum Wage; Low-wage Sectors; Croatia

SESSION II: ECONOMICS TRACK

SPECTRAL ANALYSIS OF MACROECONOMIC SERIES FOR CROATIA

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Abstract. Macroeconomic data/indicators are the basis for any serious assessment of the economic situation in a country. After gaining independence, Croatia developed in a highly open economy that liberalized fast, thus becoming a small-open-import dependent and indebted country with strong trade imbalances. In addition, large seasonal influences and numerous external and internal shocks, led to a problem of data consistency and reliability. Nowadays we find many advanced tools for data analysis, and one of them is the spectral analysis. The goal of the spectral analysis is to create a decomposition of the original series to the large number of small independent components such as slow fluctuating trend, oscillator components, and structural noise. The advantage of spectral analysis is that it allows the identification and characterization of the dominant trends and cycles as well as seasonal and oscillatory components. In this paper, we will use spectral analysis to study the most important macroeconomic variables for Croatia. Hence, the main objective of this paper is to use elements of spectral analysis to get more accurate and reliable macroeconomic series that could be useful in evaluation and/or forecasting of future economic developments.

Key words: Advanced time series analysis; Spectral analysis; Cycles; Croatia

THE IMPORT CONTENT OF CROATIAN INDUSTRY AND FINAL DEMAND

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Abstract. In macroeconomic theory, level and trends in final demand have a crucial role in explaining variations in the overall economic activity. Basic economic postulates state that the GDP of an economy is the sum of components of the final demand: personal and government consumption, investments and net exports. However, growth of individual component does not imply that GDP will increase by the same amount as individual components, because a part of final demand uses imported goods. This paper seeks to estimate the overall, direct and indirect imports content in Croatian production sectors and the components of final demand. Direct imports relate to goods and services delivered by foreign producers to the domestic production unit or the final user. Indirect imports, on the other hand, relates to the acquisition of goods and services produced by domestic units but the imported intermediate inputs are incorporated in the production of domestic suppliers and other domestic units included in the overall value added chain. In order to estimate the direct and indirect import content, an input-output methodology is applied. Instead of the officially published data for 2010, the input-output table for 2013 is calculated using the RAS method. The updated table is a better reflection of the relations between resident producers and international trade patterns after EU accession. The highest level of import dependence is recorded in sectors where production is based on non-competitive imports i.e. goods with limited domestic supply. Import dependence is also high for technically more complex products. The low level of import contents is specific for various types of public and personal services. Investments and exports are components of final demand with the highest import content. Results of the research can be useful for researchers engaged in modelling macroeconomic trends, but also for policy purposes in demand management. Croatia is an inward oriented economy, lacking international competitiveness. Main policy recommendation strongly supports the notion of speeding up the globalization process in Croatia.

Key words: Final demand; Import content; Import multiplier;
Input-output model

INSTITUTIONS AND ECONOMIC PERFORMANCE: SYSTEM GMM MODELING OF INSTITUTIONAL EFFECTS - THE CASE OF WESTERN BALKAN COUNTRIES

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Abstract. The aim of this paper is to identify the impact of institutions in achieving better economic perspective. Institutions defined as rules of a game within the society, are considered as one of the driving forces toward achieving higher economic perspective. In that respect, the main subject matter is whether higher developed institutions will lead to better economic perspective in the Western Balkan Countries. Quantifying institutional change, quality or effectiveness is found to be very complex. However, by carefully selecting proxies to measure institutional effectiveness, the methodology employed in this paper consists of performing system GMM modeling of institutional effects for a selected Western Balkan Countries. Although, measuring institutional effects is quite complex, the conclusion drawn from the findings is that de facto institutions do matter in achieving better economic performance.

Key words: Institutions; Institutional effectiveness; Economic perspective; Western Balkan Countries

ARE ZOMBIES PRODUCTIVE OR NOT?

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Abstract. Increasing productivity at the firm level is important contributor to the overall economic activity. At the same time bank lending is a significant source of financing for firms, especially in continental European countries where non-bank financial intermediation is less developed. However, due to their self-interest, bankers sometimes opt for saving financially weak firms, by extending existing loans or issuing new. We call weak firms that are saved by banks, zombie firms. However, in the literature there is no consensus about the relationship between bank loans and productivity, because there is only a limited amount of research that focus on the relationship between debt and productivity and especially on understanding how bank loans can affect productivity. By using bank - firm relationship dataset we are able to trace firms and their bank loan arrangements, which enable us to investigate the relationship between zombie firms' loan arrangements and their productivity. In other words, in this research we are interested in how total factor productivity (TFP) behaves in firms that are financially very weak, but still receive additional loans from the bank. Our empirical strategy is based on three steps. In the first step we estimate firms' TFP. Next, we single out zombie firms by using several criteria. Finally, we analyze the impact of being a zombie on firm's productivity. Results pointing to the negative link between increasing financing to zombie firms and their productivity would imply that additional vigilance is warranted for the policy makers.

Keywords: Zombie lending; Total factor productivity; Misallocation;
Micro level data

IMPACT OF PUBLIC EXPENDITURE IN LABOR MARKET POLICIES AND OTHER SELECTED FACTORS ON YOUTH UNEMPLOYMENT

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Abstract. High unemployment rates 'hurt' individuals and the economy as a whole, putting them in the position of irrationally wasted resources. This is even more worrisome for countries such as Croatia, Greece or Spain, which have limited financial and demographic possibilities to address future issues and prevent the further deterioration and/or reverse the trends in order to empower population to become a valuable and indispensable asset to the local, national and regional economy. Differences between youth and adult unemployment rates indicate especially inefficient institutional frameworks regarding the youth unemployment issue, which additionally deepens the future perspectives of economic growth and well-being. In this paper, we investigate the impact of selected macroeconomic, demographic, institutional and other determinants on youth unemployment rates in Europe. We use panel data on 28 EU countries plus Norway, Switzerland and Turkey from 2005 to 2014. Special interest has been given to the effects of public expenditure in labor market policies on youth unemployment rates.

We developed a baseline model consisting of youth unemployment rates as a dependent variable and two fixed independent variables (public expenditure in labor market policies and the macroeconomic situation). In addition to our baseline model, we developed 16 derived models in which we employ other explanatory variables. We monitor effects of those variables on youth unemployment dynamics by conducting econometric analysis of panel data, specifically different fixed effects models. In all 17 estimation models, public expenditure in labor market policies has statistically significant impact on youth unemployment rates, but with negative coefficients, indicating rising youth unemployment rates when investing more in employment policies. The main macroeconomic variables (lagged GDP growth and inflation rates) are used in all models. They proved as statistically significant, with negative coefficients, indicating favorable impacts on reducing youth unemploy-

ment rates. Most other control variables chosen in our models also indicate statistically significant impact on youth unemployment rates.

