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STATISTICAL INFORMATION AND THE DIGITAL ECONOMY IN THE GLOBALIZED WORLD

Dimitar Stefanov Radilov¹

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Abstract

In the contemporary globalized world the importance of statistical information is on the increase. The creation of new information technologies (the computer, the Internet, the mobile phone, satellite dishes, etc.) leads to a considerable change in the life, behaviour and the value system of the human factor. There occur changes in the contemporary globalized world. They are challenges for changes in statistical information and statistical knowledge. The official statistics performs a fundamental function in the modern information society. In it the digital economy seeks to combine in an optimal way all material, financial, managerial and human resources in the contemporary information and communication technologies (ICT), computer systems and networks. Its goal consists in adding new value to the information chain and achieving high quality, efficiency and profitability of production and business as a whole. There emerge new virtual enterprises. They represent a temporary alliance of independent companies for solving one-off strategic tasks, along with attracting capital during the execution of unique projects and spreading investment risks.

Keywords: *global world, contemporary information and communication technologies (ICT), official statistics, digital economy, computer systems and networks, virtual enterprises.*

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Introduction to the problem

In the contemporary globalized world the importance of statistical information is on the increase. It is connected with the civil society, with the legislative, the executive and the judiciary powers, as well as the media, which are the fourth estate in every state and in the global world. The need for statistical information changes. Statistical

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information and knowledge are a means of international communication. That is precisely why the initiative 2013 - *International Year of Statistics* is a world event in the contemporary globalized world. Its main priority is raising public awareness and confidence in the power and the impact of statistical information and knowledge in all areas of socio-economic life in the global world.

There emerge new virtual enterprises. They are a temporary alliance of independent companies for solving one-off strategic tasks. The virtualization of the economy furthers the raising of capital during the execution of unique projects and the spreading of investment risks.

The scientific aim of this article is an examination of the changes in the contemporary globalized world and the challenges for changes in statistical information and knowledge. The digital economy aims at adding new value in the chain of values and achieving high quality, efficiency and profitability of business as a whole.

1. Changes in the contemporary global world

In the contemporary global world a central place is occupied by information, knowledge and communications. The changes in the former can, in my view, be presented in the following manner:

First, the contemporary world is developing dynamically and through shocks as a complex and multi-layer social structure.

Second, the creation of new information technologies (the computer, Internet, the mobile phone, satellite dishes, etc.) and the improvement in the infrastructure lead to substantial changes in the life, behaviour and value system of the human factor.

Third, globalization as an underlying phenomenon, which is conquering the modern world. It has three characteristic features: **a) globalism and globalization of human activity in the area of the economy, the environment, war and peace and humanity as a whole.** Here are included the following: 1) internationalization of the economy; 2) development of a unified system of international relations; 3) metamorphoses in the functions and the administration of national states; 4) the operation of transnational non-governmental entities as ethnic diasporas, religious movements, mobster groups (Bliznakov, G., 1998, pp. 52-54); **b) symbiosis between man and nature under conditions of globalization.** It consists in the judicious use of the goods of nature, abating the pollution of the environment and its preservation for the whole of humanity; **c) creation of a global economic area**, that is, the kind of knowledge network under which every individual, at any time and at any point on the globe can obtain the information of interest to them, including statistical information.

The changes in the economy and business, caused by globalization, represent challenges to statistical information. The latter becomes one of the key resources in the 21st century. There emerge a number of challenges to statistical information. Some of

those are: 1) increase in the scale of economic activity both in quantitative and spatial dimensions; 2) rise in the volume of statistical data (big data), in their complexity and lack of structure; 3) insufficiency as regards sources of primary statistical information and the need for global communications; 4) differences in accounting, statistical and other standards; 5) use of different technologies for the mining, transmission, storage and processing of data, etc.

Fourth, science and education are some of the basic human values of the modern world. The on-going changes require adaptive people, who quickly make their way into in the latest developments and demonstrate creativity and not only diligence. The new realities and professions require that paramount importance be attached to the human factor. Labour productivity is defined as a way of thinking, faith in the human factor and education through the transformation of the knowledge gained from the Universities into innovations in the modern world.

Fifth, the multivalence of culture in the contemporary world. In it there occur profound changes. They concern the traditional human values. Globalization does away with the boundaries to cultural exchange and strengthens the role of morality and ethics in the contemporary world.

Sixth, in the new realities of the modern world, according to Peter Drucker (Drucker, P., 2003, p. 45) knowledge workers differ from the hired labourers in their qualification and education. They have high income, great independence and autonomy. This allows them to act as independent subjects that are often hard to replace.

Seventh, in the contemporary world the most difficult thing for an individual is to find his/her place in it. New technologies very quickly change the kind of knowledge that is in demand. On the labour market there are valued mostly intellectual qualities, the mental work, the skills for fast and effective development, which does not end upon receiving a diploma in the University. It is only one of the stages of lifelong learning (Radilov, D., 2015, p. 14).

2. Challenges for changes in statistical information and knowledge

At the end of the 20th century and the beginning of the 21st century statistics constitutes a broad area of activities (Kenesi, Z., 1996, pp. 3-4). The causes for the increased demand for statistical information and statistical knowledge are numerous. The first one is the hunger of business for statistical information, connected with the analysis of the demand for goods and services. The creation of geographic information systems raises to a great degree the need for statistical data for the business. The globalization of the world economy and international integration (e.g. the European Union, the Eurasian Union, etc.) create important requirements towards statistical information and statistical knowledge, both for the business circles and for the political power.

Statistical information is always the result of a particular statistical survey as a uniform cognitive process. In it the identification of populations of mass phenomena, processes and actions is presented by a theoretical and an empirical model, which are then experimented. It is the basis for applying statistical methods and ends with a statistical product, popularly known as statistical information. In the theoretical and methodological plan the statistical survey is not only a technology for creating information, but is above all also a statistical information system. It represents a unity of three kinds of open and hidden knowledge. Those are: 1) conceptual knowledge of the creation of statistical information; 2) analytical knowledge for revealing empirical regularities in the form of new knowledge; and 3) interpretive knowledge for statistical literacy, its use in the management at the macro-, meso- and microlevel.

In the contemporary global world statistical knowledge is distributed mainly as information. Not all statistical information represents knowledge. In order for statistical information to turn into knowledge it is necessary for it to get systematized in the minds of researchers and to acquire new forms of ideas, designs, models and cognitive images through the use of statistical methods and purposeful statistical activity. In this line of thoughts it is of benefit to remember the model of Russell Ackoff for the formation of knowledge through the transformation "data - information - knowledge - understanding - wisdom" (Ackoff, R., 1985). Therefore, in order for statistical knowledge to turn into innovations, it has to satisfy individual and public needs as unique values, with which there are taken new decisions (Radilov, D., 2012, p. 27).

At the present stage statistical information and knowledge are created in the official and in the academic statistics. The official statistics provides unbiased and objective statistical information to all persons, who make decisions. It is a public good. On it there is based the functioning of modern society. The issues of official statistics are discussed annually at sessions of the Statistical Commission with the Economic and Social Committee of the UN in New York and there are taken important decisions on the affirmation of global statistical standards. Academic statistics uses various analytics tools for improving the quality of statistical information. At the present stage their activity is coordinated by the International Statistical Institute.

One of the strategies of the UN is the creation of a unified standard at a global level for measuring GDP. Its last revision is the System of National Accounts 2008. It was approved on the 41st session of the Statistical Commission with the United Nations Economic and Social Council in New York, 23 - 26 Feb 2010. The System of National Accounts includes: a) macroeconomic accounts; b) balances of assets and liabilities; and c) tables of resources and their use in the national economy.

SNA 2008 will provide a continuous flow of statistical information: a) on the state of the economy; b) on assets and liabilities; c) on the national wealth and the quality of life of the population; d) on the relations of the national economies with the rest of the world and e) on international comparisons of GDP, the external debts and the quality of

life of the population. In the European Union there has been developed a European System of National and Regional Accounts 2010 (Regulation (EU) No549/2013).

The development of European statistical information is carried out on the basis of unified standard and harmonized methods. This utilized approach has not been adapted to the changing environment. It is based - when preparing European statistical information - on a model of aggregation by subject area. This model has its drawbacks, connected with overloading respondents, with the lack of flexibility in collecting data on mass phenomena, which have a great number of aspects, such as globalization and climate change. The aggregate of the processes for the production of statistics by the NSI of Bulgaria as an EU member state is denoted with the term "architecture". The improvement of the architecture of the European Statistical System (ESS) is based on the method of integrated preparation of European statistics, which is called the "data warehouse approach" for clusters of statistical information. They have common technical infrastructure, with the use - as far as possible - of standardized software. The propounded integrated model entails a change in the professional paradigm from "data-gathering subjects" to "subsequent data users". There emerge significant challenges of technical and methodological nature, even though the new architecture of the integrated model will improve the communication with users.

The vision for modernizing the architecture of the European Statistical System cannot be implemented by Eurostat alone. It requires the joint effort of all partners included in the ESS, each one of whom has its own specific role, while observing the principle of subsidiarity. For that reason Eurostat must include its partners in the ESS at an early stage of the process. At the same time the current efforts for reorganizing the processes of preparing European statistical information, which are under way, will continue. That refers to various initiatives, for instance the rationalization of IT architecture through the process of the life cycle of data (CVD), the introduction of a more interactive chain for the preparation of statistical information - on the basis of the solution "data at source", etc.

In principle, the activities of official statistics and academic statistics are separated at this stage. Probably in the future they should once again be united. That was the idea of Adolphe Quetelet at the time of the creation of the International Statistical Institute in Brussels in 1853.

3. The digital economy: new communications and assessments.

The digital economy has the following peculiarities: 1) great dynamism and intensity of communications and the exchange of documents and messages in digital or multimedia format, which creates opportunities for operative realization of business processes, both within the organization, and out of it; 2) the digital economy is information intensive and information becomes an important strategic resource; 3) the

digital economy puts in the limelight the issues of the security and safety of information; 4) the digital economy encompasses the national economies of the individual countries, but along with that it is also part of the world global economy.

In the digital economy an important position is occupied by the knowledge economy, which will develop and dominate throughout the entire 21st century. Under it the most important resource and true wealth will be people themselves with their knowledge, intellect and experience. Unlike material products, knowledge is a specific information product. It is characterized by the following features: 1) it is discrete, because we can determine clearly whether new knowledge has been created or not; 2) it is accessible, because it is a public good, which can be used by everyone; 3) it does not amortize after use since it does not decrease in volume, on the contrary - it leads to new knowledge; 4) the effective regularities and mechanisms in the knowledge economy unite the market for knowledge, the market for services and the labour market, which should not be viewed in isolation, but always in close interaction between them.

An important place in the market for knowledge belongs to innovations. They should be regarded as the application of knowledge in production and market conditions in trade, marketing, financial services, etc. Innovations encompass and permeate all business processes. They affect not only the material, but also immaterial objects. Information resources and human knowledge in the broadest sense of the word dominate in the creation of public wealth.

The role of official statistics (Radermacher, Walter J., 2017, pp. 1-5) is to provide public information infrastructure, a system of statistical products, which would bear the stamp of high scientific quality and professionalism. The other aspect refers to politics and is called "society". Variables such as gross domestic product (GDP), employment, household income, etc., reflect concepts, which are aggregated at an excessively high level. These definitions should be reconsidered and revised, so that at a later stage they can be measured correctly.

The leading principles of statistical information are the key to the empowerment of society: 1) the access to high-quality statistical information is a fundamental right and facilitates the making of appropriate decisions; 2) publicly accessible data are fundamental to open societies; 3) providing training to society to work with the data, which is not exhausted only with the knowledge of statistical information, includes their rationalization. 4) the future belongs to "smart statistics", on which the value of information is based, and also on the algorithms, which reveal the behaviour and the way of thinking of users; 5) greater influence entails also greater responsibility, which is connected with ethical principles; 6) the statistical community is unanimous on the issue of adhering to statistical ethics, which includes professional values and ethical principles.

An important place in the creation of statistical information is held by the players and their roles. Three roles in particular stand out: 1) Statistical Offices, which take the statistical responsibility and accountability; 2) Director General (President), who bears

personal responsibility for the work of the statistical institution and 3) Chief Statistician, who performs the role of a coordinator in the statistical system.

The partners are the National Statistical Systems and other institutions, which create statistical data - both domestic and international. The interested parties and organizations (stakeholders) are respondents and users of the statistical product. In the political aspect there are clearly outlined the roles of the institutions - represented by the Parliament, the government, auditing units, the courts of law, as well as society in the role of regulator.

In the age of excess of data (von Oppeln-Bronikowski, Sibylle at al., 2017, pp. 1-6), the channels and the ways in which those are presented, are of growing importance. Statistical organizations and institutions develop strategies for presenting their production so that there are revealed the strengths and the weaknesses in creating a reputation for reliable data.

The national statistical offices, which develop the "official statistics", produce statistical data of high quality, reliability and uncompromising objectivity. Their output is based on the fundamental principles of the "official statistics". The European Statistical System introduced a code of practice and a quality declaration. These are two significant facts, by which official statistics differs from the other statistical organizations. What is needed is a branding system, which would introduce the general public to the competitive advantages of official statistics, in order to raise public confidence in statistical institutions and their work, and also a communication strategy.

The communication strategy includes the following elements:

1. It is based on the mission of official statistics, presented by means of the slogan "You can trust us and our work". The platform for action relies on 5 pillars. They are: 1) improving the brand; 2) improved access to information; 3) satisfying the needs of target groups; 4) intensification of dialogue and 5) raising comprehensibility. Choosing the appropriate marketing channel is the key to putting the plan into effect.

2. Increasing transparency is one of the approaches to raising confidence in official statistics. Working out the strengths and the weaknesses of each method is a step in the right direction.

3. The dialogue with the users should be an on-going process, which would actively seek feedback from the former. The analysis of the image which official statistics communicates in the public space, by reviewing the contents of the posts in the social networks (Instagram, Twitter) is the first step in the formation of the right image.

4. Public Relations are another technique for targeted communication, which allows for guidance towards key persons, who exert certain influence over existing and potential users. The communication towards them can increase the effect of the messages which official statistics wants to send to the public.

5. In the past official statistics was dependent on the media. They distributed the statistical product. People did not visit the sites of statistical offices, nor did they try in

any other active way to access those. The contemporary trends are formed by the statistical offices, which act as media and single-handedly distribute statistical data to the social networks in the form of charts, videos and articles (for example the statistical offices of Mexico and Holland). Another approach is the joint work with the media in order to raise the efficiency of publication of statistical data for the public.

6. Content marketing is a new approach, which identifies the hot topics in the Internet space with the help of software for assessing their connection with statistical data. It creates possibilities for analyzing statistical data in the economic landscape.

7. Statistical literacy affects mainly the users of statistical information, but the final beneficiary is the official statistics. The quality of the statistical product should be assessed by the users. Investing in visualization tools and educational modules in the Internet space is a long-term investment, which can reap significant and lasting results. The training of the end users in statistical literacy contributes to the comprehensibility of the data, to the confidence in the institutions and to strengthening the position of the statistical brand.

The assessment of the digital economy (Sturgeon, Timothy J., 2017, pp. 1-6), of which official statistics measures certain major economic indicators, such as investments, trade and corporate profits, broadly speaking, rests on 5 pillars. Those are: 1) advanced production, robotization and industrial automation; 2) new data sources from mobile and general connectivity; 3) cloud-based computerization (cloud computing); 4) Big Data analytics and 5) artificial intelligence.

In measuring the digital economy there are discussed two major approaches. The first is to assess the usefulness of existing statistics and statistical categories for the measurement of the digital economy. The second approach does not exclude the first one and comprises the use of the statistical metadata generated by the digital economy (e.g. data traffic, Internet searches, number of clicks, etc.).

Conclusion

The present article, which does not claim to be exhaustive, outlines the framework of the changes in the contemporary globalized world and the challenges for changes in statistical information. At a future discussion there should be considered the users of statistical information, the channels of communication with the users of statistical information and the future needs for statistical information in the 21st century for the development of the natural sciences and the social sciences, the studies of the environment, the social conditions and public health. The inclusion of statistical information in international comparisons is also of interest in terms of good national statistical practices, programmes, budgets and employed personnel.

The digital economy includes the following features:

1) The creation of new information technologies in globalization, science and education, are values which are directly related to the digital economy.

2) The role of the official statistics is to provide public information infrastructure and system of statistical products, which would bear the stamp of high quality and professionalism.

3) The communication strategy includes 7 elements, connected with the mission of official statistics, the transparency, the dialogue with the users, the relations with the public and the media, content marketing and statistical literacy.

4) The assessment of the digital economy is connected with measuring the major economic indicators such as investments, trade, corporate profits, etc.

5) In assessing the digital economy there are used two principal approaches, the first of them assesses the usefulness by means of classical methods and statistical categories, and the second uses the statistical metadata generated by the digital economy.

The London seminar on the future of statistics, held on the 11th and 12th of November ended its work without an official resolution. On it there were not discussed thoroughly enough the issues of the integration of the official and the academic statistics. Instead, there were made informal conclusions, which, according to the organizers, were sufficient for the future of statistical sciences (Statistics and Science, 2013, p. 34).

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IS THERE A FUTURE FOR MANUFACTURING-LED DEVELOPMENT?

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Abstract

Countries, and especially lower-income countries, have traditionally relied on manufacturing and the export of these manufactured goods, as a central driver of economic development, as it provides jobs for unskilled workers, which can relatively easy be transferred from lower productive (agricultural) jobs to higher productive (industrial) jobs, hence increase productivity, and drive economic growth, increasing profits and delivering the (fiscal) dividends necessary for further investments and development. But success in manufacturing and its integration in the global economy, e.g. through joining global value chains, is very concentrated in Western countries, and lately China, leaving other countries with potentially less options. In addition there are other new realities and threats to Manufacturing-Led development, also due to improving and often disruptive technologies, which will change location decisions, and reduce the amount of jobs even if factories are opened in lower-income countries. In this article we will discuss what disruptions and threats may reduce the attractiveness of Manufacturing-Led development; which technologies might change the attractiveness of Manufacturing-Led development; what might be their impact; what opportunities remain, including Service-Led development; and what can be done to grab these opportunities.

Keywords: *Manufacturing-Led development, Service-Led development, (technical) disruption, changes, job losses, opportunities*

JEL Codes: *O20*

1. Introduction

The world has been changing fundamentally during the last 350 years, which also influenced manufacturing profoundly. These changes are often summarized in and

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describes as “the four industrial revolutions” that have taken place. According to Dimitrieska, Stankovska and Efremova (2018), Prisecary (2016), and Xu, David and Kim (2018), the **First Industrial Revolution** started more or less in 1760, with the invention of the steam engine, allowing mechanization to start off, which changed society profoundly. The agricultural sector, which till then had employed virtually all workers, now needed less manpower, and the excess labor could be shifted to an upcoming manufacturing sector. Coal was used as the main energy, and trains were introduced for faster shipments. Textile and steel were the dominant industries in terms of additional employment, value of output, and capital invested. The **Second Industrial Revolution** began around 1900, with the invention of the internal combustion engine, making mass production possible for the first time. This led to an era of rapid industrialization, using oil and electricity to power mass production. The manufacturing sector was overtaking the agricultural sector as the leading one in the economy. The **Third Industrial Revolution** started around 1960, and was characterized by the implementation of electronics and information technology, which was used to automate production, making products cheaper and more accessible to more people in more places. Also communication technologies made a big jump forward, starting to make the world a “smaller place” and increasing connectivity. The **Fourth Industrial Revolution**, often dated as from 2000, introduced advanced robotics, Internet of Things, 3-D printing and other technologies, which will fundamentally change production processes. (Dimitrieska, Stankovska, Efremova, 2018, pp. 182-187)(Prisecary, 2016, pp. 57-62)(Xu, David & Kim, 2018, pp. 90-95)

According to Schwab (2016) previous industrial revolutions liberated humankind from animal power, made mass production possible, and brought digital capabilities to billions of people. But Schwab sees this Fourth Industrial Revolution as fundamentally different: it is characterized by a range of new technologies, that are fusing the physical, digital and biological worlds, impacting all disciplines, economies and industries, and even challenging ideas about what it means to be human. The resulting shifts and disruptions mean that we live in a time of great promise and great peril. The world has the potential to connect billions more people to digital networks, dramatically improve the efficiency of organizations, and even manage assets in ways that can help regenerate the natural environment, potentially undoing the damage of previous industrial revolutions. But Schwab also sees great challenges brought forward by these changes and disruptions. (Schwab, 2016, pp. 1-183)

2. Threats to Manufacturing-Led development

Countries, and especially lower-income countries with lower unit labor costs, have traditionally and especially during the last decades, relied on manufacturing as a central driver of development, as it provides jobs for unskilled workers, which can relatively easy

be transferred from lower productive (agricultural) jobs to higher productive (industrial) jobs, increasing productivity, and driving economic growth, which as such increases profits delivering the (fiscal) dividends necessary for further investments and development. These manufacturing countries were able to remain cost-effective in the production of these labor-intensive tradables, also given the relatively limited automation in their sectors of specialization. However, as Hallward-Driemeier and Nayyar (2018) find, success in manufacturing and global value chains is currently concentrated in a limited number of countries: around 55%-60% of the world's manufactured goods are being produced in high-income countries. In addition China became the world's largest producer, and accounts for another 30% of manufacturing (2015). The other countries hence have the other 10%-15% to divide amongst themselves, trying to gain market share from the high-income countries, while competing with China. The question is thus: where does this leave these other countries? The greatest scope for innovation, productivity growth, and job creation is furthermore concentrated among a relatively small number of firms within countries, and even on the global stage. How well managed these companies are; their strategies for interacting with smaller suppliers; and their own choices on adopting technology, quality upgrading, and pricing can have disproportionate effects on how a sector performs in a country, and even how that country performs on the global stage. (Hallward-Driemeier, Mary and Nayyar, Gaurav, 2018, pp.1-221)

In addition to this concentration of manufacturing power, other big changes are taking place, which might result in fewer manufacturing jobs in the future. Some of the additional changes are for instance: - Improving technologies; - Increasing industrial automation; - Emerging threats of protectionism, which can lead to slowing trade; - Increasing resource substitution (e.g. artificial diamonds made in automated factories, versus labor intensive extraction), and; - China, East Asia, and e.g. South Asia continuing their expansion at the lower end of global value chains.

Bhattacharya, Rastogi, Tan & Buerkner (2013) highlight that the twin forces of rising economic nationalism, and the rapid digitalization are radically redefining globalization. This presents profound implications for business and government leaders. They state that the competitive edge for countries that depend for growth on low-cost labor and exports will likely erode, as technology changes the way manufacturers operate. Technologies such as robotics and digital simulation are allowing manufacturers to make customized products in locations closer to their customers in a more cost-effective way. That is a shift from the traditional practice of producing standardized products in a handful of giant factories in low-cost countries in order to achieve scale. (Bhattacharya, Rastogi, Tan, Buerkner, 2017, pp. 1-12) Hallward-Driemeier and Nayyar (2018) bring forward that the criteria for becoming a desirable manufacturing location are changing. By reducing the relative importance of wages, increased use of robotics, and "smart factories", companies can start to favor locations that can better take advantage of new

technologies to compete in global markets, which might not be the low wages countries, which are now often being used for manufacturing.

Rodrik (2016) finds that the peak shares of manufacturing in value added and employment in many low- and middle-income countries were both lower, and occurred at lower levels of development than in the past. He also shows that this process has been more rapid in successive decades since the 1960s. (Rodrik, 2016, pp.1-33) This fact has been referred to in literature as “**premature deindustrialization**” (Dasgupta and Singh, 2007, pp.435-54).

3. Technologies that might change the attractiveness of Manufacturing-Led development, and what impact these changes might have:

Schwab (2016) finds that the evidence of dramatic change is all around us and it's happening at exponential speed. He mentions: ubiquitous mobile supercomputing; intelligent robots; self-driving cars; neuro-technological brain enhancements; and genetic editing. Based on the number of references to various technologies from a review of 10 studies and reports published in 2015-and-after, on Industry 4.0., Cirera, Cruz, Beisswenger & Schueler (2017) find the following (**disruptive**) **technologies** emphasized (Cirera, Cruz, Beisswenger, Schueler, 2017) - The Internet of Things (IoT); - Big data; (Espey, 2015, pp. 1-81) - 3D printing; - Advanced (autonomous) robotics; - Smart sensors; - Augmented reality; - Cloud computing; - Energy storage; - AI or machine learning; - Nanotechnology; - Synthetic biology; - Simulation; - Human-machines interface; - Mobile devices; - Cyber security, and; - Quantum Computing. In addition, techniques like Block Chain are creating new ways of doing business with profound effects on all sectors, including services (e.g. FinTech; financial technology), and agriculture (AgriTech). According to EY's “FinTech Adoption Index” in 2017 a third of consumers worldwide were already using two or more FinTech services. The FinTech industry is thriving globally, and received \$17.4 billion in investment in 2017 alone. (Gulamhuseinwala, Hatch, Lloyd, 2017, pp. 1-44) Today, banks are increasing the number of channels and platforms used for digital delivery of services, which necessitates the integration of a significant part of the activities and their complex offering to the audience. (Zlateva, 2016, p.88) According to FinTech expert Timur Vorona: the bank of the future will either cease to exist or it will become an IT company. Also manufacturing changes fundamentally. The integration of different techniques can e.g. be used to create so-called “**smart factories**”, employing very little manual labor. Creativity and innovation in the approaches used for the distribution of banking products is a prerequisite for successful banking positioning. (Stavrova, Zlateva, 2016, p.192)

Technology and technological disruptions can have far-reaching consequences, like e.g.: 1) **Intelligence of Things**: With the Internet of Things “all will be connected and communicate”. But the connected “things”, like machines, products and people, can be

made smart, adding “intellect”, so that they can make digital links in all sorts of areas, collect and combine valuable information, and take decisions. Thus humans become (only) a part of the intellect in the world. Objects can become tools for understanding complexity and responding to it swiftly, and increasing numbers of objects will work largely without human intervention. This will have a significant impact on society, people, and businesses and their revenue models. Intellect of Things will disrupt and scare, but at the same time, it offers unprecedented opportunities for new products and services;(Vermeend &Timmer, 2016, pp. 1-72) 2) Progress in **3D printing** technology will, according to Leering (2017), see 25% of world trade wiped out by 2060, with carmakers, industrial machinery and consumer products among the most affected. 3D printing would lead to less trade growth and jobs, because 3D printers use far less labor, and reduce the need to import intermediate and final goods from (low wage) countries. At current growth rates, half of all manufactured goods will be printed in 40 years, or even as early as 2040, if investments in 3D technology keep growing fast. This will highly influence Global Value Chains, and the choice of manufacturing locations; (Leering, 2017) 3) De Soto (2017) gives an example of **Block Chain use in development**: Many of the world's conflicts can be traced to disputes over e.g. land rights, or not knowing “who owns what”. Block Chain is a very effective tool for registering property rights. In addition giving people the title to their home, business or land gives them security, and a chance to borrow money and start a businesses, which opens up investment opportunities that can lead to economic development. (De Soto, 2017, pp. 18-21) Block Chain can also be used to digitalize and follow transactions (e.g. government documentation like visa applications, payments, properties, license renewals). Singapore's central bank announced March 2017 that it has completed a trial of using Block Chain to power all domestic inter-bank payments. In the longer run Block Chain seems likely to destroy millions of jobs worldwide in record-keeping and transactions, like those in the back ends of banks. It is still not clear if, and what form the replacements for those jobs take, and where they will land.

In addition to the threat of mass unemployment, **other threats** are discussed like e.g. the risk of: - war and destruction (e.g. killer robots); - too fast introductions of new technologies (with possible devastating side effects); - mass surveillance society (e.g. facial recognition, taping); - discrimination (e.g. facial recognition, social media); - lack of privacy rules and regulations (especially given storage systems, and big data analytics); - cyber security. (Rossi, Venable, Walsh, 2011, pp. 1-102) These changes in technology, trade etc. will define where and how production happens, where different types of jobs are being created and destroyed and how many, and hence the extent of economic opportunities around the world. Fewer businesses may move to lower-cost locations, and local firms will face steeper competition. Rodrik (2016), and Rodrik, McMillan & Sepulveda (2017) e.g. state that there is a risk that manufacturing might offer fewer opportunities for companies to obtain very high growth rates. (Rodrik, McMillan,

Sepulveda, 2017, pp. 1-44) Others think that there may no longer be a possible or accessible pathway to development for low-income countries.

4. The extent of the challenges and threats

If disruptive technology should be considered as a threat, or a positive development is extensively analyzed and discussed. What the **net effect on job creation**, and the overall future (of manufacturing) is depends on the study and the time horizon of the study, and runs from a positive to a very bleak view of the future. Some scholars are very or modestly optimistic, but even positive predictions do not throw out the fact that technical disruptions will result in steep layoffs around the world, although most scholars propagate that, at least in the short to middle term, technological change will also lead to the creation of new, and new kinds of jobs. Frey and Osborne (2013) point out that some of the most **replaceable jobs** include brokerage clerks, bank tellers, insurance underwriters and tax preparers, which are critical, though less skilled occupations that keep the financial industry in motion. (Frey & Osborne, 2013, pp. 1-71) Manyika, Seong, Chui & Joshi (2018) find that professions most susceptible to automation include physical ones in "predictable environments," including operating machinery and preparing fast food. Alternatively, automation will have a more muted effect on jobs that involve managing people, expertise, and those that require frequent social interactions. "Unpredictable" jobs such as gardeners, plumbers, or providers of child - and elder-care are also less likely to see automation over the next decade, as they remain challenging to automate, and don't usually pay high wages. If reemployment is slow, frictional unemployment will likely rise in the short-term, and wages could face downward pressure. (Manyika, Seong, Chui, Joshi, 2018, pp. 1-61)

According to Hallward-Driemeier and Nayyar (2018) the **threat of automation to today's jobs** may be a relatively modest 2-8% for developing economies. The bigger unknown is "tomorrow's jobs", and the loss out on jobs that are never created. On the other hand, new technology could also lead to entirely new occupations that can't be predicted today. Leopold, Ratcheva & Zahidi (2018) argue that machines will overtake humans in terms of performing more tasks at the workplace by 2025. Machines are expected to perform about 42 percent of all current tasks in the workplace by 2022, compared to only 29 percent in 2018, according to the surveyed firms. (Leopold, Ratcheva, Zahidi, 2018, pp. 1-133) Rao, Verweij & Cameron (2018) state that AI, robotics and other forms of "smart automation technologies" could boost productivity and create better products and services. While some jobs will be displaced or fundamentally changed in nature, new jobs will also be created, and the long-term net effect should be positive for the economy as a whole. They conclude that: - Artificial Intelligence (AI) can transform and increase the productivity and GDP potential of the global economy, if strategic investments in different types of AI technology are made; - Labor productivity improvements will drive initial GDP gains as firms seek to "augment" the productivity of

their labor force with AI technologies, and automate some tasks and roles; - 45% Of total economic gains by 2030 will come from product enhancements, stimulating consumer demand, because AI will drive greater product variety, with increased personalization, attractiveness and affordability over time; - The greatest economic gains from AI will be in China (26% boost to GDP in 2030) and North America (14.5% boost), equivalent to a total of \$10.7 trillion, and accounting for almost 70% of the global economic impact. (Rao, Verweij, Cameron, 2018, pp. 1-27) Lee (2018) predicts that robots are likely to replace 50% of all jobs in the next decade. According to Lee China will win the technological battle, because it has the edge in the four determinants of AI success: data, regulation, brains, and capital; and in addition the right mindset, being: collaboration versus sole competition; focus on education; long-term (investment) attitude and approach; focus on having a global impact; and accepting creative destruction. In addition Lee sees China having developed manufacturing ecosystems, evolved supply chain management, and (still) low costs, that will continue to make China a powerful force when it comes to tech. Positive, but potentially negative, are China's centrally controlled marketplace, picking winner and losers, and protecting market segments in order to build the necessary skills and resources to be competitive on a global stage, which is the opposite of the American free market ethos. (Lee, 2018, pp. 1-272)

Other scholars are more **negative about the impact** of the coming changes: Aghion, Jones & Jones (2017) find that balanced growth with nearly complete automation is possible, but that it leads to a decline in the share of manufacturing and/or agriculture. AI increasingly replaces people in generating ideas, and may in part discourage future innovation by speeding up imitation. Resulting rapid creative destruction, which will be limiting the returns to an innovation, may impose its own limit on the growth process. (Aghion, Jones, Jones, 2017, pp. 1-56) Frey and Osborne (2013) estimate that 47 percent of U.S. jobs could be replaced by robots and automated technology within 20 years. Shiller (2012-a) warns that Artificial Intelligence (AI) is probably the biggest challenge facing the jobs market, and quite possibly all of society: it creates tremendous uncertainty and impacts different people differently, while some people could be left out, with career risks like never seen before. (Shiller, 2012-a, pp. 1-434) Kurzweil (2005) predicts that the exponential computing power growth (Moore's law) will continue, and that in a few decades the computing power of all computers will exceed that of human brains, with superhuman AI appearing around the same time. He sees the next step in this inexorable evolutionary process being the union of human and machine, in which the knowledge and skills embedded in our brains will be combined with the vastly greater capacity, speed, and knowledge-sharing ability of our own creations, making our brains "trillions times more powerful than they are today"; the beginning of a new civilization. While the social and philosophical ramifications of these changes will be profound, and the threats they pose considerable, Kurzweil maintains an optimistic view of the future course of human development. (Kurzweil, 2005, pp. 1-434) The IMF (2018) sees a problem for "older

workers”, who will lose their jobs faster, and will have a bigger problem reintegrating in new environments. (IMF, 2018, pp. 1-33) Schwab (2016) fears that organizations might be unable to adapt; governments could fail to employ and regulate new technologies to capture their benefits; shifting power will create important new security concerns; inequality may grow; and societies can fragment.

And some scholars have an **outright bleak long-term vision**. Harari (2015, 2018) sees over time a total replacement of workers, creating a “useless class”. The AI revolution will create constant and increasing disruptions, without any “equilibrium” moment in sight, making retraining a very difficult and basically useless activity. For some time humans might still be needed as consumers, but already today computers and algorithms are beginning to function as clients in addition to producers. So humans might not be needed as producers or consumers. (Harari, 2015, pp. 1-513)

5. The remaining opportunities for Manufacturing-Led development, and how to grab these opportunities

Leopold, Ratcheva & Zahidi (2018) indicate that adaptation to new realities already started and that more jobs could be created, as firms now have a better understanding of how technology creates new business opportunities. Hallward-Driemeier and Nayyar (2018) suggest a policy agenda focused on three dimensions:

1) **Increase competitiveness**: by shifting from a focus on low wages to broader considerations of the business environment, increasing the rule of law, and the use of technology, while developing firm ecosystems;

2) **Increase capabilities**: by equipping government, companies and workers with new skills; building stronger firms; and developing the necessary infrastructure to adopt new technologies;

3) **Increase connectedness**: by improving logistics, infrastructure, and lower trade restrictions on manufactured goods and services.

Other possible opportunities as mentioned in literature:

4) **Equip society for the upcoming changes**: Leopold, Ratcheva & Zahidi (2018) point to the need to equip leaders with the knowledge, tools and structure to navigate the change, and improve the business environment, including upgrading “the whole infrastructure” of society. Policy makers need to identify concrete ways for their country to position itself to address the disruptions of technology and take advantage of globalization. Lee (2018) suggests transforming the country, and companies’ culture to make them rapidly adaptable to AI-related opportunities and threats, and organize for flexibility, and focusing more attention on positioning firms and workers to take advantage of new opportunities. IMF (2018) suggests the creation of broader decision bases on all levels (including in companies), to increase knowledge, and future looking capabilities, and increase “other points of views”;

5) Step up public policies: a) Manyika et al. (2017), (Manyika, Lund, Chui, Bughin, Woetzel, Batra, Sanghvi, 2017, pp. 1-148) and Manyika, Seong, Chui & Joshi (2018) suggest that governments can and should help **retrain workers**; b) As well as **increasing public assistance in finding work**; c) And organize for **portable benefits** that follow workers between jobs, due to increasing creative destruction of jobs; d) And they suggest **stronger regulations**, and even “**break-up power houses**” to contra attack the possible extreme concentration of e.g. knowledge and market control and power; e) Shiller (2012-a) proposes **improving the safety net**, with e.g.: - More generous supplements to income as people adjust; - Insurance programs “for individuals and their careers”; f) Frey and Osborne (2013) suggest to introduce more **comprehensive minimum wage policies**; and **wage gains tied to productivity**; g) Delvaux (2016), and Shiller (2017-b), propose to introduce a **robot tax**, in order to e.g. finance the safety net, and up-skilling; (Delvaux, 2016, pp. 1-22) h) Several scholars propagate the introduction of a **universal basic income**; i) IMF (2018), and Gates (2018) propose taking **actions against wealth and income inequality**, to diminish the resulting increase in inequality between the have’s and the have not’s; (Gates, 2017)

6) Increase innovation: Lee (2018) proposes policies for stimulating and managing emerging technologies e.g. through increased public and private research and development; improved connectedness; stimulation of startups creation; developing the necessary hard and soft infrastructure to adopt new technologies; and aiming at creating new sectors, industries and companies;

7) Grab concrete manufacturing opportunities: Leopold, Ratcheva & Zahidi (2018) find that manufacturing will remain a part of development strategies, although its contribution to inclusive growth is likely to be lower than in the past. For instance the production of tradable goods such as textiles, garments, and footwear continue to be labor-intensive, and do not feature much automation yet. Commodity-based manufactures, such as food processing, wood, paper products, and basic metals will also remain an entry point for less-industrialized countries;

8) Increase and serve the local market: According to Hallward-Driemeier and Nayyar (2018) domestic or regional markets for lower-quality, lower-price manufactures across industries will likely remain viable for some time to come. Bhattacharya, Rastogi, Tan & Buerkner (2013) find that countries need to step up domestic demand and consumption;

9) Stimulate regionalization and integration: Accelerating e.g. intra-African or Asian trade can boost inter country and regional trade and the need for manufacturing, and (institutionalized) collaboration can in addition improve global trade negotiation power; (au.int/en/cfta; asean.org/asean-economic-community/asean-free-trade-area-afta-council)

10) Increase the share and export of services: The World Bank (2013) and others see **Service-Led development** as a possible step to soften the negative effects of

manufacturing losses, with services now accounting for around 70 per cent of global GDP, more than double in size compared to the manufacturing sector. Cost differentials in the production of services across the world are enormous, and technology makes it possible for service providers to sell services without crossing national borders. For instance financial, touristic, health care, education, and entertainment services can contribute big to less and high-developed countries. (World Bank, 2013) Eichengreen and Gupta (2010, 2012) state that it is useful to make a clear disaggregation of the overall concept “services”, as services are characterized by a high degree of heterogeneity in productivity, exportability, potential to produce positive spillovers, and hence the contribution to an economy. They state that it is as crucial for Service-Led development that the level of education and skill building is increased, as it is for Manufacturing-Led development. (Eichengreen & Gupta, 2010, pp. 1-38) Huang (2013) and other scholars are critical on Service-Led development, and think that it is not a sufficient enough development model, and that “leapfrogging” manufacturing is not really possible. Services can play a role, and even an important one, but do not suffice for early, or overall development. (Huang, 2013, pp. 1-385) Basher (2014) finds that a country cannot just “jump in”, but needs to define and find its competitive and comparative advantage within the (broad) service sector: A comprehensive, and consistent service-sector-focused development policy is crucial for Service-Led development. (Basher, 2014) Ghani (2010) sees a clear alternative growth path for developing countries, including those in Africa, as the globalization of service exports provides alternative opportunities for developing countries to find niches, beyond manufacturing, where they can specialize, scale up and achieve explosive growth, just like the industrializers. The policy discussion could now usefully be expanded to services, asking how to build on a country’s comparative advantages. Education, telecommunications, and connectivity are the keys to ignite a Service-Led growth revolution. The comparative advantage can just as easily be in services as in manufacturing or agriculture; (Ghani, 2010, pp. 1-382)

11) **Intensify collaboration:** Schwab (2016) is convinced that the Fourth Industrial Revolution is within the control of all of us as long as we are able to collaborate across geographies, sectors and disciplines to grasp the opportunities it presents and together shape a future that works for all by putting people first, empowering them and constantly reminding ourselves that all of these new technologies are first and foremost tools made by people for people;

12) **Create new societal models:** Harari (2015, 2018) suggests that we develop complete new societal models, like post-work societies, post-work economies, post-work politics, and find new ways to provide “senses of purpose” and fulfillment in order to overcome the “useless class” problem.

To conclude, a quote of Allan Moore: “For whatever the future holds, one thing is certain: it just won't be the same.” Ideally we prepare, and will be ready for it!

6. Conclusions

Countries, and especially lower-income countries, have traditionally relied on manufacturing and the export of these manufactured goods as a central driver of economic development. But given: the concentration of manufacturing in Western countries and China; continuing expansion of other countries at the lower end of global value chains; threats of protectionism; and the introduction of disruptive technologies, the question is if Manufacturing-Led development is still a viable development option. There are different points of view about the seriousness of consequences, depending on the kind of study, and the time horizon of the analyzes, but nearly all scholars are agreeing that technical disruptions will result in steep layoffs around the world, although most propagate that, at least in the short to middle term, technological change will also lead to the creation of new, and new kinds of jobs. Whatever happens, disruptive societal and manufacturing changes will occur, manufacturing locations will change, and smart factories in future might employ very little manual labor. Some of the mentioned disruptive technologies with great future impact are: - The Internet of Things; - Big data; - 3D printing; - Advanced (autonomous) robotics; - Smart sensors; - Augmented reality; - Cloud computing; - Energy storage; - AI or machine learning; - Nanotechnology; - Synthetic biology; - Simulation; - Human-machines interface; - Mobile devices; - Cyber security; - Quantum Computing, and; Block Chain. Some jobs, like physical jobs in predictable environments, are clearly more and sooner replaceable than others. Looking at it positively, new techniques and smart automation will boost productivity and create enhanced and new products and services. But some scholars fear an overall negative outcome, with the next step in this inexorable evolutionary process being the union of human and machine, in which the knowledge and skills embedded in our brains will be combined with the vastly greater capacity, speed, and knowledge-sharing ability of our own creations, making our brains “trillions times more powerful than they are today”; the beginning of a new civilization. Some even see the (nearly) total disappearance of jobs, as we know them now, through constant and increasing disruptions, without any “equilibrium” moment in sight, making retraining a very difficult and basically useless activity, with at the end the creation of a “useless class”.

The solutions, at least for the short and medium term, are seen to be: 1) Increasing competitiveness; 2) Increasing capabilities on all levels; 3) Increasing connectedness; 4) Equipping society for the upcoming changes; 5) Stepping up public policies, like: retraining workers; offering public assistance in finding work; providing portable benefits; implementing stronger regulations, and “break-up power houses” to contra attack power and knowledge concentration; improving the safety net; introducing insurance programs “for individuals and their careers”, comprehensive minimum wage policies, and wage gains tied to productivity; launching a robot tax to finance programs, trying to soften the effects of disruption; introducing universal basic income; starting actions against wealth

and income inequality; 6) Increasing innovation; 7) Grabbing concrete (“leftover”) manufacturing opportunities; 8) Increasing and serve the local market; 9) Stimulating regionalization and integration; 10) Increasing the size, share and export of services (Service-Led development), as services now account for around 70 per cent of global GDP; 11) Intensifying national and especially international collaboration; 12) Creating new societal models, in order to overcome the “useless class” problem. To conclude, a quote of Allan Moore: “For whatever the future holds, one thing is certain: it just won't be the same.” Ideally we prepare, and will be ready for it!

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THE IMPACT OF MUSIC ON INCREASING WORK PRODUCTIVITY

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Abstract

Music makes our daily life more beautiful. At the same time it has numerous healing properties. Music is one of the most effective methods of reducing anxiety, relaxing the body and mind, positively affecting memory.

Music can also improve productivity and quality of work. But, every type of music doesn't have a productive effect on performance. The choice of music depends largely on the work, and the conditions in which we work.

The purpose of this paper is to identify how music makes us more productive, focused and creative at workplace, and to analyse positive effects of music on work performance through application the models of music. The methods that will be used are: induction, comparative method and observation. Only secondary data will be applied.

Key words: *music, science, work, productivity, mood, health, efficiency*

JEL Codes: *E24, J24, O47*

Introduction

Music has the power to revive even the most boring moment. She has been follow us constantly, from the the first morning coffee, when we turn on the radio and listen to a music all day, until returning from work, in our car, or public transport. Although music is an integral part of our lives, there are still many dilemmas in human resource management and psychological circles about whether it is an important factor that makes us productive. While playing or listening to music, the left and right sides of the brain work simultaneously, and this positively affects the formation and storage of information.

According to Dr. Amit Sood, a physician of integrative medicine with the Mayo Clinic, in biological terms, melodious sounds help encourage the release of dopamine in

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the reward area of the brain, as would eating a delicacy, looking at something beautiful, or smelling a pleasant aroma. (Padnani, A. (2012)

Scientists have been interested in the effects of music on the brain for years, and recent studies have begun shedding light on whether music aids cognitive performance and work productivity.

The Impact of Music on Increasing Work Productivity

The idea that listening to music can potentially improve productivity and cognitive function is nothing new. The "Mozart Effect," study from 1993, which suggested listening to Mozart before taking the "spatial-temporal reasoning" section of an IQ test improved performance. (Fowers, C., 2014)

A more recent study tracked 56 software engineers as they worked either in silence or while listening to different types of music. It found an increase in both mood and quality of work while listening to music. In other words, music made these programmers happier (like the original Mozart Effect) but also increased the quality of their work. (Kemmis, S., 2019)

So music may improve productivity "just because" it improves mood, as critics of the Mozart Effect argued two decades ago, but...does it matter? Isn't improving mood and productivity at the same time a win-win? It seems like music *can* improve productivity. But that raises some interesting questions: Which kind of music aids productivity most? And which tasks are most (and least) appropriate to do while listening?

In the following we will look at several studies of the impact of music on work productivity.

According to a study by Mindlab International, as many as 9 out of 10 workers perform better while listening to music during work. Music is a very powerful management tool if you want to increase not only the efficiency of your workforce but also their mental and emotional state. (Davidson, L., 2016)

Teresa Lesiuk, a professor at the University of Miami, who is a participant in the music therapy program, says that the music you love elevates your mood and makes you more productive. (Benson, F., 2018) Dr. Lesiuk's research focuses on how music affects workplace performance. In one study involving information technology specialists, she found that those who listened to music completed their tasks more quickly and came up with better ideas than those who didn't, because the music improved their mood.

Researchers at Taiwan's Fu Jen Catholic University say productivity increases songs you don't care much about. According to them, the music you love or hate distracts you from your work. (Padnani, A. 2012)

Music plays a significant role in making most employees better workers and the type of genre that has this impact on employees varies by the individual. According to the survey, out of the 85 percent of people who like listening to music at work, three genres topped the list in terms of popularity: pop, rock and country. (Half, R., 2018)

Studies done at the University of Birmingham in England show that music is effective in increasing efficiency in certain repetitive processes – like checking e-mails or fill in specific spreadsheets. (Mentor, 2018)

- *Music with sounds from nature* - researchers at the Rensselaer Polytechnic Institute recently discovered that listening to music with sounds from nature can increase our mood and focus. Nature sounds can mask intelligible speech, just like white noise, which simultaneously improves cognitive functioning, optimizing ability to concentrate and increasing overall worker satisfaction.

- *Music you enjoy* - listening to the music you love makes you feel better. Teresa Lesiuk, an assistant professor in the music therapy program at Miami University, came to the conclusion that the personal choice of music we would listen to was very important, especially for those who are not overly skilled in their work. Participants in her studies who listened to the music they enjoyed were performing their tasks faster than the group of participants who did not listen to the music.

- *Non-recording music* - various studies indicate that music that you do not record may be the best option for increasing productivity. Researchers at Fu Jen Catholic University in Xinzhuang City, Taiwan, have studied how a preference for a particular type of music affects the concentration of people listening to it. They found that when employees hear music they love extremely well or do not like at all, that music interferes with their work. The conclusion is that the best music that increases your productivity at work is music that your brain "does not register" and considers "irrelevant".

- *Instrumental (text-free music)* - words are distracting. According to a study by experts at Cambridge Sound Management Chair at Cambridge University, workplace noise is not to blame when it comes to employee productivity. The problem is that our focus shifts from the work we do to trying to understand words that come from our environment. According to a 2008 study from Cambridge University, workplace conversations hamper about 48% of employees. For this reason, it has come to the conclusion that in the same way listening to music with lyrics distracts attention to the words mentioned in that song, so it is much better to choose music that does not have text and with the help of which you will have a much greater focus on work which you are dealing with at that moment.

- *Music with a specific tempo* - specific tempo music can have different effects on your mood. One study by Canadian researchers found that a group of students who did the IQ test had better test scores while listening to variable-tempo music. If your job requires you to be optimistic, listen to music that has a tempo that leads you to optimism. Baroque music is a popular choice for many who want to do their job in the best possible way. In a small study of researchers at Maryland University of Baltimore, Harbor Hospital of Baltimore, and the University of Pennsylvania, Philadelphia, radiologists studied improvements in their work and mood while listening to Baroque music. Another study by Malaysian researchers found that respondents reported a dramatic decrease in

their sense of stress and an increased sense of physical relaxation while listening to music at about 60 beats per minute. In terms of classical music, that tempo is called "Larghetto" which translates as something not so fast or even slow.

Another interesting phenomenon is composing songs, whose main theme is work, and their impact on productivity. This type of music is a hallmark of the countries of the former Yugoslavia and all of Eastern Europe, which have numerous songs dedicated to the glorification of work. This type of music originated in the Soviet Union shortly after the October Revolution, and after the end of World War II it becoming very popular in the countries of the Eastern Block and Yugoslavia, as well as in socialist and communist states such as PR China, Cuba and Vietnam. Hundreds of Soviet melodies can be found on Sovmusic.com, including work tracks such as "Railway March", "Caspian Oil Workers' March", "Song of the Dead" and "Steel Horses." One such example is the most famous song from the SFRY era that praises the work "Da nam zivi, zivi rad", which is still popular today. (Pesma Radu)

Joe Hill, Swedish-American labor activist, songwriter, and member of the Industrial Workers of the World, started writing songs to unite a working class that was fractured into ineffective pieces due to language and cultural differences. Using the music of popular hymns and tunes, Hill added lyrics that soon were sweeping through labor picket lines throughout the nation. Hill's 1910 song, "Workers of the World, Awaken!" was strong belief in the power of a united working class. (Hill, J., 2018)

All this indicates that music has become an indispensable and significant part of the revolutions, present in all socio-economic formations. Today, some companies are working to take advantage of neurological and cognitive effects and create music that can maximize them. One such example is the use of the Focus@Will, an app that produces "streamlined music." (<https://www.focusatwill.com/?mul0mufb=6995-a>) This music is specifically designed for listening to while working to improve mood and productivity. The company built a system that focuses on the key of the music, the tempo and more to make it as effective as possible.

At last, the presence of the music and its influence cannot be avoided. In, productivity, creativity and happiness at work, the music is the modern tool for creating satisfied human resources and quality in job. In addition of this fact we will mention it the support of Marie Tillman, founder and CEO of "Mac & Mia", who says: "Happy workers are more productive workers, and if music is something that makes someone happy, makes them more productive." (Chasanov, D., 2018)

Conclusion

The researchers concluded that enjoyable music induce positive affect and heightened arousal, who leads to moderate improvements in task performance and productivity. From a scientific point view, at the same time, mild positive feelings can

influence the way cognitive material is organized and thus influencing creativity, and higher quality of performance in the job. Participants who experienced a positive mood as a result of listening music demonstrated better creative problem solving than participants who had a neutral or depressed mood. The studies provide evidence that there is greater integration and positive relationships among music that stimulate people to feel happy.

On the other side, music plays an important part in the workers' revolutions as a tool for motivation and cultural progress, which affects not only the increase in productivity in work, but also the happiness of workers and workers' rights.

All of these factors have important implications for managers of human resources who wish to use the music as a means of improving employee performance, and to create an organizational culture who supports music models for increase the quality of work, productivity and employee happiness.

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FISCAL AND MONETARY DETERMINANTS OF THE GROWTH AND THE CYCLICAL RECURRENCE OF THE BULGARIAN ECONOMY

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Abstract

The objective of this article is to study the opportunities for managing Bulgaria's economic growth and business cycle under a currency board arrangement. The fiscal and monetary determinants of growth and cyclical recurrence of Bulgaria's economy, their size and impact direction have been identified by vector autoregression (VAR). Recommendations have been made on macroeconomic policies, which stimulate growth and smooth out the cyclical fluctuations of the Bulgarian economy.

Keywords: Bulgaria; economic growth; business cycle; fiscal policy; monetary policy; currency board arrangement; vector autoregression

JEL Codes: E32, E52, E62, F43, O47

1.Introduction

There are many studies on the economic growth and business cycle of Bulgaria in the process of transition to a market economy – Ganev (2005), Minassian (2008), Pirimova (2001 and 2014), Raleva (2013), Statev (2009), Todorov and Durova (2016), Todorov, Durova and Aleksandrov (2018) etc.

Under a currency board, the opportunities for managing the growth and cyclicity of the economy are limited. The exchange rate fixation does not allow the absorption of external shocks through its change and the control over money supply is lost. There is no autonomous exchange rate policy and monetary policy becomes ineffective. Fiscal policy continues to operate effectively but is limited by the requirement to avoid simultaneously a current account deficit and a fiscal deficit (so-called twin deficits).

The objective of adopting the single European currency further complicates the task of Bulgarian macroeconomic governance as it implies compliance with the

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Maastricht criteria for inflation, budget deficit, government debt, interest rate and exchange rate. Since joining the European Union (EU) in 2007, Bulgaria has always met convergence requirements for government debt, budget deficits and exchange rate stability. Bulgaria's experience has shown that an expanding economy may face difficulties covering the criterion of inflation, while in a decline the interest rate criterion is likely to be a problem. These empirical facts have their theoretical explanation. In the conditions of a catching-up economic development and fixing of the lev to the euro, the price level during an expansion ought to grow faster in Bulgaria than in the Euro area (EA), which could impede the fulfillment of the inflation criterion. In times of crisis, markets become sensitive to the solvency of government, and this may make it more difficult to meet the requirement of the interest rate on the ten-year government bonds.

The Bulgarian Currency Board has constructive features that Bulgarian macroeconomic management should know and use. As for monetary policy, money supply is not determined by the Central Bank (CB), but depends on the size of its foreign exchange reserves. The Bulgarian National Bank (BNB) does not perform open market operations (OMO) and does not control the base interest rate (BIR) but defines the minimum required reserves (MRR) for commercial banks' deposits. The discount policy and the refinancing of commercial banks (the fulfillment of the lender of last resort function) are subject to serious limitations (Minassian, 2008):

- There must be a liquidity risk for the stability of the entire banking system;
- The commercial bank experiencing temporary liquidity problems must be solvent and provide a collateral at the amount of 125% of the refinancing;
- The loan must be fully repaid in three months at an interest rate exceeding the market one;
- The loan must not exceed the deposit of the Banking Department in the Issue Department of the BNB.

The BNB has the potential to indirectly influence money supply through the management of foreign exchange reserves, the regulation and the supervision of commercial banks. The good management of foreign exchange reserves, the quality regulation and supervision of commercial banks increase the confidence in the national currency and banking system and stimulate business agents to switch from euro to lev positions. This in turn expands the foreign exchange reserves of the BNB and the money supply. In this sense, the bankruptcy of the Corporate Commercial Bank in 2014 severely hit the authority of the BNB.

Under a fixed exchange rate regime, such as the currency board, fiscal policy functions efficiently in contrast to monetary policy, despite the ban on financing the budget deficit by the central bank. The low size of the Bulgarian government debt allows expansionary fiscal policy and formation of budget deficits as an anti-crisis measure during a recession. The Bulgarian government has the opportunity to conduct monetary policy with fiscal funds, changing the amount of its deposit in the BNB Issue Department

(the so-called fiscal reserve). By reducing the amount of this deposit and moving part of it into a commercial bank, the government can increase money supply and its revenues, but this action may lead a loss of government funds and violates the rules of the currency board.

The purpose of this study is to analyze the options for macroeconomic management of growth and cyclicity under the conditions of the Bulgarian currency board. The aim of the study is achieved through the fulfillment of the following tasks:

- Review of literature on the Bulgaria currency board (section two);
- Outlining the specificities of the Bulgarian currency board arrangement (section three);
- Identification of fiscal and monetary determinants of Bulgaria's economic growth (section four);
- Identification of fiscal and monetary determinants of Bulgaria's business cycle (section five);
- Formulation of advisable macroeconomic policies, which encourage growth and smooth out the cyclical fluctuations of the Bulgarian economy (conclusion section).

In this study, a Vector Autoregression (VAR) is applied in an attempt to identify macroeconomic policies, which facilitate the growth and minimize the fluctuations of the Bulgarian economy. Quarterly Eurostat seasonally adjusted data are used for the period from the first quarter of 2000 to the fourth quarter of 2017. All indicators are calculated as a percentage of actual real GDP, except for the output gap, which is presented as a percentage of potential GDP. Potential GDP is estimated via the Hodrick-Prescott filter.

All variables are tested for stationarity. If they are found to be integrated of the first order, tests are made for the optimal number of lags and co-integration of Johansen. The optimal number of lags is used in the Johansen test and in the construction of the vector autoregression. If the Johansen test demonstrates a cointegration link between variables, a restricted VAR, also known as a Vector Error Correction (VEC), is applied. Otherwise, an unrestricted VAR is employed.

The short-term cause-and-effect relationships between the variables are analyzed through Pairwise Granger Causality Tests, while long-term via the Granger Causality/Block Exogeneity Wald Tests. Impulse Response charts have been produced to illustrate how target variables (real GDP growth rate and output gap) respond to fiscal and monetary shocks.

Recommendations have been made on macroeconomic policies, which support the growth and smooth out the cyclical fluctuations of the Bulgarian economy. In selecting the explanatory fiscal and monetary variables involved in the vector autoregression, the general principles of macroeconomic management under a currency board and the specifics of the Bulgarian currency board have been taken into account.

2. Literature review

Bulgaria's CBA is heavily debated in economic literature (Minassian, Nenova and Yotzov, 1998; Avramov, 1999; Miller, 1999; Dobrev, 1999; Ialzanov and Nenovsky, 2001; Carlson and Valev, 2001; Nenovsky and Hristov, 2002; Nenovsky and Dimitrova, 2002; Nenovsky, Hristov and Mihaylov, 2002; Hristov, 2004; Desquilbet and Nenovsky, 2004; Chobanov and Nenovsky, 2004; Moheeput, 2008; Hardouvelis and Monokrousos, 2009; Todorov, 2013; Fabris and Rodic, 2013; Marinova, 2016; Minassian, 2018 etc.). Hanke and Schuler (1991) suggested that a currency board be introduced in Bulgaria in order to achieve a convertibility of the Bulgarian lev in foreign currency. This proposal was implemented on 1 July 1997 following a severe financial crisis involving bank failures and a serious internal and external depreciation of the Bulgarian lev.

Avramov (1999) reviewed the common features of the CBAs, their internal and external vulnerability, the peculiarities of the Bulgarian CBA and possible exit strategies.

Miller (1999) analyzed the first two years of the functioning of the currency board in Bulgaria in terms of its organizational structure and the strengths and weaknesses characteristic of the currency boards.

Dobrev (1999) focused on the specifics of monetary policy, financial system and management of foreign exchange reserves under the conditions of the Bulgarian currency board.

Ialzanov and Nenovsky (2001) discussed the advantages and disadvantages of maintaining the currency board until Bulgaria enters the Eurozone. As an alternative to the currency board, the authors offered the so-called Euroization (the introduction of the euro in Bulgaria unilaterally or on the basis of a bilateral agreement before Bulgaria's entry to the European Monetary Union).

Carlson and Valev (2001) explored the effects of change of the exchange rate regime in 1997 on the inflation expectations in Bulgaria. The authors found that the introduction of a currency board had lowered inflationary expectations, but to varying degrees for individual business agents.

Nenovsky and Hristov (2002) empirically tested the options for discretionary monetary policy under the conditions of the Bulgarian currency board, which is part of the new generation of currency boards. The authors concluded that there were such options under the Bulgarian currency board and that the automatic adjustment mechanism, characteristic of the orthodox CBAs, did not work.

Nenovsky and Dimitrova (2002) examined the sources and dynamics of inflation in Bulgaria. They found dynamic but not static Balassa-Samuelson effect. The authors concluded that the main factors of the inflation dynamics in Bulgaria under the currency board are imported inflation and temporary differences between money supply and demand for money.

Nenovsky, Hristov and Mihaylov (2002) performed a comparative and descriptive analysis of the currency boards in Bulgaria, Estonia and Lithuania. Their conclusions were that the three CBAs did not function in a similar way and differed significantly in the reasons for their introduction, their institutional design and their available macroeconomic instruments.

Hristov (2004) tried to empirically answer the question whether the flexibility of macroeconomic instruments in Bulgaria to deal with external shocks would have been greater in a classical central bank than in a currency board arrangement. Hristov concluded that conditions for an effective discretionary monetary policy of a classical central bank in Bulgaria during the period 1997-2004 did not exist for two reasons: first, the economic dynamics during this period was determined mainly by structural rather than by cyclical factors and second, there is no confidence of economic agents in discretionary monetary policy.

Desquilbet and Nenovsky (2004) compared the Gold Standard and the Currency Board as monetary regimes with a high degree of confidence in monetary authorities and an automatic adjustment mechanism. The authors made two important conclusions: first, the credibility of the Gold Standard was determined by endogenous, and in the currency board by exogenous factors, and secondly, asymmetries in economic adjustment are much higher in the currency board than in the Gold Standard.

Chobanov and Nenovsky (2004) analyzed empirically the liquidity of the money market in Bulgaria under a currency board. The imbalances in the Bulgarian money market could not be overcome by adjusting interest rates, as in hard CBAs, but required management of government reserves in the Central Bank balance sheet. This management allows the government to pursue a discretionary monetary policy by fiscal means.

Moheput (2008) explored the CBAs in the context of a comprehensive analysis of the problems of choosing a currency-exchange regime. The author claimed that currency boards were created for three reasons: first, to quickly deal with financial chaos, second, as part of the medium-term stability program and third, as a long-term monetary strategy. The currency board in Bulgaria was created for the first reason - as an urgent measure to overcome a severe financial crisis and a loss of confidence in the monetary authorities.

Hardouvelis and Monokrousos (2009) and Todorov (2013) explored the stability of the Bulgarian currency board. The conclusions of both studies were that the Bulgarian currency board was stable and the most likely scenario was to maintain it until Bulgaria entered the Eurozone.

Fabris and Rodic (2013) analyzed the effectiveness of CBAs as fixed exchange rate regimes compared to floating exchange rates. The current account deficit, measured as a percentage of GDP, and the rate of inflation were higher in currency board countries than in countries with floating exchange rates, indicating poor performance of the currency board as a form of exchange-rate regime.

Marinova (2016) compared monetary and fiscal policy in the Eurozone and Bulgaria. The author asserted that the main risks to the stability of public finances in Bulgaria and the Euro area were political: the frequent change of governments in Bulgaria and the lack of fiscal discipline in the currency union.

According to Minassian (2018), the currency board provided financial stability, but became an obstacle to economic growth in Bulgaria. The author recommended a change of the exchange rate regime in order to stimulate the growth and convergence of the Bulgarian economy with the developed economies of the Eurozone.

The above mentioned studies can be classified according to different criteria - methodology, territorial scope, conclusions, etc.

According to their methodology, the examined studies can be divided into predominantly theoretical and predominantly empirical. The theoretical element dominates in the research of Avramov (1999), Miller (1999), Dobrev (1999), Ialzanov and Nenovsky (2001), Nenovsky, Hristov and Mihaylov (2002), Desquilbet and Nenovsky (2004) and Moheeput (2008). Mostly empirical are the investigations of Carlson and Valev (2001), Nenovsky and Hristov (2002), Nenovsky and Dimitrova (2002), Hristov (2004), Chobanov and Nenovsky (2004), Hardouvelis and Monokrousos (2009), Fabris and Rodic (2013), Todorov (2013), Marinova (2016) and Minassian (2018).

According to their territorial scope, the reviewed sources can be grouped research on one country and research on more than one country. The first group includes the investigations of Avramov (1999), Miller (1999), Dobrev (1999), Ialzanov and Nenovsky (2001), Carlson and Valev (2001), Nenovsky and Hristov (2002), Nenovsky and Dimitrova (2002), Hristov (2004), Chobanov and Nenovsky (2004), Hardouvelis and Monokrousos (2009), Todorov (2013) and Minassian (2018). The second group consists of the analyses of Nenovsky, Hristov and Mihaylov (2002), Desquilbet and Nenovsky (2004), Moheeput (2008), Fabris and Rodic (2013) and Marinova (2016).

According to their findings, the above examined sources can be divided into studies that recommend the introduction or retention of the CBAs and studies that offer their removal. The first group includes Avramov (1999), Miller (1999), Ialzanov and Nenovsky (2001), Nenovsky and Hristov (2002), Hristov (2004), Hardouvelis and Monokrousos (2009), Todorov (2013) and others, and the second group - Fabris and Rodic (2013), Minassian (2018) etc.

Three important conclusions can be drawn from the review and the systematization of literature on the currency board in Bulgaria. First, there is a balance between theory and empirics in research. Second, there is no universal optimum currency-exchange regime. The optimum exchange rate regime is determined by specific circumstances and varies by time and country. Third, while in earlier examinations dominates the view that the currency board in Bulgaria operated successfully and had to be preserved, the number

of surveys recommending a change in the currency-exchange regime of Bulgaria has increased in recent years.

3. Specificities of the Bulgarian CBA

3.1. Legal framework

The principles of the functioning of the currency board were laid down in the Law of the BNB, adopted in June 1997. Under this law, the lev was fixed to the German mark (the reserve currency of the currency board) at a rate of 1 mark = BGN 1,000 and neither the CB nor the government could change the exchange rate at will. This could only be done by a qualified majority decision of the National Assembly.

The 1997 Law on the BNB provided that: firstly, the CB's liabilities were 100% covered by the currency board reserves; secondly, the CB converted the national and reserve currency on demand at the fixed exchange rate without any restrictions; third, the disbursement of loans from the CB to the government and the refinancing of commercial banks ceased. The clear legal regulation of the functioning of the currency board helped to ensure transparency and confidence in the newly created currency board institution (Berlemann and Nenovsky, 2003).

3.2. Institutional design

The specific design of the currency board in Bulgaria has attracted the attention of researchers around the world due to its considerable differences with the classical hard (orthodox) currency board. The central bank in Bulgaria is divided into Banking Department and Issue Department, each of which has its own balance sheet. The Issue Department is directly responsible for the functioning of the currency board, and the Banking Department is authorized to perform the function of "lender of last resort".

The Currency Board in Bulgaria has a structure similar to that in Estonia where there is a division between the Issue Department and the Banking Department. There is also a third Department in Bulgaria - Banking Supervision. The Banking Supervision Department regulates the commercial banks. The Banking Department has reserves that can be used in crisis situations to help banks. The heart of the currency board is the Issue Department (Enoch, Gulde and Hardy, 2002).

3.3. Balance sheet structure

All foreign currency assets are recorded in the Issue Department balance sheet. An important difference between this balance sheet and the typical currency board balance sheet is the presence of government deposits and deposits of the Banking Department in the liabilities of the Issue Department. Theoretically, the only liability of a hard currency board arrangement should be the monetary base. In practice, at the Bulgarian currency board, the sum of the government deposits and the deposits of the Banking Department exceeds the monetary base (M0). The deposits of the Banking Department represent a

reserve that can be used to refinance commercial banks in liquidity crises, which bear systemic risk for the banking system (Fatas and Rose, 2001).

The liabilities of the Issue Department (notes and coins in circulation in circulation, deposits of commercial banks, fiscal reserves and deposit of the Banking Department) are fully secured with reserves in foreign currency. The deposit of the Banking Department in the Issue Department liabilities is the net value of the currency board, i.e. the currency board holds a surplus of foreign exchange reserves equal to the amount of that deposit.

In the event of a liquidity crisis in the banking system, the Banking Department may grant short-term (up to 3 months) lev-denominated loans to solvent banks up to the surplus of foreign exchange reserves of the currency board. In the new generation of currency boards, the lender of last resort function has been retained (Grigonyte, 2003).

An important specific feature of the Bulgarian Currency Board is the existence of fiscal reserves (government deposit) in the liabilities of the Issue Department. Loans from the IMF and other international financial institutions, as well as privatization revenues, accumulate there upon receipt. IMF loans are also assets (foreign exchange reserves) in the Issue Department balance sheet. The central bank may officially give the government the loans received by the IMF only if the maturity of the government debt to the BNB coincides with the maturity of the BNB's debt to the IMF. If the government decides not to use the loans from the IMF and international financial institutions, these loans may accumulate in the Banking Department deposit, providing to the Banking Department more funds to act as lender of last resort (Grimm, 2007).

The specific design of the Bulgarian currency board mitigates the effects of the loans from international financial institutions and foreign debt payments on money supply. Unlike the hard currency board, changes in foreign exchange reserves related to IMF loans and foreign debt payments do not affect the monetary base, which reduces money supply fluctuations (Miller, 1999). However, the inclusion of the government deposit in the liabilities of the Issue Department has a drawback: the automatic link between the balance of payments and the monetary base is interrupted, and the government causes unintentional changes in money supply through its fiscal policy. For example, a fall in tax revenue and/or an increase in government spending causes unintentional monetary expansion and vice versa (Nenovsky and Hristov, 2002).

Since its very inception, the Bulgarian currency board has been situated in a wider context. It has been conceived (and imposed by a broad national consensus) as a cultural shock, a tool for imposing financial discipline, and not just as a stabilization scheme. The currency board is seen as a clear separation from the past, as a treaty designed to overcome the deep-rooted reluctance to modernize the Bulgarian economy after seven years of partial, incoherent and inconclusive reforms, as an ambitious plan to tackle institutional failures in the beginning of the transition to a market economy (Gulde, Ghosh and Wolf, 1998).

The general principles of the Bulgarian Currency Board are in line with the institutional arrangements of such monetary systems. However, several of its specifics can be highlighted (Hanke and Sekerke, 2003):

- Bulgaria did not create a new monetary institution (as did Hong Kong), but used the institutional design of the existing central bank (BNB). The traditional model of the English central bank was adopted and two separate departments - Issue and Banking - were set up. The residual deposit of the Banking Department in the Issue Department provides the accounting link between them. The deposit is the positive net value of the currency board - the surplus of foreign exchange reserves above the monetary base and other liabilities of the Issue Department.

- The monetary base must be covered at least 100% by foreign exchange reserves, but there is no fixed rate of cover. The surplus is intended to be used by the BNB as a lender of last resort in the event of a systemic liquidity crisis in the banking system. The lender of last resort function is applied with very strict constraints and to solvent banks only (Gulde, Kahkonen and Keller, 2000).

- The BNB is left with only one discretionary instrument for regulating the liquidity in the banking system - the minimum required reserve ratio.

- A government deposit is included in the CBA liabilities. On the one hand, the deposit accumulates incoming financial flows from the IMF and other international financial institutions and is covered by the liquid assets of the Issue Department. This is the most serious guarantee that debt payments will be made to international financial institutions. On the other hand, the existence of a government deposit in the currency board liabilities indirectly affects the monetary base. The increase of government deposits causes a reduction in the monetary base and vice versa. The balance on the state budget is crucial for the overall stability and liquidity of the currency board (Hanke and Schuler, 2015).

- In the first years of the currency board, the government deposit included foreign currencies (mainly US dollars) that were different from the reserve currency. This implied that part of the Issue Department's assets was not denominated in the reserve currency. In order to reduce the exchange rate risk for the Issue Department, the law provides that the difference between the assets and the liabilities, which are denominated in currencies other than the reserve one, must not exceed 2%.

- A peculiarity of the Bulgarian Currency Board is the legally guaranteed right of the BNB to grant a direct credit to the government upon the purchase of Special Drawing Rights (SDR) from the IMF. The maturity of the government debt to the BNB, denominated in SDR, entirely coincides with that of the BNB's debt to the IMF. This right is in line with the function of the BNB to act as an agent of the government and formalize its financing against loans from the IMF (Hardouvelis and Monokrousos, 2009).

Not only provides the Bulgarian currency board a strict financial discipline, but also allows for some flexibility in cases of external shocks and systemic banking crises. For example, the soft Bulgarian currency board arrangement has retained a traditional monetary policy instrument – the minimum required reserve ratio. In addition, the "lender of last resort" function may be applied in the event of liquidity risk endangering the stability of the banking system (Hristov and Zaimov, 2003).

Under the classical hard currency boards, only the monetary base M0 is backed with reserve assets and the changes in foreign exchange reserves affect the monetary base and the money supply. With large foreign debt payments, which reduce the country's foreign exchange reserves, the monetary base and money may seriously shrink, leading to a recession. In the Bulgarian currency board version, this danger is avoided by providing cover with reserve assets not only on the monetary base but also on the deposits of the government and the Banking Department (Irwin, 2004).

In addition to providing a reserve for refinancing commercial banks in case of need and eliminating the risk of sudden fluctuations in the monetary base and money supply due to changes in foreign exchange reserves, the specific structure of the balance sheet of the Bulgarian currency board (Issue Department of the BNB) has two additional consequences:

1. The changes in the monetary base are not equal to the total surplus or deficit on the balance of payments when the government conducts international transactions. International government transactions are automatically sterilized, no matter if they are tranches from the IMF, foreign debt payments or revenues from privatization deals with foreign investors (Miller, 1999).
2. Budget deficits are automatically funded through money issuance. The rise in government spending expands the monetary base and has the same effect on money supply as the purchase of government bonds by the central bank. Routine government receipts and payments affect the size of the monetary base and create additional fluctuations in money supply (Kalcheva, 2003).

According to Nenovsky and Hristov (1998) this problem may be solved by keeping government deposits at a commercial bank rather than at the central bank. Nenovsky and Hristov's proposal is debatable since providing government deposits to commercial banks poses the risk of losing public assets and expands the monetary base and the money supply by increasing the reserves in the banking system.

Another possible solution to this problem is that a part of government deposits (related to foreign debt service) is held at the central bank and a second part (related to routine government operations) is invested in private commercial banks (Miller, 1999). This option also has its weaknesses - a risk of losing public assets, albeit partial, and an opportunity for the government to influence the size of the monetary base by transferring funds from one of its accounts to another.

4. Fiscal and monetary determinants of Bulgaria's economic growth

The fiscal and monetary determinants of economic growth in Bulgaria are identified by a vector autoregression involving the following variables: **GDPGR** – rate of growth of real GDP on the previous year; **FISC_BAL** – fiscal balance; **FOREX_RES** – foreign exchange reserves (total amount of the assets of the Issue Department of the Bulgarian National Bank); **GOV_DEBT** – government debt; **GOV_DEP** – government deposit on the balance sheet of the Issue Department of the Bulgarian National Bank; **MRR** – minimum required reserve ratio. The target variable is **GDPGR**.

The group unit root tests (see Table 1) show that the variables are stationary (integrated of order zero), which requires the application of unlimited VAR. The test for the optimal number of lags in the vector autoregression shows that according to the Schwarz criterion, this number is one (see Table 2). The vector autoregression is estimated with one lag.

Table no. 1: Tests for stationarity of the variables in the vector autoregression

Method	Statistic	Probability	Cross-sections	Observations
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-3.31980	0.0005	6	422
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-4.34520	0.0000	6	422
ADF - Fisher Chi-square	52.4440	0.0000	6	422
PP - Fisher Chi-square	72.1046	0.0000	6	425

Source: Prepared by the authors

Table no. 2: Optimal lag length in the VAR model

Number of lags	SC
0	36.13043
1	27.16292*
2	28.14493
3	28.91504
4	29.29056
5	29.88104
6	29.63968

* Shows the optimal number of lags according to the respective criterion

Source: Prepared by the authors

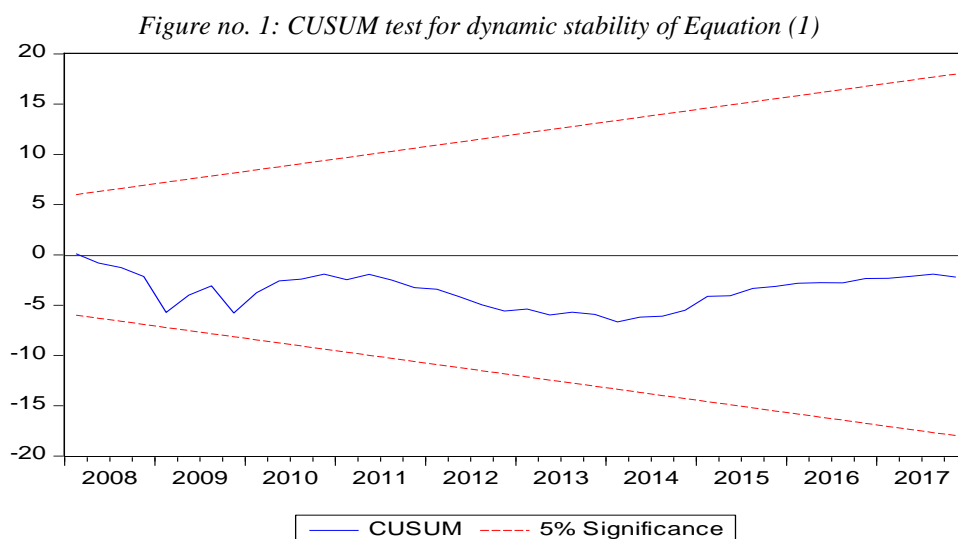
The equation for the target variable in the VAR model **GDPGR** after the step-by-step removal of statistically insignificant variables is

$$(1) \text{ GDPGR} = 3.13 + 0.24*\text{GDPGR}(-1) + 0.07*\text{FISC_BAL}(-1) - 0.26*\text{MRR}(-1)$$

The economic growth in Bulgaria is influenced by its own past value and the lagged values of the fiscal balance and the minimum required reserve ratio. The coefficient before the fiscal balance is positive, while the coefficient before the minimum required reserve ratio is negative. The signs of the regression coefficients imply that the growth rate of Bulgaria's real GDP can be encouraged by improving the fiscal balance and by decreasing the minimum required reserve ratio.

The value of the coefficient of determination ($R\text{-squared} = 0.36$) indicates that 36% of the variation of Bulgaria's real GDP growth can be explained by changes in the independent variables in Equation (1). The probability of the F-statistic (0,00) shows that the alternative hypothesis of adequacy of the model used is confirmed. It should be made clear that this does not mean that the model is the best possible but simply adequately reflects the relationship between the dependent and the independent variables.

The CUSUM test results imply that Equation (1) is dynamically stable (see Figure 1), as the actual CUSUM values are within the confidence interval at the 5% significance level. The Ramsey RESET test results (probability of the F-statistic 0.5651) suggest acceptance of the null hypothesis of a lack of errors in the specification of Equation (1).



Source: Prepared by the authors

The results from the Pairwise Granger Causality Tests show that in the short term there are causal links from the minimum required reserve ratio and the fiscal balance to Bulgaria's economic growth (see Table 3). The results from the Granger Causality / Block Exogeneity Wald Tests indicate that in the long run the fiscal balance and the minimum required reserve ratio Granger-cause the growth of real GDP (see Table 4).

Table no. 3: Results from short-term causality tests

Independent variables	Probability
FISC_BAL	0.0014
FOREX_RES	0.1165
GOV_DEBT	0.0510
GOV_DEP	0.6400
MRR	0.0009

Source: Prepared by the authors

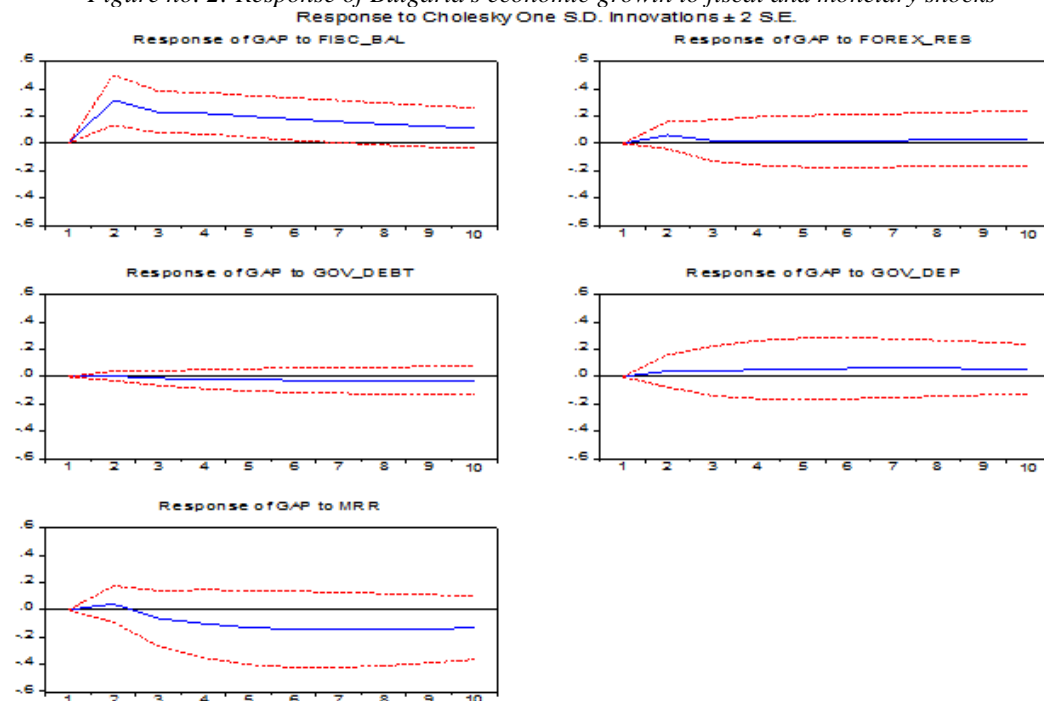
Table no. 4: Results from long-term causality tests

Independent variables	Probability
FISC_BAL	0.0103
FOREX_RES	0.9796
GOV_DEBT	0.9385
GOV_DEP	0.4188
MRR	0.0160

Source: Prepared by the authors

The response of Bulgaria's economic growth to changes in fiscal and monetary parameters is shown in Figure 2.

Figure no. 2: Response of Bulgaria's economic growth to fiscal and monetary shocks



Source: Prepared by the authors

5. Fiscal and monetary determinants of Bulgaria's business cycle

The fiscal and monetary determinants of the business cycle of Bulgaria are identified by a vector autoregression, which includes the following variables: **GAP** – output gap; **FISC_BAL** – fiscal balance; **FOREX_RES** – foreign exchange reserves (total amount of the assets of the Issue Department of the Bulgarian National Bank); **GOV_DEBT** – government debt; **GOV_DEP** – government deposit on the balance sheet of the Issue Department of the Bulgarian National Bank; **MRR** – minimum required reserve ratio. The target variable is **GAP**.

The group unit root tests (see Table 5) show that the variables are stationary (integrated of order zero), which requires the application of unlimited VAR.

Table no. 5: Tests for stationarity of the variables in the vector autoregression

Method	Statistic	Probability	Cross-sections	Observations
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-3.54817	0.0002	6	422
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-5.24467	0.0000	6	422
ADF - Fisher Chi-square	61.5035	0.0000	6	422
PP - Fisher Chi-square	52.6093	0.0000	5	426

Source: Prepared by the authors

The test for the optimal number of lags in the vector autoregression shows that according to the Schwarz criterion, this number is one (see Table 6). The vector autoregression is estimated with one lag.

Table no. 6: Optimal lag length in the VAR model

Number of lags	SC
0	36.61188
1	26.80037*
2	28.03165
3	29.09941
4	29.27645
5	29.44068
6	29.87188

* Shows the optimal number of lags according to the respective criterion

Source: Prepared by the authors

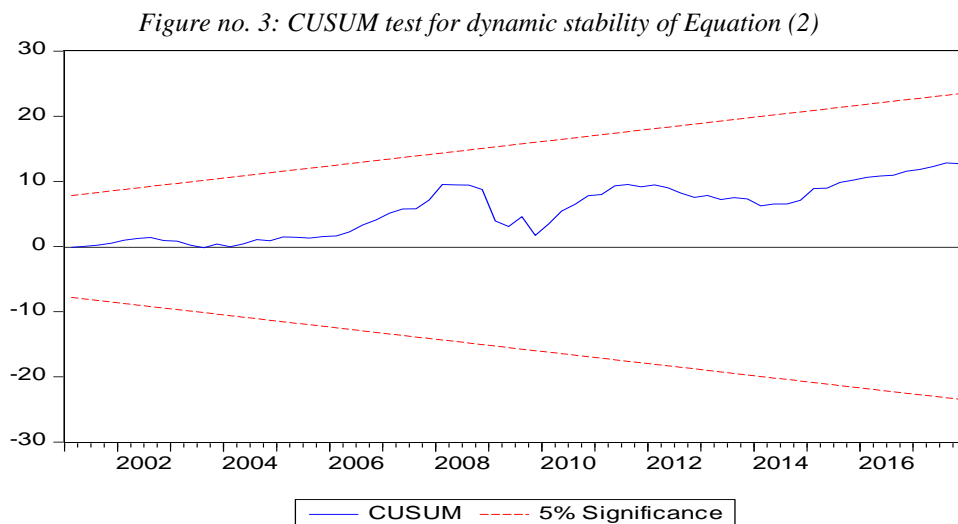
The equation for the target variable in the VAR model **GAP** after the step-by-step removal of statistically insignificant variables is

$$(2) \text{ GAP} = 0.004 + 0.84*\text{GAP}(-1) + 0.07*\text{FISC_BAL}(-1)$$

The output gap of Bulgaria is affected by its own past value and the lagged value of the fiscal balance. The positive sign of the regression coefficients before the fiscal balance suggests that an improvement in the fiscal balance contributes to an inflationary gap, while a deterioration in the fiscal balance contributes to a deflationary gap.

The value of the coefficient of determination (R-squared = 0.81) indicates that 81% of the variation of Bulgaria's output gap can be explained by changes in the independent variables in Equation (2). The probability of the F-statistic (0,00) shows that the alternative hypothesis of adequacy of the model used is confirmed. It should be made clear that this does not mean that the model is the best possible but simply adequately reflects the relationship between the dependent and the independent variables.

The CUSUM test results imply that Equation (2) is dynamically stable (see Figure 3), as the actual CUSUM values are within the confidence interval at the 5% significance level. The Ramsey RESET test results (probability of the F-statistic 0.3084) suggest acceptance of the null hypothesis of a lack of errors in the specification of Equation (2).



Source: Prepared by the authors

The results from the Pairwise Granger Causality Tests show that in the short term there is a causal link from the fiscal balance to Bulgaria's output gap (see Table 7). The results from the Granger Causality / Block Exogeneity Wald Tests show that in the long run the fiscal balance Granger-causes the output gap (see Table 8).

Table no. 7: Results from short-term causality tests

Independent variables	Probability
FISC_BAL	0.0018
FOREX_RES	0.2086
GOV_DEBT	0.2254
GOV_DEP	0.0917
MRR	0.5458

Source: Prepared by the authors

Table no. 8: Results from long-term causality tests

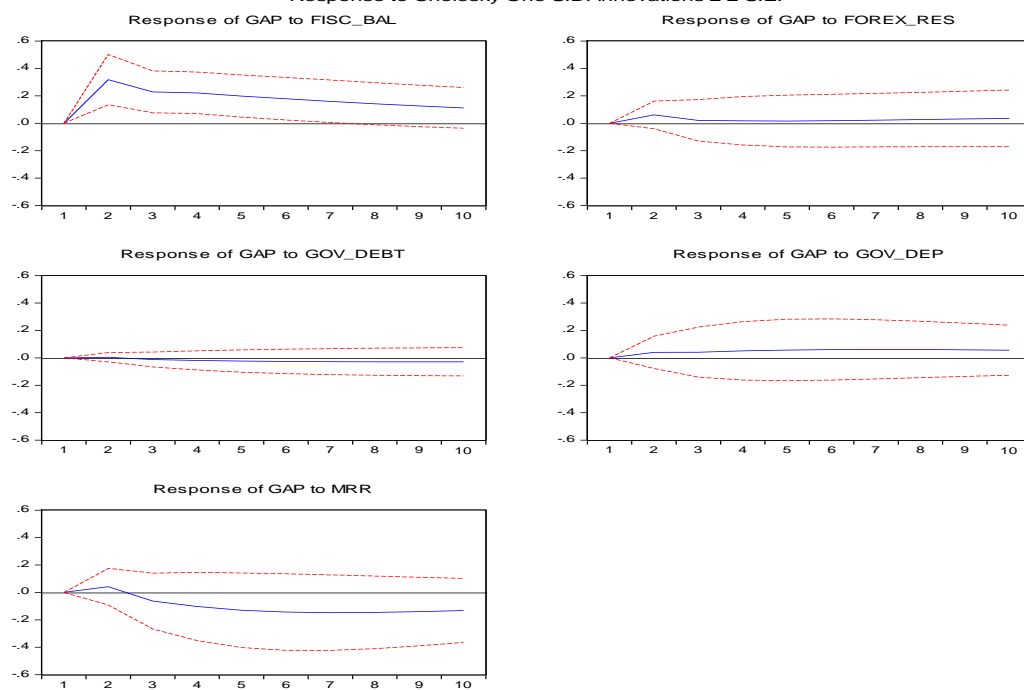
Independent variables	Probability
FISC_BAL	0.0009
FOREX_RES	0.8834
GOV_DEBT	0.7107
GOV_DEP	0.4054
MRR	0.5351

Source: Prepared by the authors

The responses of the output gap to fiscal and monetary impulses are shown in Figure 6.

Figure no. 6: Response of output gap to fiscal and monetary impulses

Response to Cholesky One S.D. Innovations ± 2 S.E.



Source: Prepared by the authors

6. Conclusions

The results of the study indicate that an improvement in the fiscal balance and a reduction in the minimum required reserve ratio can accelerate the growth rate of the real GDP of Bulgaria. The minimum required reserve ratio lacks the flexibility, reversibility and the dosed effect of other monetary instruments, therefore it ought to be used with extreme caution. Fine and dosed impact on the economy through MRR is impossible, so MRR should only be used when no other options are available. It is recommended that fiscal instruments (an improvement in the fiscal balance) be used to stimulate the growth of the Bulgarian economy.

The empirical results show that the only macroeconomic instrument with a significant impact on the cyclical position (output gap) is the fiscal balance. It may be inferred that the options of the Bulgarian macroeconomic policymakers to encourage economic growth and mitigate cyclical fluctuations are related to the improvement of the fiscal balance.

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FINANCE INNOVATIONS

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Abstract

Financial innovation, especially the application of information and communication technologies, has already revolutionised the financial industry and will continue to do so in the future. The general definition of innovations explains that they appear when new ideas, solutions and instruments are implemented in order to change the conditions of business entity and to improve its situation. The concept of “financial innovation” can be defined as making and promoting new financial products and services, developing new processes to facilitate financial activities, to interact with customers and to design new structures for financial institutions.

Keywords: Finance Innovation, Model, Literature Review

JEL Codes: O31, D53

1. Introduction

Digital financial innovation is a broad concept that includes advancements that change the way financial institutions and other financial services can better serve consumers through technological advancements. The financial innovations provide mechanism to finance innovative technological projects when traditional sources of funds are unavailable due to high investment risk. Innovation exists to complete inherently incomplete markets. In an incomplete market, not all states of nature can be spanned, and as a result, parties are not able to move funds freely across time and space, nor to manage risk.