Keywords: Labor market; Public expenditure; Youth unemployment; Europe

MAKING WORK PAY IN SLOVENIA

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Abstract. The paper reviews making-work pay policies in the EU and the OECD countries and provides an analysis of incentives for making transition from non-employment to work as expressed by various financial indicators in Slovenia and compares them to OECD and EU countries. The paper shows that a rising number of OECD countries - more than half of them - have introduced making-work-pay policies so as to enhance work incentives of benefit recipients and low-paid workers. Making-work-pay policies effectively incentivize workers for finding a job or staying in employment, while acting as an important redistributive and poverty reduction tool. The paper shows that in Slovenia, families and individuals who are not working have poor incentives to find a job - because for many, "it does not pay to work." Unemployment benefits and cash transfers, coupled with high tax wedge, create high work disincentives in Slovenia. Financial incentives to move from unemployment to employment in Slovenia are namely among the weakest in the OECD and the EU, regardless the family type or wage level. Transition from unemployment to employment is financially particularly unattractive when the new job pays a lower wage than earned before unemployment. Slovenia records also high inactivity traps, particularly for low-earning lone parents and one-earner married couples with children, placing it in the upper half among OECD and EU countries ranked by the level of disincentives. Poverty traps in Slovenia are close to the OECD/EU average, but for two-earners married couples with children, Slovenia is at the very top. Based on results, we conclude that Slovenia should consider introducing into-work benefits, in-work benefits, or both. Presently such policies are virtually non-existent. In the light of international experience with such policies and given the strong work disincentive created by unemployment, inactivity, and low-pay traps, in Slovenia such policies have a great potential to stimulate transitions from non-employment to employment.

Key words: Making work pay; In-work benefits; Into work benefits;
Unemployment trap; Inactivity trap; Low wage trap; Slovenia

IMPACT OF THE FDI ON UNEMPLOYMENT RATE IN COUNTRIES OF WEST BALKAN

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Abstract. Modern economy is facing many challenges, in global terms. One of them is the high unemployment rate in many countries. That is a crucial problem, which jeopardizes economic, social and political stability. Many factors have an impact to it, and some of them are globalization, fast development of high technology, global economic crisis and expressed instability of financial markets. In addition, the relation of offer and demand is highly expressed in favor of the offer, the excess of capital at the global level is evident and seeks opportunities of investment as profitable as possible. The situation where the interests of big capital opposed to the costs is becoming more pronounced, which is reflected in the increasing growth of FDI in countries with lower operating costs. On the other hand, underdeveloped and developing countries spread the range of measures for attracting foreign direct investment (FDI), since it is one of the ways for increasing employment rate. This matter has already been the subject of numerous studies, particularly during the period of transition of countries in CEE. However, in modern frameworks, it is actualized again, with different circumstances and motives. In this article global unemployment rates, flows of FDI, their correlation in the Western Balkan countries and comparative analysis with chosen countries are presented. The period observed is 2000-2014. The paper is devoted to the influence of foreign direct investment on labor market. The interdependencies between FDI and unemployment were econometrical. The analysis showed that since 2009, there is a significant reduction of net investments, which is more obvious in the case of FDI due to a lower domestic and external demand as a result of the global economic crisis what led to a decreasing number of employees and rising unemployment. Results, also, show the absence of a positive impact of FDI on employment, which was present in most CEE countries during the transition period, as shown in numerous empirical studies.

Key words: Foreign direct investment; Unemployment rate; Global economic crisis; The Western Balkans countries; Economic security

INFLATION AND THE DETERMINANTS OF GROWTH IN TURKEY

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Abstract. Whether there is a relationship between price stability and sustainable growth has always been a matter of debate. Thus, a potential relation between the provision of price stability and sustainable growth will direct monetary and financial policies in reaching the economic targets. In this paper, we will discuss the determinants of growth and the inflation-economic growth relationship for the 1998:1-2011:4 quarterly periods in Turkey. The data for these periods have been tested by the Co-integration and Granger causality tests. The findings show that there is a causal relationship from inflation toward economic growth and inflation has a negative effect on growth in the long term. Furthermore, error correction model has been applied based on the presence of cointegration. The analyses have showed the basic determinants-(political stability (PS), gross capital formation (GCF), net export (XN) and Consumer Price Index (CPI) - are in a significant relationship with growth.

Key words: Inflation; Economic Growth; Co-integration; Granger

RELATIONSHIP BETWEEN INWARD FDI, DOMESTIC INVESTMENT, FORMAL AND INFORMAL INSTITUTIONS: EVIDENCE FROM CHINA

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Abstract. This study examines relationship between Inward FDI and domestic investment in China, using co-integration and Granger causality analysis (Including bivariate and multivariate Granger causality models). We have used auto-regressive distributed lags(ARDL) econometric methodology technique to define relationship between inward FDI and domestic investment using time series data for China. Our study examine long run effects of FDI inflows on domestic investment over time span 1990-2014 for China using informal, formal institutions and key macroeconomic variables as control variables in the model. The results suggest that conclusions drawn from bivariate model may not be valid because of omission of important control variables. Our results of multivariate model show that there is positive unidirectional causality running from IFDI to DI in the long run. In the short run, both inward FDI and domestic investment do not allow Granger causality.

Keywords: Inward FDI; Domestic Investment; Cointegration; Time Series Data

SESSION III: FINANCE & ACCOUNTING TRACK

EVALUATING ALTERNATIVE SOLUTIONS OF A NEW FINANCIAL SYSTEM

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Abstract. The global financial crisis that shook the world in 2008 gave way to a frustrating “new normal” of low growth, rising inequality, political dysfunction and social tensions, all despite massive policy interventions from the central banks. Unless something changes, our financial system may be on the path to another collapse, perhaps even more severe than the last. Identifying the core problem is easy, but the solution is painful. Governments and central banks do not have the will to take necessary steps to fix the core problem, which is increasing mountain of debt in the world. The cure is to reduce the level of debt. The next financial crisis could put too much stress on our current system and as such governments, economists and central banks will need to develop a new financial system and address the issues of the current one such as debt, derivatives, big banks, money creation and lack of ethics. This article is about evaluating alternative solutions of a new financial system. This article tries to highlight present status of our current financial system and gives a review of possible alternatives such as bringing back gold standard, implementing the Chicago plan, IMF’s special drawing rights (SDRs) as world’s reserve currency, Islamic finance, digital crypto currency and Clean State.

Key words: Financial crisis; Alternative financial system; Monetary policy

MEASUREMENT AND MITIGATION OF COUNTRY RISK: THE ROLE OF QUANTITATIVE AND QUALITATIVE FACTORS, INSURANCE MARKET TRENDS

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Abstract. The economic outlook for the future is greatly influenced by long-term corporate investments, where risk indicators are essential inputs for current business decisions. Due to country risk, companies should demand higher returns in some countries, for the same investments, than in others. Sovereign risk and country risk ratings also provide information about the country risk, but the methods are different. The paper has three objectives. The first is to analyze the most common alternatives to measure country risk. The second is to examine the relationship between country risk and sovereign risk, thereafter compare the stability of the two measures. The analysis is based on the IHS Global Insight (GI) score and five-year sovereign credit default swap (CDS) spreads. Beside measurement it has a key importance how country risk exposure could be mitigated, in which insurance might play crucial role. Finally in our analysis we present the current trends in country and political insurance market.

Key words: Country risk; Country risk score; Credit default swap;
Sovereign risk; Political risk insurance

DELETING ZEROES AND CREATING VALUE: PSYCHOLOGICAL IMPACT TO CONTROL INFLATION

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Abstract. The study aims to investigate the impact of redenomination on inflation. The data were collected from five countries: Bulgaria, Argentina, Romania, Turkey and Brazil to investigate the impact of deleting zeroes. Chow Structural Break test, Augmented Dicky-Fuller test and Vector Auto-regressive model were used to analyze the impact of redenomination. The results revealed that there was statistically significant impact of redenomination on consumer price index (CPI). Interest rate also had significant impact on inflation. Gross domestic product and money supply were statistically insignificant. It was concluded that redenomination helps in declining inflation and leads to stabilization of price level.