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Literature Review

There are a lot of Literatures about financial innovation, including academic studies and empirical studies. In earlier time, Greenbaum and Haywood(c1973) reviewed the history of American financial market and argued that the growth of wealth is the determinant of demand of financial innovation. In other words, the fast development of economy caused financial innovation to develop at a high speed. Besides, there are four famous theories of the innovation motive, including constraint-induced financial innovation theory of W.L.Silber, transaction cost innovation theory of Hicks and Niehans, regulation innovation theory of Davies and Silla, and circumvention innovation theory of Kane.(Xuan L., Shihong Z., 2010)

The method of innovation is to develop ideas, refine them into a useful form, and bring them to fruition in the market where they will achieve increased efficiencies (Morris, 2008). Innovation is important because in this knowledge era, many companies see it as a strong contributor and means for generating business and profitable growth that will improve an organization's performance and competitiveness (Potters, 2009). Few recent studies have reviewed the literature on Internet and mobile banking or payments (Dahlberg et al., 2008, Moser, 2015, Ngai and Gunasekaran, 2007, Yousafzai, 2012). New financial services have led to a significant increase in the volume of domestic and international business, and the emergence of new business models (Estelami, 2012, Sandor, 2012).

There are relatively few empirical studies on financial innovation considering how prevalent the talk about its importance is. The majority of studies on financial innovation is of a descriptive nature, and most often deals with issues like the effects of regulation and technological change on innovation, or the profitability of specific innovations, but little is said about the direct effect of innovation on the measurements of output. Frame and White (2002) define financial innovation as "something new that reduces costs, reduces risks or provides an improved product/service/instrument that better satisfies participants' demands..." within a financial system. Innovations can emerge due to technological changes, as well as a response to increased risk or to new regulations. (Vargas, A., 2009)

Methodology

In the research and development of this paper a combination of qualitative and quantitative methodology has been implemented. To achieve the object of this paper, the financial innovations data has been collected.

Analysis and discussion

Empirical assessments of innovations in financial markets have started with research in the 1980s and 1990s. In the 19th century the investment banks together with

the new accounting methods were established to evaluate the profitability of railroad companies and to provide them sources of funds. Next, in the 20th century, the private equity companies emerged to analyze and finance high-tech investment project. In Merton Miller's (1986) view on financial innovation, the period from the mid- 1960s to mid-1980s was a unique one in American financial history. (INNOVISIO Journal, 2012) At the beginning of the 21st century, the new form of investment companies are evolving - the pharmaceutical corporations analyzing and funding the bio-tech innovative solutions. These are only a few examples of the new financial developments and their evolution, proving to be essential for the technological and economic progress. (Blach, J., 2011)

Technological innovation holds great promise for the provision of financial services, with the potential to increase market access, the range of product offerings, and convenience while also lowering costs to clients.

Financial system innovations can affect the financial sector as a whole, relate to changes in business structures, to the establishment of new types of financial intermediaries, or to changes in the legal and supervisory framework. Process innovations cover the introduction of new business processes leading to increased efficiency & market expansion.

Process innovation is usually aimed at increasing the efficiency in the production process, and it is often associated with technological change. In the previous years, the internet has been the focus of developments in the financial industry. In banking per se, ATMs, mobile banking, and online money transfers were already significant steps towards automation during the time they were rolled out – but no one saw this new giant coming. With cash available 24/7 at the touch of a button, the days of waiting for the bank to open became ancient history. Likewise, credit and debit card usage has eclipsed cash, bringing yet another financial innovation in short time.

Product innovations are new products or services created to meet market needs, thus constituting a client-focused kind of financial innovation. Product innovations help the intermediaries to differentiate themselves from their competitors, by providing solutions to unattended needs of the customers. Product innovations include the introduction of new credit, deposit, insurance, leasing, hire purchase, and other financial products

The ten competitive technology-driven influencers for 2020: (PwC, 2019)

- FinTech will drive the new business model;
- The sharing economy will be embedded in every part of the financial system;
- Blockchain will shake things up;
- Digital becomes mainstream;
- “Customer intelligence” will be the most important predictor of revenue growth and profitability;

- Advances in robotics and artificial intelligent will start a wave of ‘re-shoring’ and localization;
- The public cloud will become the dominant infrastructure model;
- Cyber-security will be one of the top risks facing financial institutions;
- Asia will emerge as a key center of technology-driven innovation;
- Regulators will turn to technology.

From opening accounts to insurance underwriting and credit profiling, FinTech startups are piggybacking on the various services of traditional banks and flipping the conventional business models in the financial industry. FinTech can be characterized as the movement to bring transformative and disruptive innovation to financial services through the application of new and emerging technologies which address consumer needs through automation. Due to factors including consolidation in the financial services industry and regulatory constraints, financial services firms may find themselves constrained from being able to focus their energies on innovation initiatives. Fintech is the new gold rush for investors, growing from 10% in 2016, to a staggering \$23.2 billion, with China and USA leading the market. This boost is powered by the growing capabilities of machine learning and artificial intelligence.

Artificial Intelligence, machine learning, and Big Data are becoming central to FinTech solutions as firms look to new areas of financial services innovation. One area that is ripe for innovation is marketplace lending. New entrants into the financial services space, including FinTech firms and large, established technology companies (‘BigTech’), could materially alter the universe of financial services providers. (FSB, 2019)

Fintech also includes the development and use of crypto-currencies such as bitcoin. That segment of FinTech may see the most headlines, the big money still lies in the traditional global banking industry and its multi-trillion-dollar market capitalization.

Bitcoin is a digital currency created in January 2009. It follows the ideas set out in a white paper by the mysterious Satoshi Nakamoto, whose true identity has yet to be verified. Bitcoin offers the promise of lower transaction fees than traditional online payment mechanisms and is operated by a decentralized authority, unlike government-issued currencies.

A blockchain is, in the simplest of terms, a time-stamped series of immutable record of data that is managed by cluster of computers not owned by any single entity. Each of these blocks of data (i.e. block) are secured and bound to each other using cryptographic principles (i.e. chain). Blockchain’s applications, could transform large sectors of the business world, including financial transactions, supply chains, medical records and social improvement. But it’s also an immature field, full of potential landmines: digital currencies have been dens for speculators and black marketers & agencies like the Securities and Exchange Commission threaten to regulate freewheeling cryptocurrency markets. (Brooks, S., 2018)

By allowing digital information to be distributed but not copied, blockchain technology created the backbone of a new type of internet. Originally devised for the digital currency, Bitcoin, (Buy Bitcoin) the tech community has now found other potential uses for the technology.

It is estimated that \$655 billion will be spent on cybersecurity innovation between 2015 and 2020. (Buchy, J., 2016) Companies believe of the five attacks will be the biggest threat in the next 3 years: Zero-Day Attacks, Cloud-Data Leakage, Mobile Malware, Targeted Attacks & SQL Injections. That results in five areas of protection that companies are increasing their spending on: Network Defenses, Endpoint and Mobile Device Protections, Data in Motion Defenses, Data at Rest Defenses, Analysis & Correlation Tools.

Cyber-attacks have become a common phenomenon. These attacks and breaches happen on a daily basis, and can affect large corporations, causing damage that can sum up to hundreds of millions of dollars. In fact, over the past five years, cyber security breaches have increased by 67%, and ransom ware attacks now occur every 14 seconds. (Green, I., 2019)

To reduce the cost of cyber-security and minimize the risk of data breaches, it's recommend to: (Massachusetts Govrnment)

- Improving data governance programs and incident response;
- Appointing a Chief Information Security Officer (CISO);
- Developing an employee cyber-security training program;
- Implementing a business continuity program; &
- Investing in data loss prevention controls, such as encryption and endpoint security.

Advances in robotics and artificial intelligence are poised to disrupt several areas of financial services and capital markets, predicts PwC in its recent report, "Financial Services Technology 2020 and Beyond: Embracing Disruption." Artificial Intelligence is simulation of human intelligence processes by computer systems. These processes include learning (the acquisition of information and rules for using the information), reasoning (using the rules to reach approximate or definite conclusions) and self-correction. (<https://tekoalymentorit.fi/>) Artificial Intelligence in finance and banking is poised to transform how organizations manage their revenue, communicate with customers, and scale their investments.

Artificial Intelligence provides a faster, more accurate assessment of a potential borrower, at less cost, and accounts for a wider variety of factors, which leads to a better-informed, data-backed decision. Credit scoring provided by AI is based on more complex and sophisticated rules compared to those used in traditional credit scoring systems. It helps lenders distinguish between high default risk applicants and those who are credit-worthy but lack an extensive credit history.

The financial industry hasn't been averse to the rising popularity of cloud computing. The largest financial institutions have witnessed how cloud technology has affected some of its sectors such as insurance and banking and in a positive way.

The opportunities and emerging trends in financial services driving adoption of the cloud include: (Perry Y., 2019)

- Shortened time-to-market for new services through leveraging cloud-based, agile DevOps approaches.
- Breaking down silos and achieving greater operational efficiency, at lower costs and with minimal CAPEX investments.
- Conducting analytics in the cloud, for enhanced business intelligence, strategic planning, targeted marketing, and more.
- Customer-facing web apps and portals that streamline self-service, provide efficient channels for promoting new products and services, and generally enhance customer satisfaction and engagement.

Driven by competition from born-in-the-cloud, innovative FinTech companies as well as by consumer demand for more efficient, customer-centric services, financial institutions around the globe are embracing the cloud. As a highly-regulated sector that handles some of our most sensitive personal information, public cloud service providers have worked closely with finance industry players and regulators in order to effectively address security, governance, and compliance requirements.

According to the Cloud Security Alliance, the top three threats in the cloud are Insecure Interfaces and APIs, Data Loss & Leakage, and Hardware Failure—which accounted for 29%, 25% and 10% of all cloud security outages respectively. Together, these form shared technology vulnerabilities. In a cloud provider platform being shared by different users there may be a possibility that information belonging to different customers resides on the same data server.

CONCLUSION

Innovation definitely creates business value. The value manifest itself in different form, e.g., there could be value from radical innovation leading to entirely new products as well as from incremental innovation leading to improvement in existing products. In the process of creating a new financial product, a financial engineer needs to acquire knowledge of optimization and financial modeling techniques beyond the basic theory of finance.

Financial innovation has been shown to increase the material wellbeing of economic players. Positive innovation has helped individuals and businesses to attain their economic goals more efficiently, enlarging their possibilities for mutually advantageous exchanges of goods and services.

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ROLE, IMPORTANCE AND BENEFITS OF STRATEGIC MANAGEMENT

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Abstract

Strategic management and the role it plays in the accomplishments of firms has been a subject of thorough research and study for an extensive period of time now. That is a broad term that includes innovative thinking, a strategic planning process and operational strategising.

Strategic management in an organization ensures that goals are set, primary issues are outlined, time and resources are pivoted, functioning is consolidated, internal environment is set towards achieving the objectives, consequences and results are concurred upon, and the organization remains flexible towards any external changes.

Apart from faster and effective decision making, pursuing opportunities and directing work, strategic management assists with cutting back costs, employee motivation and gratification, counteracting threats or better, converting these threats into opportunities, predicting probable market trends, and improving overall performance.

Strategic management is all about specifying organization's vision, mission and objectives, environment scanning, crafting strategies, evaluation and control.

Keywords: *strategic management, strategic planning, strategies, decision making, companies.*

JEL Codes: *M10, M11*

1. Introduction

The term 'strategic management' is used to denote a branch of management that is concerned with the development of strategic vision, setting out objectives, formulating

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and implementing strategies and introducing corrective measures for the deviations (if any) to reach the organization's strategic intent. It has two-fold objectives:

1) To gain competitive advantage, with an aim of outperforming the competitors, to achieve dominance over the market.

2) To act as a guide to the organization to help in surviving the changes in the business environment.

Here, changes refer to changes in the internal environment, i.e. within the organization, introduced by the managers such as the change in business policies, procedures etc. and changes in the external environment as in changes in the government rules that can affect business, competitors move, change in customer's tastes and preferences and so forth.

The basic purpose of strategic management is to gain sustained-strategic competitiveness of the firm. It is possible by developing and implementing such strategies that create value for the company. It focuses on assessing the opportunities and threats, keeping in mind firm's strengths and weaknesses and developing strategies for its survival, growth and expansion. Some complexity theorists define strategy as the unfolding of the internal and external aspects of the organization that results in actions in a socio-economic context. (Terra.& Passador, 2016, pp.235-248)

Strategic Management on a corporate level normally incorporates preparation for future opportunities, risks and market trends. This makes way for the firms to analyze, examine and execute administration in a manner that is most likely to achieve the set aims. As such, strategizing or planning must be covered as the deciding administration factor.

Strategic management is the process of evaluating the best policies for a business's managers to carry out in order to achieve the organization's goals and priorities. (Stamevski, Stamevska & Stankovska, 2018, pp. 129-133) As more and more organizations have started to realize that strategic planning is the fundamental aspect in successfully assisting them through any sudden contingencies, either internally or externally, they have started to absorb strategy management starting from the most basic administration levels. In actuality, strategy management is the essence of an absolute administration plan. For large organizations, with a complex organizational structure and extreme regimentation, strategizing is embedded at every tier.

Keeping in mind the long-term benefits to organizations, strategic planning drives them to focus on the internal environment, through encouraging and setting challenges for employees, helping them achieve personal as well as organizational objectives. At the same time, it is also ensured that external challenges are taken care of, adverse situations are tackled and threats are analyzed to turn them into probable opportunities.

2. Role of strategic management

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization.

Strategic management is the continuous planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. Fast-paced innovation, emerging technologies and customer expectations force organizations to think and make decisions strategically to remain successful.

Strategic management typically involves:

- Analyzing internal and external strengths and weaknesses;
- Formulating action plans;
- Executing action plans.

Evaluating to what degree action plans have been successful and making changes when desired results are not being produced.

Strategic management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn't ignore the threats.

In the field of management, strategic management involves the formulation and implementation of the major goals and initiatives taken by an organization's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization operates. (Nag, R., et.al., 2007, pp. 935-955) Strategic management is the management of an organization's resources, evaluating strategies and ensuring that management rolls out the strategies across the organization. It identifying how the organization stacks up compared to its competitors and recognizing opportunities and threats, whether they come from within the organization or from competitors.

The strategic management process helps institutions identify what they intend to achieve and how they will accomplish outcomes. The term strategic management is used to refer to the entire decision-making process. Strategic management must evolve by predicting the future (more effective planning), thinking strategically (increased

responses, evaluation of strategic alternatives and dynamic allocation of resources) and creating the future (strategic planning)

Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision-making in the context of complex environments and competitive dynamics. (Ghemawat, 2002) Business culture, the skills and competencies of employees, and organizational structure are important factors that influence how an organization can achieve its stated objectives. Inflexible companies may find it difficult to succeed in a changing business environment. Creating a barrier between the development of strategies and their implementation can make it difficult for managers to determine whether objectives were efficiently met.

While an organization's upper management is ultimately responsible for its strategy, the strategies themselves are often sparked by actions and ideas from lower-level managers and employees. An organization may have several employees devoted to strategy rather than relying on the chief executive officer (CEO) for guidance. Because of this reality, organization leaders focus on learning from past strategies and examining the environment at large. The collective knowledge is then used to develop future strategies and to guide the behavior of employees to ensure that the entire organization is moving forward. For these reasons, effective strategic management requires both an inward and outward perspective.

Strategic management is nothing but planning for both predictable as well as unfeasible contingencies. It is applicable to both small as well as large organizations as even the smallest organization face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage. It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

More specifically, strategic management examines how actions and events involving top executive, firms and industries influence a firm's success or failure. Formal tools exist to help us better understanding these relationships. But they are not enough, creativity is just as important to strategic management.

Strategic management, basically, is making choices... which product/service to sell, the right balance of labour (people) and capital (machines) to use in producing the product/service and where to physically locate among the hundreds if not thousands of strategic choices.

Strategic management spans all sectors of a business. It is the process of evaluating the best policies for a business's managers to carry out in order to achieve the organization's goals and priorities. Strategic management is not static in nature; the models often [quantify] include a feedback loop to monitor execution and to inform the next round of planning. (Hill & Jones, 2012, p.21) The small-business owners, can create a competitive advantage for the companies by enacting aspects of strategic management.

Strategic management, especially when done well, is important for a business' long-term success. When we say that a business is carrying out strategic management, what is meant is that strategic management defines a strategy for its business activities, with clear, well-defined goals. The business will then create clear, well-defined plans that it will then put in action to achieve its goals and to align its business activities, so that the business will be in harmony with those goals. It also will allocate all of the necessary resources to achieve those goals.

A good strategic management plan goes beyond the improving a business' bottom line. A good plan also gives the company a valid social license for operations. In today's environment, this is becoming an ever-more important aspect for each business, because businesses have multiple internal and external stakeholders.

For example, consumers are seeing an increase in their awareness of their products being sold by companies. They're also becoming increasingly more interested, not only in the products a business produces, but also in the way that a company conducts its business activities. This includes operations from an environmental standpoint as well as from an ethical one. All of these aspects should be considered in strategic management and should be included in the business' plans, which should ensure that the business will survive in the long run.

3. Importance and benefits of strategic management

Strategic management allows an organization to be more proactive than reactive in shaping its own future; it allows an organization to initiate and influence (rather than just respond to) activities and thus to exert control over its own destiny.

Strategic planning provides a road map to help the business get from where it is now to where it want to be. Milestones are expressed in **specific terms**, as quantifiable objectives that measure whether business is proceeding as planned and, if not, how far gone off path.

✓ **Long-Term Objectives** - Long-term strategic objectives help to think in terms of big picture goals and overarching visions. The farther in the future planning, the more difficult it is to set specific goals. May to project an intention to open five stores in the next ten years without knowing what the real estate market or demand for the product will look like that far into the future. This objective can still be useful because it provides a general time frame, a schedule and a plan for ongoing growth, and it will still be relevant, even if only open four stores in five years.

✓ **Short-Term Objectives** - Align the short-term objectives in the strategic plan with the longer term goals allows to make incremental steps while also proceeding in a clear direction. If plan is to open five stores in ten years, need to open them one by one, and the opening nearest at hand is the most urgent goal. It's easier to be specific with shorter term objectives, and the more specific, the better able to be to assess the progress.

If plan is to open the next store in two years, can base the timeline on this objective, making plans to finalize the lease and financing in six months, complete major construction after a year and half, and spend the final six months on finishing work, furnishing, collecting inventory and training your staff.

Long-term objectives provide distant milestones that help to orient the shorter term decisions. For example, if plan to eventually open five stores, can build supply chain relationships based on intention of eventually doing considerably more business with these suppliers. Or, may to approach the branding as an effort that will start off small but build on memes and themes over time.

In recent years, virtually all firms have realized the importance of strategic management. However, the key difference between those who succeed and those who fail is that the way in which strategic management is done and strategic planning is carried out makes the difference between success and failure. Of course, there are still firms that do not engage in strategic planning or where the planners do not receive the support from management. These firms ought to realize the benefits of strategic management and ensure their longer-term viability and success in the marketplace.

Historically, the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical, and rational approach to strategic choice. There are many benefits of strategic management and they include identification, prioritization, and exploration of opportunities. For instance, newer products, newer markets, and newer forays into business lines are only possible if firms indulge in strategic planning. Next, strategic management allows firms to take an objective view of the activities being done by it and do a cost benefit analysis as to whether the firm is profitable.

Just to differentiate, by this, we do not mean the financial benefits alone (which would be discussed below) but also the assessment of profitability that has to do with evaluating whether the business is strategically aligned to its goals and priorities.

The key point to be noted here is that strategic management allows a firm to orient itself to its market and consumers and ensure that it is actualizing the right strategy.

1) Financial benefits

It has been shown in many studies that firms that engage in strategic management are more profitable and successful than those that do not have the benefit of strategic planning and strategic management. When firms engage in forward looking planning and careful evaluation of their priorities, they have control over the future, which is necessary in the fast changing business landscape of the 21st century.

It has been estimated that more than 100,000 businesses fail in the US every year and most of these failures are to do with a lack of strategic focus and strategic direction. Further, high performing firms tend to make more informed decisions because they have considered both the short term and long-term consequences and hence, have oriented their strategies accordingly. In contrast, firms that do not engage themselves in meaningful

strategic planning are often bogged down by internal problems and lack of focus that leads to failure.

2) Non-financial benefits

The section above discussed some of the tangible benefits of strategic management. Apart from these benefits, firms that engage in strategic management are more aware of the external threats, an improved understanding of competitor strengths and weaknesses and increased employee productivity. They also have lesser resistance to change and a clear understanding of the link between performance and rewards.

The key aspect of strategic management is that the problem solving and problem preventing capabilities of the firms are enhanced through strategic management. Strategic management is essential as it helps firms to rationalize change and actualize change and communicate the need to change better to its employees. Finally, strategic management helps in bringing order and discipline to the activities of the firm in its both internal processes and external activities.

4. Conclusion

Increasingly, strategic management has become crucial in the world of business and the ever uncertain environment and fast changing world in which we live and work. Strategic management is an organization's process of continuous planning, executing, monitoring, analyzing and assessing all that is necessary for an organization to meet its goals and objectives in pursuit of a future direction. This includes decisions and actions that determine the long-run performance of an organization.

Managing a strategic plan isn't a simple task, there are many processes running at once that need to be constantly monitored. Having insight into each of these processes, the resources they require and how they all work towards mission and vision is a demanding task that can create stress and frustration for those in charge. Thankfully, there are proven methods that professionals can rely on to manage strategy successfully.

Strategic management is a process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Strategic management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members. It is the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task. They can understand the reaction of environmental changes on the organization and the probable

response of the organization with the help of strategic management. Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

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COMPETITION AND COMPETITIVENESS IN PHARMACEUTICAL INDUSTRY

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Abstract

The aim of the paper is to present competition and competitiveness in the pharmaceutical industry. Their concepts and definitions are discussed. The types of competition and their application in the pharmaceutical industry are described.

The results of the paper define a wide range of definitions and relatively few quantitative criteria for measuring competition and competitiveness. The ability to use resources effectively is a common feature of both competition and competitiveness. Research and innovation are key to competition in the pharmaceutical industry, while policy by state for intellectual property forming competitiveness in the pharmaceutical industry.

Keywords: *competition, competitiveness, pharmaceutical industry*

JEL Codes: *C72, D25, E66, I15*

Introduction

The ability to use resources effectively is at the core of economics. The evolution of society can be viewed critically in terms of the ability of certain individuals to use resources wisely and foresight. It is precisely the comparison with the ability of other individuals in the use of resources that is considered the start of competition. Despite the fact that competition is constituted on a macro-level, modern theories pay attention to its application at the micro level due to the wide range of quantitative criteria in measuring competition.

The state's policy regarding the development of national firms and their positions at the international level is defined as competitiveness. The ability of firms to sell their products on foreign markets is based on the state policy for investment and innovation.

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Competition

The concept of “competition” has a long history and relatively few studies. The root of concept “competition” is from Latin language and reflects resources owned and the results achieved compared to other party. Borrowed from biology and anthropology, the concept goes into economics and, later, into management. At certain points in humanity's development, the concept of “competition” had been apply only in one sector of society, while modern applications have a broader scope, which makes it difficult to define and identify the concept. (Borisova, 2017).

An important tool for making strategic marketing decisions is the determination of the company's dependence on its competitors (Yaneva, 2017). In its emergence, competition is absolutely applied, i.e. only to two parties that are known to one another and participate simultaneously in the use of resources (Filipova, 2010). Competition refers to the most important elements of the market mechanism. Competition ensures synergies between market actors and stimulates more efficient economic development. (Dimitrova 2014) Competition is also a driving force for the development of sites and actors of government and of society as a whole. (Dimitrova 2012) The current understanding of “competition” concept is a consequence of the advent of another concept, “external environment”, and its determinants - resource scarcity and an option to achieve the result at the expense of eliminating the other party. In this regard, Filipova notes that „an expression of an enterprise's competitiveness is its adaptability, expressing the adequacy of its responses to the impact of the environment and complying the amendments to the dynamics of the environment.“ (Filipova, 2004) In the new reality, the concept of “competition” is use relatively - to an unknown number of parties that, in most cases, do not interact directly but have similar features and belong to the same reference group.

In this connection, Stankova and Kirilov indicate „When a tourist destination has competitive advantages, it is able to produce greater returns compared to its competitors and earn more profit to re-invest, thus ensuring long-term stability and superiority over competition in a given market. The available natural resources in Bulgaria can be such a source of competitive advantage and increase competitiveness based on its uniqueness (can competitors easily copy and implement it); flexibility (whether it can be easily adapted when the market or economic conditions change); added value (the extent to which it contributes to the added value of a product or service) and sustainability (how long it can sustain market dominance), implemented in the tourist offer of balneotourism.” (Stankova & Kirilov, 2017).

The definition of “competition” varies from the historical setting (Georgiev, 2013). For example, the opinion of European Commission and its vision of competition was extend. The competition in the EU before the onset of the global financial crisis was determine by four objectives for Common Market infrastructure (European Commission,

1994) - transport and energy networks, telecommunications, environment, trans-European networks. In new reality, the competition is changing both in number and in terms of objectives (European Commission, 2013) - maintaining export levels to guarantee industrial activity, improve the business environment, using the skills base of workforce, creating investment, reduce energy prices, access to finance, efficiency and effectiveness of public administrations as key to restoring economic growth. "The competitiveness of a product depends on the extent to which it satisfies the consumers' needs and on the efficiency of the processes that produce and maintain it." (Filipova, 2005)

Competition in the pharmaceutical industry is defined as a long-term balance between interdependent and conflicting goals (Statman, 1983). In addition to the traditional view of being a major driver of economic growth, a new application of competition, a discipline device, was being added (Swedish Agency for Economic and Regional Growth, 2017). Depending on the specifics and goals of the pharmaceutical industry, the competition has a distinctive function - to influence innovations and scientific researches (Nordic Competition Authorities, 2013). The overall function of competition is for pharmaceutical industry to provide affordable and innovative medicines at reasonable prices (European Commission, 2008). Unlike other sectors of economy, the competition in pharmaceutical industry is expanding and includes small and medium-sized enterprises (European Commission, 1996b).

For the sake of completeness, when considering competition in the pharmaceutical industry, should be included the pipeline products, i.e. products that are not yet on the market but are in an advanced stage of development after significant investment of time and funds (European Commission, 1995). Due to the high risk of supervisory approval and commercial success, it is accepted to consider products only in the last stages of clinical trials - only 1 in 10,000 compounds tested successfully reach the market and less than 10% of products transition to the clinical pathway, they are eventually marketed (Gatti, 1996).

The key importance of pharmaceutical industry to society defines the diversity of the term "competition":

- Competition between brands. It is a competition between new, patented and innovative medicines (therapeutic competition). At the heart of this competition is research to develop new therapies that go beyond existing medicines of another brand (Hancher, 2010). An additional factor for competition is the impact of patents and intellectual property rights, as well as the supervisory procedure for granting marketing authorizations. The effect of this type of competition is the tide of mergers and acquisitions, as well as joint research, licensing, co-marketing and joint distribution contracts.

- Competition within one brand. This competition is due to the import of cheaper medicines from other countries. It is being applied in the EU after another enlargement with new Member States, and due to differences in national health insurance and pricing

systems, incl. reimburse of health insurance schemes. The existence of this type of competition is justified by the principle of free movement of goods.

- Overall competition. Entry of generic and bio-similar medicinal products generate overall competition (Kirilov et al., 2019). The driving force behind competition is the state policy on access to medicines at an affordable price (Tonova, 2017). The effects of the global financial crisis and reduced health budgets increase implementation of this competition. The main criticism to competition is to keep the balance between allowing generic medicines and stimulating research into innovative products (Darakchiev, 2014). For example, misuse of patent protection or obstacles to genuine, fair competition with generic products (Economic and Social Committee, 2001). This competition is often reflect in researches at the interstate level - taking the lead from the USA compared to the European Union since the 1990s after increasing investment in biotechnology researches.

- Competition between medicines with or without a prescription, i.e. according to distribution channels and the choice of medicines use (Rohova et al., 2019). Over-the-counter medicines provide the public with access to medicines without the need for medical advice from a specialist (pharmacist and physician). This competition enhances the importance of the regulatory authority in ensuring the safety of medicines (European Economic and Social Committee, 2004). The effects of the global financial crisis and reduced healthcare budgets increase the market share of over-the-counter medicines (Galović, 2015). The second group, prescription (ethic) medicines, are competing for distribution through the participation of pharmacists and physicians as a distribution channel (Gergova, 2017).

- Competition between patent protected and unprotected medicines. The complex value chain in pharmaceutical industry needs new technologies and their stimulation (Kamusheva et al., 2013). Attracting investments to develop new medicines is guarantee by patents to recover investment costs and sell medicines at an affordable price (European Economic and Social Committee, 2014). Competition by non-patented medicines is express in medicines for which the patent period has expired and their price is reduce accordingly. This competition is express in the price between medicines with or without a patent. They are directly reflect in the budget of healthcare systems and the savings made from patent-free medicines were used to fund new medicines.

Competitiveness

The concept “competitiveness” is one of the most commonly used in the economics, but it is not sufficiently precise, which means that there is no commonly accepted definition (Siudek & Zawojaska, 2014). The development of competitiveness theory is accompanied by the formation of diverse views on its nature and content. (Dimitrova 2015) “Competitiveness” was introduce in the 1970s in American literature, proving commercial activity between USA and Japanese firms as consequence of the degree of

development of their national economies (Wziątek-Kubiak, 2003). For the EU, competitiveness is equate with the free movement of goods and skills for economic growth (European Investment Bank, 2016).

In the economic literature, competitiveness is determine by microeconomic indicators, of which the most commonly used are productivity, efficiency, and profitability (Ciampi, 1995). Achieving these indicators is neither an objective nor an end in itself, but a tool for improving macroeconomic indicators: raising living standards and social well-being, increasing individuals' incomes in a non-inflationary manner, increasing added value and growth potential, stimulating innovation and attracting investments, saving resources, expanding capacity and creating jobs. Unlike traditional macroeconomics, competitiveness has a long-term focus and to balance macroeconomic indicators. Regardless of the political system of a country, opinions are align in the leadership role of firms for competitiveness because of their role in delivering economic growth through job creation and productivity gains (European Commission, 1996a). The perception that overall competitiveness is manifested as a steadily sustained increase in productivity, resulting in increased incomes and improvement of living standards, and that it is Formed on the basis of the creation of a higher value, by increasing productivity, improving the quality of the offered products and innovations, appears to a large extent unifying in the scientific literature in this subject are. (Dimitrova 2014) Therefore the study of the substance and the content of competitiveness must be bound to the specific level to which the analysis relates. At a subjective level, competitiveness is manifested and investigated as:

- Macro-competitiveness –national competitiveness of a country;
- Meso -competitiveness –competitiveness of the region, industry, sub-sector, cross-industry complexes and corporations;
- Micro-competitiveness –competitiveness of individual enterprises and individual entrepreneurs.

On the object level the competitiveness of individual products is studied; technologies, information and infrastructure, etc. (Dimitrova 2013) Dimitrova points out those competitive advantages are central to the process of shaping and developing the competitiveness of the enterprise. (Dimitrova 2014) A key point in competitiveness research is the fact that each enterprise operates in a specific competitive environment. (Dimitrova 2012)

Based on the above definitions, it can be argued that the competition is a rivalry among economic agents in order to achieve their goals through the most efficient use of resources, maximize profit, achieve higher market share, etc. This is done within the conditions of interaction among the entities and in accordance with the local competition protection legislation (Borisova & Peneva, 2018).

For the sake of completeness in presenting competitiveness, we will look at its main forms:

- Competitiveness at micro level. In chronology, competitiveness has emerged at the firm level, and paradoxically, there are currently no scientifically accepted models for measuring it (Porter, 2004).

The modern view of competitiveness is the ability of firms to mobilize and effectively use the productive resources needed to successfully realise their goods and services in a global economic environment (European Investment Bank, 2016). According to this formulation, competitiveness at micro level is a factor for achieving macroeconomic indicators - a high standard of living and long-term sustainable growth of gross domestic product. To create and maintain an enabling environment for competitiveness, government policy is crucial to ensuring an appropriate regulatory environment, such as stimulating investment for innovation and benefits for small and medium-sized enterprises (Yuleva, 2019). I.e. competitiveness is characterized by the interaction between elements of the micro level and the macro level. The companies use innovation as a strategic, system and technology lever to develop flexible innovative cultures, responsible business management processes and global ecosystems. This ensures that their employees develop creative credibility; Self-confidence and belief, the ability to invent creative ideas, and the courage to try and co-operate to influence the desired changes in the world around them. (Stavrova, Zlateva, Pinelova & Vladov, 2018, p. 99)

Research reflects a dynamics at which profit is lost as an element of firm competitiveness (Madgerova & Kurova, 2014). Since the 1990s, determining competitiveness has been associated with an appropriate price¹ and maximizing profits². In the new reality, firm competitiveness is seen as a balance between financial motives and client's needs, i.e. constant adaptation to social norms and economic conditions (Chikán, 2008). In the long run, these two goals should be aligned and not contradictory.

In the pharmaceutical industry, firm-level competitiveness is determined by specialization in the complex value chain. Unlike other sectors of economy, in which forward integration is a goal, i.e. towards the client, the competitiveness in pharmaceutical industry is expressed in the initial stages - development of new medicines and clinical research. The firms in these stages determine the competitiveness of the firms in the other two stages - production and distribution. The need for large investments, protection of intellectual property and patents, as well as the high risk of reaching the end product to the market determine the importance of the state policy for access to funds, incl. financial incentives for firm competitiveness (Gergova et al., 2017). Given the nature of scientific and research processes in the first stages, firm competitiveness

¹ Department of Trade and Industry (UK) defines the competitiveness of firm as an opportunity to produce adequate goods and services at the right time and at the right price (Department of Trade and Industry, 1994).

² Organization for Economic Co-Operation and Development defines the competitiveness of firm as an ability to compete, maximize profits and achieve growth based on costs and prices through use of technology, quality improvement and maximizing the impact of its products (OECD, 1992).

research covers small and medium-sized enterprises in the start-up segment that are subcontracted or future target for merger by leading firms in the pharmaceutical industry. In order to achieve high levels of competitiveness, firms undertake offshoring and backshoring.

- Competitiveness at macro level. Classical economics compares the advantages of individual countries to produce products and sell them outside the national market (Siudek & Zawojka, 2014). For the period XVIII-XX centuries, the theories explain the reasons why countries are free to participate in international trade (Houbenova, 2009). At a later stage, the neoclassical economy introduces competitiveness to a micro level.

The term “competitiveness” is sufficiently clear at the micro level, while at the macro level it becomes “more elusive” (Reinert, 1994). Despite the existence of several definitions of competitiveness, which are often cited in the specialized literature, these definitions remain “unsatisfactory”.

Competitiveness at macro level is difficult to measure, as the underlying factors are numerous and highly interrelated (Department for Business, Innovation and Skills, 2012). The World Economic Forum, Davos, links competitiveness at micro and macro level: “a set of institutions, policies and factors that determine a country's level of productivity” (Schwab, 2017).

Modern theories determine the competitiveness of a country through its components: (1) sustainability production, (2) whose products are successfully sold in foreign markets, and (3) proceeds from the sale increase the standard of living of residents. The most comprehensive definition of competitiveness at macro level is by the OECD: the degree to which a nation can, under free trade and fair market conditions, produce goods and services that meet the test of international markets, while simultaneously maintaining and expanding the real income of its people over the long term (OECD, 1992).

Another wing of theories rejects the applicability of the concept of competitiveness to a country and regards competitiveness as a meaningless expression when applied to national economies (Keremidchiev, 2008). Paul Krugman rejects national competitiveness at macro level and believes it can lead to protectionism (Krugman, 1994). Michael Porter believes that the only meaningful concept of competitiveness at national level is national productivity (Porter, 1990). The basis for such claims is that countries compete for market share differently from firms. In this regard, Kirilov states that „In order to have a clear market competitiveness the public and private sectors need to work closely together and support each other“ (Kirilov, 2018).

The pharmaceutical industry is based on high R&D costs, big innovation investment needs and increased risk of the complex value chain (Todorova, 2019). These three characteristics of the pharmaceutical industry determine its competitiveness at macro level. A similar position is in the European Commission's 2014 report: “A viable European pharmaceutical industry is important for European public health, economic growth, trade and science” (European Commission, 2014).

The research-based pharmaceutical industry makes a major contribution to the prosperity of the global economy. This industry is one of the pillars of industrialized economies. In addition to economic development, the pharmaceutical industry is active in the international dissemination of medical technology (International Federation of Pharmaceutical Manufacturers and Associations, 2012).

Conclusion

Attempts to identify and measure competition and competitiveness at the micro and macro levels have failed. One explanation is that these terms do not originate from economic theory but from politics (Balcerowicz & Sobolewski, 2005). Despite the fact that these terms are used in the economics, the recommendations in this regard are to use a wider range of tools such as a social capital (Nedeltchev, 2004).

The link between the micro and macro levels is that the presence of competitive firms determines a competitive economy and on the other hand, the competitiveness of the national economy has a strong impact on the competitiveness of firms (Chikán, 2008). At both levels, competitiveness is defined as an opportunity, which is directed to sustainability.

The interaction between competition and competitiveness is receiving increasing attention in the light of globalization and its implications for sustainable economic growth and well-being (United Nations Conference on Trade and Development, 2002). The impact of competition to achieve and maintain competitiveness is on the agenda of politicians in addition to economists. On the one hand, firm competition contributes to the competitiveness of the national economy, and on the other hand, competitive infrastructure at the national level determines firm competitiveness. Increasing corporate competitiveness makes it possible to overcome national weaknesses, such as finance and innovation, and access international resources. The process of globalization removes the link between the geographical origin and the markets of the firm's activity.

Competitiveness in the pharmaceutical industry is determined by the ability to carry out researches and innovations, i.e. to a large extent, state policy determines the level of competitiveness. Competition in the pharmaceutical sector is determined by the ability to generate products as intellectual property, i.e. is largely determined at the micro level.

In some cases, competition can be defined as creative cooperation. The role of state in determining competition is to reduce and increase in competitiveness. Firms can influence their own competition, while their competitiveness requires the assistance of the state.

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THE ROLE OF HUMAN CAPITAL FOR THE DEVELOPMENT OF SMALL BUSINESS

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Abstract

Human capital, as an element of intellectual assets, is intrinsically impervious to quantification, but with the advent of the information society and the knowledge - based economy, it has an increasing share of company assets, making its knowledge even more necessary. For the existence of modern small and medium-sized enterprises, the "quality" of human capital is important, as it plays a major role in the development of the company and the realization of future potential innovations. The main purpose of this report is to look at and analyze the nature of human capital, broken through the lens of small business. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach.

Keywords: *human capital, enterprise, development, small business*

JEL Codes: *L29, M29, D29*

1. Introduction

In recent decades, the phrase "human capital" has become increasingly popular. One of the challenges facing management in the 21st century is the new understanding of human resources in the enterprise as human capital. By "capital", whatever its form, is meant any resource resulting from the operation of which, over time, provides an increase in value, in income, i.e. accumulation. Traditionally, from an economic point of view, capital is seen as a category related to the acquisition as a result of investing tangible, intangible or financial assets that over time generate revenue. Investing is, in principle, a process of investing in order to return an increased amount or benefit to the depositor in the future. For example, when an enterprise invests money by buying production assets, it expects to increase its profits. When it invests in the quality of the workforce, the goal

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again is the same - to provide more growth, but this time through investment in people. This means that the development of people's professional skills and abilities for work, their development and their use in the labor process is investment oriented.

2. Theoretical Aspects of Human Capital

The initial human capital is formed when a person, alone or with the help of his parents, invests in himself, paying for education and for acquiring a profession or specialty. After entering work, this investment is paid over time in the form of higher salaries or the possibility to carry out work that gives greater satisfaction. From this point of view, the following general definition of human capital can be given: human capital is the value of lucrative potential embodied in individuals, including both innate abilities and talents, and education and acquired Qualification. One of the main reasons for the emergence of the phenomenon of capital is the human property of creating more products than is necessary for its own existence. People have long established this property and have pledged it in their wisdom and striving for economic rationality.

In a market environment, capital is manifested in many different forms, and in addition there are possibilities for different approaches in its definition and classification. Capital can be expressed as a certain value, and its increase is through a financial monetary assessment. Marx points out that the value becomes self-moving value and as such – capital. It enters from the area of the salutation, begins to multiply in it, comes out of it enlarged and always begins the same circular turn. P-P ', this is money that has more money... – reads the description of capital in the mouth of his first interpreters – the mercantilists. (Marks, 1968, p.166-167) According to Adam Smith, Capital is a stock that brings income to its owner. (Smith, 2006, p.258-259) David Ricardo notes that capital is that part of the wealth of the country that is used in production and consists of food, clothing, tools, raw materials, machinery, and more needed to set in motion labor. (Petty, 1994, p.450) A. Marshall mentions that all economic goods that bring income are capital. As parts of the capital are considered all items, except the land, which bear income. (Marshall, 1993, p.140) At the heart of the concept of human capital, as a theory of economic analysis, there are some basic stages:

- Firstly, the person on whom targeted intellectual and professional effects have been carried out has a more productive workforce, which is a testament to the human resource acquired.

- Secondly, the formation of human capital is defined quantitatively and qualitatively, is accompanied by innovations.

- Thirdly, activities related to human capital formation are very diverse and include initiatives and self-initiatives at different levels.

- Fourthly, the basic situation in human capital theory is the requirement of conformity between qualification and technology used.

- Fifth, income from paid employment and self-employment are a function of investments in human capital and of the relevant educational and vocational qualification level.
- Sixth, the human capital possesses some of the universal characteristics of capital in general, but at the same time it is inherent and peculiar in its own way, the lower is connected with the living human person.

According to the opinion of Yammukova, the quantity and quality of human capital to the greatest extent determine the long-term potential for development of the individual, company or country in a global economy. The development of human capital is part of a comprehensive system of knowledge economy, which is subject to the operation of market factors beyond the control of the government. The knowledge economy needs to be adaptation in clear priorities. (Yammukova, p.3)

3. The Role of Human Capital in the Development of Small Businesses.

Micro, small and medium-sized enterprises play a significant role in the development of the market in the country. They are a source of entrepreneurial skills, innovation and manpower. Defining small business is a fundamental issue that has so far not found an unambiguous solution in practice and economic theories. There are many opinions, concepts, models and definitions, of different authors, of international and national institutions. In 1996, the European Commission drew up recommended criteria for distinguishing companies by individual types according to employment and annual turnover. The classification included in the definition of 'small business' appears as follows:

- Micro Enterprises-10 people in the working process turnover not more than 3 900 000 BGN.
- Small enterprises-up to 49 employees, up to 19 500 000 BGN.
- Medium-sized enterprises-from 50 to 249 people, up to 97 500 000 BGN.

Small business has a number of advantages in terms of:

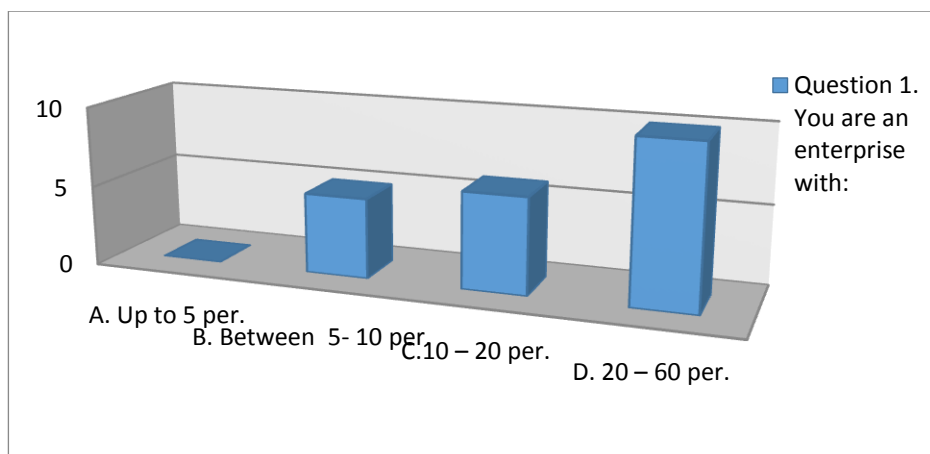
- ✓ Small Business is very flexible, which is expressed in rapid adaptation to market stables, i.e. the abrupt changes of the company's external environment, new competitors, etc.
- ✓ The produced and offered products and services are of high quality and contemporary design due to the customization to potential customers.
- ✓ Has a simplified management and business scheme, due to which it is easily managed.
- ✓ It does not always require great creation and development, and this is a convenience for entrepreneurs because the risk they bear is minimal.

✓ To pay enough attention to its personnel, which is particularly important for the development of the company in a future period of time.

As is popular, small and medium-sized enterprises are the engine of the economic sector in Bulgaria. They have the potential to develop innovations, but in order to carry out new ideas in the working process, close cooperation between companies, government, and most importantly, human capital is necessary. Education, computer literacy, healthcare, training lectures are an extremely important form of capital. Human capital can increase the profits of an enterprise multiple times only if it is properly selected, "used" and motivated.

In order to identify the role of human capital for small and medium-sized enterprises, the company conducted a survey of 21 companies in the field of tourism services and trade. The poll consists of 10 questions, and a software PRODUCT – Microsoft Word is used to create a database and process the information. The results of the survey are illustrated and analyzed in the next few graphs.

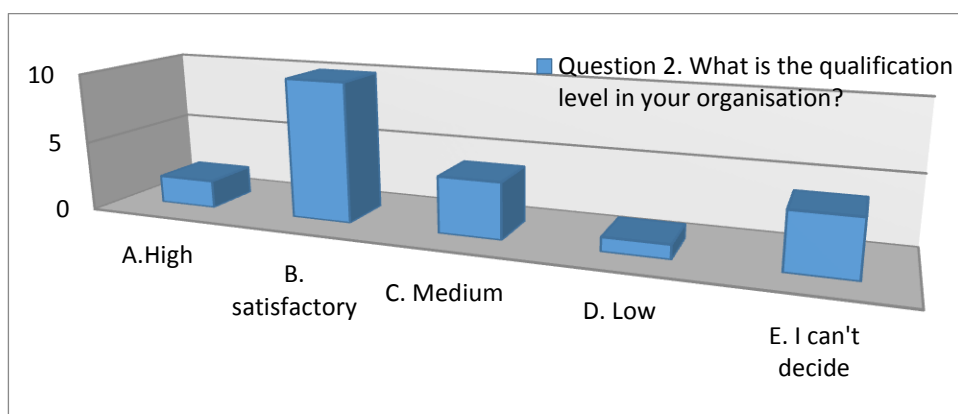
Graph No. 1. Question of the number of companies employed in the respondents



Source: Own research.

Figure 1 presents the answers to the question about the number of employees in the company. From the data presented in the graph it is evident that the highest percentage of the surveyed companies had personnel between 20 and 60 people, i.e. around 50%, and 30% were companies with about 10 – 20 people and 20% were staffed around 5 – 10 people. It is clear from the surveyed companies that companies with more employees are dominated, i.e. the human resource is larger.

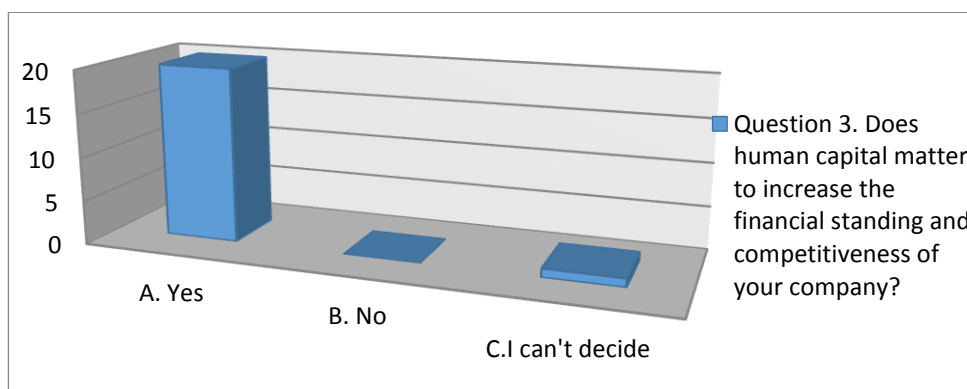
Graph No. 2. Opinion of the respondents about the qualification level in the organization.



Source: Own research.

The 2nd graph illustrates the answers on the question about the qualification level of the employees in the companies. It is evident from the results presented that 50% of the enterprises considered that the qualification level was satisfactory, about 30% gave an answer "average" and "I can't decide", and the smallest percentage chose "High" and "low". From the recorded data it can be concluded that the qualification level is satisfactory in the enterprises, which is a prerequisite for the search for employees with a better qualification level.

Graph No. 3. Opinion on the importance of human capital to increase the financial position and competitiveness of the enterprise.

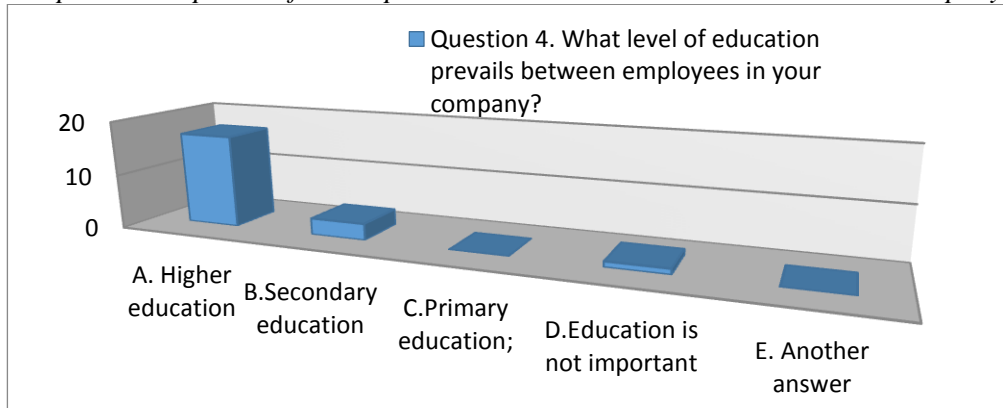


Source: Own research.

From the data presented in graph No. 3 on the question of the importance of human capital to increase the financial position and competitiveness of the company, it is evident that 99% of the participants gave their positive response and only 1% chose the answer "I

cannot To judge. " Here the analysis of the recorded results can be done as, according to a large part of the managers of small and medium enterprises consider that human capital is a decisive role for the well-being of the company, i.e. when a good selection of human capital, the Enterprise There is a real chance to increase the cash flow, and in case of improper selection it will lead to its decline.

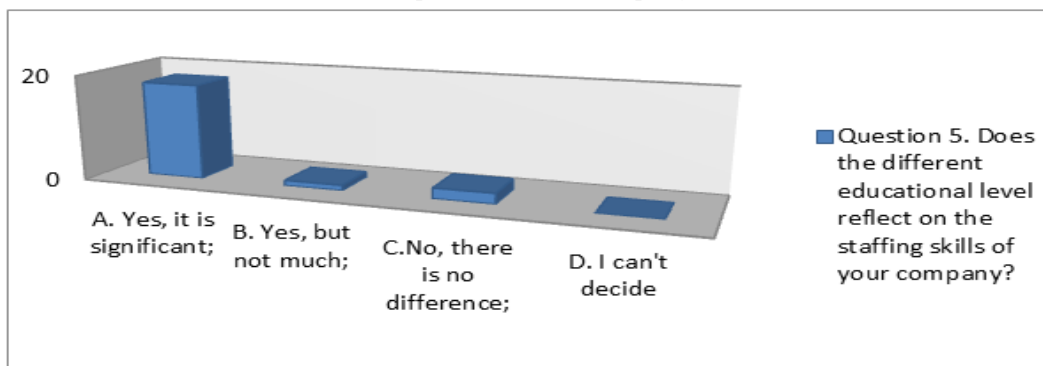
Graph No. 4. Opinion of the respondents about the educational level in the company.



Source: Own research.

Graph 4 presents the responses of respondents to the study on the issue of educational attainment, predominantly among premises employees. From the data reported in the graph, it is evident that 90% of respondents confirmed that staff has higher education, 9% of secondary education prevails and 1% chose the answer "education is irrelevant". According to these figures, it is clear that companies prefer higher education staff, as this implies that they have more knowledge, competence, more skills and opportunities.

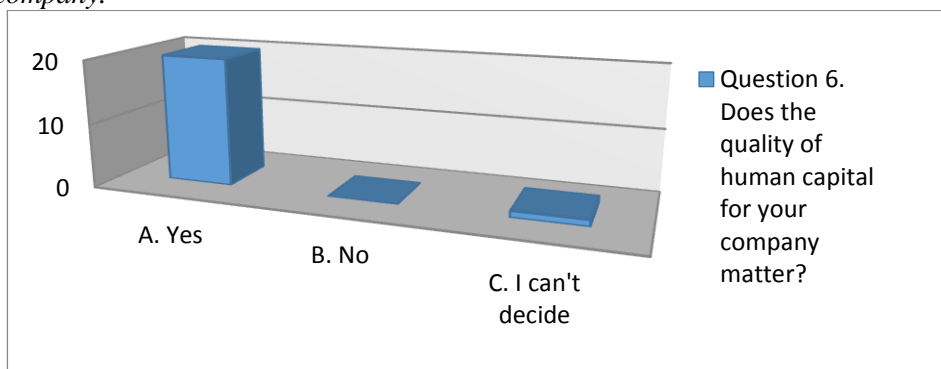
Graph No 5. Opinion on the issue of different educational level and its impact on the work process in the company.



Source: Own research.

From the data presented in graph 5, it is evident that 90% of respondents believe that the educational level is highly influenced by the skills of work. 9% think that different education does not affect the work process and the capacity of employees and 1% has chosen an answer that there is no difference in education. In summary, it is evident from the results recorded on this subject that there is a difference in the work of people from different levels of education in enterprises.

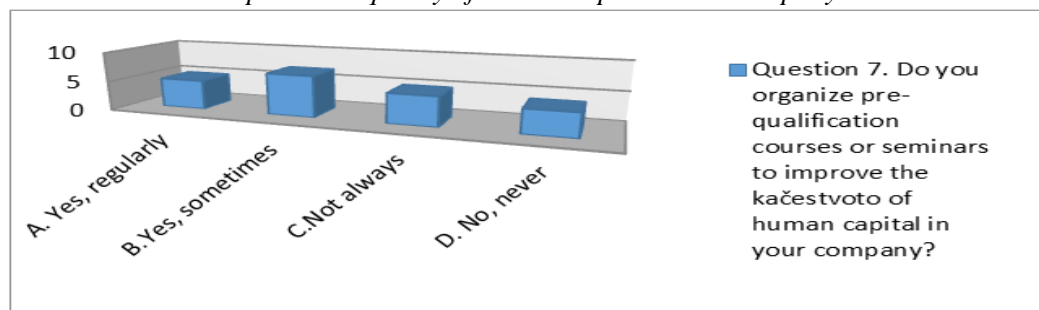
Graph No 6. Opinion of the survey on the quality of human capital and its importance in the company.



Source: Own research.

Figure 6 presents the answers to the question of the importance of the quality of human capital for companies. From the data collected during the analysis it was found that 99% had given their positive response, and only 1%-I can't decide. As there are no other recorded results, it can be summed up that in every small and medium-sized enterprise the quality of human capital is of great importance for the work process and the company's condition from the inside.

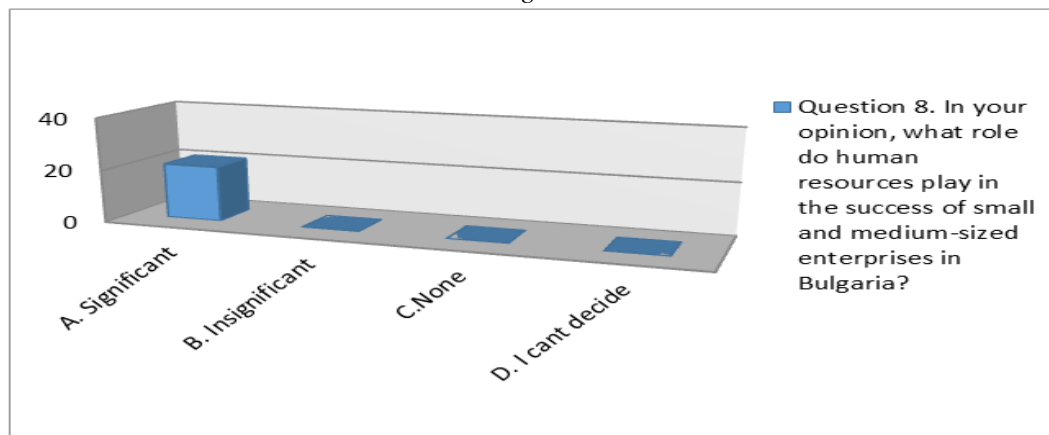
Graph No. 7. Opinion of the respondents on the issue of organizing conversion courses to improve the quality of human capital in the company.



Source: Own research.

From the data presented in graph No7, on the issue of organizing requalification events or seminars to improve the quality of human capital in the company, the answers are as follows: 50% organize courses regularly, 20% not always, 10% never have not organized and do not consider it necessary to organize. It is systematized that a majority of SME enterprises prefer to organize courses to improve staff quality, as this will lead to employee satisfaction and gradual improvement of the competitiveness of Enterprise.

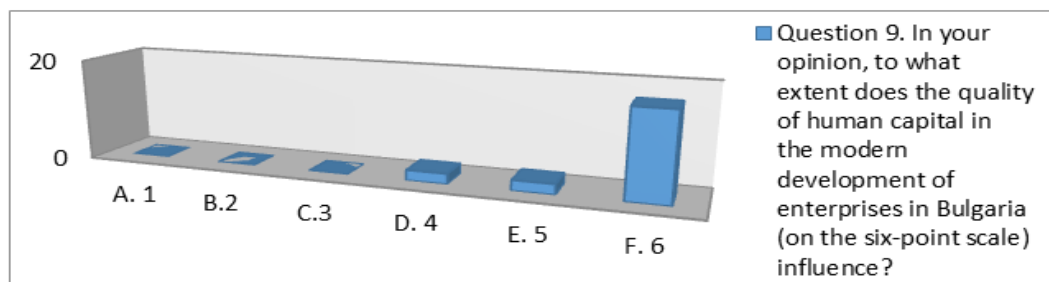
Graph No. 8. Respondents' opinion on the role of employees in the success of SME's in Bulgaria



Source: Own research.

Chart 8 presents the answers of the respondents to the question about the role that human resources play in the success of SME's in the country. Here the data presented in the graph shows that 100% of the respondents answered that the role is significant. There are no other registered data in this questionnaire, which leads to the conclusion that the role of employees in each small or medium-sized enterprise is large and determines the future of the company.

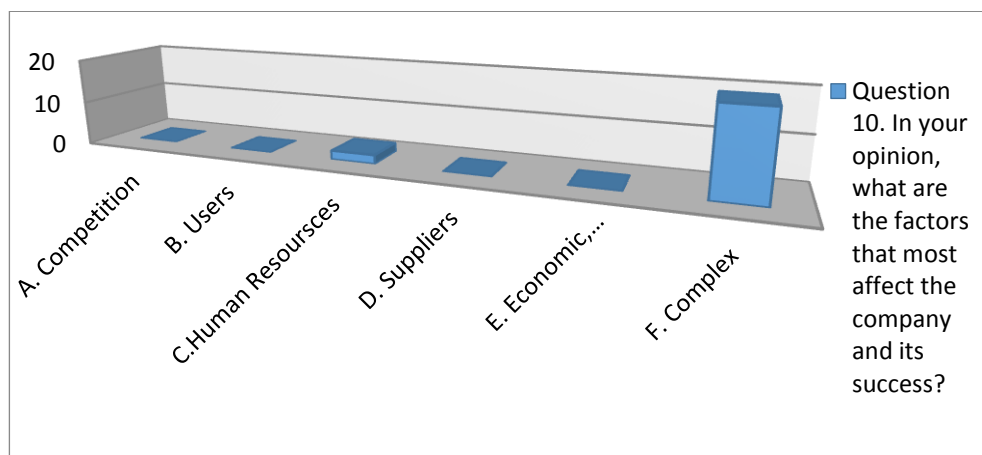
Graph No 9. Opinion of the respondents on the issue of the degree of influence of the quality of human capital on the development of the enterprises in Bulgaria



Source: Own research.

From the data illustrated in graph No. 9 It is understood that 90% of respondents believe that the impact of human capital in the modern development of enterprises in Bulgaria is high, 5% chose scale 5 and the remaining 5% gave a response – 4. In today's small business, the role of human capital for the development of enterprises in general is important.

Graph No. 10. Opinion on the issue of factors influencing the company and its success.



Source: Own research.

The last Graph No 10 shows the participants ' answers on the question of which factors affect the company most – and its success. 95% have chosen a "company" response, i.e. the success of a firm influence indicates competition, consumers, human potential, suppliers, all external environmental factors, etc. The remaining 5% believe that the most influence has the human Resources and potential.

4. Conclusion

On the basis of the results of the submitted research, several main conclusions can be drawn:

1. For every business, the role of human capital is decisive for its growth and financial advancement. When in an enterprise the human capital is properly selected and subsequently stimulated, the interior of the company is balanced, and this is a prerequisite for the realization of innovative activity and acquisition of competitive advantages of the company in front of its Competitors.

2. Personnel holding human capital shall combine materials and raw materials, capital, technology and information into a finished product or service. Human capital is the most valuable capital of the organization. The organization is in its right to increase

the quality of human capital when necessary, applying different methods of qualification, trainings, retraining courses, employee's traineeship, etc.

3. Human capital is a major topic not only in individual enterprises, but also in general in all SME's in Bulgaria. The most important is the role of the employees and for this reason the companies are doing everything possible to improve the conditions, the re-qualification and the stimulation of the employees.

4. As a conclusion of the survey and in particular from the questions No. 6, 8 and 9, it can be said that the influence and the role of human capital is large and plays a huge role for the enterprise as a standalone system and as a system of all SME's in Bulgaria.

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THE SUSTAINABLE DEVELOPMENT GOALS, AND POLICY RECOMMENDATIONS FOR REACHING SUSTAINABLE DEVELOPMENT

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Abstract

Poverty, inequality, lack of decent health care and education are still widespread, even though big improvements have taken place during the last decades, but so much still remains to be done in the developing, and also the developed world. Improving human well-being, and in such a way that today's development does not compromise the capacity of future generations to satisfy their needs, is basically the aim of Sustainable Development. Reaching Sustainable Development is one of the greatest challenges humanity has ever faced: the world economy, global society, and the Earth's environment have to be optimized, also in the interest of future generations. In 2015 all 193 UN member states adopted the Sustainable Development Goals (SDGs), to end poverty, protect the planet, and ensure prosperity for all. The SDGs contain 17 concrete and measurable goals, which are interrelated and also coherent with the Paris Climate Accord, and cover main topics like poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment, and social justice. This concrete Agenda 2030 formulates an overall objective, with sub goals to reach, stimulating a concrete process to reach it. The implementation process started in 2016. Specific and overall indicators, as well as the SDG-Tracker, or e.g. the Social Progress Index are measuring the progress of these SDGs. Research finds that the path to realization of the SDGs can be financed, and that the SDGs can be realized, but only if big steps and coordinated efforts will be undertaken. Hence concrete and ambitious policies have to be agreed on, and successfully implemented. This article analyzes how the concept of Sustainable Development came about; discusses the concept of "happiness"; introduces the Sustainable Development goals; looks at how Sustainable Development and its progress can be measured; analyzes if the SDGs can be reached, and mentions some criticism; and concludes with some key policy recommendations found in literature, which can be used to reach Sustainable Development.

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Keywords: *Sustainable Development; Sustainable Development Goals (SDGs); economic growth; measuring Sustainable Development; economic, social well-being, political indicators; Sustainable Development Policy recommendations; Gross National Happiness*

JEL Codes: *Q01, Q58*

I.Introduction

In today's world there are still 780 million people living below the absolute poverty line of USD 1,90 PPP a day. There is rampant inequality, lack of decent health care and education, and distributive justice seems often lacking. Millions still die from avoidable diseases and malnutrition, or have no access to housing, adequate sanitation or finances. (Aghion, Caroli, Garcia-Penalosa, 1999, pp. 1615-1660) As Porter, Stern & Green (2017) find, unprecedented progress has been made during the last decades throughout the world in e.g. lowering absolute poverty, increasing health care and education: but so much still remains to be done. (Porter, Stern, Green, 2017, pp. 1-92) According to Sachs (2015), improving human well-being, and in such a way that today's development does not compromise the capacity of future generations to satisfy their needs, is basically the **aim of Sustainable Development**, which is important for both poor and rich countries. Relative poverty also exists in developed countries, and health care, education, inclusiveness, gender equality, climate etc. can be improved nearly everywhere. Ray (1998), and Sachs (2015a) find that Sustainable Development is the greatest, most complicated challenge humanity has ever faced, as it includes e.g. poverty, overpopulation, species extinction, over-extraction from oceans, urbanization, social mobility, and climate change. (Ray, 1998, pp. 17-18) Sachs emphasizes that Sustainable Development is inherently an exercise in *problem solving*, and calls for a holistic approach, and new ideas to produce prosperous, social inclusive, sustainable, and well-governed societies. Sustainable Development tries to optimize the interactions of three complex systems: 1) The world economy; 2) The global society; and 3) the Earth's physical environment. It is a way to correctly understand our society and world, yet it is also a normative and ethical view of our world: a way to define the objectives of a well-functioning society, which delivers well-being for its citizens today and in future generations. (Sachs, 2015a, pp. 1-543)

II. The road towards the Sustainable Development concept

Economic development historically was seen as being equivalent to “**economic growth**”, which could be measured in several ways, and nowadays often is measured by GDP or GNI. But Sen (1988) already stated 5 main **limitations of economic growth as a sole indicator of development**: 1) Growth does not tell anything about distribution; 2)

Growth also includes externalities, and excludes non-marketabilities, leaving out benefits and costs that do not have a price-tag attached to them; 3) Markets might have biases, and valuations might differ greatly in different parts of the world; 4) Growth misses crucial key information, which is important to people's life (e.g. longer life, education, safety, freedom, availability of alternatives); 5) Measuring the amount of "means of well-being" that people have does not indicate what people succeed in getting out of these means (e.g. lack of freedoms, lack of public services, lack of supply). (Sen, 1988, pp. 9-26) Over time the definitions of growth, and how growth was being measured, were seen as being too limited to describe the real overall progress of a country, which had to include the qualitative well-being of people, with growth and development reflecting social and economic progress: the **Human Development** theory evolved. Growth was seen as a vital and necessary condition for development, but not as a sufficient condition. (Klugman, 2010, pp. 1-227) The Human Development approach shifted the development discourse from pursuing material wealth to enhancing human well-being, from maximizing income to expanding capabilities for people, from optimizing growth to enlarging freedoms. It focused on the richness of human lives, rather than on the more restricted richness of economies, and doing so changed the lens for viewing development results. (Hag, 1995) **Environmental economists** also contributed to broadening the concept of growth. Economists like Thampapillai (2002), Van der Ploeg and De Zeeuw (2013), and Van der Ploeg and Withagen (2014), became concerned that the long-term neglect of the environmental assets was likely to jeopardize the durability of economic growth. Their solutions aim at integrating the environment "into the market", by assigning a price to environmental impacts, and at generating incentives that reduce the use of resources in the production process. (Thampapillai, 2002, pp. 283-311) Overall, environmental economists share the opinion that steady, "green", and sustainable growth is not only theoretically possible, but should be the aim of (environmental) economic research, in order to ensure long-term investments in sustainable wealth, as well as short-term poverty alleviation by economic growth. (Smulders, Toman, Withagen, 2014, pp. 1-36) They propose that this can be realized by the relative or absolute decoupling of resource consumption or environmental damage, from economic growth. Smulders (2000) finds that human capital and technological change should also play an important role in diminishing the use of natural resources, or in substituting them. (Smulders, 2000, pp. 1-65) **Environmentalists** like Pierce and Turner (1990) go further, by rejecting the "Western lifestyle", which leads to an uncontrollable ecological damage of the biosphere, depletion of natural resources, and loss of bio diversity: A "Western (consumerism based) lifestyle for all" will simply go beyond the capacity of the planet. (Pearce, & Turner, 1990, pp. 1-378)

Merging these more extensive views on growth and well-being gave birth to the **Sustainable Development** concept. One of the central concerns of Sustainable Development is that global ecosystems and humanity itself can be threatened by

neglecting the environment, and can hence undermine development in the longer term, and even in the short-term. Sustainable Development therefore involves maximizing the net benefits of economic development, subject to maintaining the services and quality of natural resources over time. Its concern is about balancing the objectives of economic growth and attending to environmental and long-term considerations. (Hoff & Stiglitz, 2000, pp. 389-485) Over time the content of Sustainable Development broadened further, and it now aims more and more at improving the quality of life in a comprehensive manner, including economic prosperity, social equity, and environmental protection. Or as the World Bank (2003) states: economic, social, environmental and cultural aspects must be integrated in a harmonious manner to enhance the intergenerational well-being. (World Bank, 2003, pp. 1-250)

A relatively new economic paradigm, based on sustainability and well-being is the concept of “happiness” (“Happy Nation”, “**Gross National Happiness**”), first coined in 1972 by the 4th King of Bhutan. The concept has overlapping elements with Sustainable Development. Since 2012 the United Nations Sustainable Development Solutions Network (UNSDSN) publishes yearly the World Happiness Report, and the **World Happiness Index** (WHI). The concept behind the index implies that Sustainable Development should take a holistic approach towards notions of progress, and give equal importance to non-economic aspects of well-being. (Centre for Bhutan Studies & GNH Research, 2016, pp. 1-131) Bloom and Sachs (2017) find that the happiest nations pay some of the highest taxes in the world. (Bloom, Sachs, 2017)

III. The Sustainable Development Goals:

On September 25th 2015 all 193 UN member states adopted the **Sustainable Development Goals** (SDG) to end poverty, protect the planet, and ensure prosperity for all. The SDGs, also known as “Transforming our World: the 2030 Agenda for Sustainable Development”, or “Agenda 2030”, have 17 goals, 169 targets, and 230 indicators, which are interrelated and cover main topics like poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment, and social justice. The SDGs are coherent with the Paris Climate Accord, as signed in 2016, and are progressing on the **Millennium Development Goals** (MDGs), which were agreed in 2000, and had set goals for 2015. The goals should be reached by 2030. Sachs (2015a) propagates that Sustainable Development is “an objective to reach”, but also “a process of how to reach it”. This implementation process of the SDGs started worldwide in 2016, and is also referred to as “**localizing the SDGs**”. National, local and regional governments, international organizations, including NGOs, donors, civil society organizations, the private sector, academic and research institutions, and individuals are called upon to work on several goals at the same time. In each country, governments must translate the goals into national legislation, develop a plan of action, establish budgets, and at the same time

be open to and actively search for partners, which can push reaching the SDGs forward. The implementation of the SDGs should take place at the local, national, and global level.

IV. Measuring Sustainable Development and its progress

Setting goals, following the progress made through data gathering, and measuring results is important as it provides policy makers with guidance to measure progress, and indicate if corrective actions are necessary, and where to improve and to what extent. This is obviously also the case for the process of reaching the Sustainable Development Goals. The World Bank is the primary international organization that measures economic and Sustainable Development on a national and global scale, with more than 2000 separate indicators, most being measured since 1960. (Wdi.worldbank.org/tables) As the SDGs are defined in 230 measurable indicators, policy makers can track concrete progress in a detailed way, and benchmark. When there are deviations, policy makers can establish what extra measures have to be taken. **Progress in Sustainable Development can be measured by** making use of: **A) Specific indicators**, like: 1) Economic indicators, as e.g. measured by the country's national statistics institute, measuring e.g.: economic growth; economic inequality; unemployment; child labor; infrastructural development; international trade; migration and remittances; ease of doing business; 2) Social well-being indicators, often measured by specialized institutes (some here mentioned between brackets), measuring e.g.: public safety (and shelter) (Human Security Index); social justice (Social Justice Index); health indicators as e.g. disease occurrence, life expectancy, maternal survival, number of doctors (World Health Organization (WHO)); access to clean water and sanitation and hygiene (WASH, USAID); sustainability, and environmental health (WHO); (effective) education, e.g. literacy, years in school, on the job training (OECD, INES, UNESCO); access to finance (financial inclusion) (WB); SDGs (see hereunder); 3) Political indicators, measuring e.g.: democracy (the Democracy Index); level of freedom (Freedom House); good governance and functioning of institutions (Worldwide Governance Indicator; Mo Ibrahim Index); justice system, property rights, and rule of law (Rule of Law Indicators (UN)); civil society (Civil Society Index (CIVICUS)); gender equality (Gender-related Development Index; Gender Gap Index); human rights and dignity (Human Rights Watch, Amnesty International); **B) Overall indicators**, like: the (New) Human Development Index (UNDP); the Inequality-Adjusted Human Development Index (UNDP); the Gender Inequality Index (UNDP); the "Wealth of Nations" (WB); the Human Capital Index (WB); the Multidimensional Poverty Index (UNDP), etc.

More concretely, for the **measurement of the SDGs**: 1) The United Nations developed the "**SDG-Tracker**", which specifically follows the concrete progress per SDG indicator; 2) Porter, Stern & Green (2017) developed the **Social Progress Index**

(SPI), which measures “what the SDGs try to achieve”, with 50 indicators, but also expressed in one score per country (from 1 to 100).

The World Bank actively supports countries with the **improvement and increase in data gathering**, monitoring, and statistical capacity, which as such is an additional positive side effect of the SDG process. (Espey, 2015, pp. 1-81)

V. Can the SDGs succeed, and criticism of the SDGs

Sachs (2015b) states that finding the sources of financing to achieve the SDGs will be difficult, but can be managed, making use of funds from: 1) Governments; 2) Donations by rich-country governments (foreign assistance); 3) NGO's; 4) Private donors and funds”. (Sachs, 2015b) Porter, Stern & Green (2017) calculated that SDGs could be reached, but only if big efforts are made: The SDG worldwide goal will be reached, when the average worldwide SPI becomes 75. This can be achieved by: 1) Continuous worldwide economic growth: an average annual growth of 3,1% will lift the SPI from 61 (2015) to 62.4 in 2030: this includes the negative and positive effects of growth. Economic progress helps, but is obviously far from being enough to reach the SDGs; 2) Getting “underperformers” (countries that score worse on development than the average of their per capita income would indicate) to perform at their “normal” corresponding average development level. This will grow the SPI from 62.4 to 65; 3) If all countries do a little better in turning their wealth into well-being, 67.2 is reachable; 4) If every country would prioritize Sustainable Development, and perform “optimally”, than the overall SDGs can be reached in 2030. In addition the SPI shows that social progress does improve as we get richer, but each additional dollar of income buys us less and less social progress: already after USD 5.000 the curve starts to flatten, with after USD 20.000 hardly any progress anymore.

The SDGs also face **criticism**, having: - too many goals; - competing goals; - high costs of achieving them; - to work with lacking or unreliable data. (Hutton & Varughese, 2016) Although the term “Sustainable Development” is now in common use, and made far more concrete with the SDGs, it has created ambiguity in application, with much of the debate seeking to answer the two overall questions: 1) “What should be sustained” and; 2) “What should be developed”. (Daly, 1996)(Kates, Parris, Leiserowitz, 2005, pp. 8-21)(Payne, & Raiborn, 2001, pp. 157-168)(Redclift, 1992, pp. 395-403)

VI. Policy recommendation to reach Sustainable Development

Based on the studied literature, we come up with some recommendations to improve the road to Sustainable Development:

1) Rodrik (2000, 2008) propagates a “**mixed economy**” (dual development theory), where markets and the private sector play a crucial (allocation and innovative)

role, but are supported by government and the public sector, which **guides development with a solid public development strategy**, formulating and implementing policies, which are based on a collaboration with and inputs from the private sector; (Rodrik, 2000)(Rodrik, 2008, pp. 99-152)

2) Dernbach (2000), and the United Nations Social Development Network (UNSDN), state that governments must define and implement a coherent sustainable strategy, which should be implemented and be enforced by **strict rules and regulations**; (Dernbach, J.C. (2000)

3) Weiss (1998), AusAid (2000), and IMF (2018) propagate the **establishment of a development agency** with clear responsibilities for guiding and orchestrating the development process by: gathering data; setting goals; formulating policies; following progress and coming up with corrective plans; organizing financing; stimulating applicable research and innovation; adding parties in order to broaden “the participatory field”; uniting parties; initiating plans; coordinating, communicating, learning and pushing sustainability forward. Government and the development agency should closely work together with all parties in order to reach the formulated goals; (Australian Agency for International Development, 2000, pp. 1-36)(IMF, 2018, pp. 1-33)(Linda, 1998)

4) Weiss (1998), Ohno and Ohno (1998), Zhang (2011), and IMF (2014) suggest that it should be assumed that mistakes will be made, so a “learning from mistakes” mentality should rule, and a “**trial and error approach**” should be guiding;(Ohno, & Ohno, 1998)(Zhang, 2011, pp. 1-66)

5) Arndt (1988), and Smith (1995) find that market failures can (also) lead to disparities between social and private valuations of alternative investment projects, which can lead to misallocations and waste of present and future resources, or stimulate activities, which are not in the best long-run social interests. According to Daly and Farley (2011) an **ecological market failure** exists when human activity exhausts critical non-renewable resources, disrupts fragile ecosystems, or overloads the waste absorption capacities of the biosphere. Todaro and Smith (2015) therefore argue that governments have an important role to restore market failures. These scholars and Weiss (1998) also conclude that possible resulting **bureaucracy should be avoided**; (Arndt, 1988, pp. 219-229)(Daly & Farley 2011, pp. 1-510)(Smith, 1995, pp. 1-37)(Todaro & Smith, 2015, pp. 1-860)

6) Talukder, Afzal, Rahim & Khan (2013), and Mohanty (2011) propagate the importance of efficient **Sustainable Waste Management**. Stamevska, Dimitrieska and Stankovska (2018), find that waste management is part of the circular economy, as that economy is designed to transform waste, residues and obsolete products, into valuable products and services, thus improving social wellbeing, as well as achieving a resilient environment. Other scholars find a **positive relation between productivity gains and waste reduction**; (Talukder, Afzal, Rahim, Khan, 2013)(Mohanty, 2011)(Stamevska, Dimitrieska, Stankovska, 2018, pp. 93-100)

7) United Nations Research Institute for Social Development (UNRISD), which is dedicated to research and policy analysis on social development, and the National Research Council (NRC) (2011), find that development agencies should have a **high standing and (political) influence**; (National Research Council (NRC), 2011, pp. 1-162)

8) Smulders (2000), Gibson (2006), and Bowen and Hepburn (2012) find that the development agency should **set overall sustainability goals**. As for the important “climate change” part, ideally the Paris accord should be taken as a minimum guideline. The overall goals should, if not coming from the government, be confirmed and supported by government; (Bowen & Hepburn, 2012, pp. 1-25) (Gibson, 2006, pp. 170-182)

9) Ohno (2003) suggests that the **development policies**, formulated by development agency and government, **have to be long term oriented and pragmatic**; (Ohno, 2003)

10) Espey (2015) propagates that parties should **make use of modern (big) data tools for gathering and interpreting data**, as well as using the different published indicator scores to **check progress and to benchmark**;

11) The Sustainable Development Solutions Network (SDSN) Australia, New Zealand & Pacific, and Sachs (2015a) propose that development agencies should disseminate the detailed goals to the responsible agents, who then will translate the overall plans into detailed plans (“**localizing the SDGs**”). These local plans should contain clear objectives; measurable result indicators; action plans; budgets; timelines; and control points, and be translated in concrete executable policies, allowing for flexibility and experimentation during the whole process; (<http://ap-unsdsn.org/regional-initiatives/sdgs>)

12) Both find that there should be a **focus on results, but also on the process** (“learning on the go”);

13) United Nations Development Programme (UNDP) (2009) states that development agencies should **report at regular intervals**, e.g. every 6 months, with an interim progress report, and every year with an evaluation report, updating plans with factual reality, including updated and improved (sharpened) goals, indicators, action plans, budgets, timelines, and control points; (United Nations Development Programme (UNDP), 2009, pp. 1-220)

14) **Development agencies should be in close contact with other comparable “bodies” in other countries**. But Lin (2009) states that the purpose is not to “copy-paste”, but to learn from each other, and broaden the points of view and knowledge, as every country is in a somewhat different stage of (sustainable) development, so it is impossible to prescribe “standard (one fits all)” policies, let alone simply apply copies of policies that were used by other countries; (Lin, 2009)

15) Lin (2009) also proposes that **policies should be derived from concrete situational analysis**, although experiences and knowledge from other countries and parties can give useful input and insights;

16) Van der Ploeg and De Zeeuw (2013), and Van der Ploeg and Withagen (2014) propose that **“the environment” should be integrated “into the market”**, by assigning a price to environmental impacts, and by generating incentives that reduce the use of resources in the production process;

17) United Nations Industrial Development Organization (UNIDO) (2018) states that governments should, in coordination with the development agencies, create sustainable and inclusive governmental national and regional **procurement systems, which strengthens sustainability**, in accordance with the goals and plans; United Nations Industrial Development Organization (UNIDO), 2018, pp. 1-245

18) AusAid (2000), and Herrick and Pratt (2013) find that governments (national and regional), development agencies, and “all participating parties”, should **make sustainability “a leading theme”**, putting it on the agenda, and having it talked about, so that more and more individuals and entities understand the importance, and ideally want “to contribute”; (Herrick, & Pratt, 2013, pp. 4428-4443)

19) Peterson and Wennberg (2010) suggest that parties should also **emphasize the benefits of sustainability** and come with clear real life success stories, including local examples, as well as international achievements (“see what others accomplished”), so that sustainability remains in the news in a positive way (“competition effect”), and not only accentuate the potential negatives, like costs, change, disruption etc.; (Peterson & Wennberg, 2010)

20) Sen (1988) proposes that governments should **add broader concepts of “growth”** for measuring policy results, success and progress. They can publish e.g. HDI, SPI as a growth indicator, and use the SDG-Tracker for (progress) information;

21) Pearce and Turner (1990), and Deneulin (2009) find that **Sustainable Development and conservation of the planet should take a central role in economics, and development theories and research**; (Deneulin, 2009, pp. 89-90)

22) According to Cortright (2001), and Mazzucato (2013) government should **provide incentives** for stimulating e.g. technological and promising innovations; sustainable management; (sustainable) **entrepreneurial knowledge and activities**; and research, which is consistent with goals and plans; (Cortright, 2001, pp. 1-35)(Mazzucato, 2013, pp. 1-260)(Stamevska, Stamveski, Stankovska, 2018, pp. 173-181)

23) Cortright (2001) propagates innovation, e.g. to learn **how to extract greater use out of the finite set of resources** with which the world is endowed;

24) Mazzucato (2013) finds that the goal should be for government and the private sector **to take (innovation) risks together**, also enjoying the rewards together, so that government can recover its (basic) research investments, to finance follow-up and new (basic) research;

25) Lin (2009, 2010) warns that, as there will be “creative destruction” and intensive restructuring, governments should **provide (transitory) protection to old sectors, and affected citizens**, in order to maintain stability, and liberalize sectors consistent with the new economy, so as to achieve change and dynamism simultaneously; (Lin, 2010, pp. 1-38)

26) Remes et al. (2018), and Manyika et al. (2019) propose that parties should **make use of the “latecomer advantages”** in their policies and plans, (e.g. leapfrogging, replacing “old for sustainable new”). (Remes, Manyika, Bughin, Woetzel, Mischke, Krishnan, 2018)(Manyika, Woetzel, Dobbs, Remes, Labaye, Jordan, 2019)

Conclusion

Poverty, inequality, lack of health care and education are still widespread, even though big improvements have taken place during the last decades: but so much still remains to be done in the developing, but also the developed world. Improving human well-being, and in such a way that today’s development does not compromise the capacity of future generations to satisfy their needs, is basically the aim of Sustainable Development. With the ending of the Millennium Development Goals in 2015, and the formulation and acceptance by 193 countries of the 17 Sustainable Development Goals, aiming for Sustainable Development by 2030, sustainability will now turn into a new, action oriented process, and enter crucial implementation phases. The concrete SDG objectives are interrelated, and also coherent with the Paris Climate Accord, and more often than not clearly formulated, and monitored by the UN (e.g. with the SDG-Tracker), which makes it possible for countries to control their progress, and benchmark it e.g. against other countries. It is risky to “copy-paste” policies, even though this is luring, as every country is different, so policies have to be derived from concrete situational analysis. Each and every country will have to develop its own capabilities, and plan and work its own way to sustainability. Of course one could and should listen to and learn from others, but that is different than to simply imitate. The SDGs are now the leading guideline, and there is a vast amount of scientific knowledge on economic growth, economic development, and increasingly also on Sustainable Development. Furthermore there is a broad amount of increasingly reliable data, which can measure progress in Sustainability, and the amount of knowledge, assistance and experience can guide countries, development agencies, and all bodies that engage in Sustainable Development. Based on the studied literature, we come up with some recommendations to improve the overall Sustainable Development strategy and policy formulation process: include both government and the private sector; guide development with a solid public development strategy, enforced by strict rules and regulations; install and empower a sustainability development agency, with a high standing and (political) influence; build knowledge and create capabilities; work on a realistic base, with trial and error; avoid bureaucracy;

implement sustainable Waste Management, making use of increased productivity and efficiency; set and disseminate overall and detailed sustainability goals (“localizing the SDGs”); formulate and implement short term, and especially long term oriented pragmatic development policies; make use of new (big) data and other innovative (measuring) tools and techniques; focus on results, but also on the process; report at regular intervals; be in close contact with comparable entities in other countries, not to copy-paste, but to learn and benchmark; base policies on concrete situational analysis; integrate the environment “into the market”, by assigning a price to environmental impacts, and making use of allocating price mechanisms; create sustainability strengthening procurement systems; provide incentives for e.g. technological and promising innovations, sustainable management, entrepreneurial knowledge and activities, and research, which is consistent with goals and plans, in order to improve the environment and stop wasteful behavior; propagate innovation, skills, technology and sustainable initiatives, e.g. to learn how to extract greater use out of the finite set of resources; let government and private sector entities take (innovation) risks and share benefits together; make use of the “latecomer advantages” like leapfrogging, and replacing “old for sustainable new”. In addition development agencies have the very important aim to communicate the importance of sustainability, and “to get the whole country motivated and incentivized behind sustainability”, including getting key parties on board, stimulating that “each will do their part”, leading to the overall goals. Of course this includes the broader population, making clear that change towards sustainability is in everybody’s best interest, and that all should benefit in the shorter, but especially also the longer run, underlining the positive effects, and not only accentuating the potential negatives, like costs, change, disruption. GDP and other sole growth indicators are not comprehensive enough, and not consistent with sustainability, and should be replaced by more comprehensive sustainable-growth indicators.

Humanity is faced with the tremendous and crucial task of reaching Sustainable Development in all parts of the world. This needs the support and efforts of everybody. One of the challenges will be for each and every country to melt all ideas into “one coherent strategy”, with goals that do achieve the obtained sustainability, formulating these in agreed upon policies, organizing the finance, and to implement these policies efficiently, correct them when necessary, and “constantly” measuring and pushing forward real progress.

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A PERCEPTION OF AN OVERALL CONCEPT FOR E-BUSINESS SYSTEMS IN THE ORGANIZATIONS

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Abstract

The successful management of the information and communication infrastructure of modern companies is increasingly dependent on Internet/intranet network systems and the development and implementation of an effective e-business concept. Based on modern information and communication technologies and e-business models, the purpose of this paper is to analyze the need of today's organizations of the formation and adoption of a comprehensive e-business system concept, which is being constructed for the purpose of transforming traditional business activities into electronic ones by providing secure access for multiple employees, users, partners and contractors to corporate information resources available on the Internet or intranet/extranet in a continuous 24/7 mode. The adoption of such a concept aims to achieve specific business benefits, enhance the sustainability and competitiveness of organizations in the economic market, as well as maintain and establish world leading positions.

Keywords: *strategic planning, corporate management, information and communication technologies (ICT), e-business concept.*

JEL Codes: *D80, L80, M10, M15*

INTRODUCTION

Today's companies face major challenges in managing their information and communication infrastructure. Successful presentation, implementation and development of their business processes is increasingly dependent on the Internet and intranet network systems and the development and implementation of an effective e-business concept. The global network is being used more and more actively as a tool for advertising the services and products offered by enterprises (Turban, 2017). It is a mandatory aspect in transforming a traditional business into an electronic one (Barfield, 2003; Li, 2006; Combe, 2006).

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There is a common belief that the ability of the managers and staff to effectively use information and communication technology (ICT) in their business activities is essential and necessary for the implementation of a successful e-business and for the establishment of the business positions of companies in national and global market niches. So, the managers of the enterprises that are seeking to expand the market and increase their competitiveness are faced with the decision of not whether it is time for such a transformation, but how to do it in the best possible way (Gloor, 2012). At the same time, when organizing and developing their business activities, organizations must comply with the dynamically increasing new solutions for building, managing and supporting information infrastructure, including hardware and software, technological communication between different management applications, software platforms, communication with databases, etc. (Mladenova, 2006; Miltchev, 2015; Neykova, 2017)

A PERCEPTION OF CONCEPT FOR E-BUSINESS SYSTEMS

Based on modern e-business models and the use of ICT, today the concept of an e-business system is being built to transform traditional business activities into electronic ones by providing secure access to multiple employees, users, partners, and contractors to corporate information assets and resources available on the Internet and intranet/extranet in continuous 24/7 mode (Chaffey, 2007; Li, 2006). In this sense, it is reasonable to accept that no business system can function without the minimal elements of e-business (Milchev, 2011), and the proper e-business adoption rests on the definition of the concept of the e-business system, which is regarded as a modular system that is responsible for the functioning of economic operators, performing specific tasks. In other words, building/developing an e-business system requires a well-planned strategy, in which the implemented ICT technologies work comprehensively for the automated organization and management of business processes such as:

- enterprise resource planning;
- supply chain management - supplier relationships;
- human resources management;
- management of technical documentation;
- product and production management;
- risk management;
- marketing, advertising and public relations management;
- sales management and business transactions at any time of the day;
- access to business information resources provided through web applications from a variety of devices;
- exchange of information among employees, customers, suppliers and partners and management of the relationships with them;
- personnel training;

- development activities and obtaining information necessary for strategic and tactical planning, etc.

Therefore, the creation of an e-business concept requires a complete organizational structuring of all the necessary information and communication elements (computer and network devices and technologies, and software management modules), through which traditional business activities can be transformed into electronic ones, expanding the scope of their application among potential users, suppliers, partners and contractors. In order for the chosen concept to be successful it must be planned keeping in mind its multilateral application both in the organization's back-office processing (back-end), as well as in the organization's front-office processing (front-end).

The strategic planning for the e-business concept is based on a set of separate solutions and operations, which are necessary for the formation of an e-business system, such as:

- formulating the purpose and expectations of building/developing an e-business system;
- defining the basic business relationships of the organization with suppliers, partners, clients and government institutions and planning the new information interaction in the electronic environment;
- determining the type and nature of the business processes carried out in the activity of the enterprise that will be transformed into electronic;
- defining appropriate e-business models for the specific economic activity of the organization;
- identifying appropriate e-business categories required for business development;
- configuring the hardware and software supporting the e-business system;
- planning and configuring the network infrastructure and how to connect the individual ICTs - e-business resources on the Internet / intranet;
- determining the need to build an intranet/extranet network infrastructure;
- developing information support for e-business and defining an information security policy by restricting access by means of access levels for employees, suppliers, partners and users;
- planning the amount of financial resources necessary for investing in the establishment of an e-business system;
- planning the financial resources needed for the recruitment of qualified employees that are going to be responsible for the development, maintenance and improvement of key e-business elements;
- planning the financial resources needed for upgrading outdated computer hardware / software resources or additional technological innovations to improve the current e-business system;

- planning the financial resources for upgrading the qualifications of employees so that they can work with the embedded e-business devices and computer software.