Key words: Consumer Price Index; Inflation; Money Supply; Redenomination; Vector Autoregressive Model

WEIGHTED MONETARY AGGREGATES FOR CROATIA

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Abstract. Croatian national bank calculates only simple sum monetary aggregates (M_1 , M_{1a} , M_4). Such method of aggregation implicitly assumes that components of a monetary aggregate are perfect substitutes. Although all monetary assets could relatively easily, and at low cost, be converted into currency, there are significant differences in the opportunity cost of their holding. Empirical research suggests that economic agents often hold in their portfolios different monetary assets, with different opportunity costs, not only assets with the lowest opportunity costs. This suggests that economic agents do not see monetary assets as perfect substitutes. Therefore, a valid method of aggregation of monetary assets must preserve information of the elasticity of substitution. Weighted monetary aggregates have strong foundations in aggregation theory and they are consistent with assumptions of microeconomic optimization. The best known weighted monetary aggregates based on index numbers are Divisia index and Currency equivalent (CE) index. In the first part of this paper we derive Divisia index and CE index from the maximization of consumer's utility function, in the second part we calculate Divisia and CE index for Croatia. Finally we investigate if Croatian weighted monetary aggregates contain additional information of price and real economic activity movements, and make them, for this reason, better monetary aggregates than simple sum aggregates, for use in economic analysis and monetary policy making.

Key words: Divisia monetary aggregates; Currency equivalent monetary aggregates; Simple sum aggregation

SHARE VALUATION ON THE CROATIAN CAPITAL MARKET WITH THE APPLICATION OF CAPM AND SML MODELS

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Abstract. Setting of the Modern Portfolio Theory in 1952, and later the CAPM model in 1964, initiated a significant scientific research impulse for establishing a model that could be used to forecast the future value of the shares on the financial market. A number of models that followed herein were perhaps theoretically more precise, or closer to reality in their assumptions, but also more complicated to calculate. The problem that appeared at the same time, and still has not been resolved, are certain anomalies which appeared on the capital market, and that the respective models could not explain. At that point, behavioral finance appear which seek to explain such anomalies in terms of psychological relationships between the participants on the capital market. This research will try to indirectly test the behavioral elements on the Croatian capital market, following a series of data from 2002 until 2016, with the corresponding sub-periods. It will be done by determining the deviation of the theoretical values that shares should yield, according to the CAPM and SML models, from the real yields that they actually achieved. The hypothesis is that the environment on capital market will have a significant impact on the applicability of the models for the evaluation of shares. The scientific contribution will be achieved in terms of establishing additional preconditions for the applicability of these models on developing capital markets. This study demonstrated that the SML model was statistically significant only in 2007, while all other years it could not be used to identify wrongly valued shares. Such results confirmed the existence of behavioral elements on the Croatian capital market and its weak relationship with the real economy.

Key words: Behavioral finance; CAPM; Emerging markets; SML

TROUBLES OF THE ITALIAN BANKING SYSTEM AND THE SMOTHERED HOPES OF EUROPE

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Abstract. The crisis of many Italian banks, be them large commercial banks or small local cooperative banks, is adversely affecting the European banking system. Confidence in these banks has decreased substantially both in Italy and abroad. Italian financial intermediaries have specific shortcomings and specific problems to solve. Improvements in the Italian banking sector include better management of costs and risks, less influence by political parties on banks, and improved selection mechanisms of managers. Bank balance sheets should be improved in order to facilitate lending and thereby strengthen the real economy. This will take time since it is not easy to repair bank balance sheets and update the governance of banks. On the other hand, the ability to secure a healthier banking sector is very much dependent on the recovery of the real economy. Without such improvements, however, Italy may pose a serious threat to the idea of a competitive European Union as advocated for instance by former President of the European Commission Romano Prodi (1999). Rehabilitation of banks should essentially be matched by a proper cultural twist in the mindset of Italian citizens.

Key words: Bad loans; Distressed Italian banks; Eurozone;
Italian banking system; Crisis in Europe

DIGITAL FINANCIAL INCLUSION AND THE CRUSADE AGAINST CASH: EMPOWERMENT OR DISEMPOWERMENT FOR THE POOR?

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Abstract. Financial inclusion is a hot topic in development, and is rapidly replacing microfinance on donor agendas. In many proponents' presentation of the issue, financial inclusion increasingly depends on "going digital" and disavowing the usage of cash. This paper analyses the turn toward financial inclusion in general, and digital financial inclusion in particular, and what the ongoing digital turn spells for the future of the global microfinance industry and its roughly 200 million clients. It begins with a discussion of why digital financial inclusion is displacing more traditional microfinance on global development agendas, and which new practices and players are shaping the space. It shows how financial inclusion brings a modified theory of change, wherein financial intermediation rather than income generation (as in microfinance) is crucial. Three drivers behind the digitalisation of poor people's money are identified and examined: it allows actors in the financial system to capitalise on everyday transaction costs, to sell and analyse vast data, and to exert greater governmental power. Each poses different challenges and questions about the capacity of digital money to empower or disempower.

Key words: Financial inclusion; Microfinance; Development;
Mobile money; Cash; Fintech; Empowerment

MEETING A CHALLENGE OF NON-FINANCIAL REPORTING ON SOCIAL ISSUES IN CROATIA

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Abstract. The provisions of Directive 2014/95/EU on disclosing non-financial and diversity information have been enacted in Croatian law through the Croatian Accounting Act effective as of January 01, 2017. With this enactment, companies registering 500 and more employees are now required to disclose non-financial information, or explain why they have chosen not to disclose this information. Being a country with report-or-explain system of disclosing non-financial information, the purpose of the research is to assess the quality of social information disclosed in non-financial reports of Croatian companies registering 400 and more employees. The motive for this approach is grounded in the fact that social information are a significant part of non-financial information that these companies will be obliged to comprise and publicly disclose. The research was conducted on the sample of all Croatian companies registering 400 and more employees disclosing non-financial information. The assessment of the quality of environmental information was grounded in the frameworks defined by globally accepted standard for non-financial reporting e.g. UN Global Impact, Global Reporting Initiative (GRI), etc. This was a qualitative research, employing content analysis method. The research results show that Croatian companies do disclose certain social information, but not in a way to be accepted as a qualitative basis for managing this significant segment. For this purpose a minimum of social information needed for benchmarking it will be indicated, i.e. as an assessment of company's competitiveness in relation to similar ones in its surroundings. These results point to the need of developing measurement systems of social information and standardized ways of disclosing these information, as well as finding ways to document and transform social data into information disclosed in non-financial information. Contribution of this research to the theory and practice is in the selection and classification of those social information that ought to be included in the accounting information system and disclosed in accordance with the requirements of the Directive 2014/95/EU.

Key words: Non-financial reporting; Social information;
Directive 2014/95/EU; Croatian Accounting Act

WINDMILLS VERSUS WEAPONS: HOW ALTERNATIVE FINANCING MODELS ADOPTED FOR THE SET UP OF RENEWABLE ENERGY POWERED COMMUNITY PROJECTS CAN FOSTER SUSTAINABLE ECONOMIC DEVELOPMENT OF POST-CONFLICT REGIONS IN SYRIA

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Abstract. The economic and political institutions have always played an important role in fostering economic growth in the energy sector in post-conflict regions. However, institutions have not yet explored the potential of integrating Alternative Financing in their infrastructural re-development programmes. Previous research literature provides individual analyses of the potential of community owned and crowd financed renewable energy projects and the role of institutions for economic growth and sustainable development, but it lacks a combination of both methods (bottom-up and top-down). In this paper, I will analyze and discuss conventional institutional economic development mechanisms, their weaknesses and how these can be addressed by methods of Alternative Financing. If adopted by the economic and political institutions, I expect the proposed pathway to dramatically increase the chances for fast track, but long lasting and sustainable economic growth post-conflict regions.

Key words: Alternative Financing; Crowdfunding; Renewable Energy; Energy Cooperatives; Post-Conflict Syria; Sustainable Economic Growth; Economic Institutional Reforms

SESSION IV: TOURISM TRACK

TOURISM AND HOSPITALITY PROFESSIONALS' CROSS-CULTURAL COMMUNICATION COMPETENCE: TOURISTS' AND TOURISM PROFESSIONALS' PERSPECTIVES

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Abstract. The tourism and hospitality industry is one of the largest and fastest developing industries of global economy. In parallel with the industry's growth worldwide, customer expectations are rising, while competition is intensifying, setting up additional challenges for tourism and hospitality organizations to distinguish themselves in service quality and overall performance. Taking the view that employees are one of the most important assets for tourism organizations, the current study is aimed at exploring the industry's professionals' cross-cultural communication competence as a potential source of competitive advantage. Based on a sample of 157 respondents employed in the tourism and hospitality sector, and 328 British and Irish tourists visiting the City of Pula and neighboring municipalities in the County of Istria, Croatia, during the 2016 tourist pre-season, our study examines the tourism professionals' cross-cultural communication competence as perceived by the professionals themselves, as well as by the tourists who participated in the survey. In particular, this study investigates the two dimensions of cross-cultural communication competence as identified by the authoresses: cross-cultural communicative effectiveness, and intercultural sensitivity. The 12-items research instrument to examine the two dimensions was developed and adapted from the Cross-Cultural Communication Competence Model by Matveev et al. (2001). The results showed slight differences between the professionals' and the tourists' perceptions of the two dimensions, demonstrating how tourists' expectations somewhat exceed professionals' self-perceived capabilities. Statistically significant differences in the perceptions of the two studied groups were, however, found for one item in each dimension of cross-cultural communication. Our findings have important practical

implications for the tourism sector: they may help professionals improve their working efficiency and advance their career prospects, and provide the employers with a better understanding of customers' expectations when integrating cultural elements with communicative skills in ensuring proper further education for their employees, as well as provide a valuable tool in managing human resources and recruiting qualified personnel. The authoresses suggest it is crucial for the industry to take into account the potential impact of personnel's cross-cultural communication competence on both the service providers' success, and on the service recipients' satisfaction. Finally, they suggest ways of implementing strategies to successfully improve interactions in intercultural tourism settings.

Key words: Tourism and hospitality sector; Cross-cultural communication competence; Communicative effectiveness; Intercultural sensitivity; International tourism settings

THE ROLE OF ORGANIZATIONAL CULTURE IN TOURIST DESTINATION DEVELOPMENT

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Abstract. The organizational culture is an important element of the human resource analysis. It has a crucial role in the success and competitiveness of a tourist destination that includes a large number of stakeholders from the public and private sector. The research is based on the role of the organizational culture in the tourist destination development. The main purpose is to determine whether there is a connection between the organizational cultures of the main stakeholders and how they affect the success of the tourist destination management. Tourist destination management based on a cluster model introduces multiple advantages for the stakeholders, thereby implying some organizational changes as well. The research results indicate that common targets, basic values and symbols of the stakeholders lead to the development of a recognizable, successful and competitive tourist destination. The cooperation of stakeholders in the tourist destination requires a continuous, multi-year work and effort to maintain tourist destination brand. The human resources have the key role particularly in implementing the destination projects, promoting basic destination values, strengthening brand identity and increasing guest satisfaction with the tourist destination offer. Higher level of employee motivation to achieve common targets at the level of the tourist destination influences a more open and flexible approach of employees to the organizational changes. The qualitative research will be conducted on the example of the Northwestern Istria tourist cluster (Croatia) using the method of interviewing the formal stakeholders' representatives and the survey by a questionnaire applied for other main offer holders within the Cluster. This research will provide a new insight into the role of organizational culture in shaping tourist destination development.

Key words: Tourism and hospitality sector; Cross-cultural communication competence; Communicative effectiveness; Intercultural sensitivity; International tourism settings

UNDERSTANDING THE CHINESE TOURIST: CONTENT ANALYSIS FOR BUSINESS INTELLIGENCE IN TOURISM

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Abstract. The number of Chinese tourists is increasing fast; yearly growth rates reach even twenty percent. Europe is one of their favorite destinations, primarily the popular urban destinations, such as Paris, London and other. Due to the increasing number and purchasing power of Chinese guests, the tourist destinations are highly interested in their motivations for visits and their preferences in order to provide a competitive service and satisfy the needs of the customers. The goal of this paper is to examine the specific preferences of Chinese guests travelling to Europe by different categories of guests (business, leisure, etc.) and provide managerial implications for different types of tourist destination. Methodologically, the analysis relies on mining consumer preferences from on-line user generated content, where users describe their experience and evaluate different aspects of tourist destinations and services, text mining methods being the predominant method. Generally, the results show that the Chinese guests share many similarities with other nationalities, since the focus of their "criticism" lies on the basic service (hotel, room, staff, and food). But results also indicate that they have a specific expectation about a location (due to the established location image) and several other specifics. The results provide important managerial implications for destinations that might focus on this market as they provide BI input that could help tailor the services to the needs of this specific group. Theoretically, the paper extends cultural management to tourism relying on user-generated content.

Keywords: Chinese tourist; BI; Managerial implications; Text mining; Tourism

SUSTAINABLE DEVELOPMENT POTENTIAL OF FORTIFIED HERITAGE IN CROATIA

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Abstract. This paper focuses on the socio-economic impacts of cultural heritage in sustainable tourism and community development, with emphasis on fortified and former military heritage as a specific category of a common heritage, which is still waiting for an integrated approach for its proper protection and valorization, especially in the Central Europe and SEE region. As a living witness of the dramatic history of conflicts between European nations, fortified heritage is today often neglected and abandoned, waiting for an opportunity for a new life and function. Bearing in mind global megatrends and strategic guidelines of international organizations in culture and tourism, the authors will indicate possible models of the valorization of the former military architecture for different civil initiatives, cultural and scientific purposes, as well as the promotion of the core humanistic values such as peace, democracy, human rights and intercultural dialogue. The aim of the paper is to analyze the current practices of fortified heritage valorization through the sustainable development four domain approach. The paper presents the theoretical approach and methodology, the analysis of current best practices in valorization of fortified heritage in Croatia and in the city of Pula, based on the interviews with the key stakeholders, including the community survey.

Key words: Cultural heritage; Sustainable development; Fortified heritage; Community development; Croatia; Pula

ANALYSING CSR RELATED ISSUES IN THE HOTEL INDUSTRY – A SUPPLY CHAIN APPROACH

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Abstract. In article, it is given a deeper understanding of CSR in the supply chain of the hotel industry. The analysis will start by discussing a recent focus of the CSR debate on the supply chain of multinational corporations and evaluate the hotel industry in the light of these increasing social and environmental demands beyond the legal boundaries of corporations into the network of their suppliers.

The focus is first on how globalization triggered a debate in which NGOs and consumers confront corporations with new responsibilities. Second, I will discuss the consequences for two types of hotel businesses – small private owned hotels and international hotel chains. Third, I will evaluate changing social and environmental responsibilities from a risk perspective, differentiating high and low risk CSR issues for the hotel industry. Finally, I will discuss on whether or not those issues are well managed in the hotel industry and where the industry has to deepen its CSR engagement.