In the process of e-business development and implementation, organizations should take into account the need of adequate solutions for information provision that have to comply with the specifics of the already established and functioning corporate information system as well as its connection to the system responsible for automation and control of main business activities such as: management of the content of the organization's website, management of relationships with customers, suppliers, partners and contractors; management of e-commerce and electronic payments; management of resource planning systems, management of marketing and sales; management of production and supplies, etc. Despite the numerous innovative solutions for transforming traditional business activities into electronic ones, unfortunately today most of the enterprises in Bulgaria apply only individual applications and modules, which automate only part of the business processes, which in turn is the reason for inefficient management in the conditions of Information Economy (Varbanov, 2011).

In the present article, the overall concept of an e-business system is being considered as based on the creation of a virtual organizational infrastructure which must closely correspond to the organization's network information infrastructure by integrating separate management software modules. This infrastructure must be built secure, flexible, reliable and scalable, as the main objective is to raise the awareness of management staff and its business partners when making adequate management decisions and managing information flows to employees, suppliers and customers.

The building and launching of an e-business infrastructure and the applications through which it interacts is based on hardware, software and related services for their standardized work environment. In this sense, recent studies have shown the increasing role and importance of corporate information systems thanks to the application of business software that serves different levels of management of the organization and automates specific functional business areas. So in recent years among the implemented integrated organizational applications that provide comprehensive information services in various functional areas, the most preferred are:

- ***Enterprise Resource Planning Systems (ERP)***. ERP systems are a collection of software modules that automate an organization's core business processes such as production management, supply chain, logistics, accounting, finance, marketing, specialized business analysis, delivery and sales, warehouse management and human resources and more. These systems are multifunctional and enable effective strategic management and competitiveness of the company through a complete look at corporate resources. ERP solutions provide centralized control over a large part of business processes by integrating all data and business processes into a single information space

and ensuring data exchange and consistency between them. The introduction of ERP systems enable minimizing operational and administrative costs, optimizing business processes, improving the quality of production, distribution and customer service, providing additional competitive advantages, etc.

- ***Customer Relationship Management Systems (CRM)***. CRM systems monitor, store, process and analyze the entire flow of information from and to every customer of a company. They provide sales specialists with the opportunity to accumulate, monitor and manage all contacts with potential and existing customers based on electronic forms. Thus, they are carried out in close relations with consumers and their specific requirements, requests, complaints, etc. CRM systems support operational business processes in areas such as: optimizing sales processes and highlighting the most profitable products and services; providing access to information received from affiliates and others divisions; providing remote access to a central data warehouse; providing additional services to clients and enabling them to actively participate in proposals for new initiatives. CRM systems support the automation of corporate marketing by providing information about the business environment (competing organizations, market trends, etc.). At the same time, they also help to automate sales, keeping consumers' preferences, their shopping habits, demographic data, and increasing staff productivity, directly related to sales.

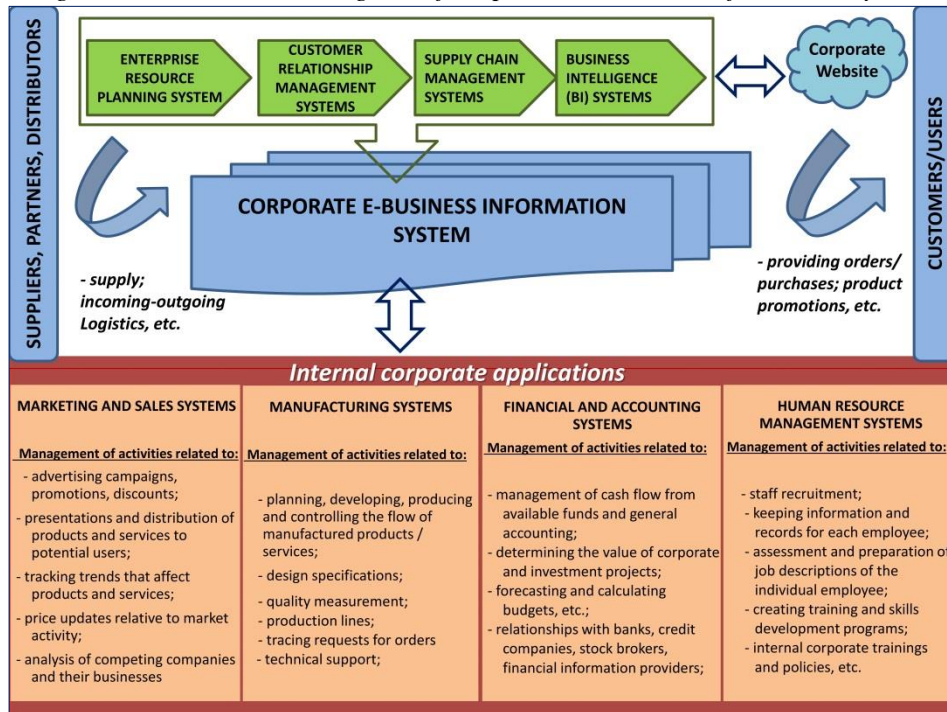
- ***Supply Chain Management Systems (SCM)***. The SCM system is a strategy for implementing a supply chain by integrating the activities of marketing, distribution, manufacturing and commercial organizations. At the same time, they are integrated organizational applications that use information technology to manage the relationships between an organization's core business processes and the business processes of its suppliers, distributors, customers and partners, to reduce costs, time and storage prices. After all, regardless of whether the company is a manufacturer or not, its supply chain must ensure the reliable and cheap acquisition of raw materials and components. There is a wide variety of SCM products designed for manufacturing enterprises and companies, which differ in their complexity in the provision of services in all industries.

- ***Business intelligence (BI) systems***. Business analysis information systems are software solutions for analyzing and forecasting processes in a company based on large amounts of unstructured data accumulated from its activities. BI technologies are basically tools for extracting the maximum value from the accumulated information by summarizing it and organizing it according to certain key performance indicators. BI systems extract recurring patterns from the data, regularities and cause and effect relationships in the form of reports, references and visualization tools. In this way, they help managers in different management positions to monitor change in the development of business processes in order to be able to take fast and adequate decisions for realizing business benefits or correcting inefficient activities. BI systems are also used as a tool for

predicting future trends for which necessary business development measures should be taken.

The process of reflecting the integration of the main business processes and relationships of the organization in the overall system for information assurance of the e-business is represented by the schematic diagram in Figure 1. Suppliers, partners and distributors are located at the entrance of the scheme, and customers and users are at the exit. The input is connected to the output by coordinating the main software modules implemented and corporate applications in the overall e-business information system.

Figure no. 1. Schematic diagram of corporate e-business information system



Adopting a similar concept for an e-business system and integration of their relevant organizational applications enables customers, partners and suppliers to interact and transact through the corporate Internet/intranet. The management modules implemented in the information support system reflect the movement of different business processes, such as supply, distribution, planning, accountability, etc., in order to direct and provide data and information flow to functional units directly related to their processing, implementation and analysis.

The implementation of business software systems is a complex and difficult process that requires significant financial and intellectual resources from organizations. It

is influenced by various factors, some of which cannot be predicted in advance. Therefore, the realization of a successful project depends on the accomplishment of many tasks, each of which is a source of potential risk for failure and collapse of the process. Therefore, corporate managers should have a clear idea what the possible dangers and difficulties are, as well as a sufficiently objective basis for comparing the solutions available on the market and what they can expect from the service provider to implement the system and integrate its management modules. At the same time, it should be taken into account that with the dynamic development of the e-business management system, the infrastructure has become increasingly complex, based on various technological innovations in the field of hardware and software, multi-layered interconnected information architectures, various management modules, etc. As a consequence, some management staff may react inappropriately and inefficiently, therefore further training is required to acquire the necessary competences. Time is also required for the introduction and adaptation of employees, partners and users to the new technologies and innovations, which in turn can lead to a lag in the competitiveness and development of the business activity of the organizations and the probability of missed business benefits.

CONCLUSION

The formation of a clear concept for integrating an e-business system in organizations directly influences the achievement of specific business benefits, the faster and more efficient start-up, functioning and proper positioning of the organization on the Internet (intranet / extranet). This approach aims at enhancing the sustainability and competitiveness of economic market organizations, as well as maintaining and establishing world-leading positions. Therefore, organizations need to be constantly acquainted with the variety of modern methods and solutions for organizing, developing and improving an e-business system, as well as to take concrete measures for improvement. Otherwise, the lack of knowledge and qualification of the key importance of new technologies and innovations in enhancing the resilience of the e-business system and its security in the web space may, on the one hand, lead to dissatisfaction, failure or the collapse of the planned e-business transformation. In this case, the potential missed business benefits and large losses incurred from the investments made by the enterprises must be taken into account. On the other hand, insufficient competencies are pushing organizations to turn to outsourcing companies to develop strategic solutions and e-business management, which is associated with additional financial costs, risks and threats to the information assets (loss of know-how, intellectual resources, confidential data, etc.) of various-sized organizations.

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INCLUSIVE MARKETING – REALITY OR MAKE UP

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Abstract

There is no model of the ideal man or woman in the world. No one is perfect! We all, as people, parents, consumers, doctors, businessmen, professors, politicians, students, tailors, shoe-makers, butchers, etc. have our strengths and weaknesses. We are capable of performing certain activities and incapable of doing others. We cannot ideally understand and complete all the jobs and activities because as human beings we are faced with lack of skills, knowledge, intelligence, physical strength, health, money, beauty and so forth. Due to different types of barriers, we are not able to respond to all challenges and feel disadvantaged. However, we live in a cruel, commercial and fast-paced world. Companies that offer products and services should address to all consumers. Marketing literature, in order to make it easier for companies and to help them to save on costs, indicates that they need to segment and target consumers and position and sell their products only to the selected, profitable segments. But do companies really have to do this in practice? By targeting one group of consumers, they miss the others. The world nowadays requires companies to address all consumers, regardless their demographic, physical, emotional, psychological features. Inclusive marketing helps companies to respect, value and represent all the people. This paper strives to illustrate the discrepancy between theory and practice regarding the inclusion of all types of consumers in companies' marketing.

Keywords: inclusion, disadvantaged people, barriers, inclusive marketing, diversity

JEL Codes: M30, M31

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1. Introduction

According to Apple Inc. (Bourke, J., Dillon, B., 2018), “the most innovative company must also be the most diverse!”. New ideas can come from diverse way of seeing things. Only marketers, who understand diversity, can apply it in their companies. Companies, on one side must enable people to reach their full potential and on the other side they must address all kinds of consumers. Different ideas and experiences enable growth. Companies must match their “inside with the outside!” If the companies truly respect diversity and inclusion in their frames, they will communicate with diverse consumers out of their frames. Companies, through their messages need to address people from all the backgrounds, regardless of race, ethnicity, gender, age, religion, and professional skills or otherwise. Beyond diversity, they have to hear the voices of people that are marginalized or underrepresented. Companies have to appreciate and understand the various identities, differences and histories and approach people equally.

The truth is that while companies have prioritized workplace diversity over customer diversity, both are equally important to business success. Moreover, customers are often more ready to support diversity and inclusion than companies perhaps realize. But one has to mention that this is not about “vacuous marketing”. Commercials that lack authenticity will be disrespected by the very customers they seek to approach.

Also, most companies need to transform their entire culture to become fully inclusive. Researches show that 71% of companies aspire to have an “inclusive” culture in the future (Bourke, J., Dillon, B., 2018), but results have found that actual performance levels are very low. Why companies cannot translate their intentions into meaningful progress? The main reason is that companies frequently underestimate the depth of the change required, adopting a compliance-oriented or programmatic approach to diversity and inclusion. They only declare that they “work” on diversity and inclusion, but in reality they do not want to leave their traditional way of working and the comfort zone. They make statements that are “inclusive” just to attract customers’ attention and make profit.

Diversity & inclusion

Diversity is about our individual differences and acknowledging the unique blend of knowledge, skills and perspectives people bring to the workplace. Diversity can include characteristics such as cultural background and ethnicity, age, gender identity, disability, sexual orientation, religious beliefs, language and education. Diversity also includes professional skills, working style, location, and life experiences. The concept of diversity encompasses acceptance and respect. It means understanding that each individual is unique and recognizing individual differences. It is the exploration of these differences in a safe, positive and nurturing environment. It is about understanding each

other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual. Diversity (Cambridge Dictionary) is defined as a “condition or fact of being different or varied. Diversity is also the mixture of races and religions that make up a group of people.” Diversity is a statement that we are not alike.

Diversity gives companies access to a greater range of talent, not just the talent that belongs to a particular world-view or ethnicity or some other restricting definition. It helps provide insight into the needs and motivations of all of the customers, rather than just a small part of it. Diversity makes companies more effective, more successful, more profitable.

An inclusive culture is one where everyone feels valued and respected and is able to fully contribute. It is about removing barriers to make sure everyone can fully participate in the workplace and have equal access to opportunities. Inclusion is about empowering people to contribute their skills and perspectives for the benefit of organisational performance and business outcomes. (GCSB, 2019) Inclusion means putting “diversity into action”!

Deloitte’s research (Bourke, J., Dillon, B., 2018) reveals that a holistic definition comprises four related yet discrete elements:

1) **Fairness and Respect** - people feel included when they are treated “equitably and with respect.” Participation without favouritism and stressing the differences is the starting point for inclusion.

2) **Valued and Belonging** – people feel included when they are valued and feel that belong to a group. Inclusion means that people have a chance to be heard, they are valued because of their uniqueness and someone cares and trusts in their abilities. They have a sense of connectedness or belonging to a group.

3) **Safe and Open** – people feel included when they are “safe” to speak up without fear of embarrassment or retaliation. They like to be heard when talking about their ideas, expectations, likes and dislikes. They want companies to know about their needs and wants. They want to be asked what they prefer and what they do not like.

4) **Empowered and Growing** - people like to feel “empowered” to grow and do one’s best work.

The truth is that only when companies are clear about the objective can they turn their attention to the drivers of inclusion, take action, and measure results.

However **diversity without inclusion** is not enough. Diversity is central to innovation. It brings forth new and better ways of doing things, helps companies harness the benefit of technology and improve the efficiency and quality of services. Inclusion is the key to unlocking this potential. Companies that value workplace diversity and inclusion, reap benefits such as higher employee engagement, improved performance, greater innovation, retention of talent, improved employee wellbeing, lower levels of poor behaviour such as harassment and bullying and increased attractiveness to potential

employees. Increased diversity and inclusion offers potential improvements to performance, innovation, recruitment and retention, understanding and public confidence.

Diversity & inclusive marketing

Inclusive marketing strives to create a visual culture that is more representative. It endeavours to appreciate and understand various identities, differences and histories. Simply speaking, it's creating an advertising campaign mindfully, to respectfully include and relate to the complex individuals who make up the target audience. However, as the population becomes increasingly media and communications savvy, achieving a connection with an audience to create an authentic feeling of inclusivity is increasingly difficult to manage.

Recently, lots of companies have addressed their messages to a **prototypical consumer**: white, heterosexual, middle-class, white-collar Christians. (Hendricks, B., 2019) Nowadays, the consumer market has changed. Globally, customers are increasingly more diverse with different values, beliefs, experiences, expectations, and ways of interacting. Even within a country, apparent are differences between subgroups - not just ethnicity, but also age, gender, profession, religion, family size, physical environment, and more. While there may be many differences between people, there's always at least one similarity, everyone is a consumer! Everyone is a consumer in search of products and services that best fit their needs, and generalized marketing can easily miss more than a few of these consumers. Inclusive marketing involves acknowledging that marketing must offer new ways of communicating to diverse consumers. With that knowledge, diversity marketers aim to develop a mix of different communication methods, in order to reach different people present in the market. This way, diversity and inclusion marketing, designed to target consumers of all diversities and backgrounds, won't miss them and can provide greater benefits to both the buyer and seller.

Smart marketers have to be more attentive, with a focus on diversity marketing. **Diversity marketing** (inclusive marketing, inclusion marketing, or in-culture marketing) is a way to connect with the different individuals in the market. Diversity marketing is more a new way of communicating to diverse people. This may include using different methods or marketing channels to appeal to various groups based on cultural differences, ethnicities, races, genders, religious beliefs, and more. Marketers who work for McDonald's know that a menu item and message that appeals to the American consumer will not work for the patrons of their restaurants in France or the Middle East, and vice versa (Campain Creators, 2019).

Diversity marketing realizes the markets vast differences and the market/consumers have different tastes may it be values, beliefs, interaction type and lifestyle choices. Such vast differences are then tackled by customized marketing strategies. (Wikipedia)

Companies should first develop a thorough **understanding of diversity**, its challenges and benefits before embarking on a strategy that targets a specific audience. For example, marketers should conduct extensive **market research** to avoid grouping target customers who share the same gender, race or ethnicity. Companies must evaluate environmental, economic and social factors within ethnic groups to shape and refine marketing strategies. Recognizing that consumers have unique qualities that extend beyond elements such as race and valuing these differences through various advertising and communications channels help make marketing campaigns a success. Companies should also ensure their marketing messages to diverse target groups are authentic and accurately reflect cultural norms and traditions.

Some examples of good & bad practices

Varied audiences respond to different forms of messaging, which leads to the implementation of diversity marketing. Many recognizable brands have found success by utilizing diversity marketing to reach new audiences. The following companies have successfully used diversity and inclusive marketing to reach into new demographic markets: (Marketing Schools, 2019)

- **McDonald's** has done extensive market research on ethnic perspectives, and how such insights impact mainstream communication. Their "I'm Loving It" campaign is one well-known product of their investment.

- **Proctor and Gamble** has invested a great deal in the black community, and commercials for products such as Tide, Oil of Olay, and Pantene regularly feature black families (and fathers, particularly) that resonate with African-American consumers.

- **Target** similarly has released commercials that show black families according to their own values and ideals, as opposed to stereotypical or pop-cultural depictions.

- **Saturn** has reached out to the LGBT market, sponsoring LGBT events and developing advertising specific to that community ("Does your ride reflect your pride?") that resonate with its values.

- **Harley Davidson** started marketing to women by creating classes to teach women to ride.

- **AT&T** finds marketing to diverse racial and ethnic groups important enough to have an executive position devoted entirely to such campaigns.

- **Dove** - challenged the beauty industry's standard of beauty with an all-inclusive campaign by featuring women of all ages, races, shapes, and sizes

- **Coca-Cola** succeeds in so many areas of advertising that it's often easy to overlook one of its simplest messages. Its Super Bowl 2017 ad was designed to celebrate the idea that "together, we are beautiful." It featured a cast of diverse individuals singing various lines of the patriotic tune "America the Beautiful." The song, which started in English and included portions sung in Hindi and Arabic, also featured imagery of a gay

couple, Latino family, women in traditional Middle Eastern attire, and Jewish men wearing yarmulkes.

- **Guinness' Wheelchair Basketball-** touching on another group that is often overlooked in traditional advertising, Guinness put the spotlight on individuals who need the assistance of mobility devices. The commercial was styled to look like a group of friends playing wheelchair basketball, only to reveal at the end of the ad that only one of the men actually needed the device. The spot, called "Friendship," ended with the group finishing its game and heading out together for beer.

On the other hand there had been some companies' attempts to point out diversity or inclusion that turned into failures. Some of them are: (Robinson, K., 2018)

- **PepsiCo's 2017 ad,** featuring Kendall Jenner presenting a police officer with a can of the famous soft drink. Many argued that the ad trivialised important social justice movements, and the resulting protests and social media outrage caused PepsiCo to pull the advertisement entirely and issue an apology.

- **Protein World's infamous "Beach Body Ready" ad,** which depicted a woman in a bikini with the question 'Are you beach body ready?' also received swift public backlash, with an online petition calling for the ad to be banned gathering 60,000 signatures. So deep-seated was the outrage, that some even defaced the ads in situ, adding footnotes such as "Each body's ready" and "You are fine as you are."

- **Popular fashion company H&M** drew the ire of millions of people in 2018 over a controversial children's ad campaign, which depicted a boy of African descent in a hood emblazoned with a racially insensitive slogan. This prime example of unnecessary diversity marketing by H&M was blasted by the world's biggest celebrities, including LeBron James and Diddy, which undoubtedly damaged its brand among a multitude of different ethnicity groups.

These few examples show that achieving marketing diversity and inclusion in practice has turned out to be far more difficult than anticipated. Why is this so? Where companies are making mistakes?

Firstly, it seems that too many companies make the fundamental error of failing to align their diversity practices with their organizational goals. And in such situations, no matter how much good will there is towards the concept of diversity, the harsh realities of running the business on a day-to-day basis, of keeping customers satisfied, of selling and delivering the product or service will keep undermining it.

And secondly, there is often a mismatch between how organizations design diversity policies and how they implement them. Or to put it another way, what looks good on paper too often falls apart in practice.

So what measures need to be taken by companies to achieve diversity and inclusion in their work? **Ensuring diversity within companies** is a crucial starting point, so that different voices are represented from the outset and throughout campaigns. Further to this, **knowledge and education** is essential, and marketers should be mindful when

conducting **market research** to ensure the use of participants who reflect the ever more diverse world.

The key to successful and effective in-culture marketing is adjusting the brand's message to the target. This entails doing market research before developing an advertising campaign to determine the buying habits, values and favored communication methods for the targeted consumer. As the campaign develops, companies need to consider how it looks, sounds and reads from a different perspective—this may call for focus group testing, implementing A/B testing or creative testing within the campaign to gather additional data.

At the end of the day, **it better to have an authentic story than forced diversity**. (Lacy, L., 2017) Diversity marketing doesn't necessarily mean that every single advertisement needs to include various cross sections of society. But, what matters is that marketing should be honest and represent the society.

CONCLUSION

In order to make diversity and inclusion reality, companies must continue to adjust their marketing strategies to stay competitive and abreast of the latest trends and technologies. Likewise, marketers should constantly assess how their target market is evolving and changing over time. Companies should ask themselves whether their business resembles the communities and customers they serve. Diversity is important not only from a corporate responsibility standpoint but also for viability in an increasingly heterogeneous market. Moreover, diverse organizations perform better at marketing and selling to diverse audiences than organizations that are more homogenous.

Some important takeaways and conclusions are as follows:

- Consumers align with brands because they can identify with who appears in ads and the messaging,
- They relate to a brand because of an accurate representation of their race, gender, ethnicity and culture.
- Isolating customers by just featuring one type of person when a brand appeals to many groups can be just as damaging as insincerely injecting diversity into marketing without thought.

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BANK MARKETING PROBLEMS AND SOME ASPECTS OF THEIR MANAGEMENT

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Abstract

In order to identify existing problems in the realization of Georgian banking products, correct management of the solution and realization of their solutions, it is important to determine what the customer is based on when purchasing the bank product. During the acquisition of bank products, the customer draws attention to their ability to fulfill the obligations, family budget, and solvency. Debt payment schedule, terms, interest rate, etc. In particular, the basis for decision-making on the purchase of a bank product depends on the specifics of the work performed by the consumer's obligations. The commercial banks of our country should take into account the reasons for the decision making and the approaches to the purchase of bank products by consumers during the development of marketing strategies for banking products.

Due to the low cost of population in Georgia, the problems of selling bank products were gradually accumulated. The regulations introduced by the National Bank have further fueled the problems of banking products. Especially this was the issue of issuing consumer and deposit loans by commercial banks. From this point of view, banking products are very urgent for our country, the purpose of which is to study the article.

Keywords: *Banking Marketing, Banking Management, Banking Product, Client, Marketing Research of Banking Processes, Banking Technologies*

JEL Codes: *G21, D41, M31*

1. Introduction

In the conditions of modern unstable market conjunction, banking products are problematic not only for highly developed, but for developing countries, including

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Georgia. Internationalization of banking sector, opening of new banks, creation of new banking products, reduction of Georgian customers' bank efficiency has further fueled competition and consequently hindered the banking products of our country's credit market. Competition has grown between local commercial banks as well as banks and other financial institutions. Escalation of banking competition led to a decrease in profits. In order to survive in such a fierce competition, Georgian commercial banks have been forced to periodically optimize the internal organizational structure to reduce costs, resulting in negative processes as well as loss of qualified staff and experience.

Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision-making in the context of complex environments and competitive dynamics (Ghemawat, 2002). Business culture, the skills and competencies of employees, and organizational structure are important factors that influence how an organization can achieve its stated objectives (Stamevski, et al. 2018).

In order to eliminate the problems of banking products, our country's commercial banks need to develop a marketing strategy through which it will be possible to maintain existing clients and attract new ones. The specific bank activity and the high intensity of communication and interaction with own customers require banks to modulate their products to the market and the customers' needs and requirements as well as to adapt them to the constantly changing environment and technology (Yordanova, 2013). Productivity changes in European cooperative banks have been examined by Carlos et al. (2005), who found that technology and its use between 1996 and 2003 led to productivity augmentation. In particular, the outcomes refer to larger and centralized banks than to smaller cooperative banks. A research on commercial and cooperative banks in Greece for the years 2003-2004 (Kosmidou and Zopounidis, 2008) gave the evaluation of their performance and efficiency. They used a ranking measurement which analyses the strengths and weakness of banks in a combination to their competitors, as Greek banks are rated based on their performance. They showed that commercial banks have an unconventional way to increase their profits by increasing their accounts, something that strikes enticing to customers and enhancing their financial indices. However, the cooperative banks' outputs varied as many of them presented high profitability and market sharing, while other were going into a decline (Koletsa, 2019).

Therefore, due to the realities of our country, commercial banks should advertise marketing strategies for banking products in accordance with customer recommendations.

Marketing management of banking products in Georgia should include activities as: planning, organizing, analyzing, regulating and controlling banking products. In order to satisfy the needs of our country's banking sector, the management and resources concentration of commercial banks should be done. The satisfaction of the demand on banking products in Georgia, formation of new demand and stimulus will contribute to the bank's market share, social responsibility and liquidity increase. For the purpose of improving the management of key banking products of our country, marketing policy of

commercial banks is oriented to study customer demand, banking research of unified information base.

Methodological basis of the article. Methodological basis for processing the article is scientific works by Georgian and foreign economists; Method of statistical data collection, combinations, interaction, synthesis, generalization, history and logical analysis.

The results of the survey and its spread area. With the elimination of existing problems in the banking key management, it will be possible to receive high financial, scientific, technical and social results in commercial banks. Research results can be disseminated in Georgian commercial banks.

2. Decision-Making Specifics about the Purchase of Bank Products in Georgia

Banking products and the acquisition of rational decision-making in order to analyze its customers for the purchase of bank products and their ability to assess the commercial bank liquidity, collect and analyze information about banking products, to select the best among the options, assess loan payment Resort Ari opportunity. The selection of these types of variants from banking products should be based on the specific work specifications. Therefore, the decision to buy banking products in Georgia requires deep knowledge of the specificity of the work to be realized by the buyers, and the rational approach to decision-making.

Unfortunately, consumers do not pay much attention to many important issues related to the purchase of banking products in Georgia. Although the Georgian customer can not fully evaluate his banking product, but it can analyze the chosen banking interest in the interest of him: let's sum up the monthly payments to his family budget (how much money does it need for covering current expenses and how much savings can be saved for banking) and only then take a decision on the purchase of a bank product. All this requires that the banking products of our country are aware of the specific banking issues.

3. Introduction of Innovative Methods of Banking Products in Georgia

Users of our country's bank products unfortunately are not fully aware of their risks and advantages. In these conditions, sales managers of Georgian commercial banks should develop and distribute credit markets to the banking products that are easy to understand for Georgian consumers and will help the bank attract new customers and, consequently, gain competitive advantage. In addition, the banking products sales manager in our country should introduce innovative methods of banking products.

Creating a favorable financial environment in the banking sector will contribute to the development of the national innovative banking system relevant to international standards. The introduction of innovative methods of banking products in our country ensures

the improvement of relations with bank management clients, establishing differentiated approaches to standard and corporate clients. That is why we should pay special attention to our country orientation on the banking products sales management customer's business. The advantage of the introduction of a client-oriented model is that the optimization process increases the level of customer satisfaction towards banking products, reduces the cost of banking products for corporate clients, but this marketing model of banking products often leads to loss of experienced staff. Therefore, our country's banking products sales managers should develop a marketing strategy that will protect the banks from staffing and increase the level of sales of bank products.

4. Internationalization and Deregulation Trends in Commercial Banks in Georgia

After obtaining national independence, commercial banks of our country did not pay close attention to marketing strategies for marketing of bank products and creating appropriate favorable conditions. By the time they were oriented on the use of standard, modeling of banking products. Since the first decade of the XXI century only Georgian commercial banks have started to advertise their activities. In the modern stage they have fully acquired all the main means of banking products. As a result, banking market has acquired an aggressive character.

The reason for the aggressive banking market in Georgia is the deregulation of the national banking system and the internationalization of banking products. The internationalization of commercial banks of different countries has led to the spread of banking problems in the country, including in our country, which had previously been the only one in the country's internal borders. Global problems of banking products have been imported in Georgia. Deregulation of banking activity was reflected in the disruption of differences between credit institutions, and this was reflected in the merger of national and international banks.

As a result of the internationalization and deregulation of commercial banks, banking products became single, both in the world and in Georgia. For the purpose of reducing financial risks and strengthening market positions, Georgian commercial banks are increasingly intensively pursuing the marketing strategy of banking products that are focused on reduction of cost of banking products and introduction of new technology (Vukotić, et al. 2015).

Table no. 1- The volume of debt with consumer loans issued by commercial banks

	The amount of debt, total	Short term loans	In national currency	In foreign currency	Long - term loans	In national currency	In foreign currency
	Thousand GEL						
01/01/19	3,912,526	524,897	464,478	60,419	3,387,629	2,851,618	536,011
01/02/19	3,820,233	258,998	202,724	56,274	3,561,235	3,050,438	510,796
01/03/19	3,827,904	255,711	197,631	58,081	3,572,193	3,062,443	509,750
01/04/19	3,788,412	261,795	204,471	57,324	3,526,616	3,032,326	494,290

Source: National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=306>

As indicated in Table N1, by the end of 2018, bank regulations introduced by the National Bank in the first four months of 2019 led to the reduction of total debt to 3,788,412 thousand GEL from 3,912,526 thousand GEL from consumer loans issued by commercial banks. The reduction was noticeable in both short-term and long-term loans. Including short term loans decreased from 524,897 thousand GEL to 261,795 thousand GEL. In particular, short-term loans issued in national currency decreased from 464,478 thousand GEL to 204,471 thousand GEL and foreign currency decreased from 60,419 thousand GEL to 57,324 thousand GEL. The volume of long-term loans decreased from 3,561,235 thousand GEL to 3,526,616 thousand GEL. The long-term loans issued in national currency decreased from 3,050,438 thousand GEL to 3,032,326 thousand GEL, while long-term loans issued in foreign currency decreased from 536 thousand GEL to 494,290 thousand GEL (National Bank of Georgia, 2019a).

Table no. 2 - The volume of term deposits placed in the national currency in commercial banks by categories of owners

	Interbank Deposits		Other clients deposits			
			Legal entities deposits		Deposits of individuals	
	Residents	Non - residents	Residents	Non - residents	Residents	Non-residents
january-2019	2.090.420	14.874	1.122.677	70.450	239.058	18.411
February -2019	1.719.918	14.963	797.746	1.750	226.930	30.498
March - 2019	1.095.023	-	733.393	39.368	224.476	14.365

Source: National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=306>

As indicated in Table N2, by the end of 2018, bank regulations introduced by the National Bank during the first four months of 2019 led to the reduction of the amount of term deposits issued by resident deposits in national currency, according to the categories of owners, in commercial banks during the first four months of the year from 2.090.420 thousand GEL to 1.095.023 thousand GEL and in commercial banks during the reporting period, to categories, the national currency deposits placed by non-resident persons fell by 14,874 thousand GEL from 0 up. Including deposits issued by resident legal entities declined from 1.122.677 thousand GEL to 733.393 thousand GEL and the deposits issued by non-resident legal entities decreased from 70.450 thousand GEL to 39.368 thousand GEL, while deposits issued by resident individuals decreased from 239.058 thousand to 224.476 thousand GEL, non-resident By individuals Deposit is associated with decreased 18,411 thousand GEL from 14,365 thousand GEL (National Bank of Georgia, 2019b).

Table no. 3 - Interbank deposits according to maturity

Thousand GEL	Total Bank Interbank Deposits							
	Deposits are required				Term deposits			
	In foreign currency		In national currency		In foreign currency		In national currency	
	Lorry accounts		Lorry accounts		Lorry accounts		Lorry accounts	
01.01.19	850.852	207.020	14.472	14.436	192.547	145.671	673.832	125.277
01.02.19	989.048	165.741	10.460	10.424	155.281	114.956	823.307	189.874
01.03.19	820.189	166.866	14.760	14.724	152.106	107.132	653.323	164.063
01.04.19	842.912	168.050	12.458	12.424	155.593	108.619	634.861	93.900

Source: National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=306>

As indicated in Table N3, by the end of 2018, bank regulations introduced by the National Bank during the first four months of 2019 led to decrease of interbank deposits from 850.852 thousand GEL to 842.912 thousand GEL, including demand deposits decreased from 207.020 thousand GEL to 168.05 thousand GEL And deposits before the national currency demand emtsirda 14,472 thousand GEL from 12,458 thousand GEL, in particular, according to the national currency loro accounts, demand deposits decreased by 14,436 thousand GEL from 12,424 thousand GEL. By the end of 2018, bank regulations introduced by the National Bank in the first four months of 2019 led to a decrease in term deposits in both foreign and national currency. The volume of term deposits in foreign currency decreased from 145.671 thousand GEL to 108.619 thousand GEL and the volume of term deposits in national currency decreased from 673.832 thousand GEL to 634,861 thousand GEL, While the lorry account Deposits in national currency decreased from 125.277 thousand GEL to 93.9 thousand GEL (National Bank of Georgia, 2019c).

Making international demands by the world's leading stock exchanges to Georgian commercial banks will contribute to internationalization of the realization of our country's banking products. But it is not yet possible to say that Georgian commercial banks have solid strategic positions in the world banking system. The best way to effectively integrate Georgian commercial banks in the world banking system is to create a favorable financial environment that will facilitate the expansion of bank products overseas, as well as the increase in the size of the purchase by Georgian consumers of foreign banking products. The integration of the Georgian banking system in the Unified World Banking System is the introduction of shares issued by JSC "Bank of Georgia" on the London Stock Exchange, after which the primary placement of JSC "TBC Bank" stocks. As a result, more than half the shares of these two banks are placed on the London Stock Exchange (Vukotić, et al. 2015).

5. Effective Effect of Innovative Banking Products in Georgia

At the modern stage, leading banks of our country are trying to introduce innovative methods of banking products and actively involve them in the global banking system. One of the key components of the marketing strategy of Georgian commercial banks should be the introduction of innovative bank products, which will facilitate the elimination of banking products in our country. There are following methods of introduction of innovative banking products:

- Technology;
- The need of product diversification;
- Search for opportunities to enter new markets and increase market shares;
- Following the increasing customer requirements;
- Competitive advantage over other members of the industry (Yordanova, 2013).

The effect of new banking products in Georgia is determined by different aspects, it can be financial, technical, social or ecological effect. The use of innovative methods of new bank products key management will bring great success to our country's commercial banks in the field of banking products and maintaining stable cooperation with clients. A key factor in the strengthening and successful position of Georgian commercial banks on the credit market should be the realization of customer-oriented banking products. The sales manager of the innovative banking products of our country's banks should be well aware of the product on which segment the user is oriented and how many potential customers will be.

6. Conclusion and Recommendations

6.1. Recommendations for attracting corporate clients of the banking sector of Georgia

The segmentation of our country's banking segment can be based on basic criteria (income, number of employees and salaries), allocating corporate and special (privileged, individual) clients. The specifics of the banking products segmentation should be studied according to the Customer category and therefore should be assessed as potential customers solvency, property status, their consumer strategy and etc. Sh. After obtaining information about specific customers, the banking products sales manager should be able to calculate the potential of key banking products (credits, deposits) on a particular segment of the banking sector.

In order to study the actual and potential requirements of banking buyers, information about the access to banking products offered on a particular segment of customers is used in Georgia. For our country's commercial banks, this tool is a guide to settlement and settlement with corporate clients. Formation of these relationships should be based on factual data analysis and specialized customer inquiry. Consequently, our country's commercial banks must prepare a special package for each priority sector with improved conditions.

For the purpose of avoiding the duplication of contacts with the corporate clients by individual functional subdivisions of Georgian commercial banks (which effectively affect the banking effectiveness of the bankruptcy of interest) it is necessary to create a separate client branch in our country separately Customer Relationship with Customers Corporate clients have territorial structural units at the city, region and country, and the head office location often does not match the legal address, so the particular client is attached to the specific branch of our country's commercial bank, eliminating the duplication of functions, dual relations and conflict between interests.

It is important for Georgian banking sector to attract corporate clients, for which the sales managers of commercial banks should develop a special package of bank products. Package sales of banking products should include the development of complex proposals that will benefit both parties. The price of the package offered for corporate clients of our country's commercial banks is crucial, and the interest of the Bank is to attract and retain corporate customers by offering a comprehensive package of packages and differentiated prices. In spite of the differentiated prices offered by the commercial banks of our country, such commercial policies will increase their total revenues, and the cost of the client's expenses on the purchase of banking products will be reduced (Vukotić, et al. 2015).

Sales managers of banking companies of Georgia are obliged to support corporate clients. This approach will increase the level of corporate customers' satisfaction. Besides,

the attachment of sales managers to corporate clients and the scale of the proposed preferences is determined by the banking service cost. However, if the "personal managers" of the sellers do not lobby the interest of banking buyers, it is necessary to restrict "personal bankers" in our country to offer valuable preferences on attached clients; Regularly rotate "personal bankers" between clients groups; Results of negotiations and contacts with corporate clients should be recorded in a single electronic information network.

Similar changes in the commercial banks of Georgia will be effective if the "personal bankers" will be competent in all types of offered bank products and will not perform the role of ordinary coordinator between bank buyer and bank functional subdivisions. In order to evaluate the effectiveness of the efficiency of the customer service of our country's banking products, it is of great importance to developing marketing strategy to regulate relations between commercial banks and its corporate clients. It should reflect the full package of bank products offering, which will benefit potential corporate clients of banking products. The transparency of reporting of our country's bank products sales managers should be ensured in accordance with the marketing strategy developed on the basis of negotiations with corporate clients. Complex evaluation of banking products allows negotiation with corporate clients, to differentiate orientation of profit oriented commercial banks.

In determining the efficiency of banking products of Georgia, it is desirable to integrate the methodology of evaluation with automated accounting system that allows automatic calculations to be calculated automatically. In Georgia, the efficiency of the "personal managers" of corporate clients should be evaluated by general revenue, profit and profitability.

6.2. Recommendations for the optimization of bank products in the banking sector of Georgia

Optimization of key banking processes in the banking sector of our country should be focused on operational responses to customer requirements. While the reality of the effect of the scale, commercial banks' corporate clients is crucial for banking products at a discount, they still have several proposals Comparisons bank and banking products with a competitive price, a lot of focus on the needs of the Operator Response operations.

Depending on the level of banking products, the term of determining the bank's individual requirements package should not exceed two working days. The long-term wait for issuing consent on the sale of banking products creates a negative attitude towards the clients of the bank and thus significantly reduces the competitiveness of this particular bank. The elaboration of an efficient system of motivation for banking products sales is a prerequisite for the successful operation of Georgian commercial banks.

Organization of this system should be based on the long-term strategy of developing our country's commercial banks.

Thus, in order to eliminate the problems existing in the realization of banking products in Georgian commercial banks, the following measures are needed to improve the management of banking products sales processes:

1. The wage rate of the bank's "sales department" of the bank products shall not be lower than the basic indicator of salaries of the other banks of the same banks;
2. The determination of the bank product sales plan should be considered factor of production cycle and seasonality of client activities;
3. In the plan performance assessment system, when presenting the factors that are available for sale of bank products, the main manager of the commercial bank should be able to make corrections from the bank product sales manager independently;
4. Client-oriented model of the bank products or its individual items should be introduced in the form of special programs, indicating specific terms of performance and persons responsible for the performance.

6.3. Conclusion

As a result of studying the problems discussed above in the banking products, we can find out that marketing management of modern Georgian banking products should be based on a customer-oriented marketing model that will contribute to the sharp increase in the volume of bank products sales in our country. In turn, this is a major prerequisite for increasing the competitiveness of Georgian commercial banks in the unified world banking system.

In order to eliminate the existing problems in the field of banking products and to improve the management of these processes, the following measures are required: 1. New banking products should be distributed in all regions of Georgia, based on local specifications; 2. New banking technologies should be introduced to promote banking products; 3. In order to improve banking management, structural optimization of commercial banks is required. 4. In order to attract corporate clients it is necessary to introduce a marketing oriented marketing strategy in commercial banks. Only if needed.

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PRICE CHANGES: PRACTICES OF THE COMPANIES OPERATING IN BULGARIA

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Abstract

The aim of this article is to present the practices of the companies operating in Bulgaria in terms of making price changes. The article considers the reasons that make companies change prices. It also discusses the possible consequences of these changes and presents the results from an empirical study on the changes of company prices over time. The method used for data collection is an online survey carried out with 200 CEOs/marketing directors/managers of companies operating in Bulgaria for the period July – August 2017. It has been established that the most common reason for an increase in the usual price (by price list) of company products is the increase in the price of a basic raw material, whereas the most common reason for a reduction of the usual price is an unfavorable market situation. Almost half of the sample companies have programmes for loyal customers with special price offers and the most common price tactic among the companies operating in Bulgaria is the use of price reductions/discounts in different forms.

Keywords: *price changes, price increases, price reductions*

JEL Codes: *M39, D49*

1. Introduction

Pricing is a chain of interdependent and logically reasonable actions subject to timely monitoring and control allowing systemic adjustment of price structure and level. In general and with minor modifications to different authors, the stages of the pricing process include: setting price goals, considering the impact of pricing factors, choice of a price strategy, choice of an approach and method of pricing and changing prices over time ((Kotler & Armstrong, 2018, p. 344), (Hinterhuber, 2004, p. 768), (Klasova, 2001, p. 205), etc.). Of all stages of the pricing process, the last one, changing prices over time, is the least discussed in scientific literature. It is also the object of this article.

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The reasons to change the price of a company product are various but in most cases the major ones are:

- a change in the corporate business strategy aimed at taking a new strategic position (a change in the company position on the value map, serving new consumer segments, starting the production of a sophisticated version of a company product, etc.);
- company adaptation to a new situation in the external environment (a new level of the market price, inflation, etc.).

If the initial position of a company on the value map is stable, then a price change is unnecessary. If the market situation is changing, keeping the company position requires changes either in the price or in the company product. If all competitors change their prices and the company does not, it consciously changes its own positioning without a price change. The companies that have adopted this pricing behaviour want to position themselves in consumers' minds as companies maintaining price stability. As a rule, in all other cases price changes are necessary (Gladkih, 2013, p. 403). When a decision for a change in price is made, two additional pricing decisions should be made: first, about the vector direction for price change (price rise or reduction); second, about the frequency of price change.

2. Research methodology

The aim of the study is to present the practices of the companies operating in Bulgaria in terms of price changes. The research tasks are: to find out how often the companies operating in Bulgaria make price changes; to examine the tendency of the vector direction for a change in the usual price of company products; to find the reasons for a change in usual prices; to find out whether the companies intend to make price changes within next year and to see what the most common form of tactical price changes is.

Five working hypotheses are defined:

X1: Most of the companies operating in Bulgaria change the price of their main product once a year.

X2: For most companies the vector direction for a change is towards increase.

X3: An increase in the price of the basic raw material is the most common reason for an increase in the usual price of company products.

X4: The unfavorable market situation is the most common reason for a reduction of the usual price of company products.

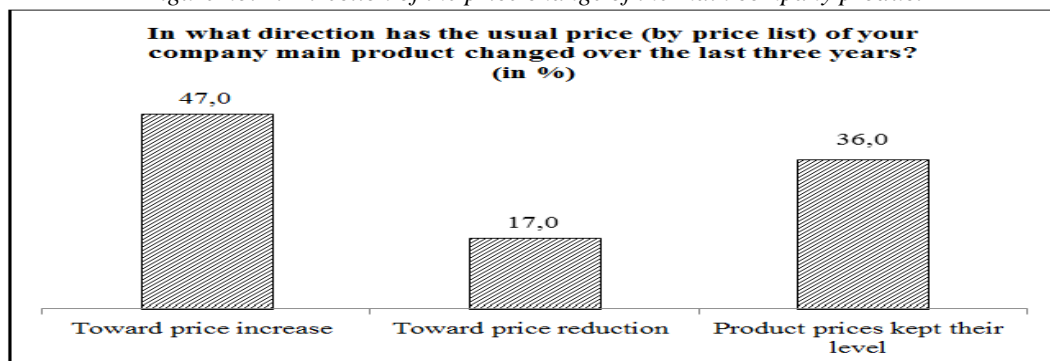
X5: The price tactics that companies use most frequently are temporary reductions in different forms.

3. Empirical results and discussion

Vector direction for price change

When asked about the direction of the change in the usual price (by price list) of their main company product over the last three years, 47,0% of the respondents answered that there has been a direction toward increase, 17,0% – toward reduction, 36,0% – that product prices have kept their level (Figure no. 1).

Figure no. 1. Direction of the price change of the main company product



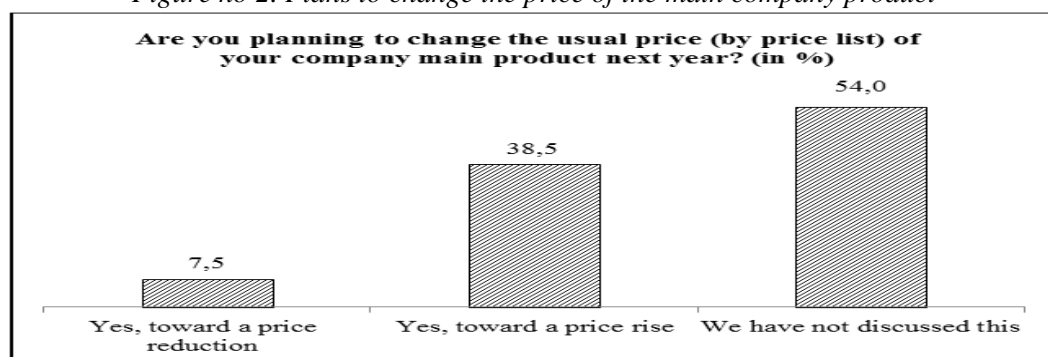
Source: Empirical survey from 2017.

Note: The main company product is the product from which the company realized the biggest sales revenue in the last calendar year.

The data analysis shows that 64,0% of the companies from the sample have changed the usual price of their company products over the last three years. The most of the companies have taken action to position themselves in a higher price range – 47,0%, and only 17,0% – in a lower price range. This shows that the companies operating in Bulgaria follow the global trend of price growth that has been observed over the recent years. 36,0% of the companies from the sample have positioned themselves as companies maintaining price stability.

An intention to increase the usual price of the main company product next year was expressed by 38,5% of the companies, to reduce it – by 7,5% and 54,0% of the companies have not discussed this issue (Figure no. 2).

Figure no 2. Plans to change the price of the main company product



Source: Empirical survey from 2017.

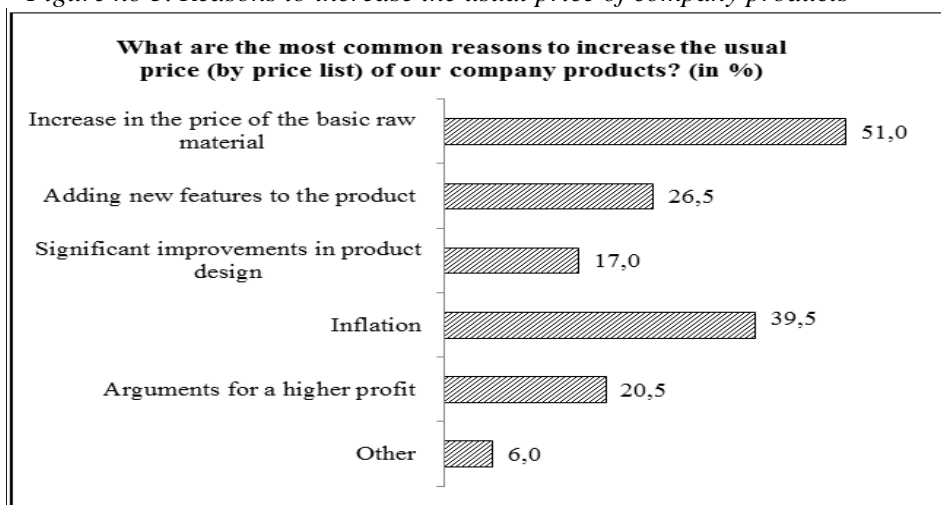
The data shows that generally in the future the vector direction for the change of the usual price of the products of the companies willing to make price changes is toward

increase. More than a half of the companies (54,0%) have not discussed the issue of price changes and if they decide to make any, it will be due to a necessity of adaptation to changes, not because of a change in the company business strategy.

The aims of the study require the examination of the reasons for price changes as well as of their nature.

According to the respondents, the most common reasons for increase in the usual price of company products are: the rise in the price of the main raw material – 51,0% of the companies, inflation – 39,5%, adding new features to the product – 26,5%, arguments for a higher profit – 20,5%, etc. (Figure no. 3).

Figure no 3. Reasons to increase the usual price of company products



Source: Empirical survey from 2017.

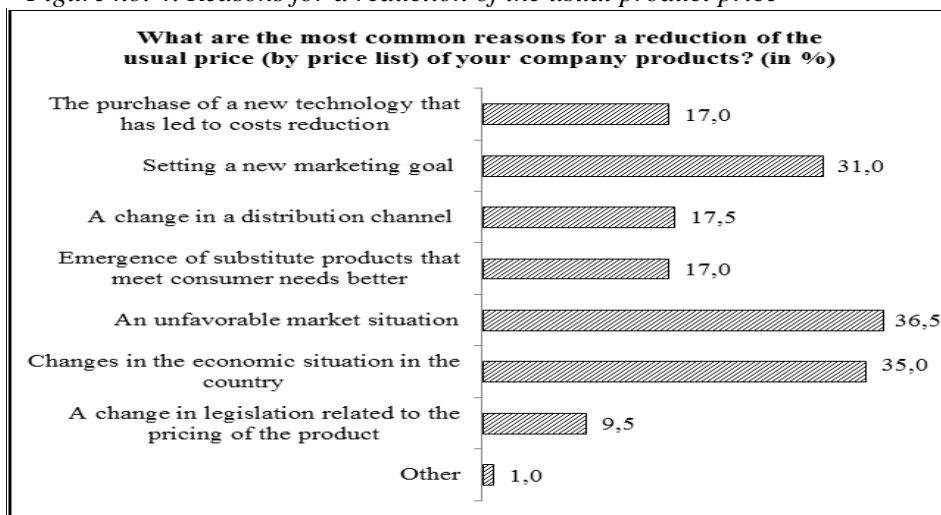
Note: The total amount of the answer percentage is more than 100% because the respondents chose more than one answer.

Three of the reasons for increase in company prices are the result of proactive decisions: arguments for a higher profit, adding new features to the product and significant improvements in product design. The other reasons are due to changes in the economic situation such as increase in the price of the basic raw material, inflation, etc.

Winker (1983) suggests the following rules for price rise: prices should be increased when competitors do it and the actions taken should be timely, not delayed; the increase should not be too big, but should stick to the general price level; the price rise should not be brought about too often; a price rise should be compensated in the most obvious way with additional benefits that the consumer receives against the higher price; important customers should have privileges (e.g. the possibility to buy the product at its current price); price growth should be explained and reasoned to consumers.

Three of the reasons for a reduction of the usual price of company products are related to proactive corporate decisions: a new marketing goal has been set – for 31,0% of the companies, a change in a distribution channel – 17,5% and the purchase of a new technology that has led to costs decrease – 17,0%. The other reasons are due to external factors that the companies had to take into account: an unfavorable market situation – for 36,5% of the companies, changes in the economic situation in the country – 35,0%, a change in the legislation related to the pricing of the product – 9,5%, emergence of substitute products that meet consumer needs better – 17,0% and 1,0% – other (Figure no. 4).

Figure no. 4. Reasons for a reduction of the usual product price



Source: Empirical survey from 2017.

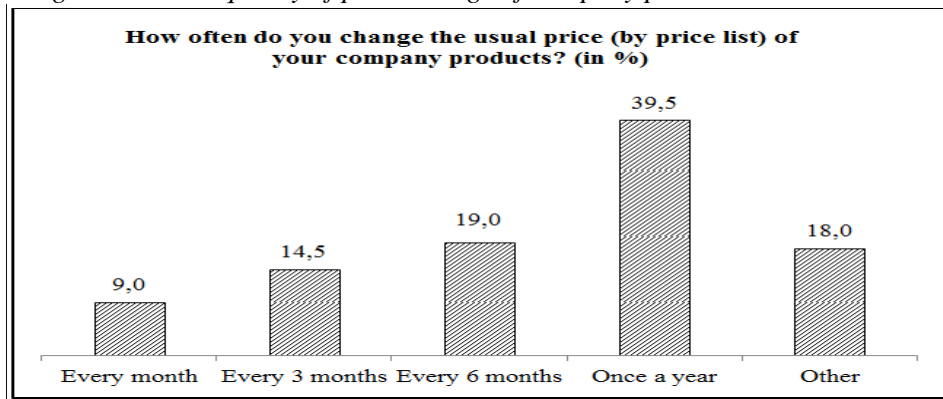
Note: The total amount of the answer percentage is more than 100% because the respondents chose more than one answer.

Frequency of price changes

Regardless of the perception of the initial price level, the consumer may perceive its change as fair or unfair, great or small, significant or insignificant. A change in the price level may not lead to dramatic consequences in terms of consumer behaviour but frequent price changes do not go unnoticed by consumers (4).

When asked „How often do you change the usual price (by price list) of your company products?“, 39,5% of the respondents answered they did it once a year, 19,0% – every 6 months, 14,5% – every 3 months, 9,0% – every month (Figure no. 5).

Figure no 5. Frequency of price change of company products



Source: Empirical survey from 2017.

It should be taken into account that the practice of constant price changes may be perceived by consumers as negative. They may perceive them as a company desire to profit from the changes at all costs. The changes may lead to the loss of consumer confidence and to make it more difficult for consumers to plan their purchases. Increasing the prices for long-term customers can be interpreted as disrespect for them. The price function as a quality indicator, brand value and sustainable positioning do not match well with constant changes in usual prices (Gladkih, 2013, p. 413-414).

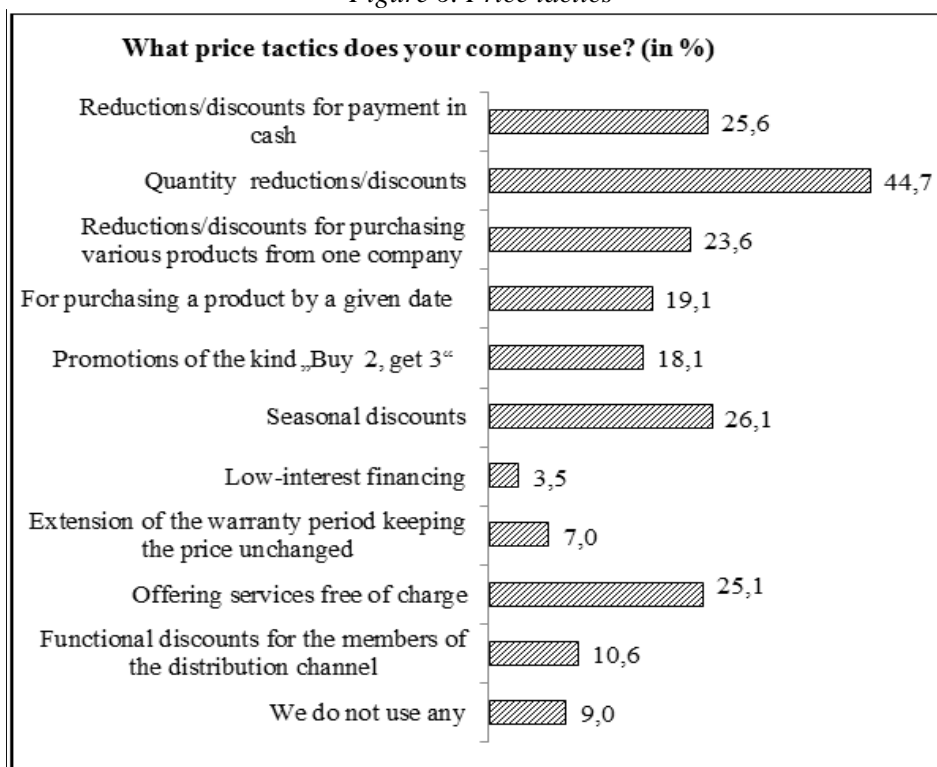
Instead of making frequent price changes, companies have been using customer loyalty programmes over the last years. Loyalty programmes are mostly price-oriented (Atanasov, 2013, p. 232). Sometimes in response to their loyalty and depending on its degree, customers receive special discounts that are not offered to others (Marinov, 2011, p. 96) or gifts (Obreshkova, 2004, p. 96). Customer loyalty programmes are used by 46,2% of the companies that participated in the survey. This shows that the management of nearly half of the companies in the sample has realized that loyal customers bring higher profit to the company, that their efforts are worth it (including price efforts) and must be focused on retaining and attracting such customers in the future (Bratkov, 2019, p. 70).

Tactical price changes are related to short-time actions (Kostova-Pickett, 2017, p. 95). After the end of these actions, the price reaches the level it had before the beginning of the action. In pricing practice companies predominantly use the tactic of cutting prices (generally called price promotions). Promotions are a significant factor in attracting consumers (Galabova, 2017, p. 145). Most often they are in the form of reductions/discounts when buying a product by a given date, reductions/discounts for payment in cash, seasonal discounts, etc. The prerequisites for price promotions are: increasing consumer price sensitivity, increasing retailers' power and decreasing advertising effectiveness (Kostadinova, 2017, pp. 392-393).

The tactic of low prices allows: the increase of income from price sensitive markets, improved capacity use, reduction of storage costs, temporary prevention of entry of new competitors, short-term market advantage over a major rival (Tanushev, 2011, p. 90), etc.

The data analysis of the answers to the question “What price tactics does your company use?” shows that over the last years price tactics have been used widely in the practices of the companies operating in Bulgaria (only 9,0% of the companies in the survey indicated that they do not use price tactics). Reductions/discounts in different forms are the most popular ones (for purchasing a certain quantity (quantity discounts) – 44,7%, for payment in cash – 25,6%, for purchasing various products from one company – 23,6%, for purchasing by a given date – 19,1% and seasonal discounts – 26,1%). Other price tactics include: offering services free of charge – 25,1%, functional discounts for the members of the distribution channel – 10,6%, extension of the warranty period keeping the price unchanged – 7,0%, low-interest financing – 3,5% (Figure no. 6).

Figure 6. Price tactics



Source: Empirical survey from 2017.

Note: The total amount of the answer percentage is more than 100% because the respondents chose more than one answer.

When making price changes of tactical nature, some possible negative consequences should be taken into account: increased consumer price sensitivity, encouragement of behaviour stereotypes, related to constant demand or anticipation of lower prices; creating a consumer desire for shopping at sales; an association with a lower quality of the product; consumer confusion and lack of understanding in terms of the actual product value; loss of brand image, etc. Price reduction, even temporary, is a bad habit leading to addiction which is difficult to overcome (Kostova-Pickett&Kostova, 2018, p. 5).

4. Conclusion

This article presents the results from a scientific study on the change in prices of the companies operating in Bulgaria over time. The results show that 64,0% of the surveyed companies have changed the price level (by price list) of their main company products over the last three years and most often – in 39,5% of the cases a price adjustment was made once a year. For 47,0% of the companies the changes in the usual price were toward increase. The most common reason for increase in the usual price is the increase in the price of the basic raw material, whereas the most common reason for decrease in the usual price is the unfavorable market situation. The most common price tactics used by the companies operating in Bulgaria are price reductions/discounts in different forms.

What is it that companies should not forget when making price changes? First, before making price changes, companies should take into account the response of consumers and competitors to this change. Second, the implementation of the price rise strategy always meets greater consumer resistance. Third, once decreased, a price can hardly be raised again.

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INNOVATE PRACTICES IN EDUCATION MANAGEMENT IN GREECE

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Abstract

Nowadays, innovation has a profound impact on every organizational system, on any industry. The same seems to apply to educational systems of any level. The world of education is changing globally, leading to further demand for design and implementation of new approaches, which might be proved more effective in pupils' future success. However, innovation does not happen in a vacuum. It is well recognized that organizational culture plays a key role to its success. This study concerns higher education in Greece, as applied today and in the forthcoming years and its aim is ternary; firstly, the study on the implementation of international innovation indicators in education, secondly, the mapping of the school organizational culture, and finally, the correlation between innovation and school culture.

Key words: Innovation, education, school culture

JEL Codes: I20, O30

1. Introduction

In education, although the aim is to develop pupils' students and prepare them for life, the pace of change is too slow or weak compared to other fields or systems (Fullan, 2010, Hargreaves et al., 2010; Thorsteinsson, 2014). It seems that schools, even many universities, have fundamentally changed their organization, curriculum structure, educational tools, pedagogical practices and evaluation methods. The majority of teachers are still based on traditional approaches, focusing on: a) the teaching content, where the subjects are presented to the pupils by the lecturer; b) the one-man educational manual; and c) the pupils' through conventional written competitions or tests.

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In the rapidly changing context of today's education, education is called upon to improve successful traditional practices and to bring forward new approaches that respond to today's realities of the 21st century, to the expectations and needs of students. Refugee's children for instance as well must have access to education, because it is one of their basic rights, - school environment is a bridge that helps them gradually become part of the local community (Krasteva, Pantelis, 2017: 1). New subjects, new educational tools and environments, new pedagogical approaches and innovative ideas seem to be very promising, for students and teachers, in terms of educational experiences and learning opportunities that they shape. In this context, the diffusion of educational innovations is now the first priority for education systems around the world (Fullan, 2010; Hargreaves et al., 2010; 2013; Hovne, Hovne & Schott, 2014). For example, Europe 2020 puts development as a top priority for turning the European Union into a competitive and cohesive society (European Commission, 2010). Growth should be sustainable and inclusive, inclusive. In addition, the EU aims at smart growth, based on improving performance (a) education, (b) research and innovation, and (c) digital society.

Educational dialogue is often limited to the technological characteristics of an innovation, as new-emerging technologies are shaping new directions and greatly influencing teaching and learning. There is often a misconception, which addresses Information and Communication Technologies (ICT), as such, as an innovation. This is not always expensive. Innovation only arises when teachers use the various ICT tools to organize new learning situations that do not reinforce traditional teaching practices but support open pedagogical approaches that expand and enhance learning (Bocconi, Kampylis & Punie, 2012, Sharples et al., 2015). Innovative pedagogical practices with ICT encourage and promote participatory and student-centered approaches, exploratory learning, problem solving, collaboration and creativity, linking work to classroom with home and society, etc. For example, technologies and such as mobile learning, flipped classroom, gamification, mass-open digital lessons (MOOCs) etc., actually introduce innovative pedagogical elements and fundamentally change the wider teacher and learning environment.

In general, educational innovations are related to two axes: innovative pedagogical approaches and innovative uses of educational or technological media. At the same time, two major groups of innovative educational programs have been introduced in primary and secondary schools, in the form of parallel actions:

a) Interdisciplinary programs such as Environmental Education, Health Education, Cultural Issues, Students' Creative Games, Career Education and Young Entrepreneurship, etc.

b) European programs and partnerships supported by the European Union, such as Comenius, e-Twinning, Teachers4Europe and others.

2. Literature Review

2.1. Innovation

The term innovation appears to have various meanings which, however, share common features and characteristics. According to the Major Greek Dictionary (2006: 32), innovation is a "innovation or reform". In addition to identifying this term innovation with reform, one can find even more meaningful terms such as "best practice" "creativity" and "change". According to Cros 1996 (referred to in Sultana, 2001) there are over three hundred (300) definitions of innovation. The most common term, according to Cros (1996), defines innovation as "something new" (eg an object, idea, practice or process, etc.) either in absolute terms or under the perspective through of which it is implemented or applied. According to Sultana (2001: 5), this common term refers not to a new idea but also to its application. According to T. Karolova, new technologies have an impact on the overall appearance of society, raising a new degree of civilization due to the global nature of their influence (1999: 96). Marsh's views are similar (1997: 185, referring to Sultana, 2001: 5), which argues that "authentic innovations" involve an "improvement intention" and aim not at the cancellation, cancellation or sabotage of current ideas, practices or procedures applied to a system, but to improve their efficiency and to renew the stakeholders.

2.2. Educational innovation and the teaching process

Educational innovation refers to the introduction or integration of new elements, situations, processes or persons into the educational work to modify, improve, replace or change part or all of the educational practice. The Fulan definition (1991), as adapted by Sultana (2001), expresses more precisely the delineation of educational innovations. According to these writers, educational innovations relate to "real and practical interventions designed to bring about improvements in education, whether or not these improvements are realized or simply delineated by the actors involved, irrespective of whether these changes are aimed at the aims, in skills, philosophies, beliefs, behaviors or practices".

The term instructional innovation refers to the introduction, renewal or replacement of various factors of the didactic work and / or the teaching practices. A classic definition is that of Lee (1966, referring to Otto, 1970: 186) which refers to a "continuous one that involves major changes to an existing teaching practice as well as the introduction of new elements and procedures or a complete replacement of existing teaching practice. " Continuing a teaching practice refers to the various subjects of the teaching work, such as "planning and organizing teaching, new methods, models, strategies or forms of teaching, making teaching decisions, using audiovisual and other media (eg new technologies, PCs, etc.), the climate of the classroom, the management of teaching time and other activities" (Creemers, 1986). In addition, all educational innovations are often targeted at the

"instructional environment" which aims to transform, modify or change it deliberately or not deliberately, a goal that is not always achieved " (Sultana, 2001; Hovne, Hovne & Schott, 2014; Deming et al., 2015).

2.3. Aspects or levels of educational innovation

Many experts even associate the term innovation with the terms: change, renewal, best practice, creativity, or reform (Borrego & Henderson, 2014). However, before we refer to aspects or levels of educational innovation, it is worthwhile to note the relationship between innovation and change, since the latter is often the pursuit or objective of the former. According to Porter et al. (2014), the change is characterized as "the adoption of an innovation that seeks to improve the effects of education by modifying or replacing the practices that apply". In the literature on educational innovation, one often finds the point that a change requires complex planning and preparation processes at various levels, particularly those directly involved in it (Thorsteinsson, 2014). For the issues, however, these are discussed in more detail in other chapters.

2.4. Innovation at curriculum and teaching level

The curriculum is the medium in which the school's knowledge, skills, values and generally the cultural assets of a country are established and is closely linked to school textbooks, work plans, audiovisual and technological media, as well as the activities that are an integral part of it (Maritz et al., 2014).

The curriculum is usually at the heart of many of the educational innovations that are being implemented internationally. The reason is that often linked to both national and local needs as well as to external changes, trends or challenges at the international stage, such as globalization, the knowledge and information society, high technology and many others. National needs and international changes or trends are putting pressure on educational systems to renew or change CPIs in which school knowledge is structured to better respond to international challenges and to competition between countries (Hovne, Hovne & Schott, 2014). Such challenges have contributed to the creation of the new form of the Greek BS, namely, the Interdisciplinary Framework of the Program of Studies (DEPPS), the Curriculum for Advanced Studies (ASP) work plans, the Flexible Zone, as argued by various experts in our country (Alahiotis, 2004) and abroad (Borrego & Henderson, 2014).

Innovations in the curriculum have direct and indirect effects on other successive functions of the educational project. is directly related to the didactic work, which is why Borrego and Henderson (2014) argued that the curriculum is the "contraction" of the heart of education while teaching is "its expansion". Multiple interconnections of the curriculum with other aspects of the didactic work, but also the new situation created in the context of its implementation provokes several times reactions and uncertainty for the

teachers. For example, when a new curriculum has been applied in Slovenia, which demanded new roles and responsibility that burdened teachers' work, teachers made a strike (Sultana, 2001: 35), as is often the case in our country as well as in other countries. In addition, is directly related to teaching, since its delimitation, among other things, is often referred to as a "didactic plan" as a "teaching outcome" as a "designed learning environment" and the like (Borrego & Henderson, 2014).

2.5. Innovation at the level of pedagogical functions

Educational innovations are crucial nowadays, due to the explosion of knowledge and its devaluation in the short term. These trends require both the frequent updating and updating of school knowledge and the development of specific skills beyond traditional ones. For example, the memorandum function of the pupils and the transmission of knowledge by teachers are now considered traditional and obsolete. New skills have been proposed, such as "learning" students "how to learn", solving problematic situations, making decisions, and even more advanced cognitive and pedagogical functions. These skills have also added European Community skills related to literacy in mother tongue and foreign language, science, new technologies, cultural awareness and others. These new skills, their student-centered orientation, the emergence of new teaching and learning trends require new approaches, methods and strategies of teaching and learning, such as group co-operation, teaching diversification, constructivist teaching, teaching through new technologies and other related (Demetriou, 2004; Hunter, 2006; Deming et al., 2015).

Pedagogical innovations also refer to new teacher-student relationships, to the creation of a learning and teaching environment and, more generally, to a new "ecology" (Maritz et al., 2014) of the school class, the school unit, and a new "culture of education" (Deming et al., 2015).

2.6. Innovation at institutional or school level

Closely linked to education - teacher training and education is also the implementation of innovation at institutional or school level. There is a widespread view that teachers should not only have a broad understanding, positive attitude and consciousness in favor of the pursued innovation, but also have built a school culture with a common "vision" to realize the educational innovations sought at any level, particularly at institutional or school level. The common vision and cooperation between all the actors involved helps them to become aware of the "what", "how" and the "why" of school life, as well as the rationale of the applied innovation (Hovne, Hovne & Schott, 2014). In order to facilitate the achievement of the goal of the common vision and the collective culture of the actors involved, the educational institutions must "rebuild and reorganize the framework of their organization so as to form a" learning community "of all involved persons rather than being considered, as a central function, the transmission of information "(Maritz et al., 2014). Wals (2014) also argues that "schools have unique

cultures, practices and traditions, and educational innovations or changes need to be adapted to the specific context of the school. The same view is expressed by Bradshaw and Hultquist (2016), who proposes that "educational innovations should focus on the whole school unit in the context of collective decision-making and cooperative practices, harmonized by the leadership of a director". The holistic approach of the whole school approach is suggested by others, such as Fulan and his colleagues (1990), which it considers "catalytic for the implementation of educational innovation by linking school practice with school improvement". However, both classroom and school-based practices require a risk that teachers either do not want or can not get (Corlu et al., 2014). Despite the unanimous proposals of specialists on the holistic approach of educational innovation for implementation in a particular institution or school units, there can be no concrete conclusions with universal effect that will be useful to the educators of educational policy. One factor that prevents unanimous proposals is the diversity and heterogeneity of school units. According to Galton (1989) "the diversity of schools in Europe is one of the biggest obstacles for educational policy makers ... since it does not allow for safe conclusions on the success of educational innovation".

2.7. The complexity of the process of implementing educational innovations

The process of implementing an educational innovation is not an easy process. Instead, it depends on multiple factors on multiple levels to achieve and succeed. What we mention in the section below shows that even in cases where educational innovations have been institutionalized, it is not certain that their implementation will be realized and consolidated. This is because attempting to implement educational innovation is not an isolated act, but a process with a variety of aspects or levels, as has already been mentioned.

Sultana (2001) argues that the application of educational innovation is a "life cycle" that consists of a fundamental dynamic and is governed by a variety of strategies including the origin of innovation, ie who to promote it, the means by which it is channeled towards schools, the ways in which it is accepted by schools, how it is piloted, and how it is monitored and evaluated ... to succeed".

In principle, the chances of a successful success of an innovation are much greater if the educational innovation sought is not "foreign" or alien to the institution of the institution in which it is introduced. On the other hand, if educational innovation or reform is "genius" - that is, it comes from the institution itself or the organization - the chances increase its success (Sultana, 2001; Bradshaw, M., & Hultquist, B. L. (2016). A minute and important point is who and how an innovation is being promoted. There are indications that, when educational innovation is promoted from "top to bottom", there is a potential for the educational innovation sought to encounter obstacles. To a large extent, educational innovations in centralized systems, such as our country, are carried out in this way and are imposed without substantial results (Maritz et al., 2014).

Educational innovation, by definition, according to Lozano et al. (2015) provokes, a priori, a process of questioning and resistance to it and is treated as a "foreign body". This motivates Sultana (2001) to argue that educational innovations should not be promoted one-dimensionally from top to bottom. When this becomes educational innovation "it challenges the dominant positions and practices and leads to further questioning by all those who have an interest in preserving the old ways, on the one hand, and those who show preference to follow the new ways from the other". In fact, and in view of the resistance put forward by the stakeholders, an educational innovation will not be adopted if its actors do not identify with it, nor are they given the appropriate incentives - for example. wages, professional advancement, etc. - and there are no similar forms of support. This support - economic, ethical, etc. - is important for the realization of educational innovation because sometimes there is only apparent support without the corresponding resources or appropriate forms of delivery. In these cases Sultana (2001) considers that "educational innovation is likened to the Trojan Horse, where the hope is that it will expand and influence other elements or processes of the system or the educational web".

Given that educational innovation is identified with change, it is imminent that the persons involved who are accustomed to a given situation will not accept and resist it, since the upcoming change will disrupt the balance of dominant practice that is established in their institution.

This difficulty is expressed by a number of scholars, others stressing that critical factors are "people and relationships, and the support mechanisms needed to successfully implement educational innovations, especially when seeking to improve practices" (Credaro, 2001). Similar views are expressed by other scholars, such as Fulan (1993) and Lozano et al. (2015) who say that education reforms are difficult to precisely plan, but educational innovations are even more difficult to implement. Various difficulties in the implementation of reforms or educational innovations are highlighted by Fidalgo-Blanco, Sein-Echaluce and García-Penalvo (2015) who argue that their complexity is due to a variety of factors including: "Educational innovation or change must not be linear and needs to evolve through its various stages of implementation, while the requisite conditions are the commitment of the persons or bodies involved, collective decision-making, the common vision, cooperation as well as the operation of support structures". Given these peculiarities, he suggests four steps in implementing any change or educational innovation. These stages are: "first, the creation of the conditions for information and awareness of the upcoming change or innovation, second, the consolidation of the funnel-facilitation structures, the third, the complexity of the parallel process concerning the persuasion of the persons involved, the decision- and their commitment to promoting educational innovation or change, fourth, the start of implementation, and the adaptation of educational innovation to the school's context and its assessment".

According to the above, we note that non-realization of educational innovation or change is due to a number of factors, the most important of which are: attitudes or attitudes - natural or negative - of the persons involved, the lack of a holistic approach to educational innovation, change or reform, the absence of follow-up and post-evaluation, the absence of material, moral, scientific support, and the process of change that disfigures the persons involved (Credaro, 2001; Fidalgo-Blanco, Sein-Echaluce & García-Penalvo, 2015).

2.8. Essential preconditions for the application of teaching innovations

The scientific review of the definitions on this issue has shown that it is important that any educational or teaching innovations do not remain at the level of intent or philosophical dimension but must be disentangled in all the factors and aspects that we have mentioned above. This view is shared by Hill (2014) who suggests that educational and teaching innovations should extend to the whole "school ecology". School ecology is addressed at the "proactive level" and concerns the vision and mission of education or institution, the administrative and organizational level that includes both the "strategic planning" of the implementation of innovation and the appropriate logistical infrastructure. At the same time, it seeks to transform the level of the curriculum, the total of the intended types and results of learning, as well as the harmonization of the "intended curriculum", the applied curriculum and the attained curriculum (Hill, 2014), the level of educational relationship that involves the harmonious interaction of teachers and pupils, the level of the evaluation process in which the attainment of the aims and objectives of the institution is established, the assessment of the pupils' performance as well as the didactic work (Hovne, Hovne & Schott, 2014).

The concept of school ecology makes it clear that in order to achieve educational innovations it must extend to the holistic dimension of teaching and teaching work. Therefore, every didactic innovation must include all aspects of systematic design and organization or "instructional design" (Hornsby & Osman, 2014). This view is expressed by Cohen & Ball (2000), who, referring to didactic innovation, states that "it is impossible without the 'teaching architecture', which includes as a minimum the following: planning the aims and objectives of the course, teaching materials (eg workbooks, books, etc.), didactic activities, the organization and / or reorganization of teaching, the adaptation of the teaching environment and the social climate, the teaching time, appropriate use resources, the activation of internal teaching innovations and learning incentives and other actions that potentially contribute to improving teaching practice in order to achieve the learning outcomes and learning objectives".

According to them, the implementation of teaching innovations also requires appropriate administrative support, appropriate financial support, well-prepared and educated teachers, and the use of new technologies to implement school knowledge. The most important factor of success of a teaching innovation is the teachers themselves, the

pedagogical training they have acquired, their knowledge about the methodology of teaching, their identification with the specific institution and the proposed teaching innovations, whether they concern the implementation new curricula and textbooks, or the introduction of technological devices or new educational practices. It goes without saying that when all of the above and other factors do not co-exist to support didactic innovation, there is a great chance of halting, canceling or even canceling or failing, as mentioned below.

2.9. Nature and Role of Organizational Culture within Higher Education

Universities in western countries have traditionally been characterised by a level of stability arising from “lifetime employment, collective decision making, individual responsibility, infrequent promotion and implicit, informal evaluation” (Dill, 1982: 307). Over the last two decades, the sector had experienced increasing levels of student numbers and diversity even before the inauguration of the “modern universities” in 1992 leading to significant changes (Gibbs, 2006; Duong & Swierczek, 2019). Since this period the overall number of universities in the UK more than doubled. Some of the new designated universities brought in management styles not traditionally associated with those of the ancient or civic universities (Hornsby & Osman, 2014).

It would appear to be the case that the increased focus on employer-led initiatives in the last decade, appraisal, performance-related pay, increasing casualisation¹⁸ of the workforce, trends towards massification and more pro active staff development to name but a few, is different in character than in the post 1960s.

This distinctive change - particularly in managerial style - may suggest to some senior management within the sector that the degree of predictability associated with a loosely-managed traditional university life has gone and that they are now in a different climate. The impetus for the study of universities as cultural settings, however, preceded this conflation of the former polytechnics with the established university sector.

2.10. Innovation and Organizational Culture

Literature asserts that innovation and change is successfully introduced when we understand the culture of the organization to be changed. Since ‘80 it has been a prerequisite for businesses in order to compete, to understand first their organizational culture (Schein, 2017). Not only scholars but also organization and business guru advisors (Kotter, 2011; Bremer, 2012; Gibbons, 2015; Englund, Olofsson & Price, 2017) counsel for innovation and change through culture change. Many mapping and decoding efforts on successful companies have been held in an attempt to find the secret of profitability, personnel satisfaction and sustainability in the market (Hofstede et al., 2010; Kotter, 2011; Buschgens et al., 2013). Moreover, the fact that there is still a great interest on developing assessment and measuring instruments for exploring organizational culture (Schein, 2017) and innovation (OECD, 2014) is a strong evidence of the constant interest.

The second half of the XX century and the beginning of the third millennium have stood the management specialists to look at the organization in a new way. If traditionally all management schemes and techniques are looking to the creation of standard approaches in order to solve the various problems, in the current XXI century management concepts will be associated primarily with the creation of conditions for the development of management methodology, which will allow decisions to be taken in such a way that they differ from the self-similar (Karolova, 2005: 45). Researchers still keep measuring culture and innovation as they still feel that there is more to discover. According to Schein (2017) profitability forces businesses and organizations to study their culture in order to drive positive change. Likewise, educational organizations explore their culture and adaptation of innovations in order to boost a culture of change (Fullan, 2007; MacNeil, 2009; OECD, 2014; OECD, 2015; Englund, Olofsson & Price, 2017). According to Fullan (2007) educational change comes along with multidimensional innovations. Educational innovations should involve changes in materials, in teaching approach and in beliefs, otherwise they are not innovations at all (Fullan, 2007; Bennett, Lockyer & Agostinho, 2018).

Although there are plenty of studies on organizational culture and on innovation separately, according to Buschgens et al. (2013) there has not been enough research in the relation between innovation and organizational culture. Moreover, among the studies on the relation between innovation and organizational culture only a few are conducted in education, as it is presented below. Just recently in USA (Oberchain et al., 2002, Warford, 2010; Hewitt-Dundas & Roper, 2018), in Holland (Haelermans and Kristof, 2012), in Israel (Avidov- Ungar and Magen-Nagar, 2014), in Iran (Ashraf et al., 2014) and in England (Greany, 2018; Hewitt-Dundas & Roper, 2018) researchers have related innovation with culture, change or/and efficiency, in education.

Oberchain et al. (2002) and their study on the relation between institutional type, organizational culture and innovation in higher education, colleges and universities, found that institutes with “clan” culture accommodate more frequently innovations. Jaskyte and Dressler (2005) explored organizational culture, leadership and size in association with innovation in nonprofit human services. Their findings revealed that organizational innovativeness is positively associated with innovation and aggressiveness value dimensions, whereas negatively associated to stability value dimensions. Finally, organizational culture was not related to leadership, while it was positively related to size. It is also important to mention that in a regression analysis, organizational culture was the only significant determinant. According to Jaskyte and Dressler (2005) there is a theoretical framework for the relation of organizational culture and innovation but there is lack of empirical explorations.

Warford (2010) explores a model in order to understand the reasons that facilitate or reject educational change. He ascertains that three reasons make teachers resistant to new ideas; the continuous bombardment with new reforms, the low perception of school

conditions on behalf of the state and the control over teachers. Naranjo-Valencia et al. (2011) have found that there is a positive correlation between organizational culture and innovative strategy in businesses. Adhocracy cultures foster innovation strategies. A study by Haelermans and Kristof (2012) has found out that there is a positive relation between innovation and efficiency and that psychological approach, pedagogic process and education chain innovations are significantly related to school efficiency. However, innovations in the professionalization of teachers are insignificantly related to school efficiency. Moreover, they claim that budget constraints and pupils' background hinder innovations. Finally, Haelermans and Kristof (2012) found that the impact of a single innovation introduction, for example the use of IT in schools, has been largely explored, but there is lack of analyzing combinations of more than one or two indicators of innovation. They claim that such a study gives a better perspective of pupils' performance and school reality.

Seen et al. (2012) explored the relationship between innovation and organizational culture with the Denison Organizational Culture Model. They explored a variety of variables and were led to the conclusion that there is a positive correlation only between innovation and creating change and between innovation and organizational learning. A meta-analytic review (Buschgens et al., 2013) of 43 studies of a sample of 6341 firms gives a broad view of the relation between organizational culture and innovation. They claim that organizational culture is necessary condition for successful innovation. They suggest that Quinn and Rohrbaugh's Competing Values Framework is a proper tool to analyze organizational culture and it suits to innovation. They have also found that managers of innovation-oriented firms choose to utilize developmental culture. Finally, it suggests that the variety of the 40 different values that were explored in those 43 studies are not reliable enough to come up with a theoretical explanation concerning the correlation of organizational culture and innovation.

Other studies on the relation between organizational change and assimilating innovations conclude that innovative culture demonstrates low resistance to change and to innovation introduction (Avidov-Ungar & Magen-Nagar, 2014). Others have studied the consequences in teachers' methods when innovations are introduced and they suggest that major difficulties are met. (Fullan & Smith, 1999 in Avidov-Ungar & Magen-Nagar, 2014; Al-Emran, Elsherif & Shaalan, 2016).

Ashraf et al. (2014) investigated the correlation among organizational innovativeness, organizational culture and organizational effectiveness in higher education. Their study deduced that adhocracy, market and clan culture have significant positive correlation with organizational innovativeness and effectiveness. On the contrary, hierarchy culture showed no significant relationship with either organizational innovativeness or effectiveness. They found that organizational culture has a direct impact on both innovation and effectiveness and additionally organizational culture influences effectiveness through innovation. Thus, they suggest policy makers should

take into consideration the chance to introduce innovations by engineering the appropriate organizational culture.

Smit (2014) led a research exploring the relationship between organizational culture and innovation adoption in organizations. He used two models in order to build a measurement tool to explore the relation between the two parameters. He found that there is a positive relation between the two notions. In particular, the innovation- oriented organizations were those with strong strategic culture. Recently, Greany (2018) has explored institutional and systemic factors that encourage and/or prevent change and innovation. In his research, while analyzing change factors, he found that change is possible when a value-based framework is built. This could be an indication of the importance of values and hence organizational culture for innovational changes.

In Greece there has not been any research on the relation between innovation and organizational culture. However, there have been many studies with other correlations, such as quality and innovation in education, innovation and teachers motivation in education (Lourmpas & Dakopoulou, 2013), organizational culture type and the degree of role and ambiguity and role conflict among health care professionals (Rovithis, 2016). There is also research on organizational culture and public-sector employee motivation (Sahinidis, 2014), organizational culture, burnout and work engagement (Maziari, 2014).

3. Conclusion

Innovation and organizational culture play a critical role in improvement and development of organizations and businesses. Furthermore, innovation is imperative in today's education and school should undergo constant transformations in order to adapt to the changing demands of the society. Organizational culture has interfered within the modern school structure and research should pay attention to uncover the peculiar characteristics of school units. Additionally, the ways that innovation can be supported within school environments should be studied along with the barriers that can negatively affect the application of innovative ideas. As a result, the research that follows the current article will provide additional information and data on the matter discussed.

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STATE AND DEVELOPMENT OF THEORETICAL KNOWLEDGE ABOUT INNOVATION

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Abstract

Striving for the new, more reliable and to the better is a major force that drives the development of society as a whole. It is important for each entity to know the nature, peculiarities and ways of transforming the ideas into products or services that will be able to satisfy consumer requirements, increase profits and ensure the growth of the enterprise. All this gives the organization a higher competitiveness, an opportunity to expand the market worldview, the possibility to change the organizational structure, to increase production, more qualified personnel, etc. Dynamic economy, knowledge of innovation and the way of management are extremely valuable, and their ability to use becomes a major source of competitive advantages. The main objective of this article is to clarify the content, the nature and the peculiarities of innovation, and to define its characteristics. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach.

Keywords: concept, characteristics, innovation, enterprises

JEL Codes: G19, O30, O31, P00

1. Introduction

The long-term growth of each economy is determined by its ability to renew itself, i.e. to convert knowledge into economic result, according to Chobanova. (Chobanova, p.525) It is evidenced by the fact that in developed countries half of the growth in gross domestic product (GDP) is the result of innovation and this share is increasing in increasing the intensity of creation and use of new knowledge in the economy. (OECD, 2000) The problem arises for the renovation of the national economy of small countries that are not among the leaders in the global economy, a problem that is not solved in both theoretical and practical terms.

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2. Definitive Components of Innovation.

Nowadays, the term "innovation" is widely used, both in our country and globally. It is appropriate to pay attention to the difference between the essence of innovation and invention. An invention represents the first appearance of a new idea for a product, service, or process. Innovation, on the other hand, is the use of this idea for commercial purposes, i.e. its realization on the market. In general, it can be said that innovation can be seen as an invention and its use for commercial purposes. However, the boundaries are not always clearly distinct, as the 'invention' can relate not only to research and development but also to the optimization and imposition of new methods and processes, while, on the other hand, it may be necessary to use it for sale and in-depth research. For the invention also there is no unified definition. (Bojinova, 2005) It can be defined as:

- A new solution to a specific problem – the solution must be based on laws from the material world, without having to be unfamiliar so far, as the invention can give new application to already known laws;
- Intellectual product, representing a "technical" solution to a practical task in every area of the economic, social and cultural spheres – not the task itself, and its decision must be of a technical nature;
- The decision must indicate how to achieve a specific result. (Dorofeev, 2003, p.17)

According to Pantaleeva, "between scientific discoveries and inventions there is a close connection, but also differences. Scientific discoveries reveal the existing material world. On the basis of them, many inventions are created. For their part, inventions transform and add new objects in the material world. Unlike scientific discoveries in inventions, there is a process of discovering something new, unknown so far. The latter may be objects of intellectual property." (Pantaleeva, 2013, p.21-22)

In recent years, innovation has seen and seen an essential role in the competitiveness and success of businesses. The importance of innovation has led to many scientific researches and has become a broad topic, which is generally perceived in a different way. There are many definitions of what the innovation really is. Innovation is an economic phenomenon, meaning a massive solution that brings income or benefits to society on a large scale. The innovation has been put into use creative solution, applied invention, again in economic sense. Innovation is a guaranteed positive change for society. The definition of innovation in vocabulary (introduction of something new) is clear, but it does not help the managers or staff of an enterprise to understand the nature of innovation to a sufficient extent. It focuses on novelty and may lead to neglect of the fact that innovation can be based on changing existing ideas. The definition in the glossary also fails to explain the following questions – which are the most important types of innovations; how innovation can lead to a sustainable competitive advantage;

what is the most effective way to increase the innovation potential of an organization and order other similar issues.

Austrian economist Schumpeter already in the 30-ies of the 20th century looked at five different aspects of innovation and according to his definition, which is considered exhaustive on innovation mentions the following: (Schumpeter, 1934, p.255)

- The introduction of a good product, which is new for consumers or higher quality.
- Production methods those are new to an industry. It does not necessarily have to be new scientific discoveries and are not used in other industrial sectors.
- Opening new markets.
- Use of new sources of supply.
- New forms of competition leading to the restructuring of the industry or market.

Porter defined the innovation as follows: "To be included as an improvement in technology and better methods or ways of doing different things. It can consist in changing products, changing the process, new approaches to marketing, new forms of distribution, and a new concept of scope, innovation is the result of both the organizational structure and the research and development activity." (Porter, 1999) The very concept of "innovation" in Schumpeter's writings is also seen as a change in order to implement and use new types of consumer goods, new production and transport means, markets and forms of organization in production. Therefore, the creation of innovations mostly relates to entrepreneurship in the economy. According to Schumpeter developer "reformed or revolutionized the way of production by developing inventions or in most cases untried technological opportunity for the production of a new product or for the production of an already known product In a new way, either by revealing a new source of supply of materials or a new market for goods, through the reorganization of the industry." (Schumpeter, 1975, p.132)

This definition has many similar points to the definition of Schumpeter, but shows that sources of innovation can originate from different units (organizational culture) in the organization, not just from the research and development department. Both the authors Porter and Schumpeter use the word "new" in their definitions, but it should be remembered that many commercial innovations are not entirely original. According to Rogers ' opinion, who is an expert on how innovation spreads through the markets, reminds us that "innovation is an idea, a practice or an object that is perceived as new by an individual or other unit of perception. Embracing ' new ' is important rather than being original in it. Innovations are related to the skills of deployment and management of research, so as to use new technology to emerge new products on the market or improve the old ones to meet the needs of customers." (Rogers, 1995, p.2-3) According to the opinion of the foreign scientific reports on innovation, as mentioned in the development of Plessis, that "innovation is related to the creation of new ideas and knowledge that help business to achieve new results by improving business structures and processes from the

inside." (Plessis, p.20-29) Slavova's opinion is that innovations are first and foremost a presentation on the market of new products and services or new ways of their production. They are an important source of productivity, which is given a certain, significant role in the theory of economic growth." (Slavova, 2012, p.85-87) Contribution to the modernization of the holding have also the scientific discoveries to which they relate: solving tasks of knowledge; new significant changes in the level of knowledge; credibility. The discoveries broaden and deepen the knowledge of the material world and bring them to new knowledge of objective reality, in honors from the invention, which is a concrete way to achieve practical goals (technical problem solving). In the quality of discovery, not every scientific result can be classified, but only one that validates previously unknown regularities, properties or phenomena of the material world. The results of scientific findings are in most cases a theoretical basis for innovation, for its materialization is necessary scientific and technical work, which possesses specific properties with practical focus. All of them lead to an increase in the competitiveness of the economy", specify Slavova, Todorova and Mednikarov in his writings. (Todorova, Slavova, Mednikarov, 2018, p.3)

By their nature, content and specific features, the notion of innovation is a complex and believed concept that cannot be defined unilaterally. When looking for an appropriate definition of "innovation", the following definitions of innovation can be mentioned as examples: (Popov, 2006, p.112)

- From the point of view of the new idea – innovation is a successful use or exploitation of a new idea;

- From the point of view of the process (i.e. from a dynamic point of view) – innovation is the introduction of changes or significant improvements that lead to significant deviations from the perceived way of action.