Keywords: Corporate Social Responsibility; Supply Chain; Hotel Industry; Risk Perspective; Deepening Engagement

CHANGES IN VAT RATE AND LIQUIDITY INDICATORS IN HOSPITALITY AND CATERING INDUSTRY

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Abstract. This paper deals with the increase of the value added tax (VAT) rate in the hospitality and catering industry from 13% to 25%, in part related to food and beverage preparation and service in hospitality and catering facilities, as implemented since January 1st, 2017 as a part of a tax reform. The accurate analysis of the effects of increased VAT rates is time-consuming, which is why in this paper the liquidity of hospitality and catering entities within the National Classification of Economic Activities 56 - Food and beverages service activities has been analyzed, as one of the most important measures of business stability, but in a reversed situation, based on past tax changes. The analysis covers the period when the VAT rate was reduced from 25% (as it was in 2012) to 10% (in 2013), or to 13% (in 2014). Using a representative sample of hospitality and catering enterprises from eight most developed tourism-oriented counties (public disclosure obligators which in 2015 generated over HRK 5.2 million of total revenues, thus excluding micro-enterprises), a significant increase in liquidity was confirmed for that period. Average current ratio grew by 55% in 2013, i.e. by 66% in 2014, the average quick ratio by 70% in 2013, i.e. by 76% in 2014, while the cash ratio rose by as much as 104% in 2013, i.e. by 117% in 2014. All the differences in average indicators for current, quick and cash ratios between 2012 and 2013, and between 2012 and 2014 were statistically significant, which was not the case with differences in average values between 2013 and 2014. Although in the period 2012 - 2014 many other reasons, apart from the VAT rate reduction, could have affected the results, they point towards a significantly higher liquidity of hospitality and catering entities in terms of lower VAT rates, as well as to research it more in detail in future studies.

Key words: Hospitality and catering services; Liquidity; Reduced rate; Value-added tax

SESSION V: MARKETING & MANAGEMENT TRACK

THE CHALLENGES OF BUSINESS ETHICS – MANAGEMENT AND THE QUESTION OF ETHICS

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Abstract. Past several decades management has become a vital concern to society. If we look at pools, we notice that the public does not have good opinion about management ethics and business. For the management community to turn this situation around, significant efforts are required. It should be understood what management ethics means, why it is important and how it should be integrated into decision making. Principles of ethics from moral philosophy and management theory are available to inform interested managers.

Next challenge is to avoid immoral management, transitioning from an amoral to a moral management mode of leadership, behavior, decision making policies and practices. Moral management stands on ethical leadership. It requires that managers search out those vulnerable situations in which amorality may reign if careful, thoughtful reflection is not given by management. Further requires that managers understand, and be sensitive to, all the stakeholders of the organization and their stakes. If the moral management model is to be achieved, managers need to integrate ethical wisdom with their managerial wisdom and to take steps to create and sustain an ethical climate in their organizations. When all that will be done, the desirable goals of moral management will be achievable.

Key words: Business ethics; Responsibility; Management ethics;
Moral management; Organization's ethical climate

MEASURING AND MANAGING EMPLOYEE ENGAGEMENT - THE PATH TO 2050

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Abstract. The purpose of the research is to raise awareness about the crucial role of measuring and managing employee engagement in reaching high performance. The lack of employee engagement is the top issue currently facing HR and business leaders worldwide, and many empirical studies indicate that improving engagement correlates with improving performance. The paper gives a thorough insight in to the current methodologies of measuring employee engagement and presents the results of the contemporary business practice studies that are revealing the lack of adequate strategies, programs and policies to measure and improve engagement. Managers often underestimate the role of engagement because they are not aware of the significant hidden costs of employee turnover, absenteeism, sabotage, shrinkage and negative effects on other employees. In order to properly address the problem of employee engagement the managers should understand the determinants of engagement, i.e. the drivers of engagement and the barriers to engagement, which are listed and commented in the introductory part of the paper. Managing employee engagement is a challenging work and requires an all-organizational approach, as well as engaging manager at all organizational levels, motivated and good-equipped to co-create and implement engagement strategies. The paper uses a comparative approach in presenting the current measurement methodologies and issues, and gives a critical analysis of current business practice of managing/improving employee engagement. The research also presents methodologies which could be applied to measure the success of employee engagement programs and policies, such as ROI methodology. The author concludes by giving a set of recommendations to business practitioners and academics that are in search for best models and practices in measuring and managing employee engagement. In order to reach high performance the working environment and the work itself should be designed to enable the highest employee engagement levels. In that process the implemented engagement policies and programs should be constantly revised in order to enable long-term success.

Key words: Employee engagement; Measurement; Engagement strategies;
Engagement policies; Performance

TIME MANAGEMENT AMONG EMPLOYEES IN THE POLLOG REGION

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Abstract. Time, the only non-replaceable resource is quite difficult to manage, although as it has been studied over and over again time management can be of crucial importance for a contemporary business organization. Individuals and managers in particular, must learn how to make the best out of their time and use time management as a tool in gaining and maintaining a competitive advantage. Although, researchers from throughout the world have managed to identify and develop hundreds if not even thousands of different time management approaches and techniques, it can be easily argued that such techniques are unknown when it comes to business in the Republic of Macedonia in general and the Pollog region in particular. But, the lack of a scientific approach does not necessarily mean a lack of dedication to a better sage of time by employees and managers alike. The paper strives to present the results of a rather extensive field research on time management implemented by the authors in over fifty business entities in the region.

Key words: Time; Time management; Techniques; Pollog region

CROATIAN I³, CHALLENGES AND OPPORTUNITIES; CAN INNOVATION MANAGEMENT EDUCATION BOOST COMMERCIALIZATION?

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Abstract. The research about the population of individual inventors / innovators (I³) in Croatia was carried out with the aim of finding answers to the following questions. How many inventions / patents in Croatia are (not) commercialized; 2. What are the reasons of (un)successful commercialization of Croatian individual inventors' inventions / patents; 3. Is there any correlation between various forms of support for inventors / patent owners and successful commercialization; 4. Could education/training contribute to the successful commercialization of inventions / patents? The research was carried out on a sample of 143 individual inventors / innovators in Croatia via combination of online questionnaire and telephone interviews. The acquired data were analyzed by descriptive statistics. Based on the results of the research, the literature and practical experience of the project “Innovation Management”, which took place at the Faculty of economics and tourism “Dr. Mijo Mirković”, a typology of Croatian individual inventors / innovators has been created.

Keywords: Individual Innovator; Innovation Eco System;
Innovation Management; Education for Innovation

THE FUTURE OF LEADERSHIP: IS WISDOM NEXT CHALLENGE?

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Abstract. It could be argued that the most important factor in an organization's success in future will be wisdom, especially the wisdom of those within the organization's leadership positions. An organization in general is facing turbulent times and often "visible" it's not enough. Wisdom is fascinating concept, developed over time through reflective attention to the meaning of experiences but does not automatically increase with age and experiences. Wisdom is closely related with resonating and enabling elements operating as a whole. Like Halverson said practical wisdom is not only a kind of knowledge, but also a way of knowing that relies upon character as a way of being embodied in character and developed through habit. The literature review points that for wisdom is very important understanding of experience, emotional regulation, reminiscence/ reflection, humor and openness of a person because according to previous research practical and social wisdom shaped through informal experiences was more valuable than formal education in influencing performance. Furthermore, it is expressed through particular actions as how individuals 'size up' a situation and develop and execute an appropriate plan of action. This papers aims are to explore the characteristics, regarding wisdom, of principal's leaders and the need of practical wisdom in leadership. The necessarily of practical wisdom is emphasized in the aspect of leading schools in a developmental and practical sense. An empirical research on principal's leaders in Croatia was conducted by the authors and The Self-Assessed Wisdom Scale was used for measuring wisdom. The findings are interpreted from the life-span perspective approach and in terms of learning from life experiences. The findings reported in this paper should be of use to academics, human resource managers and schools in general regarding importance of understanding leaders' wisdom and the influence of organizational setting, values and success. We discuss the implications of these findings for leadership in future.

Key words: Wisdom; Leadership; Future challenge; Principals

MUNICIPAL MERGERS: THEORETICAL CONSIDERATIONS, PRACTICAL EVIDENCE AND POTENTIAL IMPLICATIONS

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Abstract. Economic and fiscal crisis has put additional pressures on the efficient management of resources also at the sub-national levels of government. Under the circumstances of fiscal austerity, policymakers are very inclined towards reorganization within the government, and this includes also possible consolidation (amalgamation) of local government units, i.e. municipal mergers. These mergers form part of the structural reforms of local self-government, where technical aspects of local government operation are targeted. Namely, it is assumed, among others, that municipal mergers and subsequent consolidation of local government units would enable achieving economies of scale and subsequently reduce costs. This paper presents theoretical considerations on the reasons for municipal mergers, and subsequently, practical evidence on the outcome of this processes in various countries is presented. Paper focuses also on the driving factors for mergers and extrapolates them for the potential of municipal mergers in the Slovenian context. Moreover, the empirics of the paper also focuses on the application and validity of classical arguments for municipal mergers.

Key words: Local self-government; Structural reform;
Municipal mergers; Efficiency

THE PERCEPTIONS OF E-COMMERCE

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Abstract. Consumer trends are increasing e-commerce, since it is far more convenient to shop online. In order to keep in step with the fast changing business world, organizations have to use all possibilities available to get advantage against competition. The use of technology is inevitable nowadays and it definitely gives the edge to organizations. Online activities are present in almost every aspect of people's daily lives. Online purchases are also increasing each year and therefore it is important to investigate what influences online purchase intentions. Main aim of our research was to empirically test how the perceived benefits relate to attitude towards web and how both relate to online purchase intention. Based on an extensive literature review, we have formulated three hypotheses, which we tested in one structural model by using structural equation modelling (SEM). The quantitative data for our analysis was collected through a survey on 190 participants from Slovenia. Findings show that increases in perceived benefits positively relate to attitude towards web and that both of them increase the online purchase intention. Understanding, what affects online purchase intention can be helpful for online sellers, because with these findings they can manage and increase them. Online sellers should therefore regard new findings from the field of online sales.

Key words: Attitude toward web; Perceived benefits; Online purchase intention; SEM; Consumer behavior; e-commerce

SESSION VI: INNOVATION AND COMPETITIVENESS

AN EMPIRICAL ANALYSIS OF FACTORS AFFECTING COMPETITIVENESS OF CEE COUNTRIES

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Abstract. In a globalized world the amplification of international relations determined the economies and companies to pay more attention to international competitiveness. An enhanced competitiveness creates the necessary conditions for sustainable development, for creation of new production facilities and new jobs, but also better quality of life. In this paper we analyze the main factors that are influencing the competitiveness of Central and Eastern European (CEE) countries. We also try to identify which are the main problems for CEE countries in obtaining competitiveness. In order to achieve the main objective of the paper we realize an econometric analysis considering as a dependent variable the competitiveness of a country, quantified by the value of global competitiveness index. And, as independent variables we consider a set of macroeconomic and financial indicators. For our paper we consider ten countries from Central and Eastern Europe: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The values of variables are analyzed for the period 2010-2015. The results obtained show important difference between countries but also some resemblance. Although all the considered countries are emerging ones the factors that have a significant influence on the competitiveness differ significantly, if for some countries the macroeconomic indicators have an important influence on the value of the competitiveness index, for others the financial market indicators are more important.

Key words: Competitiveness; Global competitiveness index;
Financial market; CEE

INFLUENCE OF STRATEGIC NETWORKING ON BUSINESS PERFORMANCE; EVIDENCE FROM MANUFACTURING SMES OPERATING IN PREDOMINANTLY SERVICE BASED ECONOMY

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Abstract. Strategic networking represents firm's strategic posture to develop long-term and sustainable business relationships with the aim of focusing on core business activities and gaining additional benefits from profound coopetitional relations with various market players. The purpose of this paper is to examine the impact of strategic networking (SN) on the performance of Croatian manufacturing SMEs where unidimensional and multidimensional analysis has been performed. In order to reveal more comprehensive understanding of SN-performance relationship, financial as well as non-financial performance indicators were tested. Moreover, moderating influence of external environment was used to further explore SN-performance relationship. While unidimensional analysis exhibits positive effects of SN on business performance, only reputation as an antecedent of SN in multidimensional analysis confirms the existence of such a positive relationship. Thus, the overall results can be considered inconclusive as to the existence, strength, and direction of the effect of the observed variables.

Key words: Strategic networking; Business performance; Manufacturing SMEs

MULTIDIMENSIONAL APPROACH TO THE ROLE OF INTERNAL BUSINESS FACTORS IN INTERNATIONALIZATION OF MANUFACTURING SMES

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Abstract. Expansion of economic activity outside of domicile economy framework, including export and import activities, is known as internalization. It represents an opportunity for gaining competitive advantage for small and medium enterprises on domestic and foreign markets by lowering costs through the access to new suppliers or revenues increase when accessing new markets. This paper empirically analysis effects of internal business factors on internationalization of SMEs, both export and import activities. Model is based on strategic approach to internationalization and it shows influence of internal business factors: firm size, enterprise age, business activity, innovation and personal characteristics of entrepreneurs/ managers on internationalization of SMEs. In order to test the hypotheses the empirical research was conducted among manufacturing SMEs in Croatia.

Key words: Internationalization; Internal Business Factors; Entrepreneur Strategy; SMEs

MONOPOLISTIC EXPLOITATION AND RENT-SEEKING AS AN INEVITABILITY OF CAPITAL CONCENTRATION

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Abstract. The primary focus of this research is on the genesis of companies as the dominant assumption of their behavior, from perfect to deviant. Namely, the phenomenon of extraction of monopoly rents and its extremely negative effects on social welfare, such as rent-seeking, is assumed by authors to be conditioned by the genesis of companies and therefore describes the nature of their activities and survival in the market. The paper attempts to interpret the relationship between the problems of inefficient production in monopoly markets as a necessity and inevitability caused by the genesis of monopoly companies. As such, the paper synthesizes classical economic analysis of profit maximization in monopoly markets and the negative consequences that arise from it - technical and allocative inefficiencies which generate social cost of monopoly power, with the Marxist analysis of the genesis of capitalistic companies. Regardless of the type of ownership, for both economic directions, profit maximization and competition represent a common denominator and the starting point of this paper. The main thesis of the paper is that the free competition is a generator of capital accumulation, concentration and centralization and the most powerful tool for the elimination of market competitors. Indeed, the free competition acts as a catalyst of a sort for the company's evolution from perfect to monopolistic. However, the competition battle does not stop with the market monopolization, but continues at higher levels of production and capital concentration, within and outside the limits of domestic market. Accordingly, the regulation of imperfect markets is emerging as a necessity, thus the dialectical approach to regulation is proposed through different principles and different legal solutions for different industries, while respecting specific characteristics of each market and the historical moment of the application of regulation.