- In terms of products – innovation is transforming a new idea into a new product, service or operating model or method, which includes all the scientific, technological, commercial and financial steps necessary for the successful development and market introduction of new products, commercial use of new or improved processes or equipment.

- In terms of materials – innovation is the use of new materials that have no proven history of application and are not among the current practices of the business organization.

According to Shavinina, "for an action to be defined as innovation, it is necessary to have the following requirements at the same time": (Shavinina, 2003)

- ✓ the presence of an element of novelty (new idea);
- ✓ the existence of positive effects of the action for a wide range of people;
- ✓ Economic appropriateness of the action.

According to Manuel "innovation is the introduction of a new or significantly advanced product (good or service) or a process, a new marketing method or a new

organizational method in business practice, workplace organization or external relationships." (Manuel, OECD, p.16) According to Pantaleeva, "innovation has three main properties: scientific-technical-novelty, manufacturing (practical) applicability and commercial feasibility." (Pantaleeva, 2023, p.28) "While the research area focuses on the degree of novelty, the opportunities for practical application and obtaining of income for industrial companies are more important. The commercial aspect defines innovation as an economic necessity, conscious of market needs. From such a perspective, two moments can be differentiated: "Materialization" (from the idea to its embodiment in product, service, technology) and "commercialization" of the innovation (turning it into a point of income) ", according to Dorofeev. (Dorofeev, 2003, p.12)

Innovation is related to the conscious use of information, imagination and initiative to derive larger or different values and includes all processes that generate new ideas and make them more results-driven. In this sense, the innovation has a number of characteristics, the more important of which are: (Varamezov, 2005, p.11 – 12)

- The subject of the innovation (what is changed and how it is modified);
- Degree of novelty; depth of transformation (degree of radicalism of amendments);
- Scale of conversion (affects one, several spheres of activity or enterprise as a whole);
- Level of development (level of preparedness of innovations to implementation);
- Potential of innovation (assessment of the expected beneficial effect and its justification);
- Expected duration of implementation;
- Labor-intensive implementation;
- Volume of financial expenses required for implementation, etc.

"Enterprises, first mastered effective innovations, get a significant advantage over competitors. From this point of view (in addition to the function of modification), innovation also fulfils the following functions": (Kokurin, 2001, p. 111)

✓ Reproduction function. Innovation is an important source of financing for further economic revolutions. An entrepreneurial profit can be used to extend an enterprise's production or trading activity.

✓ The investment function. The profit from the realization of the innovation can be transformed into company capital, which can be invested in various activities or to be directed to finance further innovations.

✓ Stimulating function. Gaining income from market innovation is directly in line with the objectives of each industrial enterprise. The overall target orientation has a stimulating and multiplier effect, which is reflected in the demand for market information for the current production and innovation activities, for the adoption of modern methods of financial management, for improving the organization of the marketing activity (reengineering, benchmarking, etc.), etc. The realization of innovations in the market

takes place so-called. Exchange "money-innovation". The funds received by the entrepreneur as a result of the exchange are used to cover the costs of creating and selling the innovation. They lead to the realization of profit from this sale and stimulate the creation of further innovations.

According to Petrov and Georgiev, "the substantive aspects of innovation are based on six points of support:" (Georgiev, Petrov, 2008, p. 373-374)

- Novelty – the innovation is associated with a new idea;
- Real Changes;
- Practical Applicability;
- Process – "Innovation is seen as a process, include logically separated but connected phases, activities and operations", as it is in the work of Benev, and later in the works of Georgiev and Tsvetkov. (Georgiev, Tsvetkov, 1997, p.35)
- Positive assessment by the consumer;
- "We determine the tangible or intangible result of the introduction of novelty" (Benev, 1996, p.7)

The foregoing gives us the reason to make the summary that innovation begins with the emergence of the idea of a new product or improvement of an existing, continues with its introduction to the market, goes into perfection and change of the production environment and production methods in the enterprise, and from here opens new market segments, new suppliers, clients, new competitive advantages.

3. Content Components of Innovation.

In the economic literature, the clarification of the content components of the innovation, several basic approaches are used:

1. Static approach. "The notion of innovation is used to address a new product, process or service. It is considered as a product that the enterprise offers on the market. In this respect, innovation is presented as a final result of the innovation process." (Pantaleeva, 2013, p.31)

2. Dynamic approach. In the 60 and 70 years of the XX century a number of scientists Conway, Stewart and others began to view the innovation as a process. (Stewart, 2009, p.40) They associate the concept with the totality of the activities carried out in transforming the idea into innovation, which allows its use in the market. In this case, innovation is defined as a process that:

- Covers usefulness, success and profit in a whole;
- Consists of creation, development, introduction, adaptation, tying, realization and perception, i.e. a set of phases (stages) of the development of the innovation idea. (Ivanova, 2010)

Seen in dynamics, the innovation includes the whole period of development of the idea and represents: (Conaway, 2009, p.12)

- Management Process – the focus is on the organization and management of the totality of activities and phases of the innovation process;

- Social process – the importance and role of the social interactions within the innovation process are taken into account;

- Political process – focuses on the dispute arising from the scarcity of resources and the choice between alternative cognitive requirements and solutions in the process of realization of the But-in-progress;

- Emotional process – related to psychological security, allowing individual users to change long maintained assumptions, to adopt new alternatives, etc.

3. An interactive (capacity) approach. According to Pantaleeva. "The emphasis on strategy and key competences, innovation (or the way to innovate) can be seen as an important organizational capability or a" soft "key competence. 3m, Hewlett-Packard, Sony, etc. Believe that they possess not only technological ("hard") but also organizational-management ("soft") competences." (Pantaleeva, 2013, p. 32)

According to Popov, "in clarifying the content of innovation it is necessary to consider another combination of aspects of innovation, i.e. innovation to be defined as activity, process and result." (Popov, 2006, p.112-113)

Innovation as an activity. Every innovation is the result of purposeful conscious human activity that integrates research, production, marketing and other activities. It is achieved through the realization of these interconnected activities. This implies effective coordination, interaction, organization and use of flexible forms and tools for their management.

Innovation as a process. Innovation is defined as the realization of a combination of partial, logically related processes and activities that are matched in a certain way in time and space. The innovation process goes through research, design and experimental works, practical (production) realization, market introduction (market realization) and diffusion of innovations.

The innovation as a result. This result can be a different (tangible or intangible) – article, service, method of organization or management, way of communication, etc.

4. Modern Research on the Essence of "Innovation".

Since the second half of the 20th century and to this day, the problems of innovation, innovation and development through innovation are an important part of the research of a number of scientists. Opinions on some of these problems can be found in the scientific developments of Kotler, Kirtzner, Drucker, Porter, Pride, Dolan and many others. Some of these views are as follows:

- "Considering the rapid changes in tastes, technology and the state of competition, the company cannot rely solely on the existing goods. The user wants and expects new and improved products. And competitors will do their utmost to provide these

innovations. Therefore, each company must have its own program for the development of new products. ", describes Kotler in detail. (Kotler, 1991, p. 395)

- According to Casson, "the most important form of entrepreneurship is product innovation. A key element in product innovations is to ensure the flexibility and universality of the product. This requires standardization of the construction characteristics of the individual components and ensuring the accuracy of production. On this basis, the creation of a mass market and the possibility of economies of scale and volume are ensured." (Casson, 1998, p. 240)

- Kirtzner summed up that "innovation (of entrepreneurs) consists in the ability to see where new products have gained an unexpected value for consumers and where new production methods have become possible, i.e. to see new opportunities, unnoticed by others. This is important so that long-term benefits can be exploited." (Kirtzner, 2010, p. 85-86)

- Filipova defines innovation as the main method of overcoming crisis phenomena in the enterprise. (Filipova, 2009)

- The economic landscape has changed dramatically in recent two decades due to the process of digitalization and globalization of business. Internet has led many companies to rethink the role of technology. (Zlateva, Vladov, 2019, p.31) The IT sector has given a new direction for the development of the technologically oriented societies, which directly affected on every sphere of life... and create the conditions for building value chains through which companies generate profits and gain competitive advantages. (Zlateva, 2016, p. 88)

On the basis of the above, we can summarize that modern scientific researcher's complement and further develop the existing definitions of "innovation". Experience and discoveries in the field of innovation prove that the success of an enterprise is in the new and better. Innovations are all enhancements, advancements, new non-existent products, new processes that bring certain benefits to consumers.

Conclusion

Innovation is always a complete design process of applying a specific new knowledge in use, and at best, the use will bring profit. Innovation is always an economic phenomenon. In summary of the report, the following conclusion can be drawn:

-First conclusion - in recent years innovation has been seen and perceived as an essential role in the competitiveness and success of businesses. There are many definitions of what innovation really is. Innovation is an economic phenomenon, meaning a massive solution that brings income or benefits to society on a large scale. The innovation has been put into use creative solution, applied invention, again in economic sense. Innovation is a guaranteed positive change for society.

-Second conclusion - the approaches of innovation are key three, statistical, dynamic and interactive, but in clarifying the content of innovation it are necessary to consider another combination of aspects of innovation, i.e. the novelty to be defined as an activity, process and result.

-Third conclusion - innovation is a specific tool of entrepreneurs, the means by which they use the change as an opportunity in a business or service. It is the main method of overcoming crisis phenomena in the enterprise.

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IMPLEMENTATION OF ISO 13485:2016 IN MEDICAL PRODUCTS HANDLING MULTINATIONAL CORPORATION

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Abstract

The report is focusing on quality management system implementation in a transnational company. This organization, which we refer to as Corporation X (hereinafter referred to as CX), is a large multinational, multi-branch organization. It operates over 250 subsidiary companies in what is termed "the CX family of companies". The corporation operates in three broad divisions; CX is operating in 60 countries and is selling products in more than 170 countries now - in 2019. The quality system, which is under implementation is ISO 13 485: 2016 - Medical devices - Quality management systems - Requirements for regulatory purposes.

Keywords: *Quality management system (QMS), Large multinational, multi-branch organization, Medical Products Handling, ISO 13 485: 2016 - Medical devices - Quality management systems - Requirements for regulatory purposes.*

JEL Codes: *L15-Information and Product Quality • Standardization and Compatibility*

1. Introduction

Quality management is an extremely important area of organizational management that includes strategic, tactical, operational and linear aspects of the organization's functioning. The main goal in the material is the revealing of the implementation of ISO 13 485: 2016 - Medical devices - Quality management systems - Requirements for regulatory purposes in large multinational, multi-branch organization. The multinational company, as a complex system with its special characteristics, possesses a number of both universal and specific aspects in quality management.

The goal is achieved by the following tasks, which are structured in the main chapters of the report, namely:

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- 1.Short overview of the multinational company, where the QMS was implemented;
- 2.Basic parameters of ISO 13 485: 2016 - Medical devices - Quality management systems - Requirements for regulatory purposes, which standard represents the implemented QMS;
- 3.ISO 13485:2016 –Implementation in TSD as a part of the multinational corporation CX.

The main methodological approaches used in the dissertation are the following:

1. A System approach that sees organizational and managerial phenomena as complex systems, i.e. as sets of interrelated factors, resources and elements acting as one whole.
2. Structural-functional approach considering the organization, in the case as a structural complex, in which each structural unit fulfills a certain functional role;
- 3.The Design approach, which is an extremely important quality management approach for complex systems, insofar as this approach integrates the various components of the system in the most appropriate way, as well as forms a focus of effort.

2. Short overview of the multinational company, where the QMS was implemented

Corporation X (further mentioned as CX) is big multinational, multi-branch organization. It operates over 250 subsidiary companies in what is termed "the CX family of companies". The corporation operates in three broad divisions; Consumer Healthcare, Medical Devices and Pharmaceuticals. CX is operating in 60 countries and is selling products in more than 170 countries now – in 2019. Every day, our more than 115,000 employees of CS across the world are blending heart, science and ingenuity to profoundly change the trajectory of health for humanity.

CX is founded in 1901. The Corporation produced its first products in 1902 and incorporated in 1911. Those products already featured a logo resembling the signature of the founder - Peter Smith, very similar to the logo used today. It is one of the longest-used company logos in the world.

Corporation X in today's form is created by many efforts, which included:

- Expanding existing capacities and markets;
- Merger and acquisition of various business companies.

The Corporation is headquartered in New York, DC. Its common stock is a component of the Dow Jones Industrial Average and the company is listed among the Fortune 500.

The company has made the 7th largest pharmaceutical settlement with the U.S. Department of Justice. CH's brands include numerous household names of medications and first aid supplies.

- The CX Family of Consumer Companies offers the world's largest range of consumer healthcare products. The baby care, skin care, oral care, wound care, over-the-counter and women's health products feature brands trusted by consumers and healthcare professionals worldwide. By anticipating needs and creating solutions and experiences, CX help people live healthy, vibrant lives.

Medical Devices - Having made significant contributions to surgery for more than a century, the CX Medical Devices Companies are in the business of reaching more patients and restoring more lives. The CX group represents the most comprehensive surgical technology and specialty solutions business in the world, offering an unparalleled breadth of products, services, programs and research and development capabilities directed at advancing patient care while delivering clinical and economic value to health care systems worldwide.

Pharmaceutical Products - The Pharmaceutical Companies of CX address some of the most devastating and complex diseases faced in our time. With advanced biologic and other treatments, CX is investing in a transformative future, changing the way diseases are prevented, intercepted, treated and cured.

The key attention in the work is put on the Technical Service Department /TSD/, which is one of the unit in World Wide Engineering (WWE), which is part (unit) of Corporation X. The Technical Services Department's is accountable for the worldwide technical services of World Wide Engineering (WWE) products. This includes regions directly serviced by the departments and regions that manage their own local service with support from the WWE-TS. To enable effective control over TS activities, the department has three major service regions:

- USA
- EMEA (Europe, Middle East, Africa);
- APAC (Asia Pacific).

A regional Technical Service Managers/Directors head each region. The Managers/Directors directly report to the World Wide Engineering TS Director.

The type of products, which serviced by TSD include durable active medical devices, which are marketed by WWE. These devices are non-disposable, non-sterile, not shelf life limited and not implantable. These devices are referred to in the TSD environment as "Products".

The types of services provided by the TSD are:

- Installation and de-installation of products;
- Maintenance and repair of products;
- Product upgrades;
- Support in the performance of Field Corrective Actions.

All Technical Services Department members are involved in providing technical services to customers. These processes are covering all the services executing by TSD.

The technical service processes, which have an impact on the quality of the WWE products, are so-called after sale technical service provided to customers.

The Regional TS Manager is accountable for technical service in all the countries in the region, the management of the TS team of Field Service Engineers, local suppliers, local depot repair centers, call center support and the regional Back Office support team.

There are two types of countries serviced by TSD:

- Direct Serviced Countries (DSC);
- Non- Direct Service Countries (NDSCs).

In the case of Direct Serviced Countries (DSC), specific Field Service Engineer (FSE) is responsible for service of accounts in each geographical area. In the case, there is the model of the Primary FSE assignment in the Technical Services Application database. According to the workload, tasks may be assigned to other engineers from different areas. In many DS countries, WWE TS staff or their Suppliers directly provide the Field Service.

Within the EMEA and APAC regions, some countries have their own Non-Direct Services., i.e. there are so-called NDSCs. These NDSCs are in written agreement with WWE TS regarding the guidelines of product servicing. In that case, the Field Service staff provides on-site servicing. FSEs are trained and certified to maintain WWE products at field level. The model of NDSCs includes:

- Global controlled technical documents;
- Product traceability is recorded and maintained;
- Complaint and Service Records are recorded through applicable CX channels and local authorities;
- Copies must be provided to WWE upon request or available in the global service and repair data base;
- Spare Parts for NDSCs repairs must originate from the Original Equipment Manufacturer (OEM);
- The Regional WWE TS supports the NDSCs with depot maintenance.
- Non-Repairable spare parts are normally sourced by the NDSC directly from the CX Medical Devices Distribution Center.

3. Basic parameters of ISO 13 485: 2016 - Medical devices - Quality management systems - Requirements for regulatory purposes, which standard represents the implemented QMS

ISO 13485:2016 specifies requirements for a quality management system where an organization needs to demonstrate its ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements. Such organizations can be involved in one or more stages of the life-cycle, including design and development, production, storage and distribution, installation, or servicing of a

medical device and design and development or provision of associated activities (e.g. technical support).

ISO 13485:2016 can also be used by suppliers or external parties that provide product, including quality management system-related services to such organizations.

Requirements of ISO 13485:2016 are applicable to organizations regardless of their size and regardless of their type except where explicitly stated. Wherever requirements are specified as applying to medical devices, the requirements apply equally to associated services as supplied by the organization.

The processes required by ISO 13485:2016 that are applicable to the organization, but are not performed by the organization, are the responsibility of the organization and are accounted for in the organization's quality management system by monitoring, maintaining, and controlling the processes.

If applicable regulatory requirements permit exclusions of design and development controls, this can be used as a justification for their exclusion from the quality management system. These regulatory requirements can provide alternative approaches that are to be addressed in the quality management system. It is the responsibility of the organization to ensure that claims of conformity to ISO 13485:2016 reflect any exclusion of design and development controls.

If any requirement in Clauses 6, 7 or 8 of ISO 13485:2016 is not applicable due to the activities undertaken by the organization or the nature of the medical device for which the quality management system is applied, the organization does not need to include such a requirement in its quality management system. For any clause that is determined to be not applicable, the organization records the justification as described in Clause 4.2.2. of the Standard.

The standard is applicable to a very wide range of products, such as implants, screening and diagnostic equipment, invasive surgery products, dressings, laboratory and other research materials, medical equipment, and even medical diagnostic software. The main focus of the standard is to achieve full compliance with regulatory requirements.

ISO 13485 is applicable to all organizations engaged in the design, development, manufacture and marketing of medical devices, as well as companies engaged in the design, manufacture, delivery, installation and maintenance of medical equipment.

Although ISO 13485 is a stand-alone standard, it is based in addition to regulatory requirements and those of ISO 9001:2017, but includes some specific ones, which are directly connected with the Medical Products. There are such requirements as:

- Risk analysis and management;
- Full traceability of production;
- Hygiene and sterility of production;

ISO 13485 is usually required by the departments approving the manufacture and market ISO 13485:2016 is prepared by ISO/TC 210 - Quality management and corresponding general aspects for medical devices.

LIFE CYCLE

A standard is reviewed every 5 years

REVISIONS / CORRIGENDA

Previously ISO 13485:1996

Now withdrawn ISO 13485:2003

Corrigenda/Amendments ISO 13485:2003/Cor. 1:2009

Revised by ISO 13485:2016.

4. ISO 13485:2016 –Implementation in TSD as a part of the multinational corporation CX

Very important and decisive step in creation QMS in Technical Service Department/TSD/ as part of World Wide Engineering (WWE) was when WWE started to become component of the Corporation X Business Network. One of the requirements to join the Corporation X Business Network was the implementation of ISO 13485:2016 – Quality Management Systems for Medical Devices.

In 2018 in TSD started the process of implementation of Quality Management System, based on ISO 13485:2016. For that purpose, a training was provided for the persons in TSD, who are directly involved in the process of ISO 13485:2016 implementation. Further are demonstrated the instructions and regulations on the base of which the above mentioned persons were trained.

Objectives of the Training concerned ISO 13485:2016 Implementation

Participants have to:

- Review the ISO 13485:2016 Standard and why it's necessary for TSD to comply;
- Express the consequences and impact of not complying with the ISO 13485:2016

Standard;

- Understand the responsibilities of TSD;
- Understand how the Implementation of ISO 13485:2016 Standard will influence the TSD Quality Policy and how it relates to the job responsibilities in TSD.

Important Key Points...

Get trained - Follow your procedures!

-

Know the effect/impact that not doing your job correctly has on the end customer and do your job to the best of your ability!

-

Don't "get ready" ... Be prepared!

-

Know the Quality Policy – what it means to you.

-

If you don't understand a procedure, policy, or why we do things the way we do, please ask your supervisor, or management, your questions are always welcome...

Why Annual Training?

- Refresh and remind;
- Changes in regulations;
- Review internal and external audit results;
- Reinforce your commitment to Quality and Compliance

What are the regulations?

- US – 21 CFR;
- Part 820 – Quality System Regulation;
- Part 11 - Electronic Records & Signatures;
- International – ISO 13485:2016;
- Canada – CMDCAS;
- Europe – MDD.

Quality System Regulation (QSR)

1. Subpart A – General Provisions
2. Subpart B – Quality System Requirements
3. Subpart C – Design Controls
4. Subpart D – Document Controls
5. Subpart E – Purchasing Controls
6. Subpart F – Identification & Traceability
7. Subpart G – Production & Process Controls
8. Subpart H – Acceptance Activities
9. Subpart I – Nonconforming Product
10. Subpart J – Corrective & Preventive Action
11. Subpart K – Labeling & Packaging Control
12. Subpart L – Handling, Storage, Distribution & Installation
13. Subpart M - Records
14. Subpart N - Servicing
15. Subpart O – Statistics

ISO 13485:2016 – Key Procedures

1. Measurement, Analysis and Improvement
 - Corrective and Preventive Action
2. Management Responsibility
 - Management Review
3. Product Realization

- Design > Distribution
- 4. Resource Management
 - Staffing/Training
- 5. Quality System Management
 - Document Controls/Change Control

Why different sets of rules...

- US and International;
- System Approach vs. Process Approach;
- Global Harmonization

Notified Body

BSI - British Standards Institution

- Review Technical Files and Design Dossiers
- Issue Certificates to allow CE Marking

Audits for compliance (conformance to ISO 13485:2016 and MDD)

CE Mark

Required on labeling to sell product in other countries

- Legal representation that we comply
- Advertising

We are “allowed” to place CE Mark by:

- Submitting Technical Files and Design Dossiers
- Reviewed and approved by Notified Body (BSI, KEMA)
- Attestation that we comply
- On-going assessments to ensure compliance

Other Applicable Regulations

GLP - Good Laboratory Practices - 21 CFR Part 58

<http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/CFRSearch.cfm?CFRPart=>

58

GCP - Good Clinical Practices - 21 CFR Part 54 Financial Disclosure by Clinical Investigators; and other applicable sections.

[B] Quality System = Documents

Define

- Quality Manual, Quality Policy

Document

- SOP, WI, PI, PS, ECO, NCMR, IQ, OQ, PQ, DQ

Implement

- Train, understand, perform job accordingly

[B] Quality System Requirements

Management Responsibility

- Establish a Quality Policy;
- Maintain adequate Organizational Structure;
 - ☐ Establish appropriate responsibility and authority;
 - ☐ Provide adequate resources;
 - ☐ Management representative for Quality System;
- Management Review;
- Quality Planning;
- Quality System Procedures;

Quality System Framework

The Quality System is intended to ensure that TSD provides safe and effective products and services in conformance to specified regulations and those products are made available to the worldwide medical community, customers, and patients.

What is the Quality Manual?

- TSD-QM is interpretation and summary of the Regulations and Laws, which pertain to the design, manufacture and distribution of our medical devices, and our policy on compliance with these regulations;
- A Roadmap of the Quality System

Quality Policy

- Meeting our customers' expectations;
- Delivering innovative solutions to improve the quality of life for our patients;
- Collaborating with our worldwide partners to advance healthcare standards;
- Complying with all applicable regulatory laws and standards;
- Maintaining an effective Quality Management System.

For executing the important task of QMS Implementation in TSD was created special task-group under the supervising of the World Wide Engineering TS Director. The EMEA regional Technical Service Manager as a head of the task-group is directly responsible for the activity and for the results of the work of the task-group. The WWE Quality Manager plays an important role as councilor for the task-group.

The first step of the task-group, which furtherly will be mentioned under the abbreviation TG, is the creation of Quality Manual. Basic principles of the Quality Management System in TSD are that, which are expressed in the Quality Policy of CX. Key SOP were developed concretely for the organization and the processes of TSD.

The Task-group consists from five members with different professional orientation, namely:

- EMEA regional Technical Service Manager
- Engineer;
- Engineer;
- Marketing Specialist;
- Logistic and Distribution Specialist.

As an illustration below is demonstrated the title page and page 1 of the Quality Manual.

Table no. 1 Quality Manual - Corporation X, Technical Service Department

Corporation X

World Wide Engineering (WWE) Technical Service Department (TSD) QUALITY MANUAL WWE-TSD ISO 13485:2016

Copy 1

CONTROLLED COPY ☐

UNCONTROLLED COPY ☐

Approved by:		World Wide Engineering TS Director	/s/
Developed by:	WWE Quality Manager	EMEA Regional Technical Service Manager	/s/
Revision		Date of registration:	Effective from:
Quality System Manual WWE - TSD Number:QSM-001 (This document is also available in Spanish)			Rev: ATT Page 177 of 5

1.0 Purpose

The Technical Service Department/TSD/ Quality Manual describes the Quality System implemented throughout the CX family of companies. It outlines the intent and direction of TSD for providing safe and effective products to the worldwide medical community, and it has been prepared to be consistent with the guiding principles set forth in the Thompson & Thompson Quality and Compliance Core Objective. The TDS Quality Manual is comprised of the CX family of companies Standard Operating Procedures and Franchise Shared Procedures listed in FFR-2887.

2.0 Scope

2.1 This document is applicable to all activities at the US, Israel, Belgium and Mexico World Wide Engineering TSD sites. Clinical Research associates located in Jersey are part of the CX family of companies Clinical Research organization and comply with all applicable requirements of the CX family of companies Quality Manual.

2.1.1. CX sponsors clinical and pre-clinical research studies under applicable Health Authority regulations. As such, CX is responsible for the initiation and monitoring of outsourced clinical/pre-clinical studies.

2.1.2. Written agreement(s) specifying obligations and applicable quality/regulatory requirements for the provision of clinical and pre-clinical research are maintained by CX.

2.1.3. TSD is responsible for reporting adverse events associated with approved products for clinical studies to applicable health authorities.

2.2 The Quality Manual applies to all administrative personnel associated with the design and development, manufacturing, processing, packaging, storing and delivery of the CX family of companies' products and Own Brand Labeling (OBL) products. Any reference to CX, throughout this Quality Manual applies to all organizational units and locations as outlined within this document.

THIS IS PRE-RELEASE VERSION FOR TRAINING PURPOSE ONLY.

5. Conclusion and Recommendations

In conclusion, it is necessary to summarize the following: Modern quality management, systems expressed through the regulations of a number of international standards form the key conditions for large organizations to achieve highest level of functioning, as well as to follow the efforts for continuous optimization of activity.

In the case of the proposed example of a large multinational organization dealing with medical products, the highest level of quality is ensured by the the international standard ISO 13485: 2016. In this sense, a guarantee of high quality is the existence of a managerial will, which is following the regulations of the implemented QMS and is using the instruments offered by it for the functioning and the optimization of the performed activity.

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GUIDELINES FOR IMPROVING THE QUALITY OF TRANSPORT SERVICES PROVIDED BY RAILWAY CARGO FORWARDERS

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Abstract

The Republic of Bulgaria's membership in the EU has led to deep reforms in the transport sector. After the liberalization of the transport market, private railway cargo operators began operating within the country, leading to increased competition and improved quality of services. The "BSR Cargo Freights" Ltd. state enterprise failed to restructure itself and lost customers, with its market share dropping below 50% at the end of 2018. Its rolling stock is obsolete, resulting in operational problems and deteriorated quality. Despite the difficulties it faces, railway transport is much more energy efficient and more environmentally friendly than automobile transport. The realization of ecological goals gives railway transport major advantages over other types of transport. The subject of the present article is to offer effective approaches for improving the quality of transport service. The information which has been used for this purpose is the result of the implementation of techniques such as surveillance and polling.

Key words: *quality of cargo freights, stable improvement of the quality of transport services*

JEL Codes: *R 40, R 41, R 49*

Introduction

"BSR Cargo Freights" Ltd is a trading company, with 100% ownership of "Holding BSR" SJSC whose Board of Directors exercises sole owner rights. The association is part of a holding structure where the mother company – "Holding BSR" SJSC, is a management center for strategic development and control, creating guidelines and goals, and the subsidiaries – "BSR – Passenger Freights" Ltd. and "BSR – Cargo Freights" Ltd., follow the management strategy and carry out the primary business

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activities of railway carriers. The Association's subject of activity is carrying out railway cargo freights in internal and/or international messages, leasing locomotive traction and wagons for cargo freights, maintenance and repair of traction and rolling stock, as well as every other activity that is not legally prohibited. The association holds an indefinite license for railway cargo freights, issued by the minister of transport, information technology and messages; said license is re-examined during certain periods and on occasions planned in applicable law. In recent years, the financial situation of "BSR – Cargo Freights" Ltd. has been severe. In its short 10-year history, "BSR – Cargo Freights" Ltd. has reported negative financial indicators which result from the environment, as well as ascertained failures in activities and processes within the association. The total accumulated loss for this period is approximately 131 million BGN. During the 2007-2009 period the association is run through an unstable business model where income and expenses are determined in an administrative and non-transparent way. This reduces visibility on the state of business and impedes the making of objective managerial decisions. As a result, in 2009 "BSR – Cargo Freights" Ltd. generates an operating loss of 25 million BGN against an income of 137 million BGN (the profit/loss indicator prior to interest, taxes and depreciation – EBITDA). The 2010-2013 period is a period of reforms which eliminates the previous unstable business model and expenses start to be controlled in relation to income. In 2011 the company manages to reverse the trend of yearly contraction of the volume of work and increases the volume of transported tonne-kilometers. As a result, the association gradually manages to gain operating profit in 2013. In 2014 the reforms stop. With the decreasing volumes of work, the revenue drops, expenses rise again and the association returns to a state of operating loss, with its own funds contracting by about a third, reaching 54 million BGN. While the income from the association's main activity continues to drop during the 2015-2016 period, the effect from the undertaken reforms is reflected in the association's improved financial indicators. In 2017, for the first time since 2012, "BSR – Cargo Freights" Ltd. achieves a growth of 49 tons of transported cargo. Revenue has increased by 3% and expenses – by 5%. In order to retain its positions on the market in the conditions of increased competition on the part of both private railway carriers and alternative automobile transport and to keep their current customers, "BSR – Cargo Freights" Ltd. have to make daily efforts to improve the quality of freights, shorten delivery deadlines, prepare wagons for loading/unloading in a timely and precise fashion, and offer information on wagon tracking at every single moment during freights.

1. Analysis of transported tonnes of cargo and realized revenue for the 2009-2017 period

Table no.1 Analysis of transported tonnes of cargo and realized revenue

In BGN (thousands)	2009	2011	2013	2015	2017
Financial indicators					
Earnings – Total	125 525	167 396	129 941	114 125	97 669
Volume indicators					
Transported tonnes (thousands)	10 633	11 607	8 861	8 316	6 201

Source: The association's financial report for 2017

As the table indicates, sales revenue for the 2009-2017 period show a 22% drop, which could be attributed mainly to the 42% drop in freight volume. The main factors which lead to the emergence of this trend include: 1) The reduction of the share of railway transport as part of land transport (see Table 2) as a result of low competitive power; and 2) The association's ineffective management in recent years.

Table no. 2

Types of transport	2009	2012	2015	2016	2017	2017 / 2009	Share in land transport
Land	87 085	102 542	123 626	121 910	123 779	142.14%	
Automobile	54 700	65 282	85 234	82 543	83 370	152.41%	67.35%
Pipeline	19 095	24 790	23 757	25 141	24 705	129.38%	19.96%
Railway	13 290	12 470	14 635	14 226	15 704	118.16%	12.69%

Source: NSI

The table makes it clear that the share of railway transport in land transport shows a trend of steady decline in the 2009-2016 period, dropping from 15% to 12%. Presently, over 10 000 companies in Bulgaria have valid licenses for carrying out international automobile cargo freights. The share of automobile transport has increased by 5% for the 2009-2016 period, whereas the share of railway cargo freights has dropped by 3%. In relation to the aforementioned trend, it is expected that the introduction of a toll system covering high-capacity cars over 3,5 tonnes in 2018 will increase the expenses of automobile carriers, which will have a positive effect on railway transport with a 15% increase in carried out freights. It should also be noted that there are other private railway carriers on the market, the strong competition from which has resulted in “BSR – Cargo Freights” Ltd. losing niche markets and customers.

Table no. 3 shows the volume of freights carried out by licensed railway carriers during the 2010-2017 period (thousands of tonnes).

Table no. 3

	2010	2011	2012	2013	2014	2015	2016	2017
Bulgaria – Total	12940	14152	12470	13539	13691	14635	14226	15704
BSR CF	10778	11607	9770	8861	8658	8315	6201	5988
% BSR CF	83%	82%	78%	65%	63%	57%	44%	38%
Competitors	2162	2545	2700	4678	5033	6320	8025	9716
% Competitors	17%	18%	22%	35%	37%	43%	56%	62%

Source: NSI

The table shows that the market share of “BSR – Cargo Freights” Ltd. for the 2010-2017 period is 83%. Presently, it is 38%, i.e. it has dropped by 45%, whereas the share of private carriers indicates the same percentage of growth.

2. Analysis of the quality and user satisfaction for the enterprise

The indicators which characterize user satisfaction include: service quality; range of provided services; competence of attending personnel; staff commitment in the solution of customers’ problems; staff courtesy during customer contact; the staff’s communication skills; and last, but not least – service prices.

In order to determine the main problems regarding the association’s functioning and competitive power, a marketing study was carried out through polls to evaluate the quality of offered services and other predetermined indicators of the association’s primary customers for the 2014-2017 period (see Table 4):

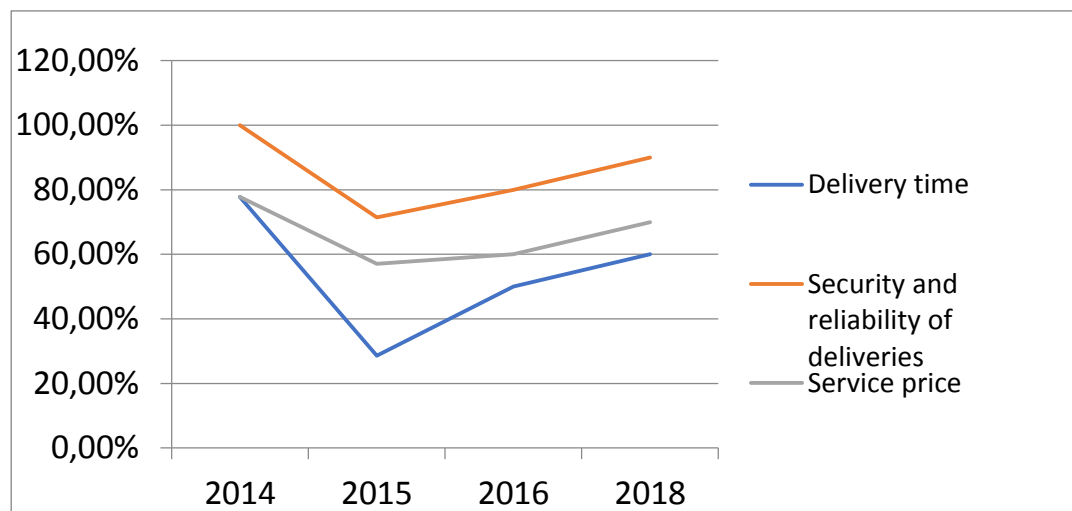
Table no. 4 Analysis of the quality and satisfaction indicators

Evaluating satisfaction in %	2014	2015	2016	2017
Evaluating the quality of offered services	88.9%	60.5%	75.0%	72.5%
Evaluating the preparation and execution of transport services	77.7%	57.2%	70.0%	90.0%
Evaluating the offers	61.2%	49.3%	65.0%	90.0%
Individual approach towards customer demands during specific inquiries	0.0%	71.4%	90.0%	85.0%
Sufficient and complete information about services	55.6%	57.1%	90.0%	95.0%
Evaluating the ways and deadlines for placing orders and carrying out freights	77.8%	65.7%	70.0%	85.0%
Evaluating offered prices and methods of payment	77.8%	67.9%	60.0%	80.0%
Evaluating the observation of legal deadlines for processing and arranging claims	66.7%	85.7%	80.0%	90.0%
Evaluating cooperation between employees in the face of problems that arise during freights	88.9%	71.4%	100.0%	100.0%
Evaluating the assortment/types of offered products/services	50.0%	42.8%	60.0%	85.0%
Evaluating employee professionalism	55.6%	85.7%	80.0%	40.0%
Evaluating the ways of contacting employess	55.6%	57.2%	70.0%	70.0%

Evaluating the site of “Holding BSR” SJSC/ “BSR – Cargo Freights” Ltd.	88.8%	75.1%	90.0%	90.0%
Degree of satisfaction with the work of “BSR – Cargo Freights” Ltd.	77.8%	41.4%	70.0%	100.0%

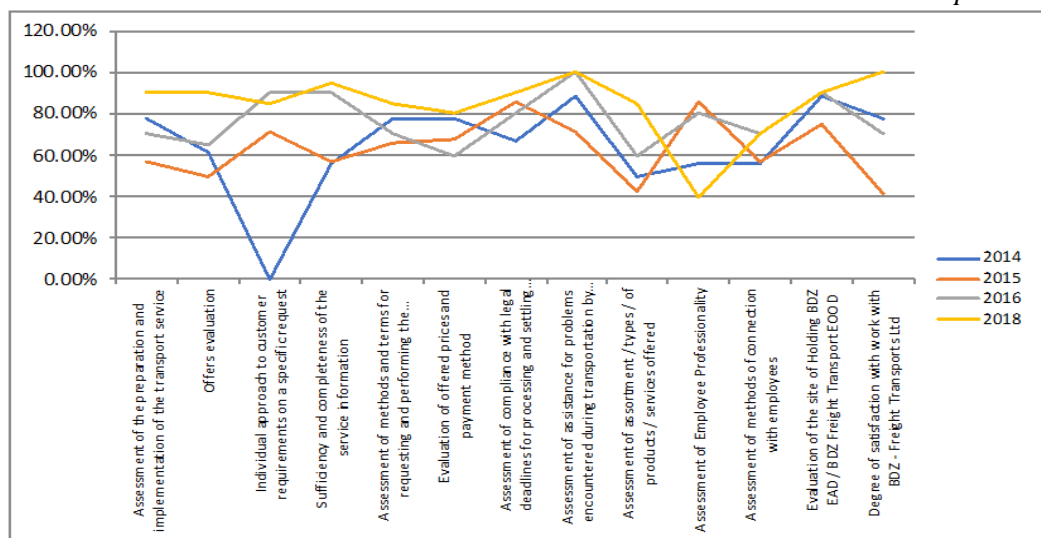
Source: Questionare survey

Figure no. 1: Evaluation of the quality of the offered services



Source: Author

Figure no. 2: Gradation of the importance of marketing criteria on the quality of the services provided



Source: Author

The lack of quality and competitive power of offered services results from the influence of ineffective processes and significant excess capacity of assets and personnel, which have a direct influence on the association's constant and variable expenses which determine the association's rate of pay for the offered services. In order for "BSR – Cargo Freights" Ltd. to make its business flexible and permanently profitable and start reacting adequately and proactively to market realities, its management should undertake adequate and immediate actions.

3. Analysis of the age composition of the locomotive fleet

By October 30 2017, "BSR – Cargo Freights" Ltd. has 207 locomotives, 65 units of which are classified as "assets held for sale". They are also evaluated by independent appraisers and will be offered for sale in 2017/2018. The association also owns 142 locomotives with which it performs its operational activity. They are shown according to age composition in the following table:

Table 5: Age composition of the rolling stock of BSR "Cargo Freights" Ltd. – 2017.

Type of TRS/ Age composition	Series	Inventory park					Total
		Up to 10 years	11 - 20 years	21 - 25 years	26 - 30 years	Over 30 years	
train, diesel	06	0	0	0	0	17	17
train, diesel	07	0	0	0	0	15	15
train, electric	40	0	0	0	0	48	48
train, electric	46	0	0	0	8	9	17
shunting engines, diesel	51	0	0	0	0	3	3
shunting engines, diesel	52	0	0	0	0	9	9
shunting engines, diesel	55	0	0	0	0	27	27
shunting engines, electric	61	0	0	6	0	0	6
Total		0	0	6	8	128	142
Age composition		0,0%	0,0%	4,23%	5,63%	90,14%	100%

Source: The association's financial report for 2017

The aforementioned information makes it clear that 90,14% of the association's locomotives are over 30 years old. The restoration of the technical parameters of this physically obsolete fleet requires an average of 12-14 million BGN annually. The association performs its operational activities with an average of 103-105 locomotives per month. The Association's traction rolling stock in 2017 is serviced and maintained in technical readiness by 4 locomotive depots.

4. Analyzing the age composition of the cargo wagon fleet

*Table 6 Age composition of cargo wagons, property of
“BSR – Cargo Freights” Ltd.*

Type of wagon	10-15 years	15-20 years	20-25 years	25-30 years	Over 30 years	Total
Covered, 4-axle		11		64	232	307
Platform			103		826	929
Open				344	1 299	1 643
Grain carriers				306	282	588
Ore carriers				248		248
Selliform				288	85	373
Hopper-wagons					21	21
Cisterns		12		95	275	382
Refrigerative					50	50
Cement carriers				92	31	123
Boat					1	1
Guides					209	209
Manure carriers			4	13	1	18
Passenger					3	3
Total	0	23	107	1450	3315	4895
Age composition	0,00%	0,47%	2,19%	29,62%	67,72%	100,00%

Source: The association's financial report for 2017

As the table shows, “BSR – Cargo Freights” Ltd. has a large capacity of different types of cargo wagons; however, the constant lack of financial resources in recent years has made it difficult to maintain the good technical condition of a large portion of the rolling stock. Almost 68% of the wagon fleet is over 30 years old. Of the total number of cargo wagons the association has at its disposal, 1156 units are classified as assets held for sale and are on standby for carrying out regulatory transactions.

5. Inferences

In recent years, the financial crisis and the gradual changes in the structure of Bulgaria's economy have led to a drop in the production of heavy industry, which in turn has resulted in smaller amounts of cargo suitable for railway transport freights – the number of freights of raw materials, machines and facilities, mineral coal, petroleum, construction materials, etc. has dropped. The association's difficult financial situation is a prerequisite for the impossibility to invest in the maintenance of the good technical condition of the rolling stock and the execution of repair programmes for the planned periods. At the same time, the intense competition from automobile cargo transport on one hand and the large number of licensed carriers on the other has led to the necessity for “BSR – Cargo Freights” Ltd. to improve the way it manages its relations

with its customers in order to possibly achieve the positive effect of keeping said customers and its reflection on the association's market and financial results. Retaining and developing the customer base is an element of loyalty, which in turn is influenced by customer satisfaction. One of the conditions necessary for monitoring and managing influence in the "market and financial results – loyalty – satisfaction" is the systematic examination of user criteria regarding the quality of offered services and the indicators for customer satisfaction. It is also necessary to constantly accumulate information regarding the attitudes and behavior of the enterprise's customers. In order to stably improve the quality of offered services and customer satisfaction with the cargo freight services that "BSR – Cargo Freight" Ltd. provides, it is necessary to improve the association's technical-economic indicators by adopting adequate measures and actions towards optimizing operational activities and eliminating ineffective ones.

6. Guidelines for improving the quality of services offered by "BSR – Cargo Freights" Ltd

The enterprise's transport service is a complex process where the activities of all sections in the association – marketing, sales, operation and finances – intersect and complement each other. The stable development of its quality has to involve the adoption of complex measures for overcoming the aforementioned problems and achieving short-term and medium-term objectives. In order to improve the quality of offered services, it is crucial to maintain the good technical quality of the rolling stock and carry out preliminarily planned repairs of cargo wagons and locomotives in a timely fashion. It is also necessary to improve control of wagon transfer and reception by customers, as well as control during loading and unloading operations; strict control should also be exercised on the technical condition of locomotives during traffic.

Improving the quality of services depends on shortening cargo delivery time, which in turn reduces wagon turnover. For this purpose, it is necessary to: deliver wagons to customers for loading and unloading in a timely fashion, as well as shorten the time at from the wago's arrival in its starting/receiving stations to its delivery to customers for loading/unloading; improving the organization of work for maneuvers in starting stations in order to optimize wagon arrangement and minimize maneuvers in receiving and transit stations; offer wagons with improved design to customers in order to improve the quality of cargo storage and shorten the time for loading and unloading operations. The enterprise should also improve its communication with customers by exchanging daily information on solving emerging problems and creating an organization for loading and unloading of block-trains. Customers should also be notified in a timely fashion about changes in regulations when unusual packages, dangerous cargo and cargo under customs control are transported. Customers should also: a) be informed about interruptions in train movement due to routine and emergency repairs along the republic's infrastructure, when packages are transported along circuitous routes; and b) offered respective prices in a

timely fashion. The system for managing and planning results should be used effectively in order to optimize the allocation of empty wagons for loading and minimize vacant runs. It is also necessary to improve the system for communicating with the systems of other railway carriers included in the freight process, in accordance with the Commission's Regulation № 1305/2014 from December 12 2014 about the technical specification for operative compatibility regarding the "Telematic Applications for Cargo Freights" sub-system of the EU's railway system. Information should be exchanged about departing wagons, arriving wagons, wagons received at border passages, as well as data regarding waysbill ways for the purpose of introducing electronic waysbill ways in international messages and inform customers via e-mail about the condition of packages and their movement. The quality of the "transit freight" service can be improved by reducing transit time by 50%, minimizing the prerequisites for cargo damage, and offering options for providing wagons that carry precious cargo with additional security. Increasing the qualification of workers and employees is also crucial to the improvement of the service. Employers should be aware of problems in enterprises, of their short-term and medium-term goals; the introduction of a system for additional payments will also increase their motivation.