Key words: Capital concentration; Company genesis; Free competition;
Regulation; Social cost of monopoly

INTANGIBLE CAPITAL INVESTMENT, TECHNOLOGICAL RESTRUCTURING AND CORPORATE PRESENCE IN GLOBAL VALUE CHAINS: THE CASE OF SLOVENIA

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Abstract. The export led hypothesis stresses besides the expansion of demand due to export growth also the importance of inclusion into global value chains due to other impacts, such as opening new markets, technology and knowledge transfer and other. Technological improvements (innovations, product and process) as well as other innovations (organizational, market and marketing) and knowledge accumulation and strengthening of corporate capabilities and competencies represent a major part of investment into intangible or knowledge-based capital. The latter can enhance productivity growth by a third. This paper studies the position of Slovenian companies based on the Business Environment and Enterprise Performance Survey database by the EBRD (panels IV and V) to assess the differences in the accumulation of intangible capital between those companies that are active in global markets and those that are not. Methodologically, the analysis relies of different methods, primarily matching. The results show that the differences are not as pronounced as might be expected. Biggest differences are found in informational capital, while differences in innovative property and investment into strengthening economic competencies are not as pronounced as might be expected. Partially, these results also reflect the crisis (which primarily hit the exporters) as well as sample structure (quite a large share of service companies, which are intensifying their efforts to establish their market position).

Keywords: Intangible capital; Knowledge-based capital; Export-led growth; Global value chains

THE ROLE OF TECHNOLOGY PARKS IN THE ENTREPRENEURIAL PROCESS: THE CASE OF TECHNOLOGY PARK VARAŽDIN

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Abstract. The entrepreneurial process is a complicated structure defined by interaction of many factors. When analyzing entrepreneurship in the context of modern - day development of new technologies, technology parks are also being introduced in this process. Technology parks are specific forms which started their growth in the middle of twentieth century. They are viewed as places where technology, entrepreneurship, knowledge, innovation and creativity are being combined together in order to nurture the process of creating visions, ideas and new values. Technology parks are the nexus between academic community and ventures. The aim of this paper was to present the interaction between entrepreneurship and technology parks, and to identify the role of technology parks in today's entrepreneurial venture. Over time industrial economy has developed into information economy, which also has many forms. That led to acknowledgement of the strength of connection between industries and know - how.

Therefore this paper foremost defines the concepts of entrepreneurship and technology parks through their historic evolution and modalities of their interaction, that being the base for a case study. A case study was conducted in Technology Park Varaždin in the period from March 7th to March 13th 2016, using following methods. Firstly secondary data analysis was conducted (data acquired from available literature and business reports) which gave basis for a decision regarding primary data collecting and hypotheses proposal.

Afterwards primary data analysis was conducted (data acquired using online survey method). Survey was conducted on population consisting of entrepreneurs whose companies are tenants of Technology Park Varaždin. The mentioned research survey consisted of twenty questions divided into four sections. Total of three hy-

potheses were proposed and tested in order to make tenants profiles and analysis of their habitat in Technology park Varaždin, and finally in order to identify the role of Technology park Varaždin in their entrepreneurial process.

Key words: Entrepreneurship; Entrepreneurial venture; Technology park; Innovation

TECHNOLOGICAL LEADERSHIP AND EMPLOYMENT EFFECTS FROM A RANDOMIZED REGIONAL SAMPLE OF INNOVATIVE STARTUPS IN ITALY

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This paper aims at analyzing the determinants and effects of technological catch-up on employment and particularly development and success of innovative startup companies in Italy. We place particular interest on the element relating to the technological leadership and its related distance using a sample of 260 Startup companies covering 20 regions in Italy. The existent literature proposes that if technological knowledge spillover effects are relevant they should be captured as gains in productivity. Technological leadership can be seen either as economic dominance in terms of high productivity or overall efficiency in inputs use. The regional leader exhibits the overall highest productivity (efficiency) level, and consequently other regions aim at catching up to its productivity (efficiency) level. This catching-up process - when present - involves gravitation of the follower towards the productivity or efficiency level of the leader (Dollar and Wolff, 1993). The transmission of knowledge, as reflected by higher productivity levels or overall better performance of firms, can vary according to the specific regional considerations of each industry and economic sector. In some cases higher levels of specialization may lead to higher gains and possible catch up effects, while in other higher levels of economic diversity may serve best for technological catch-up and diffusion of ideas. In this context, one can argue that the relationship and relative importance of the externalities generated through knowledge spillovers is going to be determined by the capabilities of a follower to catch-up to the productivity or efficiency level of the technology leader, and the capability to acquire off the shelf technology (Jones 1995).

Regarding these ideas Nelson and Phelps (1966) indicate that the rate of adoption of a new technology depends on the ability of regions to implement new ideas as well as on the gap between the theoretical level of technology and the level of technology in practice. These are highly testable hypotheses that we aim at addressing in this

paper. Since spatial distribution, that is regional specific effects could have potential large effects on technological catch-up processes and employment, the theory states that at lower levels of spatial aggregation, sub-national regions are highly likely to be conditioned by patterns of higher mobility as it relates to labor, capital and knowledge flows, vis-à-vis with what can be observed at the national level. Thus in this paper we also stress that the direct implications of technological leader-follower relationship for employment growth still remain somewhat unclear.

Key words: technological leadership; innovative start-up; employment effects

PUBLISHING

Full papers will be published

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- Conference Proceedings Book (ISBN reference and indexed in Web of Science)
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- The authors are responsible for language editing.

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An open access scholarly, online, double blind peer - reviewed, indexed, interdisciplinary journal.

Notification: first notification within 2 weeks of submission

Publication: no submission/ publication fee; average submission/ publication time: 3 months. Copyright Attribution: CC BY.

Indexation: Hrcak, Google Scholar Citation, ISI - Scientific Indexing Service, ICI - Index Copernicus International (in process of evaluation for Scopus and Econlit)

Scope: theoretical and applied research, international trade, factors conditions, demand conditions, firm strategy, structure and rivalry, human resource endowments, R&D capabilities, new technology adoption, managerial and organizational factors, models and process of innovation, innovation law and policy, innovation networks, technical change, marketing innovation, clusters and networks, and other topics falling within the field of economics of innovation.

Template, author guide and more information at:

http://www.fet.unipu.hr/istrazivanje_i_ekspertize/ric_-_review_of_innovation_and_competitiveness or by e-mail: katarina.kostelic@unipu.hr

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University of Pula has a long tradition of scientific and research activities in the area of economics covering almost any subject in the discipline of economics. Part of the research and scientific efforts of the University of Pula is regularly published in the journals *Economic Research and Review of Innovation and Competitiveness*. Another significant part of the scientific research and activities carried out on the University is conjoint under the International Scientific Conferences organized by the University in the previous years:

- (1) (2000) "Economic Globalization and Development of Small European Countries",
- (2) (2003) "Globalization and Entrepreneurship: Fears, Challenges and Opportunities",
- (3) (2005) "Entrepreneurship and Macroeconomic Management",
- (4) (2007) "Global Challenges for Competitiveness: Business and Government Perspective"
- (5) (2011) "Entrepreneurship and Macroeconomic Management: Reflections on the World in Turmoil"
- (6) (2013) The Sixth International Conference „The Changing Economic Landscape: Issues, Implications and Policy Options; Economic in Crisis - The Crisis of Economics"
- (7) (2015) The Seventh International Conference "European Union Future Perspectives: Innovation, Entrepreneurship and Economic Policy"

Carefully selected areas and disciplines of interest, engagement of eminent members of the Conference Proceedings Editorial Board/Programme Committee Internationally recognized, many scientific papers published in the proceedings (around 400 during past years) of which more than 60% from colleagues and authors abroad, internationally recognized reviewers and strict peer reviews process enabled previous Proceedings indexation in WoS, Econlit and other significant indexation. Carefully selected scientific papers after strict peer review process (blind) are going to be published in the Conference Proceedings Book (print and e-book).

Expected publication date: 1.10.2017.

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Conference will be held at Hotel Park Plaza Histria ****

Pula, Istria County, Croatia

Location of the Conference - Hotel Park Plaza Histria, Pula

For accommodation discounts use the following promo code: **FUTWOR**

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Contact Information

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Urgent call: 00385 98 255 015 (Morena Paulišić)

Web: <http://fet.unipu.hr/futureworld2050>

OPTIONAL EXCURSION TO BRIONI ISLAND OFFER



Pick up at hotel and transfer to Fasana at 9 AM.

Boat ride from Fasana at 10 AM and arrival to Brijuni (Brioni) National Park.

Guided 4-hour tour over the island.

Return by boat to Fasana at 2 PM and leisure time in Fasana until 3 PM, when is scheduled return to hotel.

(video available: <https://youtu.be/RPxK6C9jrHA>)

The sightseeing tour is organized under expert guidance in English and begins with boat ride from Fasana to Veliki Brijun. The tour includes a ride by tourist train, visit to the remains of the Roman Villa Rustica from the 1st century B.C. in the bay of Verige, and the safari park which breeds the following animals: zebra, Somali sheep, zebu (the holy east Indian humped ox), dromedary, llama and elephant. The archipelago is well known for its peculiarities: an olive tree from the IVth century, boulevard from 1905, the Safari Park, the Byzantium Castrum inhabited from the II century before Christ, the collection Tito on the Brijuni Islands, the archeology museum, and

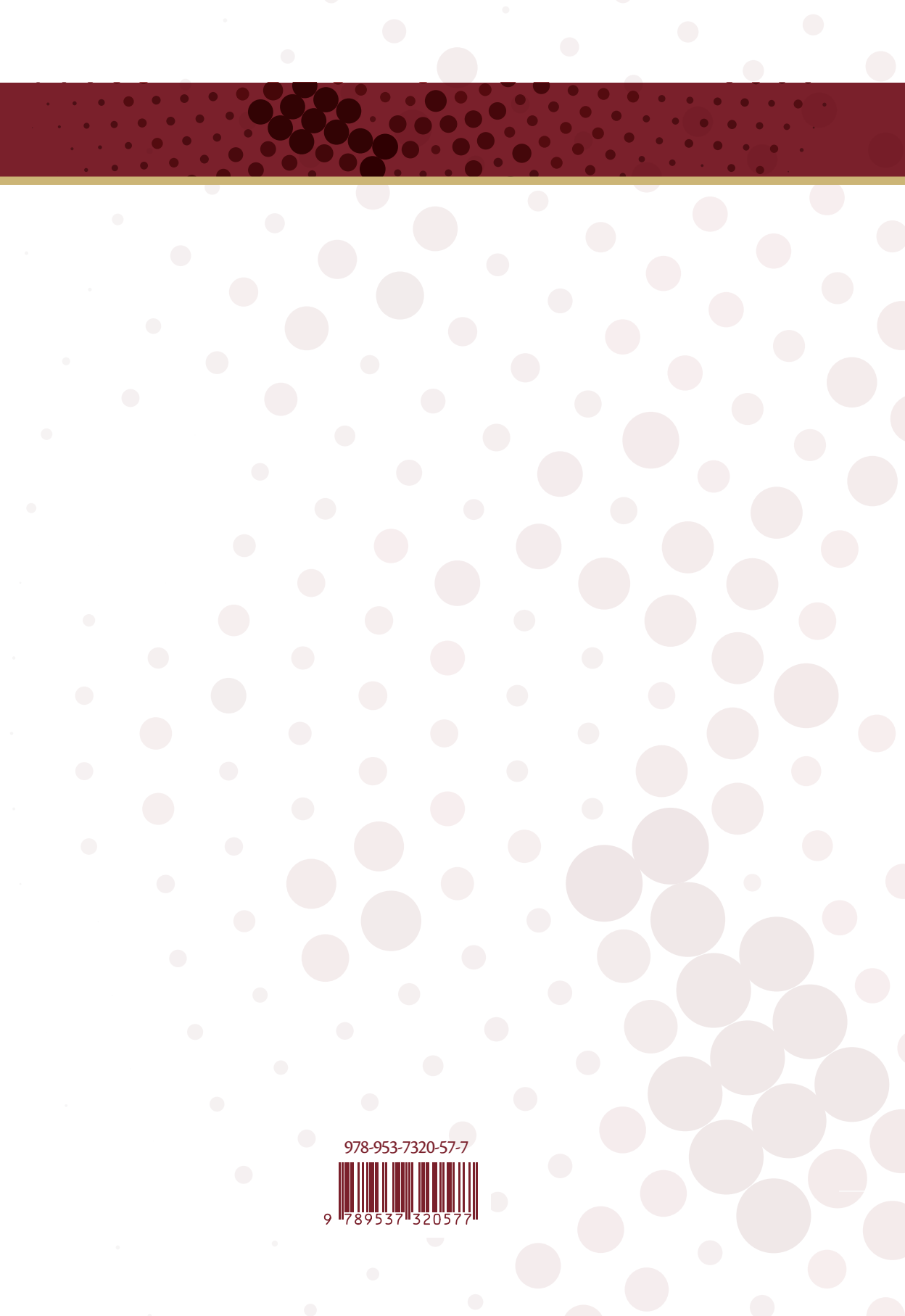
many, many other. On return to Fažana - Fasana we will give one (1) hour of free time in Fažana - Fasana to enjoy Time chronicle of Fažana. Fažana is a lovely, small fishing village in the south of Istria whose charm will seduce you and whose seascape will take your breath away. Stories from the Fažana Waterfront tell about days gone by and bring them back to life. Anyone who is in Fažana at that time will feel the true spirit of the past taking hold of the town. Antiquity and modernity are interlaced in an event that brings an array of historical figures from Fažana's history to life. And, of course, everything is spiced with good music and an indigenous gastronomic offering. The goddesses of Rome and Greece will encounter not only characters from the Austro-Hungarian aristocracy, such as the Empress Sissy, but also movie stars like Sophia Loren and Angelina Jolie. Whether you take part in creative workshops that teach the art of making ceramics, mosaics and laurel garlands or join the Small Fishing Academy "Sardela" you are sure to learn new and interesting skills. The renowned people and celebrities who lived or visited Fažana and are featured in the Stories from the Fažana Waterfront will delight everyone. And the event's gastro-offering of historical dishes through the ages will additionally tempt you with its seductive aromas. Return to the hotel.

This is optional short half - day tour so if you are interested you need to register with organizer Morena Paulišić (e-mail: mpauli@unipu.hr, 098 255 015). For any enquiry please don't hesitate to contact us.

The price per person is 150 HRK (approximately 20 euro). The excursion will be held if the minimum of 30 persons apply.

Other optional activities available in Istria in the time of the conference are available at: <http://www.istra.hr/en/attractions-and-activities/events>

Just enjoy!



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