7. Conclusion

"BSR – Cargo Freights" Ltd. is the most environmentally friendly carrier of heavy cargo over long distances in the Republic of Bulgaria. The association's ambition is to become the most effective carrier in the future and to offer flexible services for all industries in the Republic of Bulgaria and the region. The strategy for its future stable development needs to be orientated towards resources and consistent with the competitive situation on the market. Resources offer full competitive advantage only when they are applied to the market dynamic appropriately. The strategy of "BSR – Cargo Freights" Ltd. for achieving success on the cargo market consists of developing several key internal resources and using them to offer a broad product portfolio to all types of customers. Said key resources are: 1) Availability of the capacity for traction and transport railway rolling stock, i.e. magnitude and variety, in order to satisfy the needs of every customer in Bulgaria, and with transit international cargo as well; and 2) In-depth experience and specific professional knowledge in the construction of railway transport services under measure for individual customers within the Republic of Bulgaria and abroad. The stable development of "BSR – Cargo Freights" Ltd. can be achieved by improving the quality of transport services, i.e. only by modernizing the rolling railway stock, introducing a modern staff management system in order to maintain high competence, motivation and satisfaction, and improving working conditions in order to eliminate risks and prevent injuries and illnesses among the crew, as well as maintaining a high level of safety for services.

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GOOD PRACTICES IN THE NIGHT TOURISM – CASE STUDIES FROM BULGARIA

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Abstract

The tourism at night is a term that is usually associated with all the negative aspects of our modernity – alcohol, drugs, prostitution, gambling, violence, etc. In many cases Bulgaria makes no exceptions. Some of our best-known resorts have become world famous in spreading these phenomena and instead of competing with beautiful beaches and nature, we are popular as a destination which offers cheap alcohol and other entertainment. The night-time economy could generate significant revenue and tourism offers legal opportunities for this to happen which may differ greatly from these negative phenomena. In this article we aim to explore events as an opportunity to overcome the negative aspects of evening tourism as an essential part of the evening economy. We define them as an essential element in overcoming the negative image of Bulgaria as a tourist destination and a marketing tool for its promotion. The legislation in our country largely allows or at least does not prohibit the night entertainment, which is a prerequisite for organizing a number of night events that, through appropriate advertising and wider promotion, can change the image of Bulgaria as a tourist destination. Subject of research will be a number of positive practices which, on the one hand, consider the opportunities offered by the night life and on the other hand promote education, culture, history and the nature of our country. In order to achieve the goal set out in the article, we have applied the system approach, observation, abstraction, expert analysis, and some general science principles such as objectivity, dialectic, concretization, unity between theory and practice, system analysis, induction, deduction and others.

Keywords: tourism, events, night economy, night tourism

JEL Codes: L83, G14

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1. Introduction

In recent decades, tourism has grown considerably and is continuously expanding its scope to global reach. Data from recent years show an unprecedented increase in travel, revenue, tourism and jobs. Competition, or in other words the race for ideas, the development of new technologies, the tendencies in the perception of the surrounding world and the surrounding space, as well as the aspirations of people to self-cultivation and the search for the beautiful and aesthetic in all their manifestations are just some of the challenges for the modern entrepreneurs in the field of tourism. We are witnessing tourist demand of a new type that, in its scale, tendencies and essence, is the result of the increasing demandingness of customers and the entry of new competitors with innovative models of work. As an activity, however, it is accompanied by a number of negative phenomena that have a negative impact on destinations. That is why the tourist entrepreneurs are looking for effective ways to overcome them and develop profitable strategies for improving the image in the hosts. In this paper we will focus on the presentation of some good practices from Bulgaria in the organization of evening events. Our goal is to prove that events are an effective means of overcoming the negative consequences of tourism. The promotion of the positive aspects in the management and organization of the Bulgarian tourism through the organization of spectacular evening events is an opportunity to popularize our country and to attract an additional number of tourists outside the traditional contingent and the major tourist seasons that our country is familiar with.

2. Layout of the problem

Tourism as a tertiary sector of the economy is accompanied by a number of activities that have a direct and indirect impact on its development and trends. Nowadays, it has been recognized as the **world's largest service area**. The tourism industry generates 10.4% of global GDP, 6% of world exports and 30% of exports of services in 2018. Despite the political and military conflicts as well as the terrorist attacks, international cross-border trips grew by 5.5% compared with 2017. The number of nights reported growth by 3%, with average spending rising by 4% per night. The urban trips, which mainly relate to evening tourism, also reported and increase of 8%. The direct economic impacts of industry, including accommodation, transport, entertainment and attractions, has amount approximately \$ 8811 billion in 2018. International outbound travel trips increased from 528 million in 2005 to 1.4 billion in 2018, according to a World Travel Monitor survey and IPK International results (IPK International, 2019).

This is the highest result of this industry for the past seven years, according to the UN World Tourism Organization (UNWTO, 2019). The biggest increase in visits of 8% was recorded by European countries and Africa. A total of about 671 million tourist trips

were made in the countries of Europe in 2017, while Africa was visited by 62 million tourists, a record for this region. The number of tourists is steadily increasing in almost all other parts of the world:

- in the Asia-Pacific region by 6% - up to 324 million visitors;
- In the Middle East (+ 5%) - 58 million and 207 million tourists;
- in North and South America (+ 3%). (UNWTO, 2019).

The growth of tourist traffic in 2018 is linked to the **global economic recovery** as well as the revival of tourist markets in countries like Brazil and Russia after a period of long decline. Indeed, the tourist industry recovered in extremely short time after the 2008 crisis, the only year in which travel was reported was 2009. The upward trend of tourism development has been seen since the 1950s since the official tourism statistics.

The development of tourism in our country is also interesting. According to Gatovski (2013, p. 377), Bulgaria's favorable geographic position is a key factor in the development of tourism and determines its importance for the country's economy (Gatovski, 2003). The statistics on the **state of tourism in Bulgaria** in 2016 show that just over 3.8 million were Bulgarian citizens who have made travel trips. 83.4% traveled only in the country, 12.9% only abroad, and 3.7% - both in the country and abroad. 8.2 million were foreign tourists who visited Bulgaria in 2016. Compared to 2015, the total number of tourists over 15 years grew by 11.5%. **The majority of the tourist trips in the country and abroad were for rest.** Concerning expenditure, the biggest share in the country is for food - 40,3% and for abroad - for transport - 32,7%. In 2016, the average cost of traveling for personal purposes was 176 leva in the country, and abroad - 502 leva. At the same time the cost of one person for professional travel is on average 160 leva in the country and over 1000 leva abroad (NSI, 2017).

In 2017 there were **3331 places for accommodation** in Bulgaria with over 10 beds - hotels, motels, campsites, chalets and more. The number of rooms in them is just over 140 thousand, and on the beds - 328 thousand. Compared to 2016, the total number of accommodation places increased by 4% and beds in them increased by 1.8%. The total number of overnight stays in all accommodation places in 2016 is 25.2 million, or 17.7% more than the previous year. The trend for more nights in the high-end hotels is confirmed. In 2016 hotels with 4-5 stars accounted for 66.2% of the total number of nights spent by foreign citizens and 31.5% for Bulgarians. In the 3-star places, 25.1% of the overnight stays of foreigners and 29.1% of Bulgarians were realized. For last year, **only accommodation revenues reached 1.22 billion leva**, or 18.9% more than in 2015 (Marinova, 2017). 2016 has made a peculiar peak, as summer tourism continues to lead due to the peculiarities of our country, but winter tourism is booming, especially in the last two years.

These data eloquently show the exceptional development of tourism in the world and in Bulgaria. Indicative among the reported trends is the dominant role of holiday sea and winter tourism, which remain the most popular and most sought types of tourism.

Although the supply of the tourist product has diversified over the years, in our opinion tourism demand will in the future be dominated by these types of tourism.

This expansion in tourism is unfortunately also accompanied by some negative phenomena, with which our tourist product has become known worldwide. Bulgaria is popular with the offer of cheap mass tourism. That's why our country is visited by many young tourists who come here to consume cheap alcohol and enjoy active night-time tourism, which is also accompanied by a number of negative phenomena. Sunny Beach has not once been part of the world's negative news with events such as - a drunken Swedish tourist kicked out a maid, a drunken tourist fell off the fourth floor in a hotel, showdowns, arrests and more. For our country were broadcasts of films that showed the dark side of the night tourism offered on our Black Sea coast.

Research on the subject of evening tourism is extremely small and covers some aspects of the problem. In Bulgarian specialized literature, questions about evening tourism have not been studied. There are separate publications that point to the negative effects of globalization without specifying specific events. This article is an attempt to direct the analyzes to the opportunities to draw positive examples in the management of evening attractions that will not only improve the image of Bulgaria, contribute to its popularization as a positive experience in their organization, will improve the performance of tourism, will enhance the cultural identification of the country and others. In order to achieve the goal set out in the article, we have applied the system approach, observation, abstraction, expert analysis, and some general science principles such as objectivity, dialectic, concretization, unity between theory and practice, system analysis, induction, deduction and others.

3. Literature Review

The researchers state, that the current model of nightlife tourism is a model based on alcohol and illegal substances as facilitating elements which help the users to quickly get into a party mood, to endure many hours dancing or going from one club to another, to lose their inhibitions, and so on. Alcohol, then— often accompanied by other substances – is an inherent part of youngsters' concept of night life fun. The way young people consume alcohol often follows the pattern of *binge drinking* (defined as the consumption of 5 or more units of alcohol drunk successively in a single session), or simply “drink until you're drunk”, which largely amounts to the same thing (Calafat et al., (2011), p. 13).

Another of the main problems deriving from substance abuse in the nightlife context is that of interpersonal violence. Numerous studies have shown the relationship between alcohol abuse and violence, even in terms relative to the amount of alcohol consumed. Wounds to the head or other parts of the body from broken glass (mainly

bottles) as a result of fighting are commonplace in nightlife recreational contexts (Calafat et al., (2011), p. 14).

The situation in tourist destinations in which night life is a major attraction often leads to an intensification of the problems that already occur in the recreational life of the tourists' cities of origin. The young people drink more, they are geared up for new experiences and meeting new people, and so on. This particular mood and attitude interacts with the local conditions (Calafat et al., (2011), p. 14). There is also a similar situation in Bulgarian Black Sea resorts, which makes us look for ways to overcome the night-time economy. In our opinion, our resorts can organize a number of night events that instead of focusing on the negative effects of nightlife, will promote the education, culture, history and nature of our country. In a number of ways, we already have a number of positive practices in this direction. Before we analyze these good practices, we will clarify the essence of the events and determine their role in overcoming these negative trends.

At the heart of the etymology of "event tourism" is the term "event", which has a **wide meaningful range**. According to the contemporary vocabulary, "an event is a significant fact of public life; something that happened. " The acclaimed representative of Event Management theory Joe Goldblatt agrees that **the term "event" means everything that is out of the ordinary everyday life**. This broad definition is narrowed down in the theoretical positions of other researchers, which place emphasis on event orientation and the specific interests of visitors. They identify the concept of "event" with "what intrigues the audience, by attractiveness and focusing on specific tastes, desires and needs." (Goldblatt, (2007).

Events are special celebrations that are planned and organized on site by various public institutions or private organizations. Typically, they contain a number of activities. Events can be a form of tourism, and precisely in this aspect they are an object of interest for our research. In this case, the content of the event is tied to the **specific resources of the place** where it is held. In this way, it attracts potential visitors and does not harm the environment, as tourism programs are planned depending on natural or other tourist resources and values.

There are many definitions of event tourism, and we assume that it is best one to say the following: "These are short-term localized tourist attractions that are organized and conducted once or periodically to retrieve specific benefits from the host community. Their effect is most often related to gaining popularity or raising the positive image as well as to political, economic and cultural prosperity by attracting participants and visitors to the area or the tourist site "(Neshkov, 2002).

Extensive analysis of literature gives us reason to summarize that the main areas of research and publications about tourism events are in the field of their economic impact, followed by marketing of various types of events, sponsorship, event management and trends. Summarized, we can say that different studies define events from two different

points of view: depending on the characteristics of the event itself and in terms of the possibilities for tourists to enjoy the holiday, social and cultural experience.

4. The role of events in overcoming the negative effects of night-time tourism

The organization of tourism events has a **positive impact on the location and region** because it generates economic profit based on revenues from the sale of products and services from various activities related to them. This also increases the tourist flow, which improves the quality of tourist services and infrastructure.

Destinations develop, facilitate and promote events to achieve several **goals**:

- to attract tourists, especially in out-of-season periods,
- To serve as a catalyst for city renewal and to improve the infrastructure and capacity of the destination,
- promote the positive image of the destination
- Make the destination a better place to live, work and invest. (Getz, D. (2007), p. 404.)

Event organization aims to make full use of the destination's opportunities to encourage the development of the tourist product. The evolution of Event Management has recently led to the emergence of an industry that promotes rapid globalization on the market.

Ensuring a complete analysis of tourist destinations requires the study of various interrelated factors such as natural and cultural resources, infrastructure, services, promotional materials. The existing literature demonstrates that the attractions of the area are formed by the combination of different sources such as **physical** (architecture, parks, monuments and transport), **geographic** (location and morphology), **cultural** (sporting events, festivals, theaters and concerts) and **heritage** (castles, churches, historic areas) (Kolb, B. (2006). The combination of all these elements draw the tourist experience and should be considered in formulating a strategy for positioning the destination.

A crucial question is to understand and define the structural elements of the destination from temporary elements such as events. Getz offers a landline typology based on three parameters: environmental resources, sustainable man-made resources, but not those specifically designed to serve tourists and events.

More and more events are seen as an **integral part of tourism development** and marketing planning. Although the majority of events have occurred for non-tourist purposes, such as religious holidays, sports competitions, traditional festivals, or cultural celebrations, it is clear that they tend to be used by the tourism industry or to create them as a tourist attraction.

Existing researches on tourism events proves that the popularity of the destination and its image can be greatly increased by organizing even a single event (Monga, M. (2006).) They also have a significant impact on destination marketing and its strategies

Sometimes an event may be the only competitive advantage in an area, region or even a country (Getz, D., Smith, S. (1994).) Therefore, the study and knowledge of events and the assessment of their occurrence the impact on the development of the tourist destination is of the utmost importance for enhancing its competitiveness in the turbulent tourism market and can also become a significant factor in overcoming the negative effects of the night economy In the future, events that meet the needs of tourists and supply using effective media will become a constant goal of all organizations trying to maximize the profits from tourism in destinations (Getz, D. (2008).

The success of the tourist event, at the same time, depends to a large extent on the integration of various agents to achieve good results. The event may have different effects on the economic, social and environmental spheres of the place where it takes place. A number of researchers highlight the positive role of events in the region in which they are taking place, which we have discussed above. We could summarize that events have both economic and social benefits for tourism, if they are well planned and organized to provide a constantly unique and enjoyable experience for people who choose to visit it. That is why we will offer some successful practices from the organization of night events in Bulgaria.

5. Good practices from Bulgaria in organizing night events

The review of evening events held in Bulgaria gives us reason to focus on some of the successful examples in this regard. The sample of the investigated events is not representative and represents only a small part of the opportunities provided by the night to improve the negative practices of evening tourism. Focusing our efforts in this direction in the future may turn our country into an example of overcoming them.

The most recent event, which was successful for another consecutive year, is "The European Night of Museums in Sofia". Traditionally in recent years only in Sofia more than 50 museums and galleries are included in the event and welcome thousands of visitors with free entrance. The European Night of Museums was organized for the first time in 2005 in France and for only a few years it has spread successfully across Europe. In its format, the European Night of Museums is a widely open program, to the widest possible range of people who have the opportunity not only to touch the exhibits and works exhibited by museums and galleries but also to their messages. The event is organized by the French Institute in Bulgaria, Sofia Municipality and the Ministry of Culture of the Republic of Bulgaria (Art Sofia, (2019)).

The festival "Night of Museums and Galleries" - Varna 2018 is also interesting. Over 50 events within 2 days and over 60 locations cover the third edition of the festival. Many new places and spaces are included with an attractive program and activities. On the first day of the festival more than 10 exhibitions were opened in different galleries and spaces. Also not missed is the music program, which this year includes special guests

- Tapi Project group from India. There are also concerts in the Ethnographic Museum, the New History Museum of Varna, the Archaeological Museum, the Social Tea House and the HATORI. Further screenings of films, avant-garde spectacle, art installations, curious collections, summer cinema in the courtyard of the French Cultural Institute accompanied by a thematic party took place. "Night of Museums and Galleries" is organized with the support of the Culture Fund of Varna Municipality (Visit Varna, (2019)).

In May, from 18 o'clock to 22 o'clock, European translation literature is read in twelve Bulgarian cities - Bourgas, Varna, Veliko Tarnovo, Gabrovo, Dobrich, Pazardzhik, Pernik, Plovdiv, Rousse, Sofia, Stara Zagora and Shumen. The main organizers of the event are the embassies and cultural institutes of European countries (EUNIC Bulgaria and others), the Representation of the European Commission in Bulgaria, the Children's Book Foundation and the Next Page Foundation. Night of Literature is an international event that aims to popularize contemporary European authors. In each of the participating cities there are readers which include famous actors - actors, radio and TV presenters, musicians, celebrities and others. This year for the first time Night of Literature is also turning to Bulgarian literature in translation. In the new series, which is realized with the assistance of a House for Literature and Translation, contemporary Bulgarian authors will sound in translation in different European languages (Art Sofia, 2019).

"The Ensemble of the Ensembles" in Sofia enjoys an exceptional interest from the Bulgarian public. The three biggest Bulgarian folk ensembles - emblems in our music and dance art - ensemble Philip Kutev, Trakia and Pirin performed a spectacular show. The event is unique, bringing together more than 150 people in the rhythm of true Bulgarian folk music. The participants change different costumes from all the folklore regions of Bulgaria and go on stage in several consecutive games. The stunning show of some of the best dancers, singers and instrumentalists in Bulgaria will conquer the villagers with the beauty, dynamics and color of folkloric folklore (Ticketportal, 2019).

In March 2018 in the Arena Armeec hall was held the seventh Night of the Stars. The event was attended by representatives from 11 countries. The show presented: 5 Guinness Records; 6 prize from Monte Carlo; 20 extreme stunts; Comrade Broadway; live torpedo; man spider; a deadly crossbow and many other surprises (Arena Armeec, 2019).

One of the most popular evening shows is the "Sound and Light" show, held in Veliko Tarnovo. The idea of the show is from the late 1960s. At the beginning of the archaeological excavations and the restoration of the Tsarevets fortress, the possibility of restoring the bell tower of the Patriarchal Church and putting a bell to ring at certain times was discussed. 630 km of cable network over an area of over 100 acres, 2,400 color floodlights, 140 lightning bolts and 6 real beating bells weighing from 600kg to 6t are included in a computer-controlled system to showcase this a unique attraction. Over BGN 10 million are invested in the construction of the audiovisual performance (Tourist Information Center of Veliko Tarnovo, 2019).

Without claiming exhaustiveness, we will present another interesting event from Bulgaria. It's about **Julia Morning** (July Morning - Julian Morning). This is a tradition of hippie movement to meet the sunrise on July 1st. The symbolic welcome of the sunrise is conceived as a welcome to a new beginning and an expectation of a better future by the participants. In a broader sense, this is just the beginning of the summer. The name of the feast is associated with the famous song July Morning of the British rock band *Juraj Heap* from 1971. Every June 30th, July 1, many people gather along the Bulgarian Black Sea coast to meet sunrise together. The Gulag is unique to Bulgaria due to the nature of its occurrence, not observed in other countries in Europe and the world. Appearing as a hippie festival in Varna in 1980, later the celebration moved to the village of Varvara, Tsarevo Municipality. It is currently celebrated regularly with the participation of John Lawton on the eastern coast - the rocks near the village of Kamen Briag, where the sun first shines Bulgaria. It is alleged to have emerged as a protest against Communist power expressed in the meaning and impulse of the song of the same name by *Juraj Heap*. After the fall of the Communist regime in the country, the wedding continues to exist, but the lack of the origin of the protest changes with time the basic idea of the first hippie movement in Bulgaria. Some argue that the idea has already lost its original meaning, and that younger people are not necessarily familiar with the conditions in which this celebration arose, or even who is the author of the song. However, the excitement of the first morning rays as a symbol of the emerging life is still a major reason for people to celebrate it (Municipality of Kavarna, 2019).

6. Conclusion

As a result of our analysis, we can summarize that events can become an essential resource of destinations that attract visitors according to their preferences and the uniqueness and quality of the planned and conducted events. This implies the need to assess the contribution of events not only in terms of direct financial revenues but also in terms of their contribution to creating a positive image of the destination aimed at creating strong and lasting links with visitors. Evening experiences are just a small part of the whole palette that can be offered to visitors, especially in the cities. Their good organization brings many advantages to the host destination, which has an impact not only in economic terms. With regard to the evening economy, we believe that events would make a significant contribution to overcoming the negative effects of night-time tourism. In Bulgaria, there are already significant positive examples of how evening tourist events are beneficial and well received by tourists. The expansion of the opportunities for access to our country, mainly through low-cost flights, can also be effectively utilized by absorbing positive experience in the organization of night attractions and events. Though modest, our experience is in the right direction and can promote Bulgaria in a more successful and reliable way than reports from criminal news.

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KOKZHAR FAIR: HISTORY AND MODERNITY

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Abstract

The history of the Great Silk Road is an actual experience of mutually beneficial trade and peaceful cultural communication of the peoples of different countries. The Great Silk Road played the role of a link between countries of different civilizations and socio-economic systems. This huge system of caravan routes has existed for more than one and a half thousand years.

The Great Silk Road became a channel through which there was a constant exchange in the field of culture and art, knowledge and ideas, traditions and objects. It is known that not only the goods themselves, but also information about their production, were distributed along the Silk Road.

The scientific article presents a philosophical and cultural analysis of the interrelationships of cultures on the Silk Road, which ran through the famous Kokzhar fair.

Keywords: *Silk Road, trade, architecture, culture, patriotism*

JEL codes: *N75, O14, F53, P33*

1. Introduction

As a result of the functioning of the Great Silk Road, for the first time in history, there was a tendency for cultures to converge in the process of intensive and regular world economic relations. A gradual unification of cultural components took place along the entire route of the Great Silk Road. Many researchers note that in the trade cities of Asia even developed the general features of the planning of temples, although they belonged to their own denominations. This rapprochement, however, was only a trend. Borrowing of cultural gains was limited. For example, such inventions: Chinese designations like typography and paper money did not become an object, even in Asian

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countries of the Silk Road close to China. Innovations in the socio-economic sphere were not adopted at all.

The Europeans showed much more active interest in the study of the countries of the East than the inhabitants of the countries of the East in Europe.

A characteristic feature of Kazakhstani society is polyapacity. The future of the country, its competitiveness, integrity are determined by such valuable components as readiness for mini-ethnic communication, tolerance for the national characteristics of various ethnic groups, respect for the cultural values of peoples living in different countries of the world, language tolerance, patriotism. These values are named as long-term priorities of the country in the message of the first President of the Republic of Kazakhstan N. Nazarbayev in the Program "Kazakhstan - 2030".

Kazakh ethnos has a rich and unique cultural heritage, created by them in the process of historical development. Spiritual culture plays the role of guardian and translator of ethnic memory, allowing you to constantly reproduce the social experience of the ethnosocium and its spirituality.

Ethnic memory for a long time demanded in oblivion and itself remained only as part of social memory, which is a way of existence and functioning of any society and ethnic group, accumulating and successively transmitting material and spiritual values from generation to generation, from past to present.

Close intercultural contacts led to the creation of original works of art, in which the syncretism of Iranian, Chinese, Sogdian and Turkic cultural traditions was manifested. These elements are so closely intertwined that the researchers refer to the same phenomena to the western or, on the contrary, oriental, with equal reason, revealing what caused the appearance of wandering plots in the cultural peoples living along the whole Silk Road. It is also noteworthy that, despite the confessional differences, along the highways of the Great Silk Road.

It is also noteworthy that, despite the condissiative differences, along the highways of the Great Silk Road, from Front Asia to East Asia, even general planning features of temple architecture are developed.

These words of the Kazakh people say: "There will be no winds without gusts, there will be no people without art. By watching the plants, know land; watching the swans, know the lake." In this regard, representatives of the clergy and other organizations are working hard to indicate the right way to stumble, so to speak, separating the wheat from the chaff. Today revived Kazakhstan has its centuries-old way of formation and development of architecture. Architectural art is a part of the history and life of all mankind; it makes it together with humanity. The purpose of architecture is the organization and implementation of human life and activity through the material structure.

Sacred places are the deep roots of our nation. Our ancestors defended the land with the powers of their hearts and souls. Thus, we are obliged to restore these names and to have the recognition, reconstruction of images of our history.

The architecture of Kazakhstan is a part of the general architecture, developed since the formation of many states, along with its natural and distinctive features.

Indeed, in Kazakhstan there are more than 25 thousand historical and cultural monuments of the ancient era, a variety of habitats of people of ancient times, menhirs, dolmens, mounds, paints, burial grounds, mazars, mosques and other examples of architecture. From the VI century buildings are built (bath Taraz, etc.) with decorated ornaments on them. In subsequent years, the Kazakh national ornament in the cities of Otrar, Sauran, Sygynak showed its signature. For example, the dome Aisha Bibi is rich in geometric rhythm. Samples of ornaments of the local population were also used on the monuments of Khoja Ahmed Yassau. Thus, the developing art of ornament in VIII-IX centuries had its continuation in the arts of sarmats, kimaks, kipchaks and others; people who had been living on Kazakh lands. This is known in the work "History of arts and crafts of Kazakhstan" by A. Margulan.

In the V-VII centuries the construction of stone was especially developed. According to old data, at this time stone-masons were special masters. This is evidenced by the monuments of fine art and various remains of various stone ornaments and monuments.

During this period, carpeting or women's jewelry made of bones and other decorative and applied arts were made. The architectural monument of IX-XII centuries of Kazakhstan, which has reached the present time, has the highest artistic value. Kozy Korpesh-Bayan Sulu in the East Kazakhstan region (IX-X centuries), burial ground - a wonderful monument that has been preserved since the Karluk era. In 1856 stone statues lying next to this ancient grave were written by Sh. Valikhanov. Mausoleum of Aisha-Bibi (XI-XII centuries) was built of burnt bricks. Patterns of burnt clay behind the wall are fully combined with the Kazakh national ornament. Such amazing and beautiful architectural monuments contributed to the development of the art in Kazakhstan.

In the XIV-XV centuries after the liberation from the Tatar-Mongol invasion, the former urban culture was restored and dynamically developed in Kazakhstan. The architectural art renewed. The construction of the Mausoleum of medieval poet, philosopher, Saint Khoja Ahmed Yassau began at the end of the XIV century in Turkestan (ancient Yassy). The mausoleum of Ahmed Yassau as a result of the development of medieval tradition was among the best examples of world architecture. Stone, stone floors, stone vault, masonry masts, making benches in the architectural art of the Kazakh people prove the ancient art of stone masters. To the list of such sacred places we may add Alashakhan in Karaganda region (XIII c.), Ahmet Yassau in Turkestan (XIV c.), Abat-Baytak in Aktobe (XIV), Sundet (XVII c.), Karasakal (XVIII) and others which still require a lot of research.

In the manufacture of products from such items as gold, silver, horn, bone, people combine a variety of methods of decoration with precious stones, create fashionable products, and sometimes decorate them with gold, silver, bones, plastic, leather items. By working with stones such as marble, ceramic stone, white stone they used to make various sculptures and toys. Artisans widely used diamonds, brilliants, pearls, water stone, ruby, koktas, sparkling stone, stone. Kazakhs present a variety of subjects from gem stone: rings, earrings, pins, bracelets, decorations for saukele, warriors' wrist straps, pendants, takias etc. These stones were widely used in the decoration of the household products as well as men's and women's accessories. To add more, they were also used to decorate cultural places and were used as a special gift for winners in horse races. Likewise, they had been passed to generations as a heritage and were the main decoration for different cultural monuments and buildings. From the stone there were made writing utensils, stone jars, boxes, stands, sculptures.

Deed history of architecture is to reflect the history and trends of architecture of any country with the other historical events of the time, social construction and economic field.

By turning into permanent settlements in the valleys the places started to be rich in cultural palaces and other various, wonderful constructions.

Architects, builders along with experts of the great historians, writers, scientists, and artists made a huge contribution to the development of architecture and its recognition. Today we are working on how to raise our culture to a new level.

The fair Kokzhar (Oyil), which has become a unique monument of the Ancient Great Silk Way, has survived to this day without losing its impression.

Spiritual modernization is important to combine different poles of national consciousness. It is a platform of memory of the nation, which harmoniously combines the horizons of history, creation of today and bright future. I want every step to go with confidence to the future, making a solid core of further development of national traditions and customs, not interrupted since ancient times and rich history of my people. It did not seem vain that it said "Have a flag on the native land". Patriotism begins with a love of the land, where the umbilical cord pays off. Its scale is expanding and moving to the "home country". Mother land is where we are and were born, it is where you start crawling and make your first steps; it is where you lead your entire life. One can't live a life anywhere else without remembering and having his homeland at the bottom of his heart. Commitment in native land's culture, traditions and customs is one of the most important manifestations of true patriotism. Not only did our ancestors protect unusually vast territory, they protected the future of the nation, the future of our generation and us. Defending its every centimeter they left the land for us to inherit. What does the love for the native land mean, what is the essence of the spiritual modernization program as a whole? This involves large-scale local history work in the field of education, environmental improvement and improvement of settlements, restoration of historical

monuments and cultural objects at the local level. Every lowland and cliff, mountain and river of the native land has a history. There are many legends and stories related to them. Each region has great heroes whose names are preserved in the memory of the people. All this should be known to the younger generation. We must instill in the minds of the people the concept of national heritage places. Every nation, every civilization has common sites that every citizen of this nation knows. This is one of the main foundations of the spiritual tradition. We are a country with a vast land and a rich spiritual history. The vast territory of the great steppe, with spiritual sources, played different roles in history. But, people inhabiting this spiritual geographical zone lived as one on the vast territory. (Nazarbayev N.A.)

Space is the measure of all things, and time is the measure of all events. The history of the nation begins when the horizon is at the junction of space and time. It's not just an aphorism. In fact, if we look at the calendars of German, Italian or Indian peoples, they have the question that many of the great achievements in their history, spanning thousands of years, belong to the territories where these countries now live. This is the right approach to history. This way we are able to know our roots, learn our national history. In this regard, the History of Kazakhstan as a whole should be clear from the point of view of modern science, and but not with individual endings. This has all the necessary arguments as a proof. (<http://aikyn.kz> 2018/11/21) Aktobe region is a region rich in cultural heritage, natural resources, having a huge economic and tourist potential. Once, the region was the center of Sarmat culture. Aktobe is the birthplace of the prominent khans, the brave warriors, great philosophers, poets, zhyrshy-zhyraus, famous writers, prominent scientists and poets of art.

The main advantage of the region - the geographical location is very convenient: at the junction of Europe and Asia. The Great Silk Way passed via the territory connecting various cities and states. Still it does... Currently, the region has highways, Railways from North to North, from West to East. The largest of them is the international transportation "Western Europe-Western China". Railway lines are located in all directions of the Eurasian continent. And the nature of Aktobe, located in a large area, is very picturesque. About a hundred rivers, lakes, springs, artificial seas, reservoirs are a wonderful gift of the nature. From the territory of the region it is possible to carry out an inventory of all minerals contained in the Mendeleev table. "Aktobe is the locomotive of the country's economy." Aktobe is a sacred place where unity and harmony are created. The population of the region reaches 850 thousand people. Representatives of more than a hundred nations and nationalities live here together. The region has a lot of attractions that give an unforgettable impression and amusement. Kazakhstan's unique and rare architecture monuments – the mausoleum of Abat Baytak, monument Eset Batyr, the ancient fair of Kokzhar, Oyil Mosque, etc. are the most attractive places to have a flow of tourists each year.

One of the largest shopping centers of West Kazakhstan region is Kokzhar fair in Oyil. The main provisions of the Kokzhar were approved by the Minister of internal Affairs of Russia on September 7, 1866. (Picture .1) Kokzhar was officially opened in the spring of 1867 in Kazbek district of the Ural region. About it in the explanatory note the Commission on preparation of the draft of rules of management of the Kazakh steppe noted: "for the first time with the permission of chiefs fair was opened in the spring of 1867 on the river Oyil in the Orenburg steppe. It imported goods worth about 250 thousand rubles, of which about 100 thousand rubles were sold and exchanged and up to 20 thousand different types of cattle were purchased... »

"Ural Military" newspaper (№31 from 1867) about the Oyil fair, opened in Kazbek in 1867: "the opening of the fair is very important for the Kazakhs. The fair will save the Kazakhs from people (mainly Tatars), who in the Kazakh steppes exchanged and sold their goods from Orenburg, Samara, Ural merchants". In 1869, the Oyil fair, which was opened in Kazbek in 1867, was transferred to the Barkyn cliffs near the Oyil fortress as a convenient place to ensure "safety, free movement of Russian merchants and fast and full sale of goods." Oyil fair was held in the buildings, which were located oppositely, the length of 400-500 meters. In this row there were the largest shopping buildings with about 30 shops alongside.

Picture no. 1 Kokzhar fair, 1937 year



The building of the fair of burnt bricks has survived to the present time. (picture.2 - 3) In 1870 for the position of Chairman of the Oyil trade fair was elected Mendymbay Kumisbekuly. He held this position for more than 40 years. The fair had merchants from Orenburg, Sarytau, and Samara. Likewise, from Uzbekistan and Turkmenistan.

A well-known scientist-traveler who explored the Western region of Kazakhstan P.S. Pallas, Falk, G. Georgi, P. I. Rychkov and others left in their notes a lot of information about trade routes and centers. Famous scientist Yermakhan Bekmakhanov, who studied the history of the Kazakh land, told about the opening of this fair: "for the first time in the order of the authorities was a good result of trade fair, which was opened in the spring of 1867 near the river Oyil in the Orenburg steppe." The first studies were conducted in 1973 and the passport of the monument was made.

On the state and prospects of the new Oyil fair at the Oyil fortress, adjutant general Kryzhanovsky wrote: "upon arrival at the Oyil fortress (May 20, 1870), I came to the fair, opened here on May 15. Due to the fact that the fair began to function since 1868 and in connection with last year's censuses, I noticed that a lot of people gathered at the fair this year. Only for the first 6 days more than 8 thousand men and women gathered at the fair. They brought to the fair a large number of sheep, horses, cattle, as well as skins, wool and other products made by the Kazakhs. I was surprised: at the fair I saw 44 Russian shops, which were open to meet the domestic needs of the Kazakhs. To learn more about the terms of trade at the fair, I looked around the shop, located in yurts, and asked all arriving traders about the progress of trade. All of them are happy with the fair, highlighted that the trade is booming, the Kazakhs buy a lot of goods for money, as well as exchange goods for livestock, wool and other products. At the beginning of the fair, Russian traders said that they brought 12 rubles of goods. But it was really reduced amount and it was said that they deliver many more products than that. The fair has a large area on the valley of the river Oyil, which is located 1.5 km from the fortress. Despite how many cattle were driven to the fair, pastures along the river are sufficient for grazing. Of course, we can believe that in the near future the fair will be launched in large numbers, at a reasonable price, that all counties of the Ural region have a large number of opportunities for Kazakhs to purchase the necessary items in very large quantities."

Picture no. 2 Kokzhar fair, 2019 year



With the opening of the Oyil fair, it became a very profitable shopping center for Russian merchants. In the years 1869-1874 Russian merchants at the Oyil fair sold various items in the amount of 746 889 rubles. The trade turnover of Russian merchants was growing at a very good pace every year. If in 1869 the fair was held the product of 6095 rubles, for the next two fairs in 1870, the trade turnover reached 52527 rubles. In 1871, the turnover increased by 2.5 times, and in 1872 the total volume sold by merchants increased by 4 times and amounted to 208,520 rubles. At the Oyil fair you can see that the pace of trade of Russian merchants developed especially. In the autumn of 1869, Russian merchants sold products of only 6,905 rubles to Kazakhs, and in 1873, at the spring fairs, the size of products sold by Russians increased to 147,730 rubles.

Oyil fair worked cooperatively with Gurev, Ural, Aktobe districts and the cities of Orenburg, Samara, Troisk. An official of the tsarist government, adjutant general N. Kryzhanovsky: "Kazakhs of three districts moved along the river Oyil and its tributaries. Their trade relations are closely connected with Uralsk, where they buy their cattle and buy the goods they need."

A.Polenov, The Doctor of Medicine, wrote in his work of „Trade and industrial roads in Bokey and the places bordering it" drew attention to the geographical position of the Oyil Fortress.:

"In the 218 km East of Uralsk is situated the fortress of Oyil. In the West and East about 200 kilometers has Temir fortress. Both settlements are the centers located on the other side of Ural and has a vital importance, as they are located along the shopping streets of Hua, Bukhara, Persia to Orenburg, Ilek and Ural, as well as annually held various fairs.

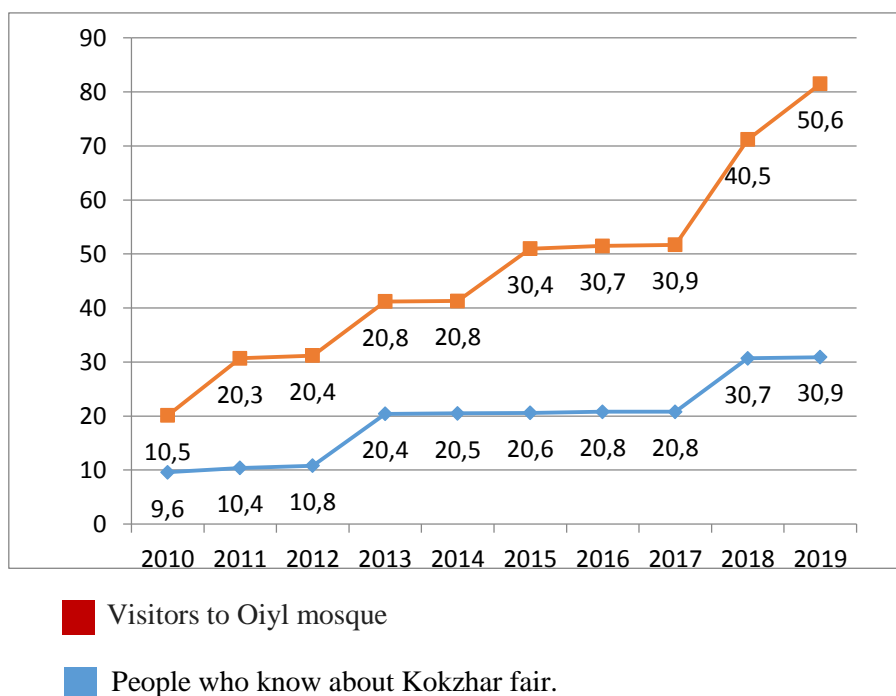
In his writings A.Polenov highlighted the advantages of the Oyil fair: "at the fair people gather a lot and actively trade. In particular, the trade in cattle was put on a good path, part of the purchased cattle is taken to the North-West from Ural and the depression to the North – Orenburg through the roads leading to these settlements."

Kokzhar fair has become not only the largest trading place in Kazakhstan, but also one of the centers of art, which contributed to the development of Kazakh art. The fair was a great influence on the development of creativity of poets, zhyraus, who lived then, as well as a special place in the performance of the spiritual needs of the common people. Kerderi Abubakir, a poet wrote his poems based on the fair and accurately describes the life of the fair.

Kyzyl Turdauly was one of the brightest performers of the time who presented all the colorfulness of the fair in his poems beautifully. His song "Sarah Iek", "Kogazhai", "Zhangak „were the most beloved music to the ears. Kyzyl's "Kamshyger" was the favourite song to sing for the fair comers. Also, Abis Asan Kaigy, the great philosopher of nogai nation wrote and sang about the fair in his poems.

Before the Soviet Union, according to the Aktobe regional archival documents, 200 mosques served for the local people until 1917. Under the Soviet government, the clergy

were repressed; the domes of mosques were destroyed, turned into warehouses and premises. Most of the 200 mosques were demolished and only a few survived. Their attractions are the mosques of Aktobe and Oyl. It is known that the Great Silk Way with a length of more than 7000 km crossed the Kazakh land. Since Kokzhar is directly connected to the way there is no value for word descriptions of Asan Kaigy. The history of the construction of one of the oldest mosques in Aktobe region, the Oyl mosque, is connected with the trade and colonial policy of tsarist Russia. One of the mosques, built in the middle of 19th century, and became the main center for people without losing its value is the Oyl mosque. In the history of the construction of the mosque Oyl are shown three different years. These are: 1863, 1893, and 1912. Based on the evidences let us conclude the accurate date: if we look at the data from 1893, “to meet the requests of the merchants of the trade fair, the basement was built of burnt bricks and the woods were delivered from Orenburg by camel carts in 1893.” (Mosques of Aktobe region, 2000, p. 168) This fact is repeated in other works as well. "The history of the names", published in 2007 in Aktobe: „it began to build in 1893. The Foundation was laid with a wild stone, on a stone of red brick, on a cart from Orenburg. Iztleuov Sagidolla, the first Imam, is a literate person who speaks Arabic, Persian and Russian. After him was Hazret Hassan. In the 30s of the twentieth century, the religious features of the mosque were destroyed, turned into a house of Drama Theater, technical and economic warehouse. At the end of the twentieth century, that is, in 1999 it was renovated and restored.



Discussion

The Great Silk Road influenced not only the fusion of art by masters of fine arts, architecture and sculpture, but also contributed to the formation of the first originals of the mobile folk theater.

So, for example, the Great Silk Road ends in Byzantium, where the East and the West merge together. At the festivities in Constantinople, clowns, dancers, acrobats of all stripes performed before the people. In 1161, by order of the emperor, representatives of all famous peoples of the world in their national costumes came to the square and showed their art. Together with caravans, loaded goods, art people and singers constantly wandered throughout Eurasia. They demonstrated their art both before the Sassanian Iranian shahs, at the weddings of Sogdian farmers, at the reception of the Umayyad caliphs, and at the feasts of the rulers of Turan.

The Great Silk Road favorably acted upon the cultural exchange between peoples of folklore styles and contents. These epic phenomena are reflected in other art forms. In most parts of Eurasia, cultural artifacts based on Turkish epics were spread.

In 1866, on the bank of the Ob River, a silver bucket was found depicting the struggle of two riders: you can see from the pile of hair that they are from Turkic tribes, and one of them is man and the other is woman. Analyzing the drawing, we came to the conclusion that the motive was taken from the book *Korkyt ata*, namely from the ballad about *Bamsa-Beyrek*. G.Potanin, who was seriously engaged in studying the commonality and the wandering of epic culture subjects, came to the conclusion that Eastern epics had a great influence on Western epics.

According to the mythological structure, the Turkish fairy tales are related to the tales of other nations, which proves the common humanity in the development of culture and continuity. Fairy tales, in the main, tell about the awesome force. about fantastic characters. A person has not yet fully distinguished in the objective world the ideal concepts from the subject, his ideas. The beauty of consciousness is cognized from the visual side, the truth is cognized by comparing and supplementing the basic qualities. For example, Levi-Strauss spoke about the sequence and similarity of the characters of world culture. And such a character as Cyclops is found not only in Greek legends, but also in the legends of Central Asia. Since man was everywhere in a state of eternal struggle with nature.

About this critic and cultural critic Z. Serikkaliyev wrote: "In ancient times, artistic culture proved the superiority of man over nature and beasts. Recall the famous legend of Orpheus, based on the harmonious symmetry of the feelings of the Greeks with the world of nature. Beautiful sounds of song with languor listen to the river, forest and fields. The descendants of Apollo and Klion, with sweet songs, enchanting melodies, moved huge rocks and pacified wild animals. The theme of the glorification of the organizing abilities of man in the world of nature is becoming more and more widespread and becomes the

main direction of artistic creativity of the era of Hellas. Later, the culture of Hellenism in the II century BC. left a legacy of the acropolis of Pergamum.

This is an immortal monument of the greatness of human skill, praising the selfless struggle of man against the elements of nature.

The theme of opposition to the great gods, giants, lasted a long time. For a long time, art has depicted the element of nature, insuperable forces, terrible monsters and strange animals. For victory over the mysteries of nature before humanity lay whole epochs.

Thanks. Great help in researching and writing articles and information about the Uil Mosque and the Kokzhar Fair was made by the Uil Central Library and the Uil Art Museum named after Bersiyev. We express our deep gratitude to the S. Baishev Aktobe Scientific Universal Library.

Conclusion

The Kokzhar fair, located within the borders of the Urals, the Guryev and Temir districts of the former Urals region and the Aktyubinsk district of the Turgai region, became the largest socio-political and economic center of Western Kazakhstan in the last quarter of the 19th century.

The Kokzhar fair as a special type of trade in the second half of the XIX century had a positive impact on the development of Western Kazakhstan, especially the economy.

The Kokzhar fair played an important role not only in trade, but also in sustainable economic cooperation with the neighboring countries of Russia, Khiva and Bukhara. Tashkent merchants said about this: "The final rapprochement with the peoples of our region largely depends on the development of our trade relations, along with the development of trade other relations began. Along with the exchange of goods, we will discuss various issues."

The Kokzhar fair had a definite influence on the development of trade relations in the Ural, Guryev, Temir districts of the Urals region, Aktyubinsk and Irgiz districts of the Turgai region. The Kokzhar Fair became the center that promoted the popularization of folk art and culture in Western Kazakhstan. Trade at the Kokzhar Fair, in turn, contributed to solving the most important social problems within the country.

The Great Silk Road is geographically favorable, that is, the country's location in the center of the Eurasian continent contributed to the emergence in antiquity of transit "corridors" between various states and civilizations.

The steppe belt linked the civilizations of China, Indian, Persian, Mediterranean, Middle Eastern and Slavic. During the reign of the Turks of Central Eurasia, the Great Silk Road reached the point of prosperity and contributed to the development of the

economy and the development of culture on an international scale. Since our era, these land roads have become truly the Great Silk Road.

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